press release

**FOR IMMEDIATE RELEASE**

# Standard Chartered reports a 7% increase in profits to KShs 14.3 billion for the year ended 31 December 2014

## *Total income was up 9% to KShs 26.1 billion compared to KShs 23.8 billion in 2013*

**March 26, NAIROBI:** Standard Chartered today announced a pre-tax profit of KShs 14.3 billion for the full year ended 31 December 2014. This is a 7% increase from KShs 13.4 billion in 2013. Total income grew 9% to KShs 26.1 billion with dividend per share up 17% to KShs 17.00.

**Financial Highlights**

- Net interest income increased by 7% from KShs 16.8 billion to KShs 17.9 billion;
- Non interest income increased by 16% from KShs 7.1 billion to KShs 8.2 billion largely due to the sale of a property during the year. On an underlying basis, non interest income fell by 6% due to a decline in foreign exchange income;
- Net bad debt charge increased from KShs 987 million to KShs 1,308 million driven by a small number of accounts. We continue to have a proactive approach to risk management and remain watchful;
- Total operating costs grew by 10% to KShs 10.4 billion (2013: KShs 9.5 billion) driven by continued investment, business reorganisations and inflationary pressures. We continue to be disciplined in managing costs;
- Profit before taxation rose by 7% to KShs 14.3 billion (2013: KShs 13.4 billion);
- Loans and advances declined by 6% to KShs 122.7 billion (2013: KShs 129.7 billion) while customer deposits declined marginally to KShs 154.1 billion (2013: KShs 154.7 billion);
- Our investment in government securities increased from KShs 55.6 billion to KShs 58.2 billion.

**Balance Sheet**

- The balance sheet remains resilient and well diversified. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 80% down from the previous year end position of 84%;
- The Bank remains well capitalised, with a total capital to risk weighted assets ratio standing at 20%;
- The profile of our balance sheet remains stable, with over 70% of our financial assets held at amortised cost.

**Revenue**

Total revenue grew to KShs 26.1 billion, driven mainly by the following:

- Interest income on loans and advances increased to KShs 15.7 billion driven by growth in average volumes but weighed down by lower interest rates charged compared to 2013. The growth in non performing loans during the year further muted the growth in interest income;
- Interest income from investments in government securities remained flat at KShs 5.9 billion. Increased volumes were tempered by lower interest rates;
- Total interest expense decreased by 14% to KShs 4.2 billion reflective of reduction in overall cost of funds;
- Income from foreign exchange trading decreased by 11% to KShs 2.0 billion as a result of a low rates and low volatility environment coupled with margin compression which offset effects of significant volume growth;
- Fees and commissions remained flat at KShs 3.9 billion;
- Other income increased to KShs 2.3 billion, a 141% increase from 2013. This increase was largely due to a one-off sale of a property.

**Costs**

Total operating expenses increased by 10% to KShs 10.4 billion as a result of the following:

- Staff costs grew by 13% to KShs 5.8 billion as we continued to invest in talent to support our business growth in addition to redundancy costs as we reorganised our business in 2014;
- Premises costs remained flat at KShs 0.5 billion;
- Depreciation and amortisation remained flat at KShs 1.0 billion;
- Other operating costs increased by 9% to KShs 3.2 billion in line with increased operating costs due to increased business.

A brief look at our results from each business's point of view:

**Corporate and Institutional Clients**

Corporate and Institutional Clients (C&I) comprises Global Corporates, Local Corporates and Financial Institutions. C&I delivered a resilient performance against a backdrop of challenging market conditions.

- Income rose by 12% to KShs13.7 billion and the underlying operating profit grew by 17% to KShs 9.9 billion.

We continue to deepen our client relationship preposition as we make disciplined investments in key product capabilities to support companies that drive investment, trade and creation of wealth across our footprint

**Commercial Clients**

The Commercial Clients segment serves medium-sized businesses that are managed by dedicated relationship managers.

Operating profit was KShs 0.7 billion (2013: KShs 1.1 billion). 2014 saw the refinement of the new client segments continue and this is reflected in the reduced operating profit in the year for Commercial Clients compared to 2013.

