



# Investor Presentation HY 2020

11<sup>th</sup> September 2020

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# Part 1: Economic Overview

# Economic Overview



## Global Conditions

<sup>1</sup>COVID-19 triggered the deepest global recession in decades with lasting impact to labor productivity and potential output



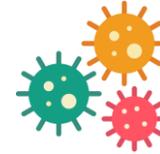
## Sub Saharan Africa

<sup>2</sup>Economic activity is now projected to contract by approx. 3.2%, reflecting a weaker external environment and measures to contain the COVID-19 outbreak.



## Regional Economic Growth

<sup>2</sup>Subject to the continued gradual easing of restrictions that has started in recent weeks Growth is projected to recover to 3.4% in 2021



## Pandemic Impact

<sup>3</sup>Commercial banks have continued to extend relief to borrowers as a result of the economic turmoil arising from COVID-19 with loan restructures in Kenya to cushion against the pandemic hitting Kshs.844.4 billion in June 2020



## Exchange Rate Developments

<sup>3</sup>The Kenya Shilling and the regional currencies have noted volatility in the recent months partly due to the uncertainties about the impact of COVID-19.

Source:

<sup>1</sup>World Bank report: Global Economic Outlook June 2020, <sup>2</sup>Source IMF report: Regional Economic Outlook June 2020 <sup>3</sup>KBA Bulletin July 2020

# Part 2: Group Consolidated Performance: HY 2020

## I&M Holdings PLC – Income Statement Highlights

Particulars	Dec-19 Kshs Mn	Jun-20 Kshs Mn	Jun-19	Jun 20 vs Jun 19 Y-Y % ▲
Net Interest Income	15,510	6,919	7,018	-1%
Non Funded Income	8,285	4,213	4,536	-7%
<b>Total Operating Income</b>	<b>23,795</b>	<b>11,132</b>	<b>11,554</b>	<b>-4%</b>
Operating Expenses	9,461	5,024	4,629	9%
<b>Profit before Loan Loss Provisions</b>	<b>14,334</b>	<b>6,108</b>	<b>6,925</b>	<b>-12%</b>
Loan Loss Provisions	636	1,031	1,109	-7%
<b>Profit before Share of JV</b>	<b>13,698</b>	<b>5,077</b>	<b>5,816</b>	<b>-13%</b>
Share of Profit from JV	905	(580)	404	-244%
<b>Profit Before Tax</b>	<b>14,603</b>	<b>4,497</b>	<b>6,220</b>	<b>-28%</b>
<b>Profit After Tax</b>	<b>10,769</b>	<b>3,190</b>	<b>4,526</b>	<b>-30%</b>

## I&M Holdings PLC – Balance Sheet Highlights

Particulars	Dec-19 Kshs Mn	Jun-20 Kshs Mn	Jun-19	20 vs 19 Y-Y % ▲
Cash & Bank Balances	15,386	19,068	20,142	-5%
Investments & Placements	97,587	107,484	99,481	8%
Loans & Advances (net)	175,329	184,565	172,164	7%
Other Assets	26,989	29,523	25,267	17%
<b>Total Assets</b>	<b>315,291</b>	<b>340,640</b>	<b>317,054</b>	<b>7%</b>
Customer Deposits	229,737	252,484	237,242	6%
Borrowings	10,856	9,977	10,139	-2%
Other Liabilities	13,836	16,110	14,239	13%
<b>Total Liabilities</b>	<b>254,429</b>	<b>278,570</b>	<b>261,620</b>	<b>6%</b>
<b>Shareholders' Funds</b>	<b>60,862</b>	<b>62,070</b>	<b>55,434</b>	<b>12%</b>

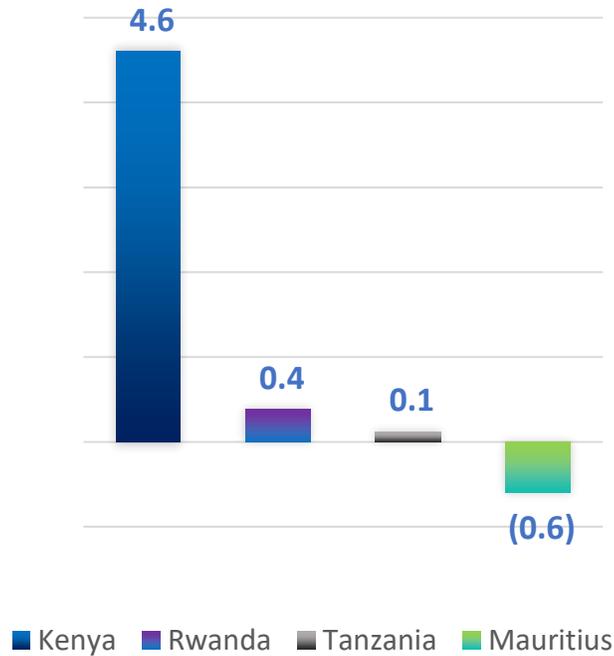
# I&M Holdings PLC – Ratio Analysis

	2019	Jun-19	Jun-20
Liquidity*	46.9%	47.9%	48.6%
Cost/Income Ratio	39%	40%	45%
Net NPA	4.6%	4.9%	4.1%
Loan to Deposit Ratio	76%	73%	73%
Return on Equity	18%	16%	11%
Return on Assets	3.4%	2.9%	2.1%
Capital Adequacy Ratio*	21%	18%	21%

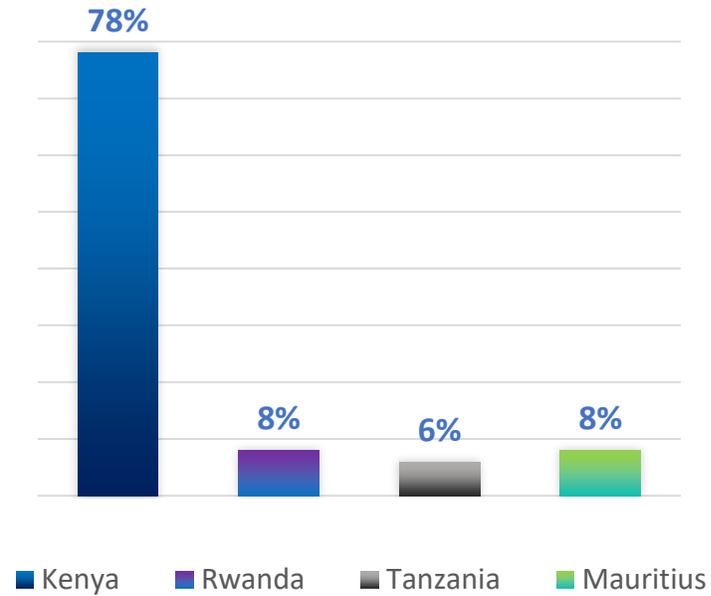
\*reflecting anchor Bank ratios – I&M Bank Ltd Kenya

