# press release

***For Immediate Release***

## Standard Chartered announces 2017 results

**22 March 2018...** Standard Chartered Bank Kenya Limited today announced a pre-tax profit of KShs 10.1 billion for 2017.

In a statement, Mr. Lamin Manjang, Standard Chartered Bank CEO noted: "*The banking sector in Kenya experienced challenges in 2017 as the sector responded to external factors which continue to reshape the industry. In November 2017, we signalled through a profit warning our anticipation that the net earnings for the year ended 31 December 2017 would be at least 25 per cent lower than that reported for the year ended 31 December 2016. This was primarily due to two factors:*

- *an increase in the non-performing loans portfolio; and*
- *the financial impact from the interest rate capping law.*

*In the end, the net earnings were down 24.2 per cent year-on-year, a reflection of the challenging external environment in 2017".*

Net interest income declined by 4 per cent to KShs 18.7 billion down from KShs 19.4 billion in 2016. Interest income on customer loans and advances at KShs 13.6 billion saw a 9 per cent fall from 2016 due to decreased average volumes from a contracted credit market coupled with margin compression as a result of the new regulation on pricing. The decline was partially mitigated by higher interest income from government securities which increased by 13 per cent as a result of increased volumes invested.

Total interest expense increased by 21 per cent from KShs 6.4 billion in 2016 to KShs 7.7 billion as a result of higher deposit balances coupled with higher interest paid in line with the new regulation.

Loans and advances to customers increased by 3 per cent to stand at KShs 126 billion compared to KShs 123 billion at the close of 2016 as the Bank continues to focus on disciplined balance sheet management and selective asset origination. Customer deposits increased by 14 per cent to reach KShs 213 billion compared to KShs 187 billion in 2016 from new mandates and deepening existing client relationships.

Non-interest income increased 2 per cent year-on-year to KShs 8.8 billion primarily due to a slowdown in business momentum, further weighed down by lower foreign exchange volumes.

Operating expenses grew by 5 per cent to KShs 13.1 billion largely due to implementation of the "Digital by Design" strategy which aims to migrate over 80 per cent of transactions to non-branch channels by 2020, and inflation. The Bank has prioritised deployment of technology to promote efficiency and enhance risk management. Over the last two years, we have introduced a Mobile app, a revamped online platform, fingerprint log-in technology, Video Banking and Cash Deposit machines. In addition, we have undertaken system enhancements to improve overall efficiency and client experience.

We continue to critically assess the quality of the loan book which has seen loan impairments grow by 90 per cent year-on-year to KShs 4.2 billion with gross non-performing loans increasing to KShs 17.6 billion from KShs 15.0 billion in December 2016 due to a limited number of accounts downgraded during the year. The cover ratio, at 81.4 per cent, remains above the industry average of 34.5 per cent.

We continue to have a very strong capital position with the total capital to risk weighted assets ratio standing at 18.52 per cent.

**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 October 2017. This will bring the total dividend for the year to KShs 17.00 per ordinary share. The Board recognises the importance of dividends to shareholders, and believes in balancing returns with investments to support future growth, whilst at the same time preserving strong capital ratios.

**Summary**

We continue to implement our strategy with the focus being:

- **People**: commitment to the training & development of our staff to drive productivity together with investment in top talent aimed at creating the next generation of leaders.
- **Risk**: tightened risk tolerance to create an increasingly diverse and resilient balance sheet;
- **Innovation**: continuous streamlining of our processes to increase efficiencies and customer satisfaction;
- **Digital**: delivering cost efficiencies through investment in technology and funding incremental investments which build capacity in key areas of strength across the business. This is further complemented by rolling out enhancements to our Retail digital capabilities to enhance customer service;
- **Execute**: execution of our strategy and plans will be a critical enabler.

The Board continues to see many attractive opportunities across the Kenyan economy and remains confident that the Bank's solid foundations underpinned by strong relationships with our clients, a balance sheet that is highly liquid and well capitalised provides a platform for sustainable growth in the long term.

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**Standard Chartered**

We are a leading international banking group, with around 84,000 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. 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.

## Financial performance summary

### Group income statement

| | 2017<br>KShs<br>million | 2016<br>KShs<br>million | 2017 vs 2016<br>Better/(Worse)<br>% |
|---|---|---|---|
| Net interest income | 18,566 | 19,395 | (4.3) |
| Non funded income | 8,772 | 8,590 | 2.1 |
| **Total operating income** | **27,338** | **27,985** | **(2.3)** |
| Operating expenses | (13,081) | (12,497) | (4.7) |
| Loan impairment | (4,186) | (2,200) | (90.3) |
| **Profit before taxation** | **10,071** | **13,288** | **(24.2)** |

| | 31.12.17<br>KShs<br>million | 31.12.16<br>KShs<br>million | Increase/<br>(Decrease)<br>% |
|---|---|---|---|
| **Balance Sheet** | | | |
| Loans and advances to customers | 126,294 | 122,711 | 2.9 |
| Customer deposits | 213,349 | 186,598 | 14.3 |
| Loans to deposits ratio | 59% | 66% | |
| | | | |
| **Capital** | | | |
| Core capital | 35,628 | 35,258 | |
| Total capital | 42,242 | 42,104 | |
| Core capital ratio | 15.62% | 17.51% | |
| Total capital ratio | 18.52% | 20.91% | |