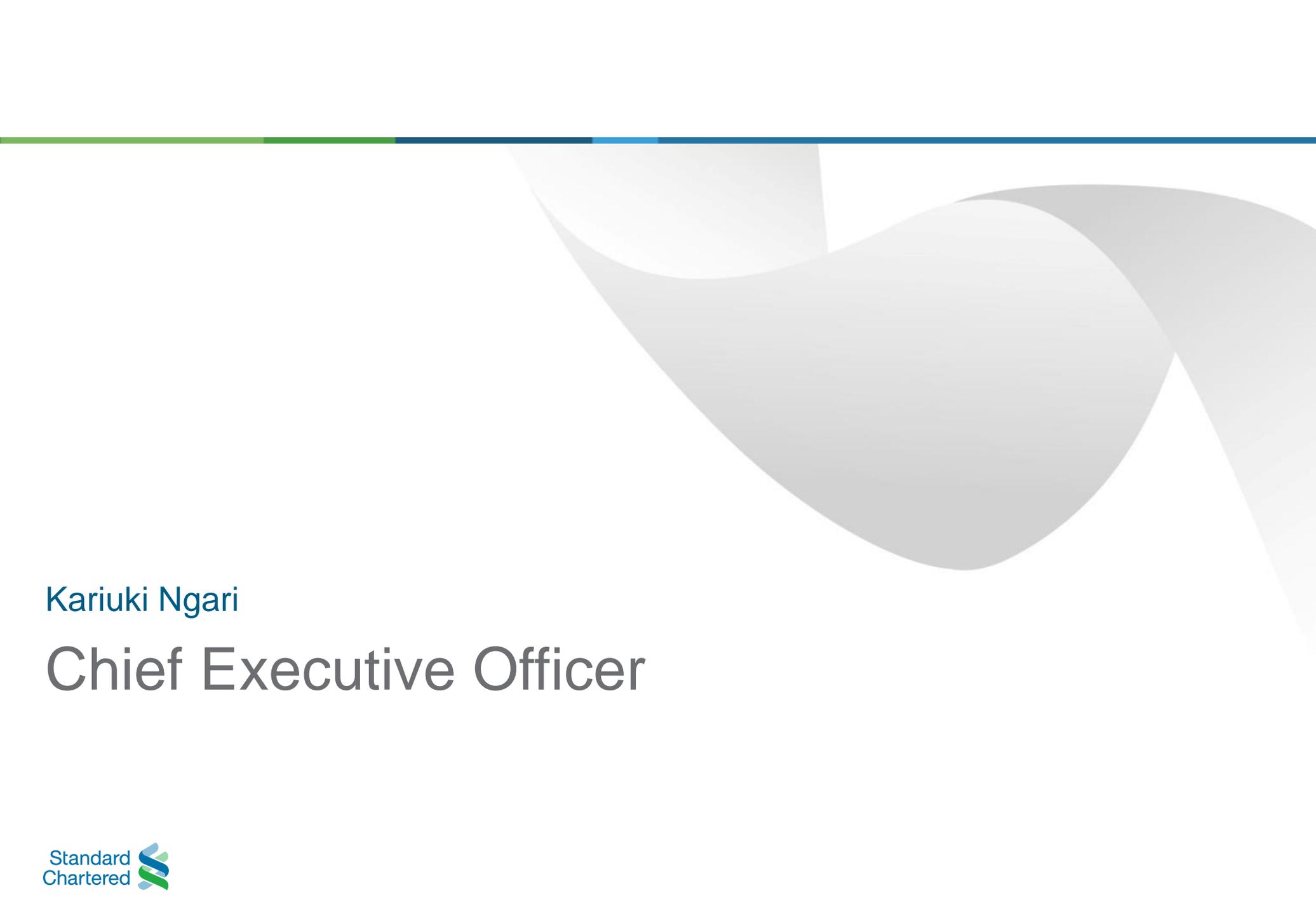




# Standard Chartered Bank Kenya Limited

## Half Year 2019 Results

26 August 2019



Kariuki Ngari

Chief Executive Officer

# Driving commerce and prosperity through our unique diversity

Who we are

Strategic priorities

Financial information

We understand our responsibilities to our stakeholders



We will invest in sustainable financing and infrastructure



We will maximise return from investment in our people



We support the communities where we work and live



We aim to deliver sustainable returns to our shareholders



We will promote a safe and sound financial system

# We are one of the oldest banks in Kenya and the largest international bank

Who we are

Strategic priorities

Financial results

- Presence in Kenya since 1911
  - Listed on NSE since 1989
  - Track record of innovation. We were the first to:
    - Introduce 24 hour ATMs, and integrate branches
    - Gain ISO 9002 in technology systems
    - Provide unsecured personal lending ...
    - ... as well as dedicated Priority Banking facilities
- Part of the Standard Chartered group
  - FTSE100: \$20bn market value
  - Global bank operating in 60 markets
  - Unique footprint in Asia, Africa and Middle East