# I&M Holdings PLC – Subsidiary Contribution

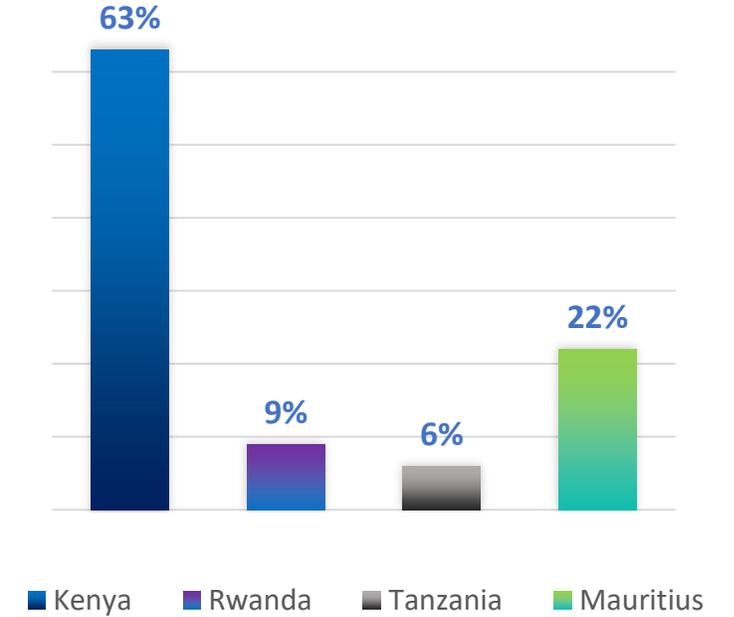
### CONTRIBUTION TO PBT KSHS 'BN'



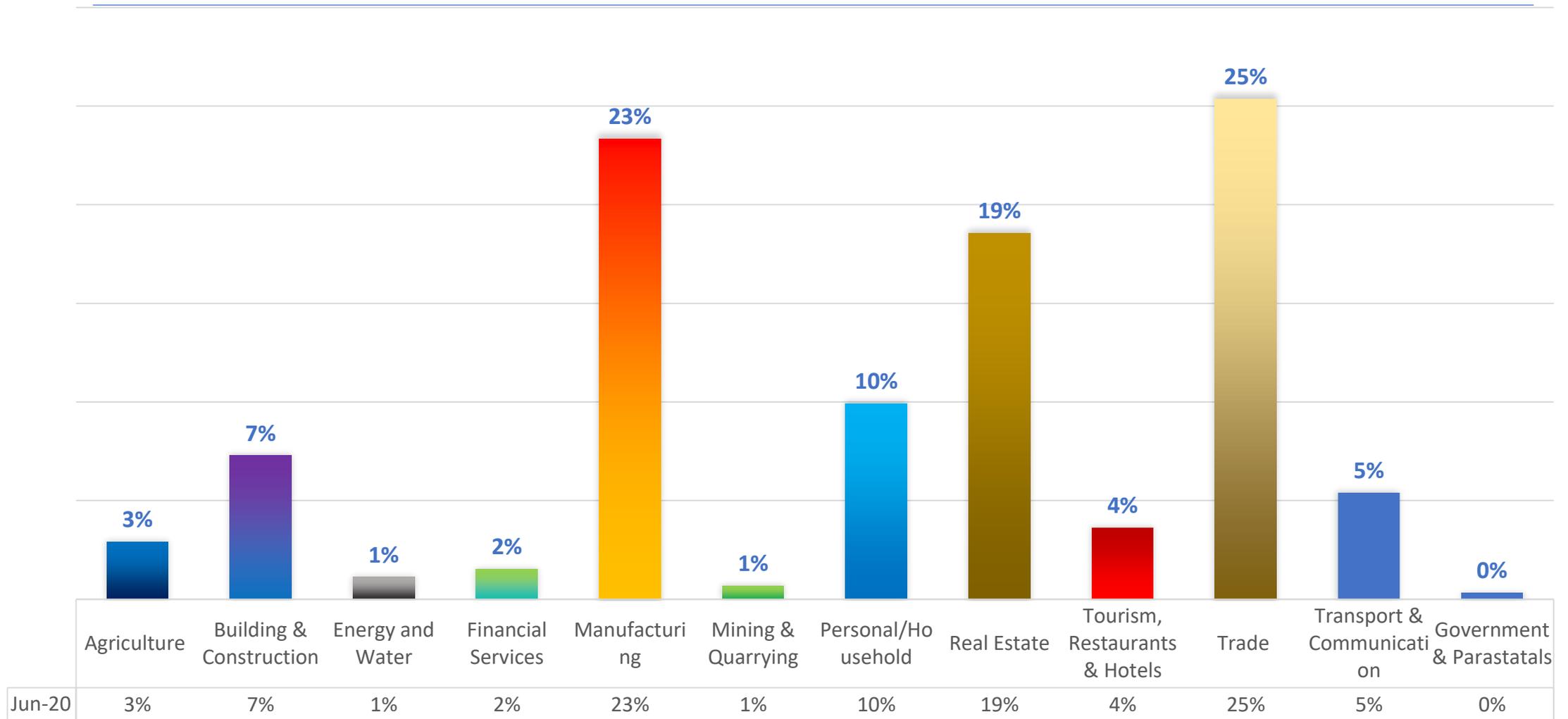
### % CONTRIBUTION TO SHAREHOLDERS' FUNDS



### % CONTRIBUTION TO TOTAL ASSETS



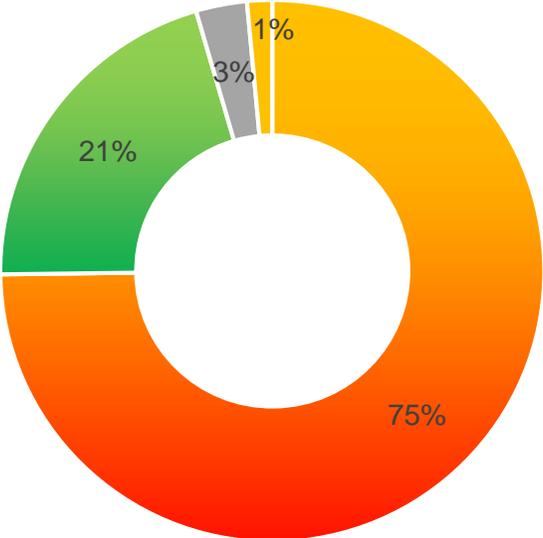
# Sectorial Distribution of Loans & Advances as at June 2020



