Standard Chartered

press release

For Immediate Release

Standard Chartered records improved earnings as new business model takes shape

22 March 2017…Standard Chartered Bank Kenya Ltd today announced a profit before tax of KShs 13.3 billion for the year ended 2016. The Bank attributed the 45 per cent year-on-year growth to increased income coupled with lower loan impairments, but warned that regulatory controls have since posed significant headwinds in the financial sector.

Mr Lamin Manjang CEO Standard Chartered said the refreshed business strategy that was launched in late 2015 which largely focused on increased investment in digital technology had enabled the Bank to control costs, manage risk and exploit new business opportunities. "We made substantial changes in the business to address the underlying challenges that impacted our earnings in 2015," he said.

"The performance in 2016 was strong reflecting the good progress we have made on the strategic actions we set out in late 2015. Our underlying business volumes are strong, we continue rebuilding the balance sheet with good quality assets and our capital position remains strong."

The Retail Banking segment which contributed 46 per cent to total income posted strong performance driven by growth in mortgages and lending to small businesses. Year-on-year income was up 14 per cent. "We are revamping our digital capabilities to enhance client experience, improve efficiency and advance our ability to capture profitable and safe growth opportunities. We are actively rolling out our most advanced mobile, online and video banking platforms," said Mr Manjang.

The Corporate & Institutional Banking segment revenue was up 39 per cent benefiting from growth in foreign exchange and client income. This segment contributed 31 per cent to total income.

Income from Commercial Banking was down 36 per cent year-on-year impacted by decreased loan volumes. This segment contributed 9 per cent to total income.

Central and other items, which mainly include treasury activities and Corporate Centre costs, remained broadly flat reflecting lower interest rates. This contributed 14 per cent to total income.

The Bank's underlying costs grew 11 per cent and reflect investment in digital capabilities, continued branch network optimisation, and changes undertaken around staff including reorganisation in line with the new strategy. Loan impairment is down 55 per cent year-on-year reflecting the benefit of past risk management actions and the Bank's tightened risk tolerances. Credit quality was broadly stable with gross non-performing loans increasing marginally to KShs 15 billion. The cover ratio increased to 69 per cent (2015: 56 per cent).

Mr Manjang however noted that the growth trajectory was impacted in the fourth quarter following the implementation of the Banking (Amendment) Act, 2016. “The full effect of the legislation is expected to be felt across the industry in 2017. At the moment we are witnessing a significant deceleration in credit growth,” he said.

Customer loans and advances increased by seven per cent as the Bank continues to focus on disciplined balance sheet management and more selective asset origination. “We have a balance sheet that gives us a strong foundation to support our growth ambitions for the future. Our balance sheet is highly liquid with advances to deposits ratio at 66 per cent. We remain a customer deposit funded bank with the Current Account and Savings Account, CASA, balances at 71 per cent (2015: 76 per cent). We are confident that the initiatives that we have put in place across our business will see our balance sheet grow strongly,” he said.

The strong capital base with a total capital ratio of 21 per cent positions the Bank well to continue taking advantage of opportunities for business growth as well as making healthy returns to investors.

To mitigate against the anticipated slow down in the sector, Mr Manjang said the Bank will continue to invest in digital technology to enhance operational efficiency. He said: “We have put in place the requisite fundamentals to ensure that we remain efficient and competitive. We have prioritised diversification of revenue streams with heightened focus on Wealth Management and Trade.”

The Board has resolved to recommend the payment of a final dividend for the year of KShs 14.00 for every ordinary share of KShs 5.00. This, in addition to the interim dividend paid in August 2016 of KShs 6.00 for every ordinary share of KShs 5.00, brings the total dividend to KShs 20.00. This compares to a total dividend of KShs 17.00 per ordinary share paid in 2015.

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Note to Editors:

Standard Chartered

We are a leading international banking group, with more than 80,000 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. Our heritage and values are expressed in our brand promise, Here for good.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

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Financial performance summary

Group income statement

	2016 KShs million	2015 KShs million	2016 vs 2015 Better/(Worse) %
Net interest income	19,395	18,116	7.1
Non funded income	8,590	7,249	18.5
Total operating income	**27,985**	**25,365**	**10.3**
Operating expenses	(12,497)	(11,309)	(10.5)
Loan impairment	(2,200)	(4,896)	55.1
Profit before taxation	**13,288**	**9,160**	**45.1**

	31.12.16 KShs million	31.12.15 KShs million	Increase/ (Decrease) %
Balance Sheet			
Loans and advances to customers	122,711	115,125	6.6
Customer deposits	186,589	172,036	8.5
Loans to deposits ratio	66%	67%	
Capital			
Core capital	35,258	33,259	
Total capital	42,104	40,147	
Core capital ratio	17.51%	17.53%	
Total capital ratio	20.91%	21.16%	