**30,000**

Shareholders

**250,000**

Clients

**1,450**

Employees

3

Segments

5

Product groups

73%

Millennials

53%

Female

# We serve a diverse client base with differentiated products

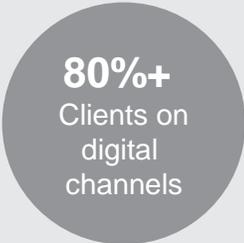
Who we are

Strategic priorities

Financial results

## Corporate & Institutional Banking

Large corporates, financial institutions, public sector, government and MNCs



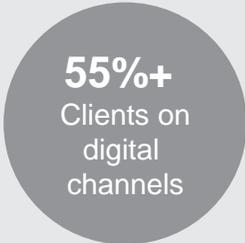
## Commercial Banking

Local corporates and medium-sized enterprises



## Retail Banking

Individuals and small businesses



Transaction Banking, Financial Markets and Corporate Finance

Wealth Management and Retail Products

# Our priorities are underpinned by our Purpose and delivered by our people

Who we are

Strategic priorities

Financial results

<b>Our Purpose</b>	Driving commerce and prosperity through our unique diversity
<b>Our brand promise</b>	Here for good
<b>Our valued behaviours</b>	<ul style="list-style-type: none"><li>• Do the right thing</li><li>• Never settle</li><li>• Better together</li></ul>
<b>Our strategic priorities</b>	<ol style="list-style-type: none"><li>1. Deliver our network</li><li>2. Grow our affluent business</li><li>3. Optimise low-returning markets</li><li>4. Improve productivity</li><li>5. Transform and disrupt with digital</li></ol>



- Disrupt bricks-and-mortar with **digital**
- Reinforce market leadership in **wealth**
- Increase our cross-border **network** business