The sectorial distribution comprises the 3 banking subsidiaries

# Distribution of Restructured Loans & Advances

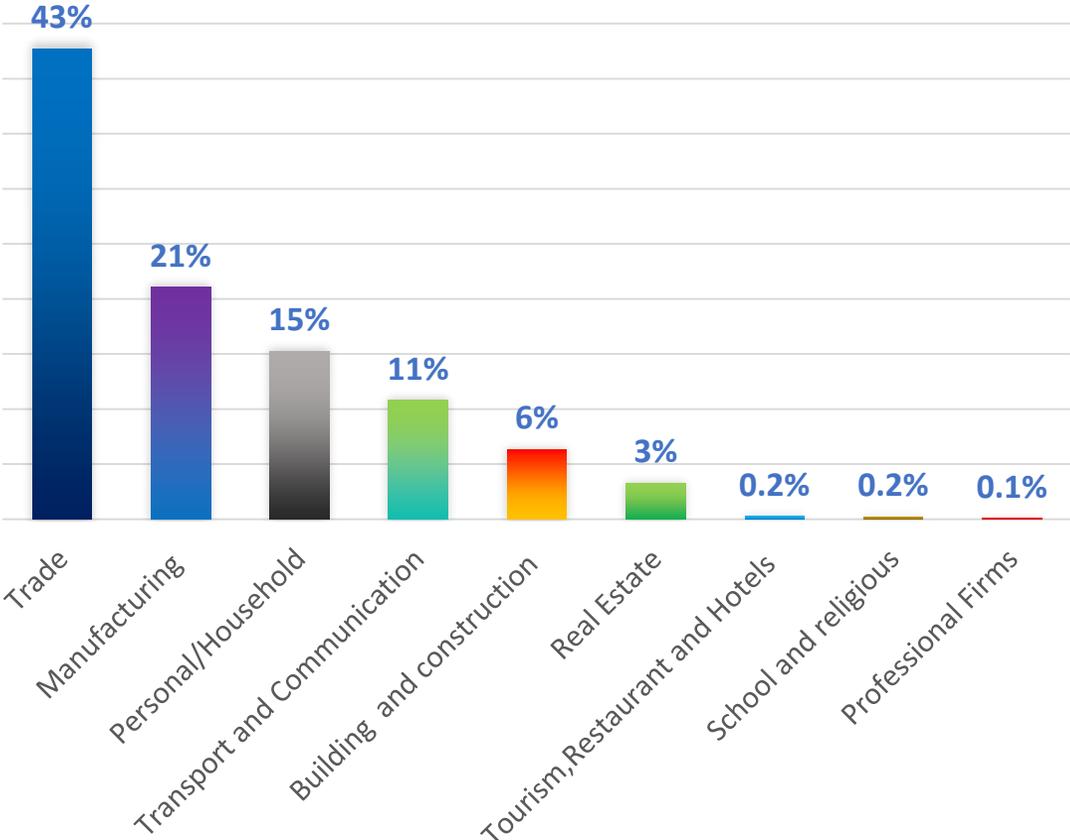
## Segmentation



- CORPORATE BANKING
- BUSINESS BANKING
- PREMIUM BANKING
- PERSONAL BANKING

The distribution comprises the 3 banking subsidiaries

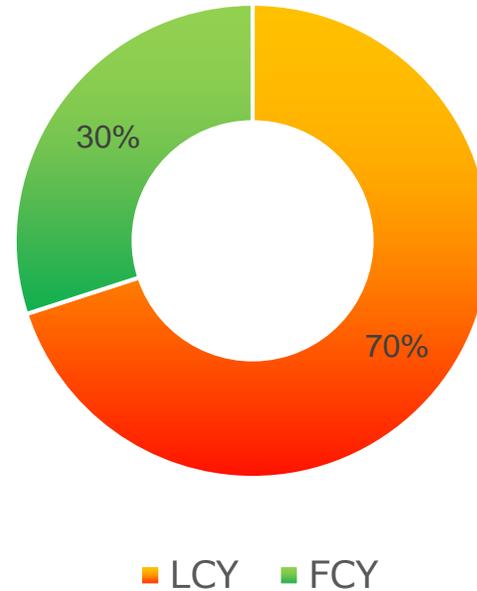
## Sectorial



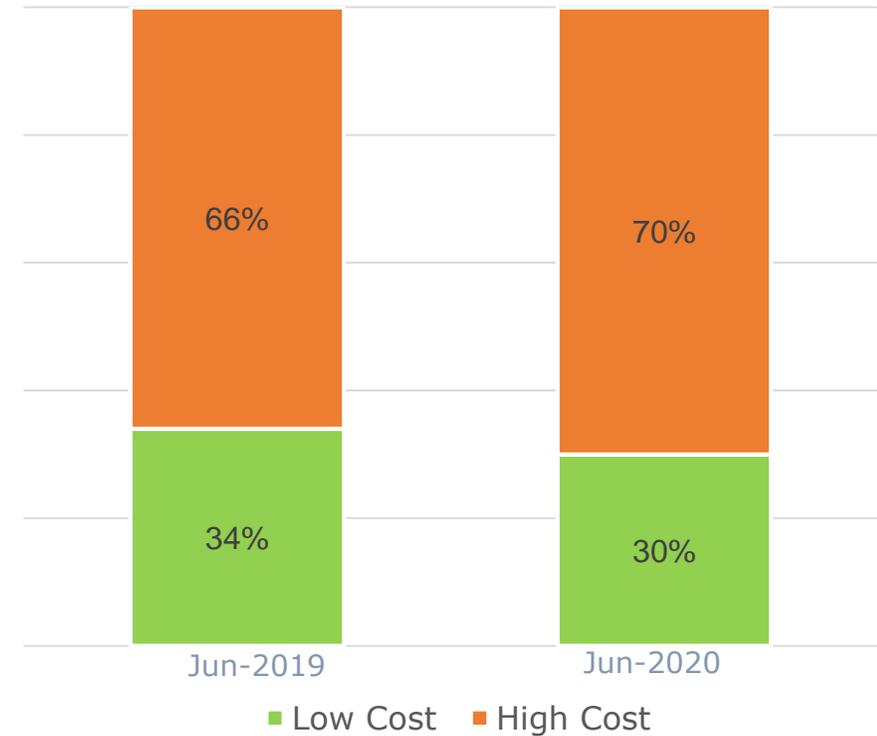
# Deposit Mix

As businesses contract due to the pandemic there has been less investment, with businesses opting to hold funds in higher yielding deposits

