

# press release

## FOR IMMEDIATE RELEASE

### Standard Chartered reports KShs 3.5 billion profit for the first half of 2011

***Loans and advances up 67% to KShs 83.7 billion while customer deposits grew by 11% to KShs 109 billion***

**August 24, NAIROBI:** Standard Chartered today announced a profit of KShs 3.5 billion for the first half of 2011. Total income grew to KShs 7.1 billion with interest income on loans and advances up by 23.4% to KShs 3.6 billion.

### Financial Highlights

- Total income stood at KShs 7.1 billion compared to KShs 7.0 billion in the first half of 2010 as a result of strong growth in net interest income which increased by 12% from KShs 4.0 billion to KShs 4.6 billion.
- Non Interest income declined by 13.8% to KShs 2.6 billion due to unrealized mark-to-market losses in the bond portfolio as well as in foreign exchange derivatives.
- Operating costs were up 21.7% to KShs 3.4 billion due to the goodwill amortization charge on custody business of KShs 182 million.
- Net bad debt charge increased from KShs 177 million to KShs 233 million in line with the growth in the loans and advances.
- Profit before taxation was KShs 3.5 billion compared to KShs 4.1 billion in 2010.
- Loans and advances grew by 67% to KShs 83.7 billion on the back of increased demand from the corporate and SME segments.
- Total non-performing loans, as a proportion of total loans, fell to 1.3% compared to 3.1% in 2010.
- Investment in Government securities reduced by 39.6% to KShs 31.5 billion as we continued to reposition our balance sheet away from government securities and into customer assets. Investment in Government securities now constitutes 20% of total assets compared to 38% in 2010.
- Customer deposits grew by 11% to KShs 109 billion compared to KShs 99 billion in 2010.
- Earnings per share fell to KShs 8.71 per ordinary share compared to KShs 10.13 per ordinary share in 2010.

### Financial Details

#### Revenue

Total income grew to KShs 7.1 billion, driven mainly by the following:

- Interest income on loans and advances increased by 23.4% to KShs 3.6 billion on the back of significant growth in loans and advances to corporate and SME clients. Personal loans also continued to perform well.
- Fees and commissions increase by 55.3% and were mainly driven by significant growth in loans and advances, trade finance and improved revenues from our Custodial Services business.

## SUMMARY PRESS RELEASE

- Income from foreign exchange trading grew marginally by 4.6% to KShs 847million and was impacted by unrealized mark-to-market losses in a number of derivative positions, all of which are to unwind within the next 12 months.
- Other income, consisting mainly of income on government securities fell on the back of a 40% reduction in holdings in government securities as we repositioned our balance sheet in order to support the rapid growth in customer assets and mark-to-market losses in the bond trading book.

### Costs

Total operating expenses increased by 21.7% to KShs 3.4 billion.

- Staff costs grew marginally by 5% to KShs 177 billion as we continued to grow staff headcount in line with our business growth
- Premises and equipment costs increased by 68.7% to KShs 406 million due to increase in costs associated with the New Head Office building.
- Other costs increased by 60% to KShs 1.378 billion mainly due to goodwill amortization charge relating to the acquisition of the Custodial Services business as well as our continued investment in infrastructure and technology to support business growth.

### Loans and Advances

Loans and advances grew to KShs 83.7 billion, driven mainly by growth in consumer, SME and corporate assets. The bank recorded excellent performance in the mortgage and corporate assets, which grew by 24% and 54% respectively. Personal loans grew by 32%

These product lines have grown significantly over the last few years and the momentum continues to be excellent.

### Non-Performing Loans and Net Bad Debt Charge

The net bad debt charge increased by 31.6% to KShs 233 million, from KShs 177million in 2010. The charge for Consumer Bank and Wholesale Bank increased in line with the growth in the size of the overall portfolio as expected.

Non-performing loans remain among the lowest in the market at KShs 1.09 billion and significantly, this has fallen below the KShs 2.0 billion mark. This translates to 1.3% of gross total loans compared to 3.1% in 2010. The bank is comfortable with the current level of provisions and continues to proactively manage our credit risks.

### Customer Deposits

In the first half, customer deposits grew by 11% to KShs 109 billion. In the Consumer Bank, the momentum from the various products launched in the recent past, coupled with the aggressive sales promotion pushed total deposits to KShs 68.8 billion up 10%.

Growth in customer deposits in the Wholesale Bank was flat year on year due to the transactional nature of deposits for this business. However, the underlying 'sticky' deposits in this business showed growth as a result of strong sales supported by our world-class Integrated Cash Management System (ICMS).

Richard Etemesi, Managing Director and Chief Executive, Standard Chartered, said:

*"The Bank has continued to perform well in the first half and the fundamentals of our balance sheet remain strong. We are especially pleased with the significant growth in our loans and advances which is in line with our strategy of supporting our Wholesale banking and SME clients.*

*However, the overall financial results for the first half were significantly impacted by the sharp rise in interest rates which resulted in the revaluation of our trading book and thereby causing a mark-*

## SUMMARY PRESS RELEASE

*to-market unrealised loss in the bond trading portfolio and derivatives. Although we expect this position to correct itself in the second half of the year, we shall continue to maintain robust appropriateness and suitability process to mitigate any risk within the financial markets dislocation.*

*The outlook for the second half remains positive. Already we have begun to see the unwinding of the mark-to-market positions and coupled with continuing growth in loans and advances, we anticipate strong revenue momentum. We shall continue to maintain firm control on costs and proactively manage our risks.”*

### **Notes to Editors**

#### **Standard Chartered – leading the way in Asia, Africa and the Middle East**

Standard Chartered PLC is a leading international bank, listed on the London, Hong Kong and Mumbai stock exchanges. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90 per cent of its income and profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships with clients and customers has driven the Bank's growth in recent years.

With 1,700 offices in 70 markets, Standard Chartered offers exciting and challenging international career opportunities for more than 80,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. The Bank's heritage and values are expressed in its brand promise, 'Here for good'.

For more information on Standard Chartered, please visit [www.standardchartered.com](http://www.standardchartered.com)