# We are positioned to transform and disrupt with digital ...

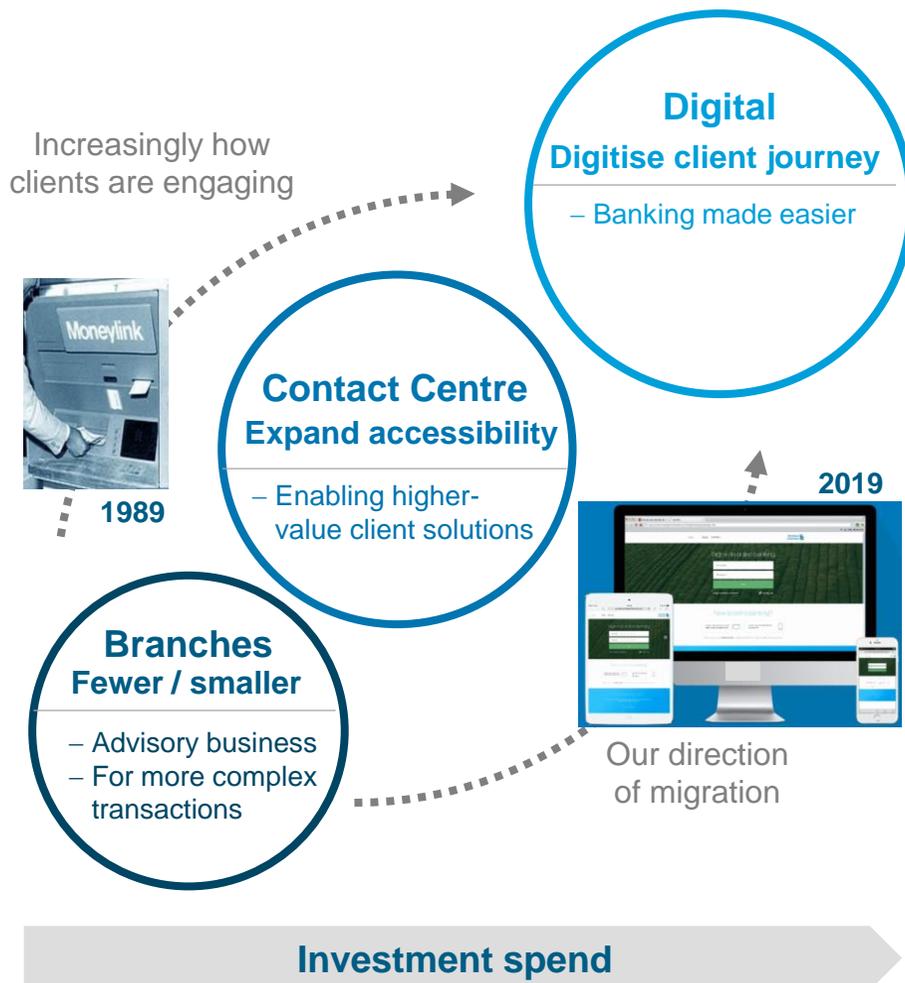
Who we are

Strategic priorities

Financial results

Digital

Cost-effectiveness and time-efficiency



- We are investing now to develop and scale new business models
  - Digitise to increase reach
  - Disrupt through FinTech partnerships
  - Enable alternate channels
  - Accelerate digital penetration
- We are promoting staff participation to speed up innovation

# ... and are seeing encouraging early signs of progress

Who we are

Strategic priorities

Financial results

Digital

## Recent progress

- Retail digital bank launched in March 2019
- Launched 'eXellerator' lab
  - Designed to foster innovation
  - Partnering with FinTechs
- Best Digital Consumer Bank, country award by Global Finance in August 2019

## Future initiatives

- Mobile lending (including SME)
- QR Pay capabilities on SC Mobile
- Lending process automation



**>83%**  
Non-branch  
transactions



**70**  
Digital services  
and products



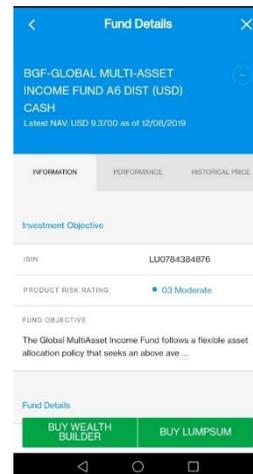
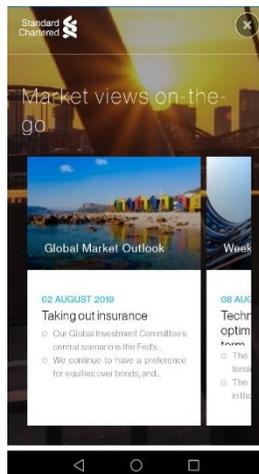
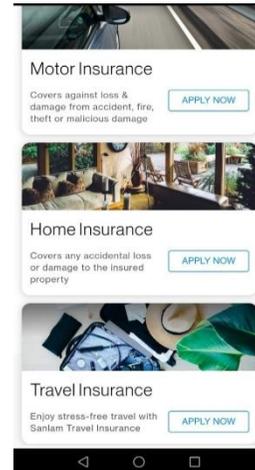
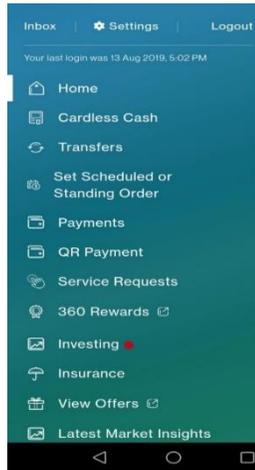
# Our aspiration is to be the market leader in Kenya in wealth management

Who we are

Strategic priorities

Financial results

Wealth



- We aim to be the 'Partner of choice' at each stage of the client's financial lifecycle, with:
  - Differentiated Investment and Insurance solutions
  - Superior client experience via our digital platforms such as SC Mobile app
  - Personalised investment advisory

# We are developing best-in-class capabilities

Who we are

Strategic priorities

Financial results

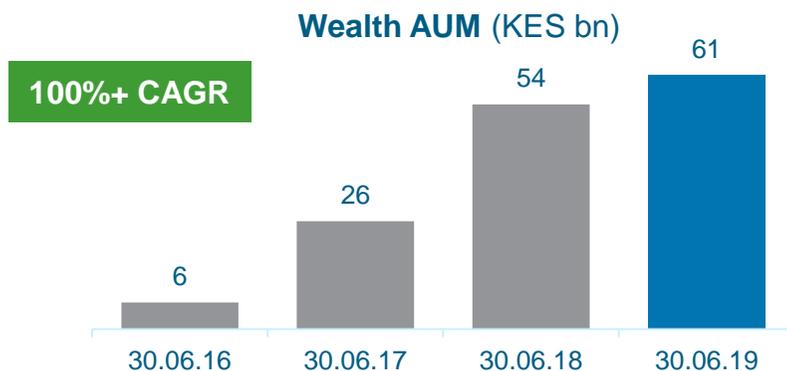
Wealth

## Recent progress

- Gone live on mobile for:
  - Motor, travel and home insurance (4x growth)
  - Paperless submissions for motor insurance
  - Investment solutions for global fund managers
  - Forex transactions for G10 currencies
- Certified wealth advisers