### Currency Mix June 2020

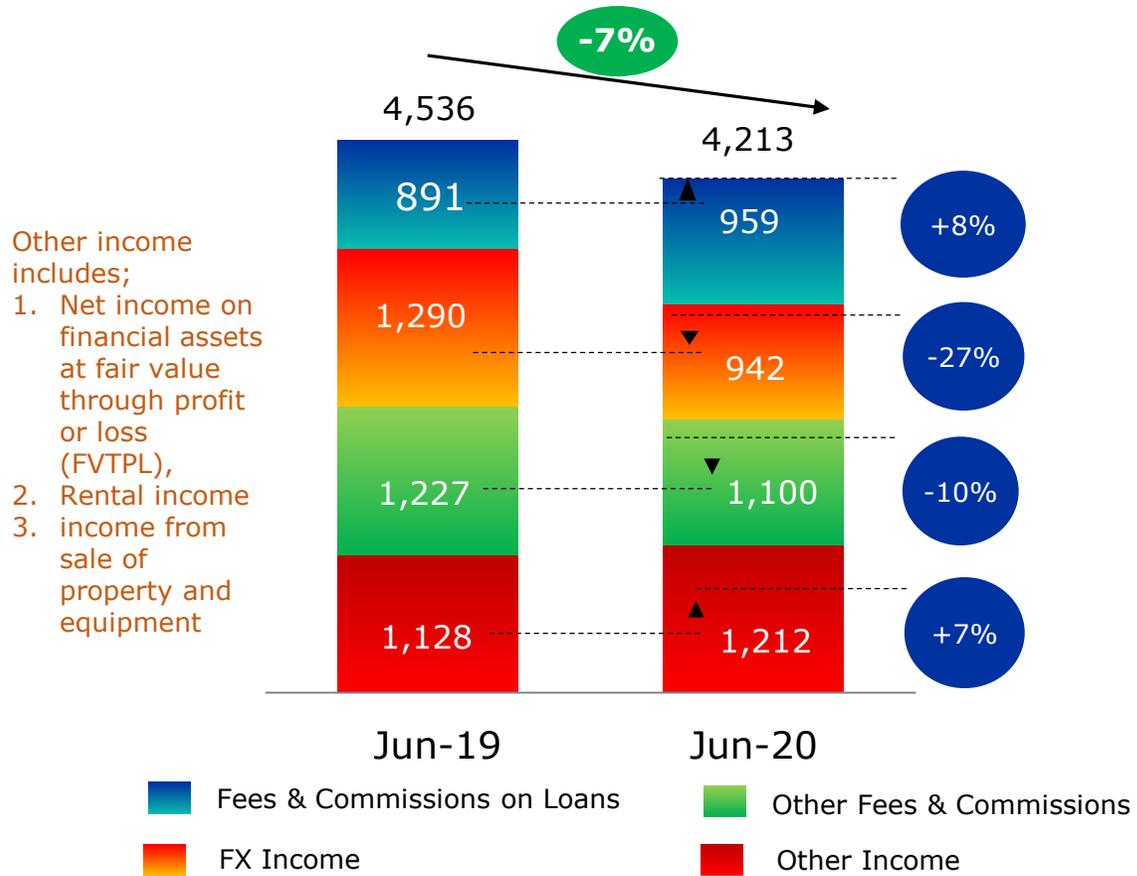


### Deposit Mix

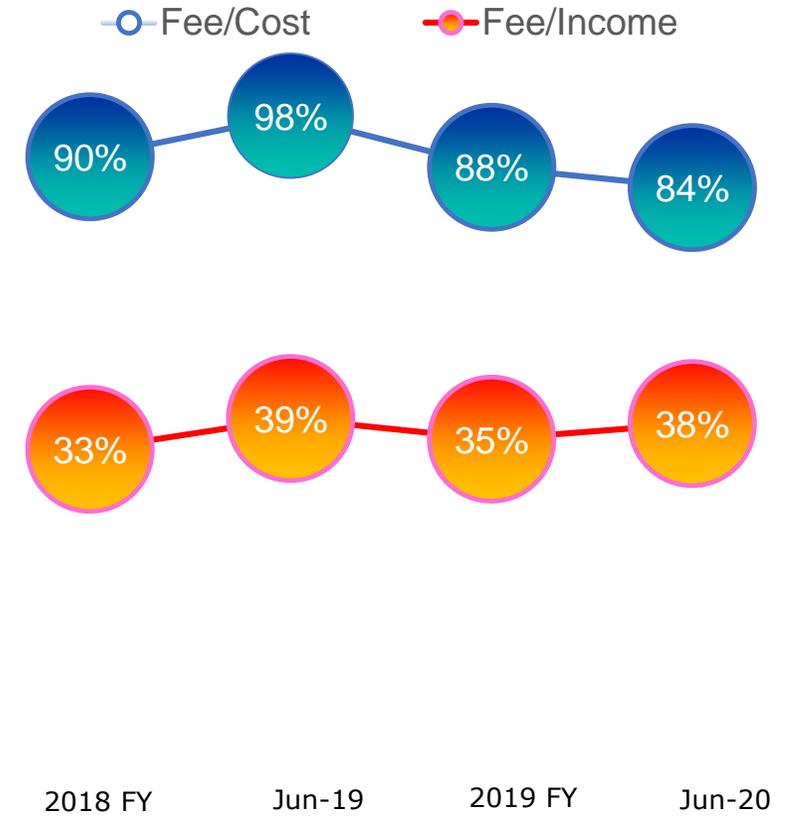


The deposit mix comprises the 3 banking subsidiaries

## NFI [Kshs Mn]



## Fee/Cost vs Fee/Income

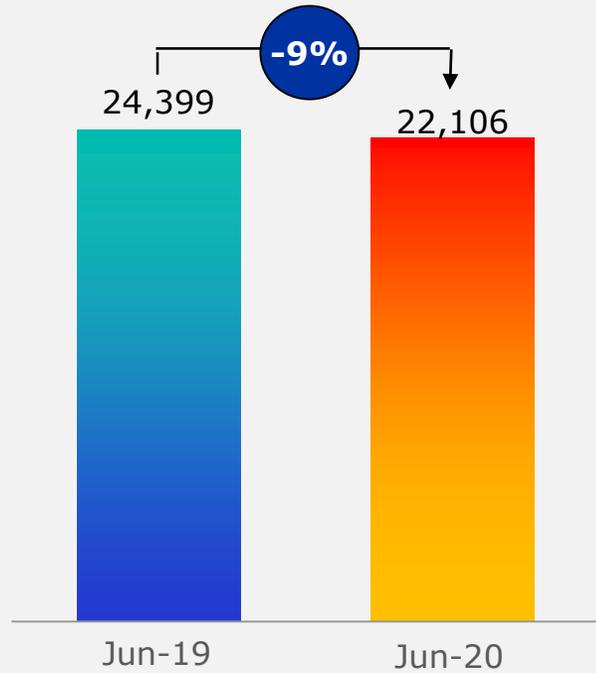


NFI reduced as a result of the impact of Covid-19 and Central Bank of Kenya (CBK) emergency measures announced in Mid-March to ease the burden of transactions on consumers.

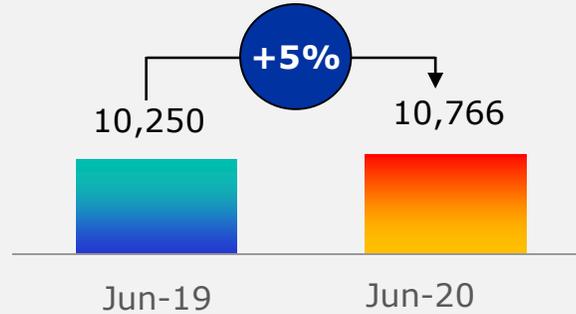
Fee implies Non Funded Income [NFI]

