press release

For immediate release

28 May 2015 - Standard Chartered Bank Kenya Limited 2015 Financial Results

Standard Chartered Kenya today released its Quarterly Financial results for the quarter ended 31 March, 2015.

Lamin Manjang, the Chief Executive Officer, commented:

"The first quarter performance was subdued largely due to the after effects of the sharp increase in our non-performing loan book in 2014. As we stepped up the recoveries of these non-performing loans, the loan book declined in the first quarter. However, the NPL ratio has improved significantly from a high of 11% down to 7% by the first quarter. Our underlying business volumes generally remain strong, and we are rebuilding the balance sheet with good quality assets".

Group Income statement	**3 months ended 31.03.15 KShs million**	**3 months ended 31.03.14 KShs Million**	**YoY Better/ (worse) %**
Net interest income	4,423	4,457	(0.8)
Non funded income	1,424	1,721	(17.3)
Total operating income	**5,847**	**6,178**	**(5.4)**
Operating expenses	(2,507)	(2,356)	(6.4)
Loan impairment	(824)	(236)	(249.2)
Profit before taxation	**2,516**	**3,586**	**(29.8)**

Our first quarter performance is disappointing as revenues have declined whilst costs and loan impairment have increased. The impact of the derisking of the loans portfolio has impacted the overall interest income levels together with compressed margins and low volatility in Financial Markets. Further, the uncertainty around the implementation of Capital Gains Tax introduced in January 2015 depressed foreign inflows into the Nairobi Securities Exchange impacting our custody business. Therefore first quarter income was down 5.4 per cent.

We have also seen muted growth in our Retail Clients segment due to the reorganisation of teams around the refreshed strategy. The new structure has been largely embedded. We have seen some volume growth in various parts of the business which is encouraging as we go forward into the rest of the year.

Operating expenses increased 6.4 per cent in line with inflation and investments. We however expect to make some productivity saves in the course of the year.

Coming to the impairment charge, it should be no surprise that impairment has risen sharply in Q1. Our asset quality deteriorated sharply in 2014 with the Gross Non performing Loans (NPLs) peaking at KShs 14.6 billion as at June 2014, which represented 11 per cent of our total gross loans. We have taken decisive actions to derisk our portfolio and whilst this has resulted in a material drag to our income it has improved the overall quality of the portfolio and risk profile for the business.

The NPLs have consequently declined by 43 per cent since the peak in June last year to close at KShs 8.4 billion. The NPL ratio has further declined to 7 per cent as at the end of March 2015.
Consequently our overall net loans and advances decreased year on year by 11 per cent to KShs 114.1 billion and by 7 percent since December 2014.

Our book within the Corporate & Institutional Clients segment is short tenor with 73 per cent of the book being less than one year. This allows us to quickly react to any changes in the environment and our portfolio.

We have taken various risk mitigating actions through 2014 and into 2015 and we have been largely quite successful in the risk mitigation actions we have undertaken but have had one large name deteriorating in Q1 2015 and we have had to take a lumpy impairment charge in March 2015 which has increased the impairment charge compared to the same period last year and has impacted our bottom line.

Looking ahead we are seeing momentum in the growth in the loan book coupled with further positive actions that the impact on the performance will begin to be mitigated.

We also see our NPL ratio coming back to within or below the industry ratio of 5.7 per cent in the next 6 to 12 months.

We continue to have a conservative risk management profile and are now much more comfortable with the quality and shape of our loan book, but clearly there is still more work to be done.

Balance sheet

	31.03.15 KShs million	**31.12.14 KShs Million**	**YoY Better/ (Worse) %**
Loans and advances to customers	114,060	122,749	(7.1)

Customer deposits	163,428 154,067 6.1	
Loans to deposit ratio	69.8%	79.7%

A strong highly diverse balance sheet with no material concentration by either business or segment is a competitive advantage.
Our balance sheet remains highly liquid with advances to deposits ratio of 69.8 per cent. We remain a customer deposit funded bank. We are pleased that the measures we put in place in 2014 to address our funding constraints are beginning to bear fruit with our total deposits in 2015 increasing by 6 per cent to KShs 163.4 billion and Current Account and Savings Account (CASA) balances increasing from 74 per cent to 79 percent.

Loans and Advances to customers were down 7 per cent to KShs 114.1 billion as we continue to derisk our balance sheet. We are confident that the initiatives we have put in place across all our businesses will see our balance sheet grow in the subsequent periods.

We continue to have a very strong capital position, with the total capital to risk weighted assets ratio standing at 19 per cent.

In summary, based on our current outlook, we remain optimistic that our performance for the full year will be consistent with our financial priorities and areas of strategic focus.

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, 104 years later, Standard Chartered Bank is one of the leading banks in Kenya, with an excellent franchise. It has a total of 38 branches spread across the country, 96 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 and Botswana and South Africa 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.

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