## Future initiatives

- Continue to up-skill wealth advisers
- Farewell insurance plan (funeral cover)
- Savings insurance plan on the go
- Fixed income securities via digital
- Insurance wallet to help monitor policies



# We are investing to enhance our cyber resilience and security capabilities

Who we are

Strategic priorities

Financial results

## Identify

- Information and cyber security risks; ensure governance across the Bank's data, systems, assets and capabilities

## Protect

- All critical assets and infrastructure
- Strengthen the Bank's security culture

## Detect

- Enhance our ability to detect breaches
- Engage with industry experts and external partners on cyber intelligence

## Respond

- To a cyber security breach with the appropriate action to minimise any impact to the Bank

## Recover

- From any impact to services caused by a cyber security event
- Ensure services are restored and the Bank's resilience is maintained

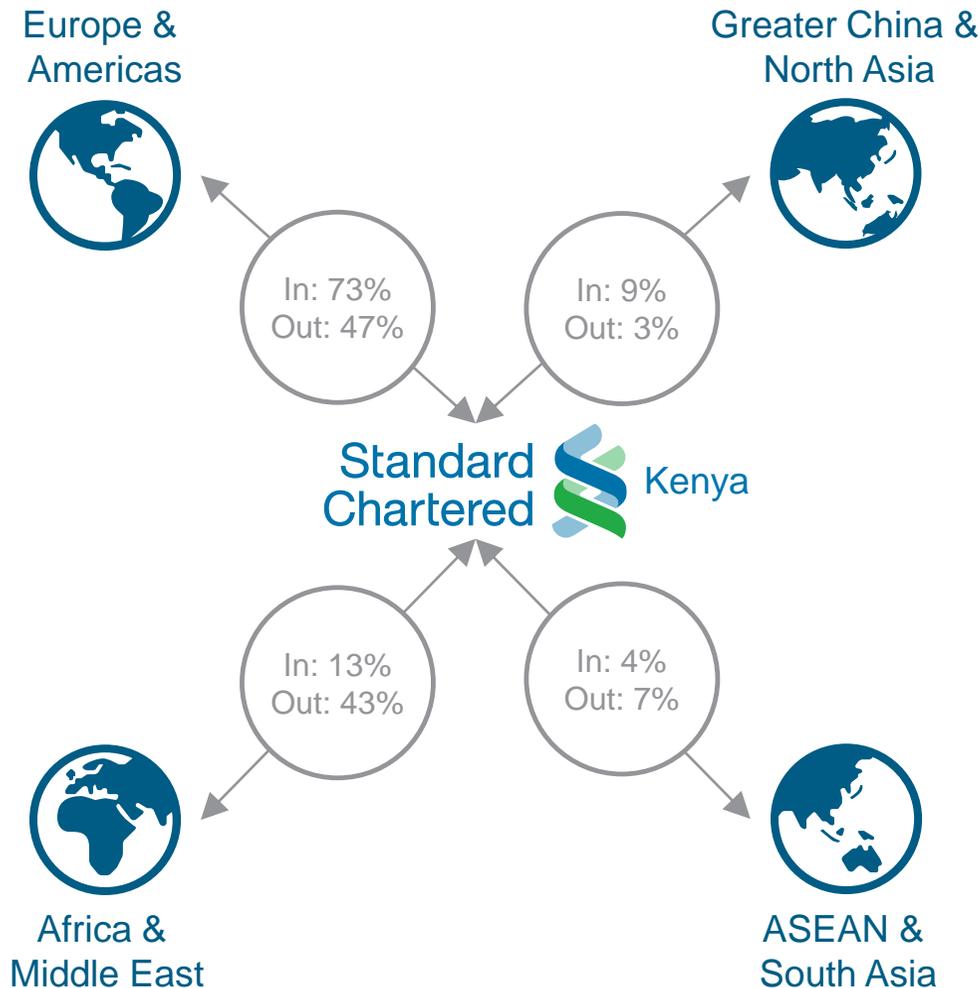


# Our global network offers unique opportunities

Who we are

Strategic priorities

Financial results



- The network enables us to provide a differentiated offering to our clients
- Africa is a key part of our proposition
  - 27% increase in trade volume by 2023<sup>1</sup>
  - >60% of top corporate clients use our Africa franchise
  - >10% of OECD income is booked in Africa
- SCB Kenya both contributes and benefits
  - Particular focus on client 'ecosystems'
- Well positioned to support trade in AfCFTA