# Consolidated Loans & Advance and NPLs

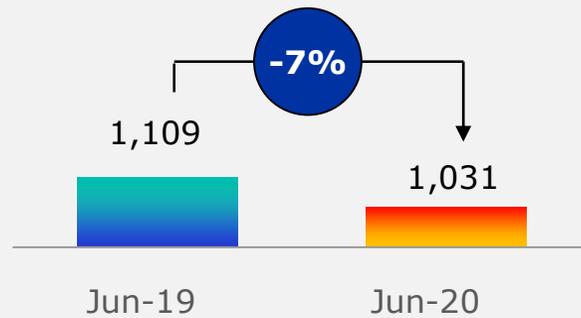
## Gross NPLs



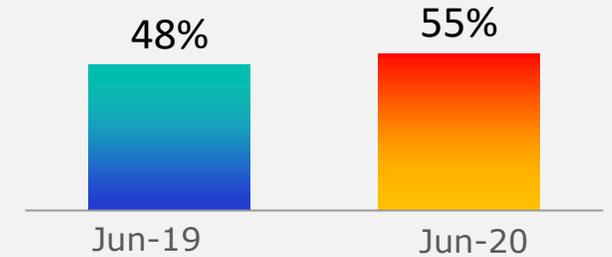
## Interest on Advances



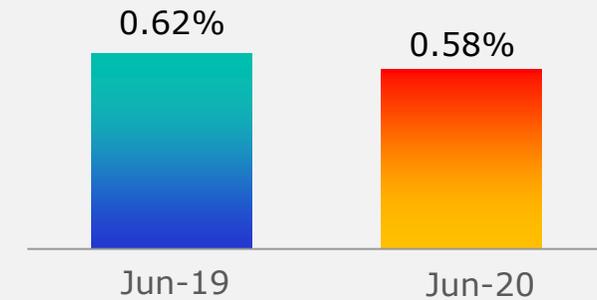
## Loan Loss Provisions



## Coverage Ratio



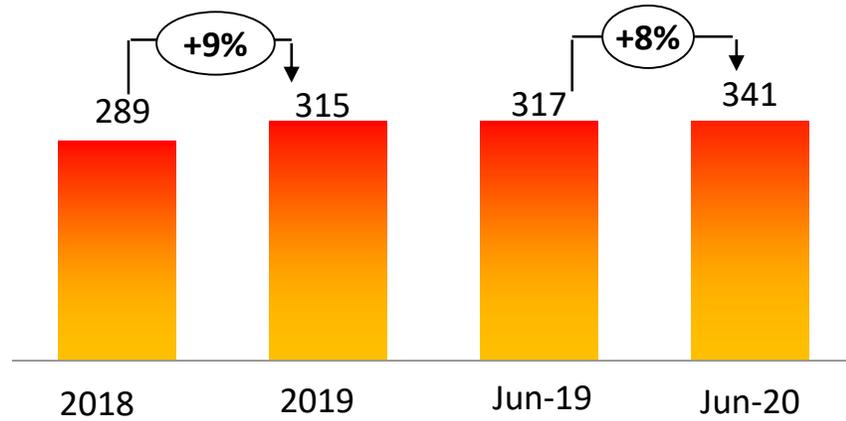
## Cost of Risk



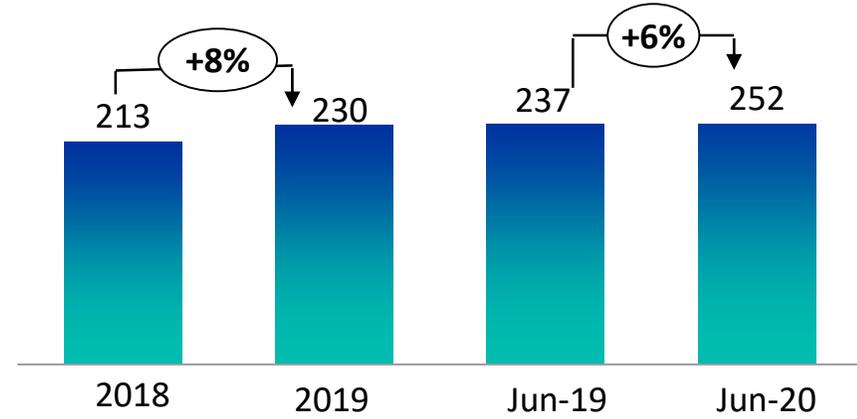
# Trend Analysis

# Performance Trend Analysis

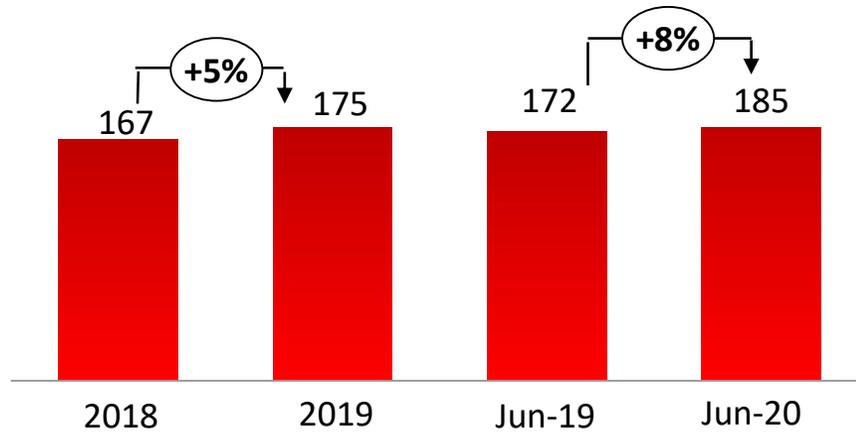
Total Assets (Kshs Bn)



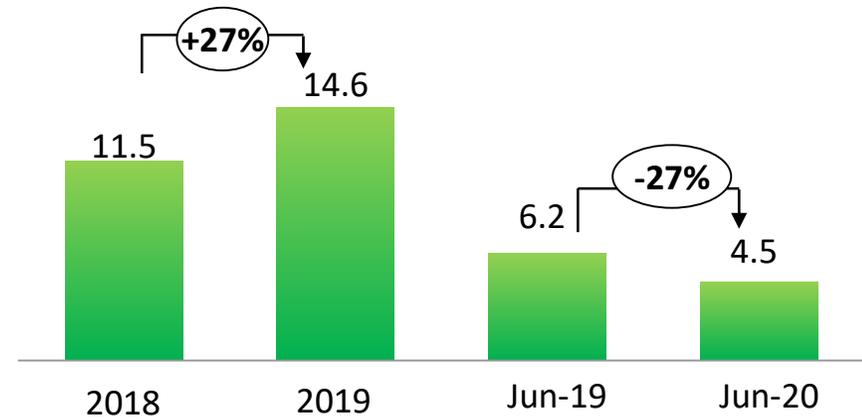
Deposits (Kshs Bn)



