

press release

FOR IMMEDIATE RELEASE

Standard Chartered reports a 16% increase in profits to KShs 13.4 billion for the year ended 31 December 2013

Total income was up 13% to KShs 23.8 billion compared to KShs 21.0 billion in 2012

March 25, NAIROBI: Standard Chartered today announced a pre-tax profit of KShs 13.4 billion for the full year ended 31 December 2013. Total income grew to KShs 23.8 billion with loans and advances up by 15% to KShs 129.7 billion.

Financial Highlights

- Total income rose 13% to KShs 23.8 billion (2012: KShs 21.0 billion) as a result of strong growth in net interest income which increased by 18% from KShs 14.2 billion to KShs 16.8 billion;
- Non interest income increased by 4% to KShs 7.1 billion;
- Net bad debt charge increased from KShs 882 million to KShs 987 million and is in line with the growth in our loans and advances portfolio. We continue to have a proactive approach to risk management;
- Total operating costs grew by 11% to KShs 9.5 billion (2012: KShs 8.6 billion) driven by continued investment in infrastructure, technology and talent to support our business growth. We continue to be disciplined in managing costs;
- Profit before taxation rose by 16% to KShs 13.4 billion (2012: KShs 11.6 billion);
- Loans and advances increased by 15% to KShs 129.7 billion (2012: KShs 112.7 billion) while customer deposits increased by 10% to KShs 154.7 billion (2012: KShs 140.5 billion);
- Our investment in government securities increased from KShs 45.3 billion to KShs 55.6 billion on the back of strong growth in customer deposits.

Financial Details

Revenue

Total revenue grew to KShs 23.8 billion, driven mainly by the following:

- Interest income on loans and advances increased by 4% to KShs 15.5 billion driven by growth in volumes but impacted by significantly lower interest rates charged in line with falling interest rates in the market;
- Interest income from investments in government securities increased by 36% largely on account of increased volumes;
- Total interest expense decreased by 10% to KShs 4.9 billion primarily due to a decrease in interest expense on customer deposits which fell by 11% in 2013 on account of reduction in average yields;
- Income from foreign exchange trading decreased from KShs 2.6 billion to KShs 2.3 billion on account of decreased volatility in forex rates in 2013 compared to 2012;
- Fees and commissions increased marginally by 15% from KShs 3.3 billion to KShs 3.8 billion on account of decreased transactional volumes;
- Other income increased to KShs 948 million mainly due to profit on disposal of properties.

Costs

Total operating expenses increased by 11% to KShs 9.5 billion with key drivers being:

- Staff costs grew by 10% to KShs 5.1 billion as we continued to invest in talent to support our business growth;
- Premises and equipment costs remained relatively flat at KShs 0.67 billion;
- Depreciation and amortisation increased by 9% to KShs 1.0 billion largely on account of our continued investment in infrastructure and technology to support our business growth, as well as the amortisation charge on the intangible asset relating to the acquisition of the Custodial Services business;
- Other costs increased by 14% to KShs 2.5 billion in line with increased operating costs due to increased business.

Non – Performing Loans and Net Bad Debt Charge

Non-performing loans were KShs 3.8 billion compared to KShs 2.2 billion in 2012. This translates to 2.9% of gross total loans (2012: 1.9%). Wholesale banking loans are largely short tenor. The consumer book is predominantly secured and we have selectively grown our unsecured portfolio. The quality of the asset book remains good is well diversified and conservatively positioned.

Dividend

With the revised Prudential Guidelines coming into effect on 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. Banks are 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 14.50 for every ordinary share of KShs 5.00. This compares to KShs 12.50 per ordinary share in 2012. This dividend payout gives us the right balance between bolstering our capital base to enable us pursue growth in loans and advances, continue to deliver attractive returns to our investors as well as ensuring we meet the enhanced capital requirements.

Lamin Manjang, Managing Director and Chief Executive Officer, Standard Chartered, said:

In 2013, we continued on the path of sustained growth, strong financial performance and excellent strategic progress. We delivered against a balanced scorecard of growth, performance, cost control and risk management. The business continues to demonstrate underlying strength and diversity with our wholesale and consumer banking businesses contributing 55% and 45% to operating income respectively. This also underlines our success in building a balanced business.

Looking ahead, we see opportunities as the devolved government structures take shape and the country gears up to achieving the Vision 2030 goals. The business is well positioned to continue being the right partner to our clients. Indeed we will continue demonstrating that we are Here for good and here for the long run and to do business with our clients. “

Both businesses enter 2014 with good momentum, but we remain vigilant about the global outlook. The Bank is in great shape, has good momentum, and is well 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 37 branches spread across the country, 98 automated teller machines (ATMs) and 1,850 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'.

For further information please visit www.standardchartered.com. Follow Standard Chartered on www.facebook.com/standardchartered and on Twitter [@StanChart](https://twitter.com/StanChart).

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