# We are delivering the network

Who we are

Strategic priorities

Financial results

## Recent progress

- KES 2.5bn financing to MNC's SME distributors
- KES 40bn transaction enabling a regional DFI to access funding from Asian capital markets
- Doubled the China corridor loan book in 2018
- KES 3.5bn financing for fertiliser purchase, supporting 650K+ tea farmers to improve crop yield

## Future initiatives

- Tapping into investment opportunities from Middle East and South Korea into Kenya
- Expand Japan and India network business

Network

Network income contribution (KES bn)



---

Chemutai Murgor

Chief Financial Officer

# Financial performance in 1H'2019

*Strong capital and improving profitability*

Who we are

Strategic priorities

Financial results

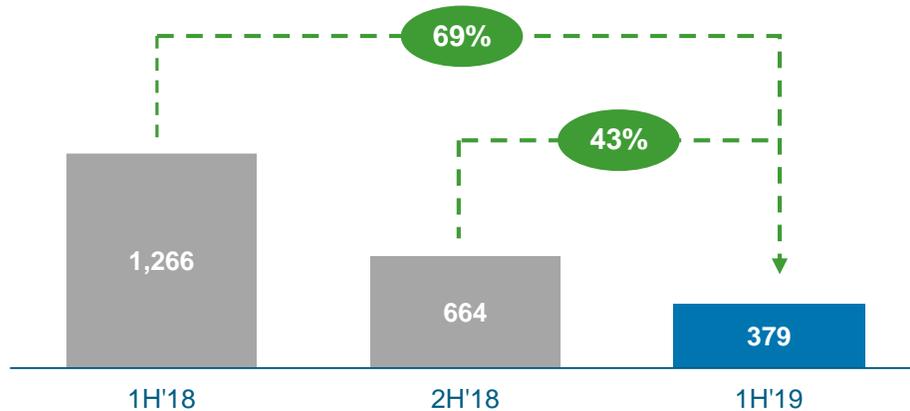
(KES bn)	1H'19	1H'18	YoY <sup>1</sup>
<b>Operating income</b>	<b>14.6</b>	14.7	(1%)
Operating expenses	(7.3)	(6.8)	(7%)
Net impairment losses	(0.4)	(1.3)	69%
<b>Profit before taxation</b>	<b>6.9</b>	6.6	5%
<b>Profit after taxation</b>	<b>4.7</b>	4.5	5%
Cost income ratio (%)	50.0	46.3	(3.7)
Basic earnings per share (KES)	13.46	12.76	5%
	<b>30.06.19</b>	<b>31.12.18</b>	
Loans and Advances to customers (net)	120.1	118.7	1%
Deposits from customers	228.5	224.3	2%
<b>Total capital ratio (%)</b>	<b>18.55</b>	19.47	(0.91)
Liquidity ratio (%)	67.23	66.61	0.62

- Income broadly flat due to compressed margins
- Investing in technology, cyber security and people
- Continued improvement in credit quality
- Improved profitability leading to higher EPS
- Focus on sustainable balance sheet growth
  - Headwinds in private sector credit growth
- Substantial surplus of customer deposits
  - Underpinning a very strong liquidity ratio
- Strong capital position
  - Prudent surplus to regulatory requirements