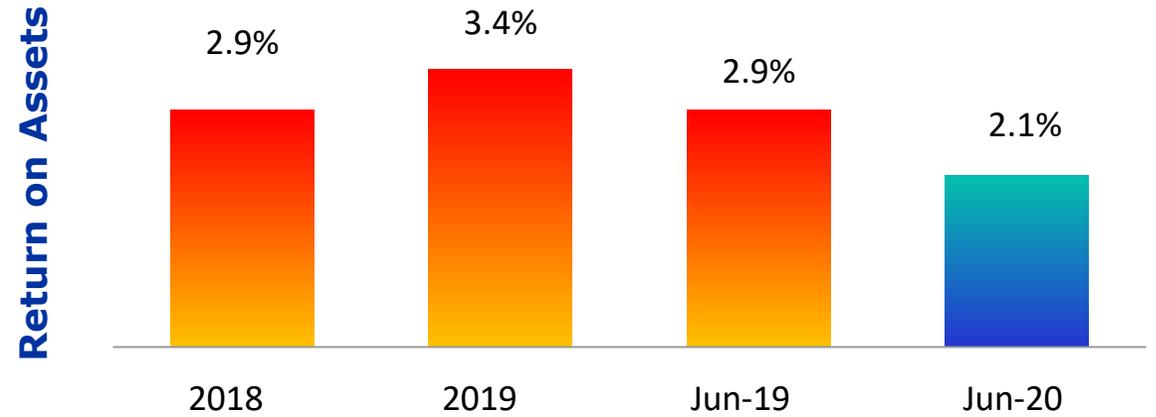
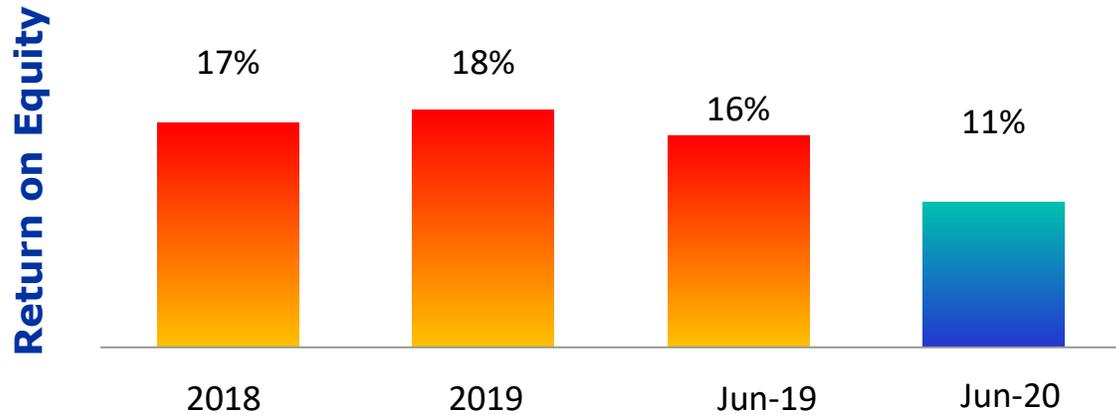
Loans (Kshs Bn)



PBT (Kshs Bn)



# Value to Shareholders



# Group Highlights: FY 2020

## Business Focus – Post Covid-19

1



- ✓ **Rethinking the organization** – including driving culture change and building on agility to ensure preparedness to crisis amongst others
- ✓ **Rebuilding operations** – by centralization, further digitization and reviewing workspace configurations including flexible working.

2



- ✓ **Recovering Revenue** – by protecting revenue from existing customers and seeking new business opportunities, equipping staff to drive the same and exploring acquisition opportunities.
- ✓ **Accelerating Digital** – Capacity building, Enhancing Analytics/Data driven decisioning, driving stakeholder adoption of digital and customer centric digital offerings amongst others.

3



**Regional Expansion** – I&M Holdings has signed a Sale & Purchase Agreement (SPA) for the acquisition of 90% of the shareholding of Orient Bank Ltd, Uganda.

# Group Highlights: FY 2020

## Expansion of Digital Value Proposition

### Technology

Leveraging technology and digital innovations focused on improving customer experience and operational efficiencies.



### Card Management System

Operationalization of an End-to-end solution on Cards for Issuing and Acquiring of Debit, Credit, Prepaid and Multi-Currency Prepaid card including merchant management and 3D Secure

### Centralisation of Reconciliation

Creating better efficiencies through standardization & automation of the reconciliation processes.



### Omni Channel

Introduction of Multiple Channel platform for Mobile banking enhancing the secured experience for customers while transacting from their mobile phone

# Market Driven Solutions: FY 2020



## Small World Money Transfer service

Allows both customers and non-customers to send money to their loved ones or business partners in Kenya through Small World agents abroad.

## I&M WebPay Divert

An e-commerce solution that allows businesses to accept payments from their customers through VISA, MasterCard and Union Pay cards. Businesses do not need to have a website to enjoy this service

## Revamp of the Diaspora Banking offering

Deal Facilitation service for buying property; Special Diaspora Assistance at USD30 – USD50; a unique I&M Web-Pay facility and I&M Custody and Investment Services

## Automation of Trade Finance processes

Provision of digital interventions that minimize the need for the customer to visit the bank's physical branch to deliver documents. Automation had been achieved and is currently under Production

# Part 3: Subsidiary Performance

# Kenyan Banking Sector Overview & 2020 Highlights

## GDP



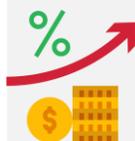
GDP growth in Kenya is estimated to contract for the first time in almost 3 decades. Shrinking by 0.3%

## Banking Sector



The banking system is sound and stable. Well capitalized and with sufficient buffers

## Policy Measure on Impact of Pandemic



- Reduction of the Cash Reserve Ratio (CRR) to 4.25 percent, thus releasing Kshs 35.2 billion as additional liquidity to the banking sector
- Loan restructuring for borrowers affected as a result of the pandemic while allowing for flexibility regarding loan classification and provisioning
- Extension of the maximum tenor of Repurchase Agreements (REPOs) from 28 to 91 days

## Increase in NPLs



Decline of asset quality is noted due to effects from the pandemic as households and businesses capacity to service their debts weakens.

## Digital Lending



Banks have seen reduced levels of digital lending, with moderate deterioration of asset book