- Lending and cash management income fell due to lower volumes and inter-segment transfers respectively;
- Total impairment rose by 15% driven by a small number of specific loan impairments;
- Customer loans and advances closed at KShs 11.5 billion and customer deposits at KShs 16.3 billion.

The Commercial Client segment offers a competitively differentiated platform from which we will continue to grow the business.

**Retail Clients**

Retail Clients comprises Priority, Personal and Business Clients.

We have a diverse customer portfolio with the Priority clients contributing 21% of Retail Clients revenues, Personal clients contributing 63% and Business clients accounting for 16%.

- Operating income was up 9% to reach KShs 10.0 billion. This was as a result of strong growth in customer loans and deposits which increased by 19% and 4% to close at KShs 55.2 billion and KShs 74.7 billion respectively;

- Expenses rose by 9% driven by the repositioning programme, investment in our branch network and in our digital agenda;
- Impairments increased in 2014 driven by a small number of specific loan impairments;
- Operating profit remained flat.

**Non – Performing Loans and Net Bad Debt Charge**

Gross non-performing loans increased to KShs 10.8 billion compared to KShs 3.8 billion in 2013**.** This translates to 8.5% of gross loans and advances (2013: 2.9%). Compared to June 2014 where the non performing loans peaked at KShs 14.5 billion, gross non-performing loans decreased by 26% as we continue to support our clients. This is as a result of active management actions around the Corporate & Institutional Clients portfolio which saw non-performing loans increase in 2014, although this was due to a small number of problem accounts. We are pleased to further report that as at February 2015, we had made further progress and reduced the gross non-performing loans to 6.8% of gross loans and advances.

Overall we remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies. While we do not see a broad based deterioration in asset quality, the number of clients subject to additional, precautionary monitoring remains elevated reflecting our proactive approach to managing risks in an uncertain environment.

Corporate & Institutional loans as well as Commercial Clients loans are largely short tenor. The Retail Clients 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**

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 December 2014. This will bring the total dividend for the year to KShs 17.00 per ordinary share which compares to KShs 14.50 per ordinary share in 2013 and translates to an increase of 17% year-on-year. This dividend payout gives us the right balance between bolstering our capital base to enable us pursue growth; continue to deliver attractive returns to our investors as well as ensuring we meet the enhanced capital requirements. As it will be recalled, in 2013 the Central Bank of Kenya introduced new regulations which were to be implemented by 31 December 2014 that required banks to significantly increase minimum capital requirements.

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

*"2014 was a challenging year due to increased non performing loans. However, we maintained our path of sustained growth, strong financial performance and excellent strategic progress. 2014 was also the year that we reorganised our business repositioning it for the future.*

*We have significantly increased the amount paid out to our shareholders by way of dividend, while at the same time maintaining a firm grip on costs. Our people are much sought after by our competition, and we are acutely conscious of the importance of retaining and attracting the best talent as we look to execute our strategy.*

*We continued to have a firm grip on the levers of risk, cost and investment, and are using our balance sheet strength to increase financing support to our customers. We are putting even greater focus on our clients and customers on building deep and long standing relationships and on improving the quality of our services and solutions. The business continues to demonstrate underlying strength and diversity. This also underlines our success in building a balanced business.*

*We continue to take a conservative approach to managing the balance sheet, maintaining a strong liquidity position and keeping a watchful eye on asset quality. We have taken decisive actions on the small number of non performing loans and this position has improved significantly.*

*Looking into the future, we see increased business opportunities as the economy continues to grow and as more investors come into the market. The business is well positioned to continue being the right partner to our clients.*

*We enter 2015 with the foundations in great shape – well capitalised, highly liquid and a diverse business – and we are well positioned to continue being the right partner to our clients. This is in line with our strategic intent – we will continue banking the people and companies driving investment, trade and the creation of wealth across our footprint."*

**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, 95 automated teller machines (ATMs) and 2,048 employees.

Standard Chartered bank has local share holdings of 26%, 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.

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

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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