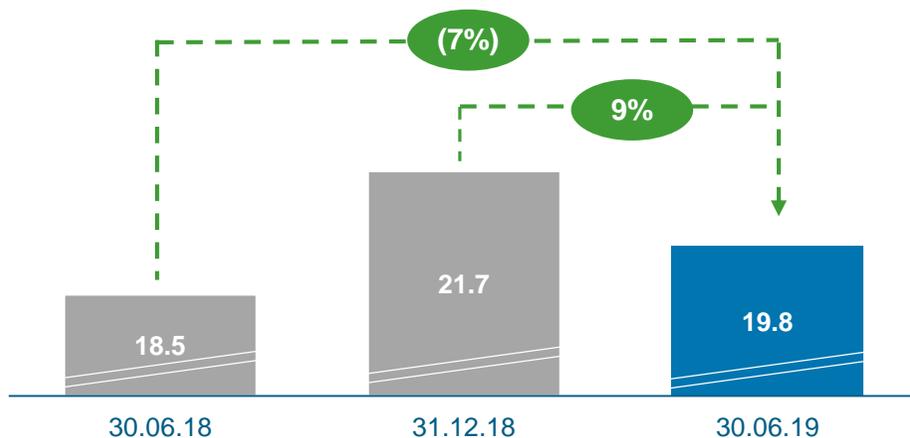
# Improving credit quality

...with lower impairment losses

## Credit impairment (KES mn)



## Gross NPL (KES bn)

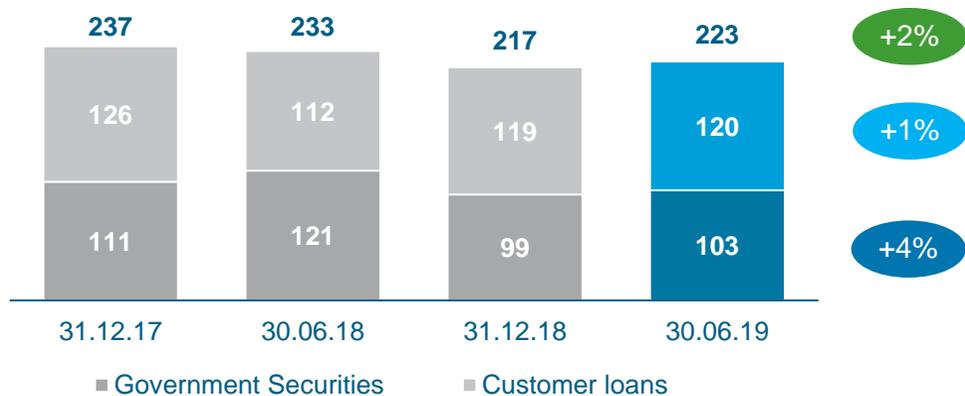


- Continued improvement in credit quality
- Significant reduction in impairment
- 9% reduction in gross non-performing loans
- Cover ratio<sup>1</sup> strong at 76%
- Considerably higher than industry average of 35%

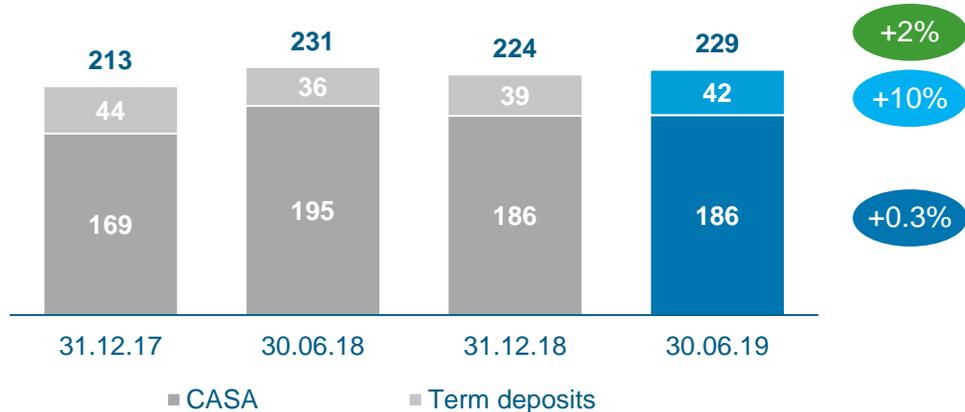
# Broad-based balance sheet growth

## Earning assets (KES bn)

vs Dec'18



## Customer deposits (KES bn)

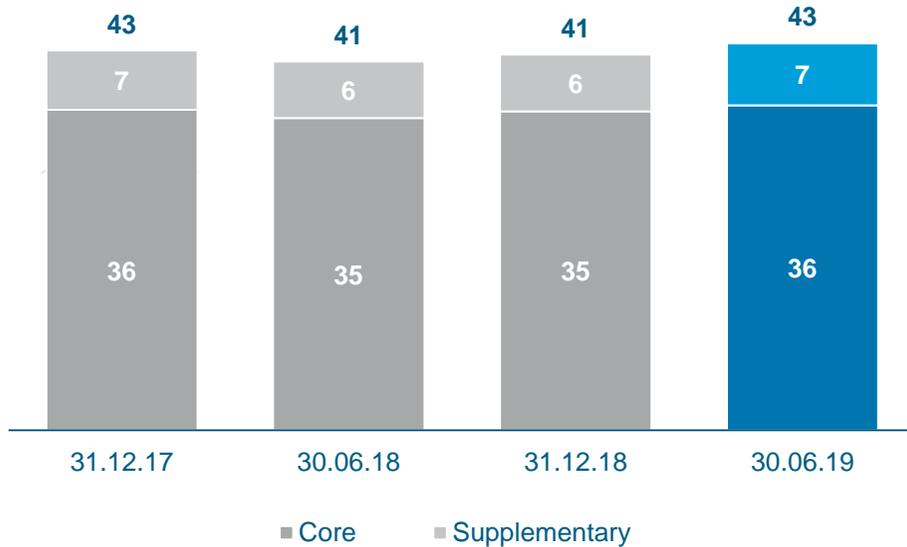


- Growth in customer loans across all segments
- Targeted financing to value chains in the government's "Big four" agenda
- Customer deposit funded
  - CASA<sup>1</sup> to total deposits ratio of 81%