Source KBA bulletin

# I&M Bank Ltd, Kenya – Financial highlights

## Highlights

June 2020 Vs June 2019

### Reported PBT

2019: 4.9bn

**2020: 4.5bn**

### Net Revenue

2019: 9.0bn

**2020: 8.6bn**

### Cost/Income

2019: 35%

**2020: 35%**

### Fee/Income

2019: 34%

**2020: 39%**

### Loans/Deposits

2019: 68%

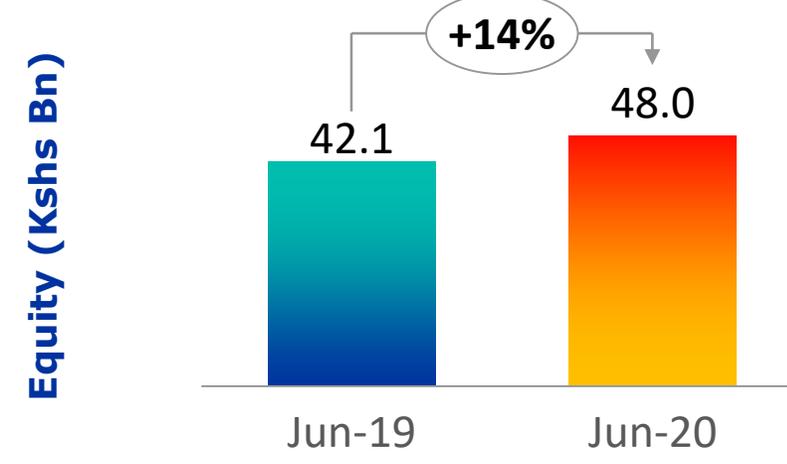
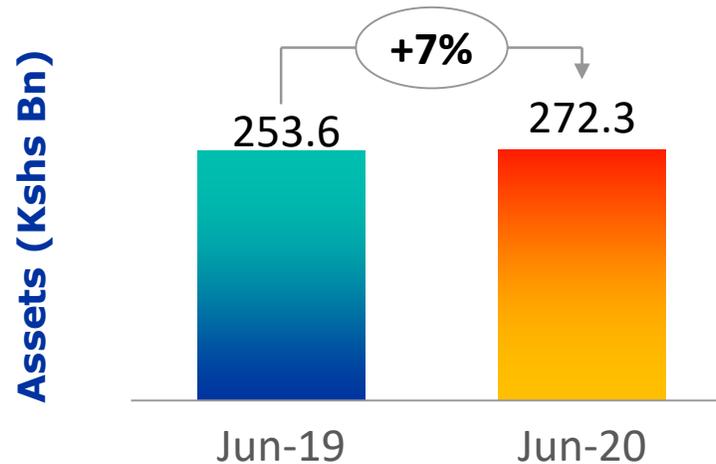
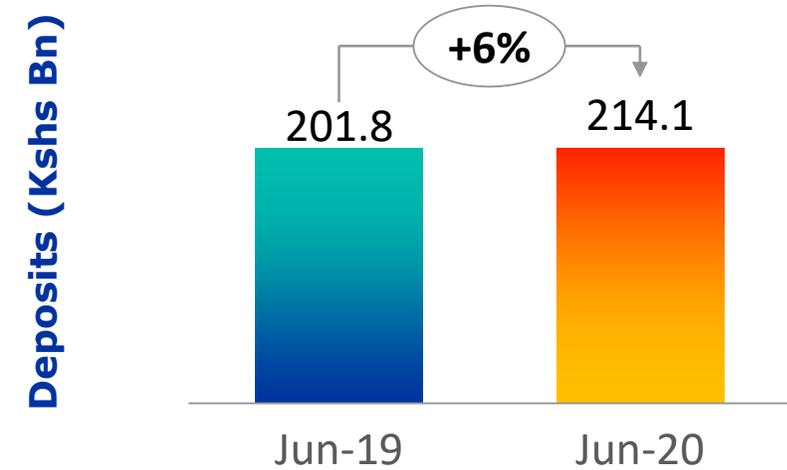
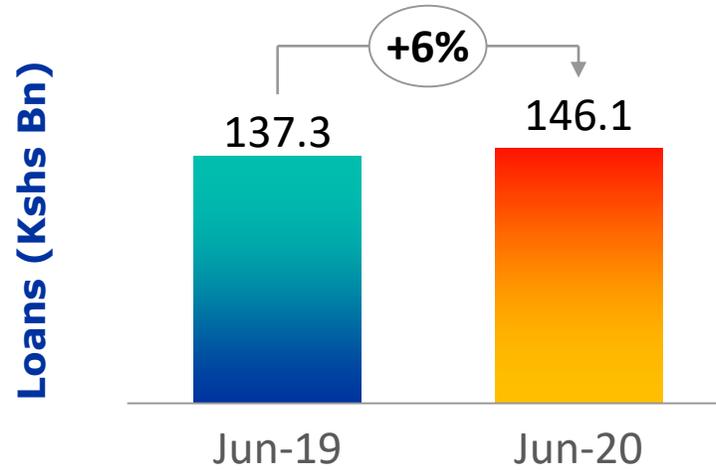
**2020: 68%**

### Gross NPL Ratio

2019: 13%

**2020: 11%**

Figures in Kenyan Shillings



# Economic Review - Tanzania

## GDP



GDP is seen expanding 6.0%. Covid-19 is set to curb growth this year, although the economy should avoid recession, defying the regional trend.

## Economic Outlook



- Annual growth fell to an over two-year low of 5.7% in the first quarter (Q4 2019: +6.2%) due to Covid-19; nonetheless, the economy remained relatively sturdy, supported by booming demand for gold—the country's key export commodity—which bolstered mining and quarrying activity.
- Tanzania has gained access to international credit markets after the World Bank upgraded its status to a lower-middle-income country, from a low-income one

Source Focus Economics Newsletters

# I&M Bank (T) Ltd, Tanzania– Financial highlights

## Highlights

June 2020 Vs June 2019

### Reported PBT

2019: 0.17bn

2020: **0.16bn**

### Net Revenue

2019: 0.73bn

2020: **0.75bn**

### Cost/Income

2019: 65%

2020: **70%**

### Fee/Income

2019: 32%

2020: **28%**

### Loans/Deposits

2019: 109%

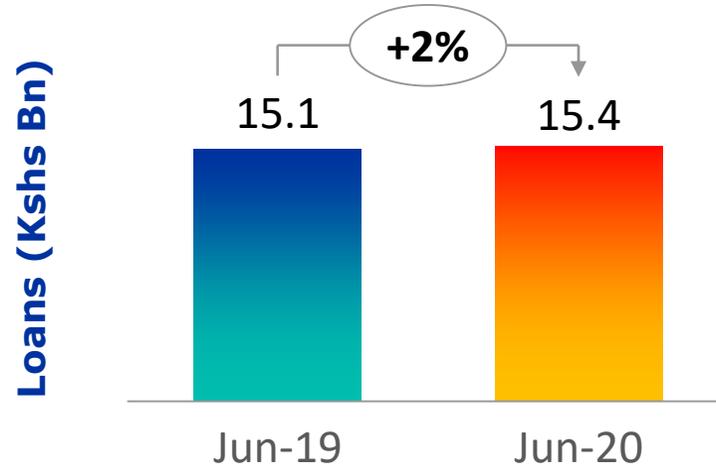
2020: **102%**

### Gross NPL Ratio

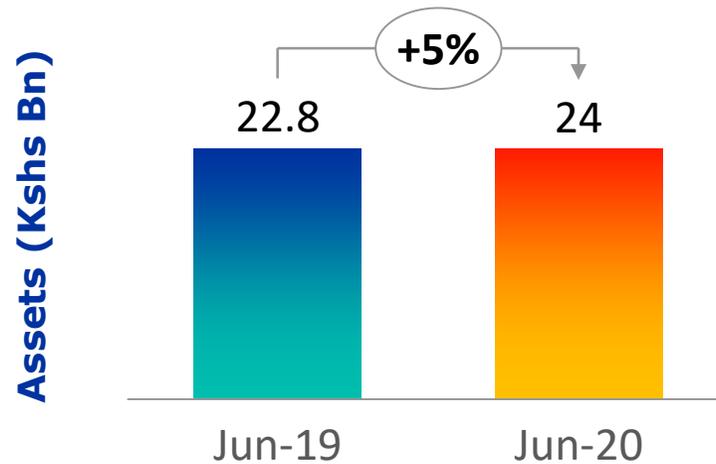
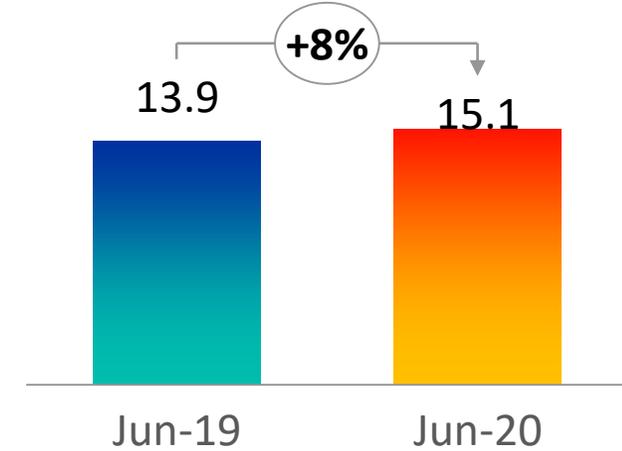
2019: 14.38%

