

press release

For immediate release

Standard Chartered reports full year 2015 results

March 23, NAIROBI: Standard Chartered today announced a pre-tax profit of KShs 9.2 billion for the full year ended 31 December 2015.

Commenting on these results, Lamin Manjang, Chief Executive Officer, said:

“2015 was a year of considerable challenges and changes. In November 2015 we signaled through a profit warning our anticipation that the net earnings for the year ended 31 December 2015 would be at least 25% lower than reported for the year ended 31 December 2014. This was due to three factors: an increase in the non-performing loans portfolio; the financial impact of the restructuring from the updated Group strategy; and a one-off net capital gain in 2014 relating to the disposal of a property.

The results we have announced today are in line with that expectation.

Whilst 2015 performance was subdued, the actions we took on the non-performing loan book throughout last year have positioned us well for the current macroeconomic environment. We have identified our risk issues and are dealing with them assertively, and our balance sheet remains resilient. We are making good progress in executing our strategy which positions the bank for improved financial performance going forward. Our balance sheet remains highly liquid, well-capitalised and diverse, and we are well positioned to continue being the right partner to our clients.”

Strategic review key highlights

In November 2015, the Standard Chartered Group announced a strategic review. For Standard Chartered Bank Kenya the key areas of focus within our strategic review include:

- Aligning our business strategy with tightened risk tolerance to create a more diverse and resilient balance sheet;
- Delivering cost efficiencies through investment in technology and funding incremental investments which build capacity in key areas of strength across the business;
- Restructuring our Commercial Banking business to deliver on our refreshed strategy; and

- Rolling out enhancements within our Retail digital capabilities to enhance customer experience.

This strategic review will see us invest in our core strengths, and where we have or will have a competitive advantage.

2015 financial performance summary

Profit before tax is KShs 9.2 billion, down 36% year-on-year. A significant portion of the decline was attributable to a one-off net capital gain earned in 2014 alongside strategic actions taken to reduce risk and improve returns in the medium term.

Underlying revenue is up 3% year-on-year, after stripping out the exceptional net gain of KShs 1.4 billion earned in 2014.

Group Income Statement

	2015	2014	YoY Better/ (Worse)
	KShs million	KShs million	%
Net interest income	18,116	17,905	1.2%
Non funded income	7,249	8,170	(11.3%)
Total operating income	25,365	26,075	(2.7%)
Operating expenses	(11,309)	(10,421)	(8.5%)
Loan impairment	(4,896)	(1,308)	(247.3%)
Profit before taxation	9,160	14,346	(36.2%)

The muted performance reflects the previously announced assertive actions on the loans portfolio coupled with the effects of compressed margins. Further there was loss of momentum as we implemented the new organisation structure.

Following the re-organisation of our Retail Banking business, income was up 8% year-on-year with strong growth from Priority segment and Wealth Management. In 2015, we launched Bancassurance and this will contribute to the growth of Retail Banking income, which contributes 44% of the total income, as new products are rolled out. The Retail business experienced a strong finish towards the end of 2015 which has helped to build momentum into 2016. We are revamping our digital capabilities to enhance client experience and improve efficiency.

We have put a new management structure in place for the Commercial Banking business which was constrained by high loan impairments and weak income. We are substantially upgrading our credit risk approach in line with our strategic review announced in November 2015. Commercial

Banking contributes 7% of total income, and with a consistent and client-focused approach, we will build a competitive business to serve this important client base.

Corporate & Institutional Banking income was down 10% year-on-year impacted by subdued corporate activity. We have repositioned our balance sheet so that the underlying strengths of our business become our areas of focus.

Our book within Corporate & Institutional Banking segment is short tenor with 63% of the book being less than one year. This allows us to quickly react to any changes in the environment and our portfolio. The Corporate & Institutional Banking segment contributes 49% of total income.

Operating expenses increased 8.5% in line with inflation, investments as well as re-organisation around the refreshed strategy.

Gross non-performing loans (NPLs) increased by 37% to KShs 14.7 billion. However the cover ratio has increased to 56% which is above the industry average cover ratio of 40.5%.

