Standard Chartered

press release

FOR IMMEDIATE RELEASE

Standard Chartered reports a 40% increase in profits to KShs.11.6 billion for the year ended 31 December 2012

Total income was up 30% to KShs 21.0 billion compared to KShs 16.2 billion in 2011

March 14, NAIROBI: Standard Chartered today announced a pre-tax profit of KShs 11.6 billion for the full year ended 31 December 2012. Total income grew to KShs 21.0 billion with loans and advances up by 17% to KShs 112.7 billion.

Financial Highlights

- Total income rose 30% to KShs 21.0 billion (2011: KShs 16.2 billion) as a result of strong growth in net interest income which increased by 41% from KShs 10.1 billion to KShs 14.2 billion;
- Non interest income increased by 11% to KShs 6.8 billion due to good growth in other income that increased to KShs 867 million in 2012 (2011: KShs 110 million).
- Net bad debt charge increased from KShs 561 million to KShs 882 million and is in line with the growth in our loans and advances portfolio. We continue to have a proactive approach to risk management and remain watchful;
- Total operating costs grew by 16% to KShs 8.6 billion (2011: KShs 7.4 billion) driven by continued investment in infrastructure, technology and talent to support our business growth;
- Profit before taxation rose by 40% to KShs 11.6 billion (2011: KShs 8.3 billion)

- Loans and advances increased by 17% to KShs 112.7 billion (2011: KShs 96.1 billion) while customer deposits increased by 15% to KShs 140.5 billion (2011: KShs 122.3 billion).
- Our investment in government securities increased from KShs 24.6 billion to KShs 45.3 billion on the back of significant growth in customer deposits. The high interest rates that prevailed for most of the year impacted the growth of loans and advances but we have seen good momentum in the last quarter as rates have continued to fall.

Financial Details

Revenue

Total revenue grew to KShs 21.0 billion, driven mainly by the following:

- Interest income on loans and advances increased by 56% to KShs 14.9 billion on the back of strong asset growth across both businesses and higher interest rates that prevailed for most of the year;
- Interest income from investments in government securities increased by 95% largely on account of increased volumes;
- Total interest expense increased by 172% to KShs 5.5 billion primarily due to an increase in interest expense on customer deposits which grew by 228% in 2012 on account of growth in both volumes and high interest rates occasioned by tight liquidity in the market;
- Income from foreign exchange trading remained relatively flat at KShs 2.6 billion;
- Fees and commissions decreased marginally by 2% from KShs 3.4 billion to KShs 3.3 billion due to lower number of large value transactions during the year;
- Other income comprising mainly of income on government securities sales increased to KShs 867 million due to a well positioned book and also on account of positive MTM gains on the bond trading book and MTM derivatives.

Costs

Total operating expenses increased by 16% to KShs 8.6 billion.

- Staff costs grew by 24% to KShs 4.6 billion as we continued to grow staff headcount in line with our business expansion;
- Premises and equipment costs decreased by 13% to KShs 0.6 billion (2011: KShs 0.7 billion) due to the one-off revenue expenditure relating to the head office in 2011;
- Depreciation and amortisation increased by 26% to KShs 0.9 billion largely on account of the amortisation charge on the intangible asset relating to the acquisition of the Custodial Services business as well as our continued investment in infrastructure and technology to support our business growth. In particular we had a full year of depreciation for the head office compared to 9 months in 2011;
- Other costs increased by 8% to KShs 2.4 billion in line with increased operating costs due to increased business and also because of increases in operating expenses such as courier services, hire of equipment among others.

Non – Performing Loans and Net Bad Debt Charge

Non-performing loans were KShs 2.2 billion compared to KShs 1.0 billion in 2011**.** This translates to 1.9% of gross total loans compared to 1.1% in 2011. The quality of the asset book remains good and is well diversified and conservatively positioned. WB loans continue to remain well diversified and largely short tenor. The consumer book is predominantly secured and we have selectively grown our unsecured portfolio.

Dividend

As you are aware the Central Bank of Kenya released revised Prudential Guidelines in November 2012 to be effective from 1 January 2013. The capital requirements have been significantly enhanced requiring additional capital to ensure compliance. There are a number of transitional arrangements which will culminate in full compliance by 31 December 2014. The Banks are now required to set aside capital for operational and market risk in addition to credit risk. Further, a capital conservation buffer of 2.5% has been introduced taking total capital adequacy ratio up to 14.50%.

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. This compares to KShs 11.00 per ordinary share in 2011. This dividend payout gives us the right balance between bolstering our capital base to enable us pursue growth in loans and advances and continue to deliver attractive returns to our investors and to ensure we meet the enhanced capital requirements.

Richard Etemesi, Managing Director and Chief Executive Officer, Standard Chartered, said:
"In 2012, we continued on the path of rapid growth, strong financial performance and excellent strategic progress. We delivered against a balanced scorecard of growth and performance and cost control and risk management. Both our Wholesale and Consumer Banking businesses contributed 54 per cent and 46 per cent to operating income respectively, underlining our success in completely transforming the Consumer Bank and building a balanced business is a strong testament to our diversified business.

Looking ahead, we see a lot of opportunities as the country moves into a devolved government structure and gears up to achieving the Vision 2030 goals. There are opportunities in Infrastructure development/financing, energy and manufacturing. The business is well positioned *to continue being the right partner to our clients. Indeed to our clients we will continue demonstrating that we are here for good and here for the long haul and to do business with them.*

Both the businesses enter 2013 with good momentum, but we remain vigilant about the global outlook and the uncertainties within the political and economic environment in Kenya. Therefore we will continue to look for opportunities and take advantage of these to build and grow our business. The Bank is in great shape, has good momentum, and is superbly positioned for the future."

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, 102 years later, Standard Chartered Bank is one of the leading banks in Kenya, with an excellent franchise. It has a total of 34 branches spread across the country, 97 automated teller machines (ATMs) and 1,900 employees.

Standard Chartered bank has local share holdings of 26%, comprising about 32,000 Kenyans. 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 and Botswana and South Africa on a real time basis.

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

Standard Chartered is a leading international banking group. 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. Standard Chartered PLC is listed on the London and Hong Kong stock exchanges as well as the Bombay and National Stock Exchanges in India.

With 1,700 offices in 68 markets, the Group offers exciting and challenging international career opportunities to over 89,000 staff. It is committed to building a sustainable business over the long term and upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, 'Here for good'.

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