2020: **14.24%**

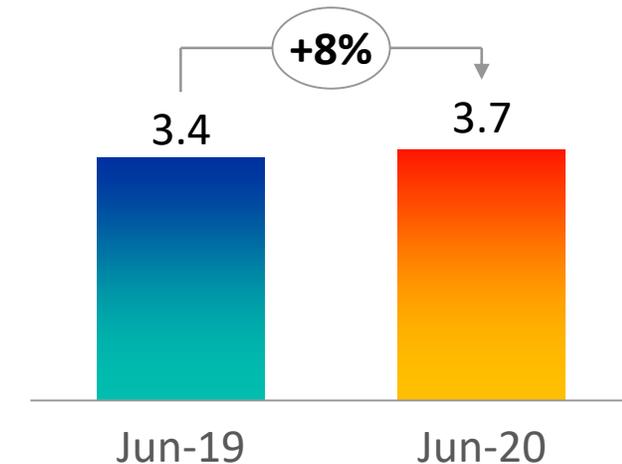
Figures in Kenyan Shillings



**Deposits (Kshs Bn)**



**Equity (Kshs Bn)**



# Economic Review - Mauritius

## GDP



Mauritian economy is expected to contract by 6.8% in 2020, as the tourism sector ground to a halt owing to the coronavirus pandemic.

## Banking Sector



High exposure to troubled domestic sectors such as tourism, construction and real estate is expected to lead to an increase in restructured and problem loans.

Source World Bank Report: Global Economic Outlook June 2020

# Bank One, Mauritius– Financial highlights

## Highlights

June 2020 Vs June 2019

### Reported PBT

2019: 0.8bn

2020: -1.3bn

### Net Revenue

2019: 2.1bn

2020: 2.0bn

### Cost/Income

2019: 50%

2020: 52%

### Fee/Income

2019: 28%

2020: 29%

### Loans/Deposits

2019: 64%

2020: 47%

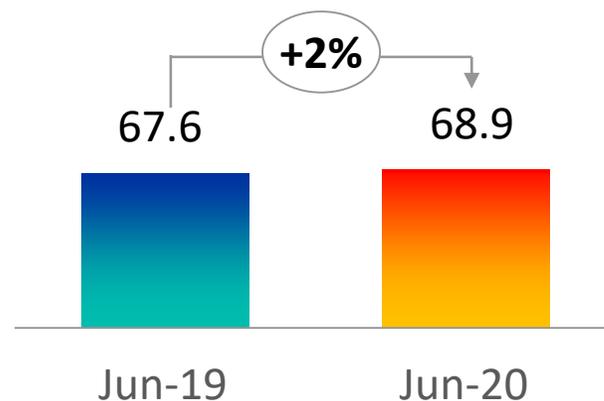
### Gross NPL Ratio

2019: 5.46%

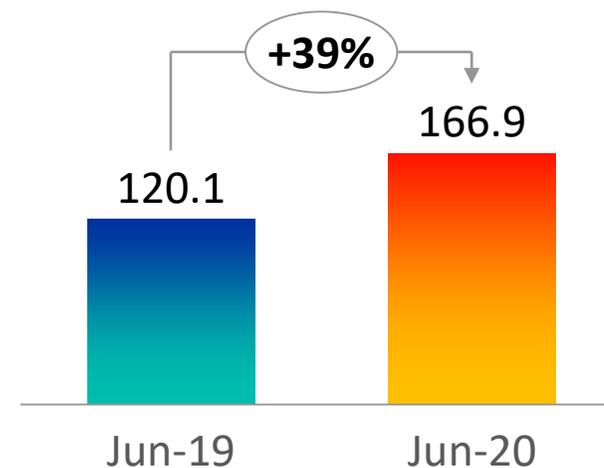
2020: 7.26 %

Figures in Kenyan Shillings

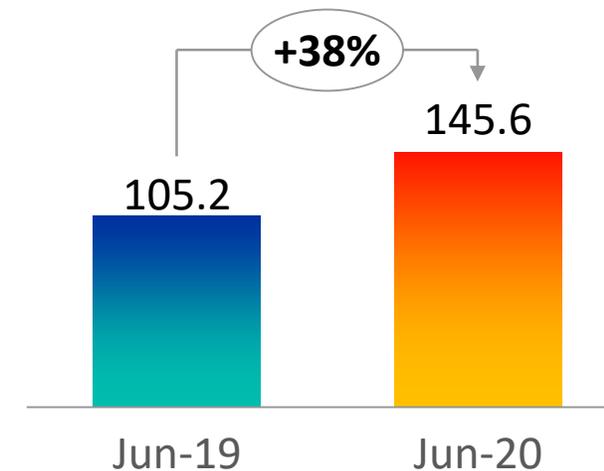
Loans (Kshs Bn)



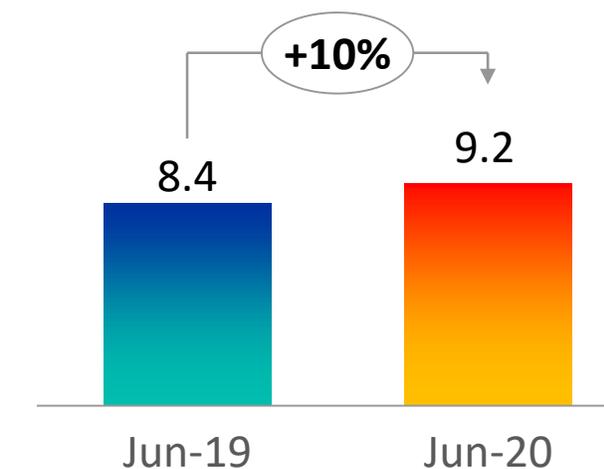
Assets (Kshs Bn)



Deposits (Kshs Bn)



Equity (Kshs Bn)



# Non Banking Subsidiaries

## Revenue



The advisory business reported a 79% reduction in revenues as a result of a challenging origination environment and delay in completion of transactions leading to deferment of revenue recognition.

## Revenue



The Insurance agency contributed Kshs 69.2Mn to Group profitability



## Capital Raising Webinar

IMBC in partnership with ISBI and sponsored by PKF Kenya and Walker Kontos hosted its Annual Capital Raising Seminar via webinar



Partnered with EAVCA to host a roundtable discussion based on Covid-19 Valuations and Deal Structures

## Partnership with Underwriters



The agency is continually partnering with underwriters in developing customized products in agriculture, ordinary life assurance and Group life and pension.

# I&M Foundation

## Foundation



The Group set up I&M Foundation in 2019 which will now continue to spearhead the Group's shared growth agenda in the areas of Environment and conservation, Education and skills training, Economic empowerment and Philanthropy

- Set up of a COVID-19 relief fund worth Kshs. 50 million to cushion vulnerable members of society from the impact of the pandemic.
- Partnered with the Kenya Community Development Foundation aimed at inculcating a culture of environmental conservation and sustainable management of resources among Children and Youth in 172 learning institutions; in 4 sub-counties within Narok and Kilifi Counties over a three-year period

# I&M Realty

## New I&M Head Quarters



Teams have relocated in phases into the new headquarters on 1<sup>st</sup> Parklands Avenue

## Construction



Fit out works are ongoing for a few more units to relocate into the building.

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Thank You

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