Balance Sheet	2015	2014	YoY Better/ (Worse)
	KShs million	KShs million	%
Loans and advances to customers	115,125	122,749	(6.2%)
Customer deposits	172,036	154,067	11.7%
Loans to deposits ratio	67%	80%	

Customer loans and advances are down 6% as we focused on disciplined balance sheet management and more selective asset origination. We now have a balance sheet which gives us a strong foundation in 2016.

Our balance sheet remains highly liquid with advances to deposits ratio at 67%. We remain a customer deposit funded bank with the Current Account and Savings Account (CASA) balances increasing from 74% to 76%.

We are confident that the initiatives we have put in place across our business will see our balance sheet continue to grow.

Capital base and ratios

	2015	2014
	KShs million	KShs million
Core capital	33,259	28,944
Total capital	40,147	36,288
Core capital ratio	17.53%	15.81%
Total capital ratio	21.16%	19.82%

We have a strong capital base with a total capital ratio of 21.16%. This positions us well to continue to take advantage of opportunities for business growth as well as making healthy returns to our investors.

Dividend

The Board will be recommending to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend for the year of KShs 12.50 for every ordinary share of KShs 5.00. An interim dividend of KShs 4.50 for every ordinary share was declared and paid in January 2016. This will bring the total dividend for the year to KShs 17.00 per ordinary share which is the same as in 2014. This dividend payout gives us the right balance between bolstering our capital base to enable us invest in our business for growth; continue to deliver attractive returns to our investors as well as ensuring we meet the capital requirements.

Bonus Shares

The Board will be recommending to the shareholders at the forthcoming Annual General Meeting, subject to the Capital Markets Authority (CMA) approval, a bonus issue in the proportion of 1 new ordinary share for every 9 fully paid up shares held.

Summary

The Bank has a good and valuable franchise, core financial strength, outstanding client relationships, and the right team of people. We will continue to take the necessary actions to reposition the business for returns and disciplined growth. We will increase the value of our franchise through the relentless focus on execution that we set out alongside our Standard Chartered Group strategy announced in November 2015. We will also retain a strong balance sheet which positions us for the many attractive opportunities across the Kenyan economy.

Notes to Editors

Standard Chartered Bank in Kenya

Standard Chartered Bank, Kenya, was established in 1911 with the first branch opened in Mombasa Treasury Square.

Today, 104 years later, Standard Chartered Bank is one of the leading banks in Kenya, with an excellent franchise. It has a total of 39 branches spread across the country, 98 automated teller machines (ATMs) and 1,881 employees.

Standard Chartered bank has local share holding of 25%, comprising about 30,000 local shareholders. It has remained a public quoted company on the Nairobi Stock Exchange since 1989.

We are the oldest foreign bank in Kenya. Our capital, deposit base, and lending portfolio is reported in Kenya Shillings, and we offer a variety of local and foreign currency accounts, both deposit and loan, to our customers. Corporate and institutional business is handled mainly out of Nairobi, Mombasa and Kisumu.

Further underpinning its importance, Standard Chartered Bank Kenya Limited is the regional Shared Service Centre hub supporting the Bank's technology operations in Uganda, Tanzania, Zambia, Botswana, South Africa and Angola on a real time basis.

Standard Chartered

We are a leading international banking group, with more than 86,000 employees and a 150-year history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East, where we earn around 90 per cent of our income and profits. Our heritage and values are expressed in our brand promise, Here for good.

In Africa, Standard Chartered has more than 8,000 staff and a history of more than 150 years. Currently the Bank covers 38 markets on the continent – 16 on a local presence basis, and an additional 22 on a transaction basis supporting its clients. Given its unique footprint, Standard Chartered is ideally positioned to facilitate and support valuable trade and investment corridors intra-Africa, and between Africa and the rest of the world. Findings from an independent study confirm that Standard Chartered supports just under 2 million jobs in Sub Saharan Africa, and contributes more than USD10.7billion or 1.2% of the region's GDP. In leading markets such as Kenya, Ghana and Zambia, the Bank's operations provide work for just under 3% of the local workforce. Standard Chartered's commitment to innovative partnerships such as 'Power Africa' enables the Bank to live its brand promise to be 'Here for good', and facilitate the delivery of electricity to more than 20 million people and companies over 5 years.

For more information please visit www.sc.com. Explore our insights and comment on our blog, [BeyondBorders](#). Follow Standard Chartered on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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