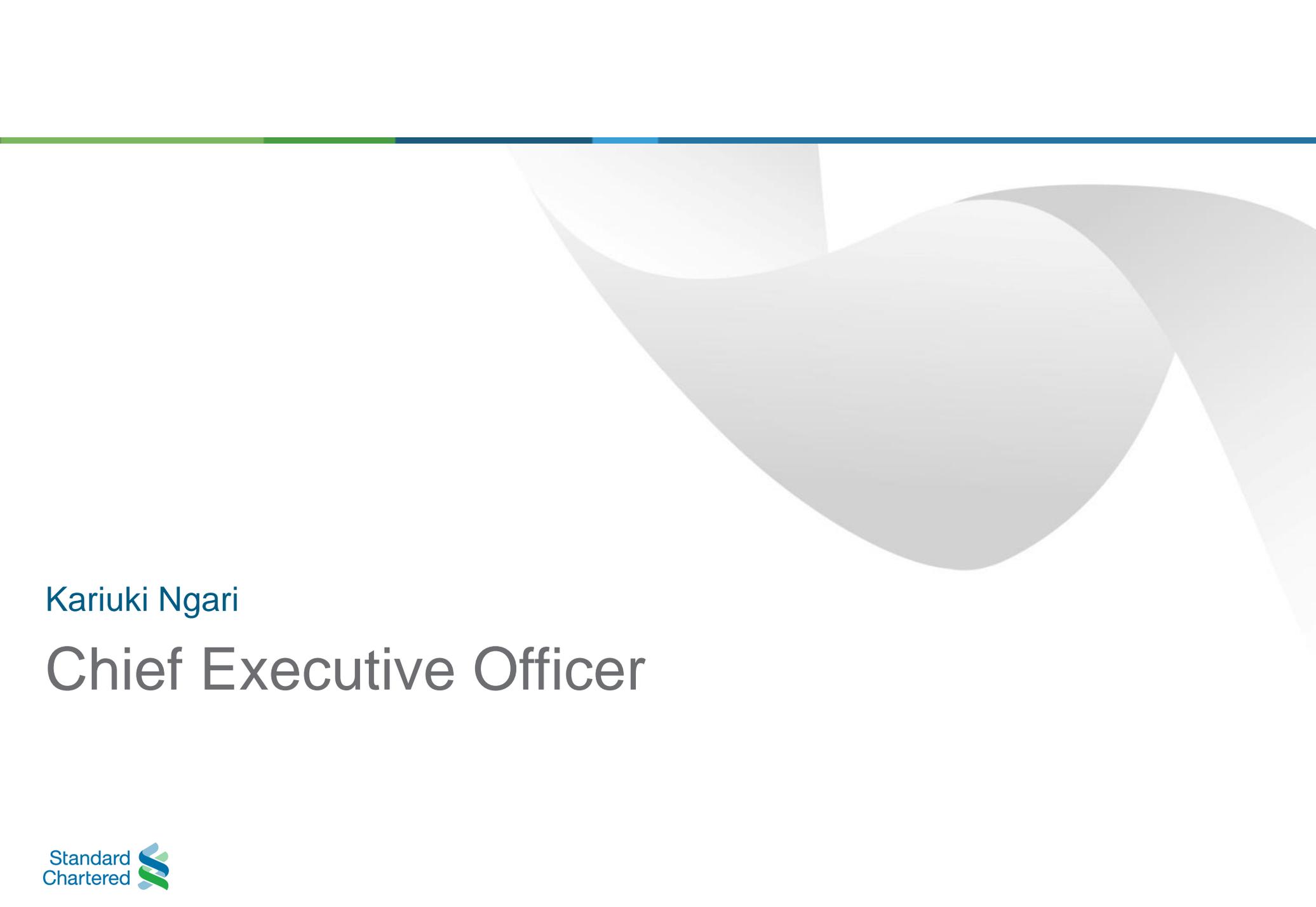
# Strong capital position

## Capital (KES bn)

**CAR** 18.52%      18.62%      19.47%      18.55%



- Well capitalised to support sustainable growth opportunities
- Prudent surplus to regulatory requirements



