Standard Chartered

# press release

**25 November 2015 - Standard Chartered Bank Kenya Limited 2015 unaudited Financial Results**

Standard Chartered Kenya today released its unaudited Financial results for the nine months period ended 30 September 2015.

Lamin Manjang, the Chief Executive Officer, commented: *"The performance in the nine months to September was subdued largely due to the after effects of the sharp increase in our non-performing loan book in 2014 coupled with the large net gain on sale of property which has not been repeated. The gains made on recoveries of the NPLs in the first six months have been set back in quarter three, and this is disappointing. As a result, the NPL ratio as at September 2015 remains high at 8% which we are working towards reducing. The underlying business momentum is picking up and we are positioning the Bank for improved performance and ensuring that our people are focused on delivering value to our clients".*

| **Group Income statement** | **9 months ended 30.09.15 KShs million** | **9 months ended 30.09.14 KShs Million** | **YoY Better/ (worse) %** |
|---|---|---|---|
| Net interest income | 13,471 | 13,314 | 1.2 |
| Non funded income | 5,323 | 6,456 | (17.5) |
| **Total operating income** | **18,794** | **19,770** | **(4.9)** |
| Operating expenses | (8,153) | (7,425) | (9.8) |
| Loan impairment | (1,686) | (1,129) | (49.3) |
| **Profit before taxation** | **8,955** | **11,216** | **(20.2)** |

The underlying revenue year on year, (after stripping out the exceptional net gain of KShs 1.4 billion earned in 2014) is marginally up. This muted performance reflects the previously announced de-risking initiatives on the loans portfolio together with compressed margins. 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 especially in the first quarter. We have seen good momentum on our foreign exchange income in the last two quarters.

The realignment of our Retail Banking strategy earlier in the year slowed growth in quarter one. However, with a more streamlined structure in place, business volumes within Retail Banking are starting to pick up in the second and third quarters.

Operating expenses increased 9.8 per cent in line with inflation, investments as well as the Bank's reorganisation in the early part of the year. We however are beginning to see some of the productivity saves come through from the actions we have taken so far.

We continue to critically assess the quality of the loan book and have taken an impairment charge of KShs 391 million in the third quarter. The NPLs have increased to KShs 10.8 billion from KShs 8.4 billion at June 2015 due to a limited number of accounts downgraded in the period. The NPL ratio has consequently increased to 8.2 per cent from 6.5 per cent in June 2015.

Our book within the Corporate & Institutional Banking segment is short tenor with 61 per cent of the book being less than one year. This allows us flexibility in responding to any changes in the environment and our portfolio.

**Balance sheet**

| | **30.09.15 KShs million** | **31.12.14 KShs Million** | **YoY Better/ (Worse) %** |
|---|---|---|---|
| Loans and advances to customers | 126,514 | 122,749 | 3.1 |
| Customer deposits | 166,594 | 154,067 | 8.1 |
| Loans to deposit ratio | 75.9% | 79.7% | |

Customer loans and advances are up 3 per cent as we focus on disciplined balance sheet management and more selective asset origination.

Our balance sheet remains highly liquid with advances to deposits ratio of 75.9 per cent. We remain a customer deposit funded bank. 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 just over 8 per cent to KShs166.6 billion, year-on-year. Current Account and Savings Account (CASA) balances have also increased from 74 per cent to 77 percent over the same period.

We are confident that the initiatives we have put in place across all our businesses will see our balance sheet continue to grow.

We continue to have a very strong capital position, with the total capital to risk weighted assets ratio standing at 21.7 per cent.

**Strategic review key highlights**

In November 2015, Standard Chartered Plc announced a strategic review that will make key changes and capture significant underlying opportunities within the Standard Chartered Group. For Standard Chartered Bank Kenya, the key areas of focus within our strategic review include:

- Aligning our business strategy with tightened risk tolerance to create a more diverse and resilient balance sheet;
- Delivering cost efficiencies through investment in technology and funding incremental investments which build capacity in key areas of strength across the business;
- Restructuring our Commercial Banking business to deliver on our refreshed strategy; and
- Rolling out enhancements within our Retail digital capabilities to enhance our customer service experience.

The strategic review announced by the Standard Chartered Group will see us invest in our core strengths and where we have or will have a competitive advantage. We must continue to invest and innovate to ensure our Bank is able to take advantage of the opportunities as our markets evolve.

### Conclusion

Momentum reflects ongoing impact of loans portfolio de-risking initiatives. Given the foregoing Q4 results of the Bank are unlikely to reverse the impact of this and attain results close to or at last year's levels. It is reasonable at this time to anticipate earnings for the year ending 31 December 2015 will be lower than the previous year's by at least 25%.

The Board continues to see many attractive opportunities across the Kenyan economy and remains confident that the Bank's refreshed and focused strategy will provide a platform for sustainable growth in the long term.

**ENDS**

**Standard Chartered:**

We are a leading international banking group, with more than 90,000 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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