Kariuki Ngari

Chief Executive Officer

# We are Here for good

- We are committed to making a positive socio-economic and environmental impact:
  - KES 150bn+ contribution to Kenya's GDP and supporting 330,000 jobs in Kenya<sup>1</sup>
  - ~650,000 eye treatments enabled
  - Eliminating single-use plastics in our premises
  - 'Futuremakers' our new global initiative to empower youth launched
- We are supporting the government's 'Big four' agenda
- We are investing in revolutionary digital technology that will make a positive difference to Kenya's economy:
  - Digital bank on our mobile app promoting financial access and inclusion
  - Partnering with FinTechs through our 'eXellerator' lab
  - Mentoring women-led tech start-ups
  - We are investing to enhance information and cyber security, and to combat financial crime
- Providing sustainable returns to our shareholders in 1H'19: **5% growth in earnings with a 10% dividend yield**

# Concluding messages

- Good start to the year
  - Capital and liquidity remain strong
  - Improving financial performance and risk discipline
  - Investing to reinforce what already differentiates us
- Executing on clear client led strategic priorities; significant early progress
- Accelerating new capability development
  - In tandem with technological advances in fight against cyber and financial crime
- Macro environment remains uncertain; sentiment remains delicately balanced
  - Unresolved trade issues
  - Oil prices may remain volatile
- Kenya GDP growth projected to be softer than 2018
  - Settlement of government arrears may improve the credit environment

# Dividend announcement

---

We are pleased to announce an interim dividend of **KES 5.00** for every ordinary share, which will be paid on 30 October 2019



# Appendix: Glossary

<b>Abbreviation</b>	<b>Description</b>
<b>AfCFTA</b>	African Continental Free Trade Agreement
<b>ASEAN</b>	Association of South East Asian Nations
<b>ATM</b>	Automated teller machine
<b>AUM</b>	Assets under management
<b>bn</b>	Billions
<b>CAGR</b>	Compound annual growth rate
<b>CAR</b>	Capital adequacy ratio
<b>CASA</b>	Current Accounts and Savings Accounts
<b>DFI</b>	Development finance institution
<b>EPS</b>	Earnings per share
<b>FX / Forex</b>	Foreign exchange
<b>G10</b>	The Group of Ten
<b>GDP</b>	Gross Domestic Product
<b>K</b>	Thousands
<b>KES</b>	Kenya shilling
<b>mn</b>	Millions
<b>NSE</b>	Nairobi Securities Exchange
<b>SC / SCB</b>	Standard Chartered
<b>SCBK</b>	Standard Chartered Bank Kenya Limited
<b>SME</b>	Small to Medium Enterprise
<b>YoY</b>	Year-on-year

# Appendix: Important notice concerning forward-looking statements

## Important Notice

This document contains or incorporates by reference “forward-looking statements” regarding the belief or current expectations of Standard Chartered Bank Kenya Limited (the “Company”), the Board of the Company (the “Directors”) and other members of its senior management about the strategy, businesses and performance of the Company and its subsidiaries (the “Group”) and the other matters described in this document. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions are intended to identify forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties. They are not guarantees of future performance and actual results could differ materially from those contained in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. Forward-looking statements are based on current views, estimates and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict. Such risks, factors and uncertainties may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks, factors and uncertainties include but are not limited to: changes in the credit quality and the recoverability of loans and amounts due from counterparties; changes in the Group’s financial models incorporating assumptions, judgments and estimates which may change over time; risks relating to capital, capital management and liquidity; risks associated with implementation of Basel III and uncertainty over the timing and scope of regulatory changes in various jurisdictions in which the Group operates; risks arising out of legal and regulatory matters, investigations and proceedings; operational risks inherent in the Group’s business; risks arising out of the Group’s holding company structure; risks associated with the recruitment, retention and development of senior management and other skilled personnel; risks associated with business expansion and engaging in acquisitions; reputational, compliance, conduct, information and cyber security and financial crime risks; global macroeconomic and geopolitical risks; risks arising out of the dispersion of the Group’s operations, the locations of its businesses and the legal, political and economic environment in such jurisdictions; competition; risks associated with the applicable laws and regulations; changes in the credit ratings or outlook for the Group; market, interest rate, commodity prices, equity price and other market risk; foreign exchange risk; financial market volatility; systemic risk in the banking industry and among other financial institutions or corporate borrowers; country risk; risks arising from the judicial and dispute resolution systems; risks arising out of regional hostilities, terrorist attacks, social unrest or natural disasters; climate related transition and physical risks; business model disruption risks; and failure to generate sufficient level of profits and cash flows to pay future dividends.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Company and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Company and/or the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Company and/or the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable law or regulations, the Company expressly disclaims any obligation or undertaking to release publicly or make any updates or revisions to any forward-looking statement contained herein whether as a result of new information, future events or otherwise.

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya.