

press release

FOR IMMEDIATE RELEASE

Standard Chartered reports a 7% increase in profits to Kshs. 8.3 billion for the year ended 31st December 2011

Total income was up 15% to Kshs. 16.2 billion compared to Kshs. 14.2 billion in 2010

March 13, NAIROBI: Standard Chartered today announced a pre-tax profit of Kshs. 8.3 billion for the full year ended 31st December 2011. Total income grew to Kshs. 16.2 billion.

Financial Highlights

- Total income rose 15% to Kshs. 16.2 billion (2010: Kshs.14.2 billion) as a result of strong growth in interest income which increased by 21% from Kshs. 8.4 billion to Kshs. 10.1 billion;
- Non interest income increased by 6% to Kshs. 6.1 billion due to good growth in revenue from foreign exchange, fees and commissions. However this was tempered by realized and unrealized mark-to-market losses in the bond portfolio as well as the foreign exchange derivatives;
- Net bad debt charge increased from Kshs. 447 million to Kshs. 561 million and is in line with the growth in our loans and advances portfolio;
- Total operating costs grew by 23% to Kshs 7.4 billion (2010; Kshs 6.0 billion) as a result of investment in new business capabilities. A significant portion of the cost growth was due to our new head office building in Chiromo, the flow-through amortization of the acquisition of the Custody business and recruitment of additional staff in our Priority Banking and SME businesses.
- Profit before taxation rose by 7% to Kshs. 8.3 billion (2010; Kshs.7.7 billion)
- Loans and advances increased by 59% to Kshs. 96.1 billion (2010; Kshs. 60.3 billion) while customer deposits increased by 22% to Kshs 122.3 billion (2010: Kshs. 100.5 billion).
- Investment in government securities fell by 55% from Kshs. 54.5 billion to Kshs. 24.6 billion, as the balance sheet was repositioned away from government securities and into customer assets. Investment in government securities now constitutes only 15% of total assets compared to 38% in 2010.

Financial Details

Revenue

Total revenue grew to Kshs.16.2 billion, driven mainly by the following:

- Interest income on loans and advances increased by 59% to Kshs.9.5 billion on the back of strong asset growth across both businesses and re-pricing of facilities due to higher interest rates.

- Fees and commissions increased by 29% from Kshs. 2.6 billion to Kshs. 3.4 billion and were mainly driven by significant growth in loans and advances, trade finance and improved revenues from our custodial services business.
- Interest income from investments in government securities decreased by 39% largely on account of decreased volumes as we grew customer assets;
- Interest expense increased by 31% to Kshs.2.0 billion as deposits grew by 22% during the year. The cost of funding went up in 2011 following the sharp rise in interest rates and the persistent tight liquidity in the second half of the year leading to market rates for wholesale deposits increasing sharply.
- Income from foreign exchange trading increased to Kshs.2.6 billion resulting from the volatility of the shilling and on account increased volumes traded by importers in the manufacturing, agriculture, oil and telecommunications industries. Growth in foreign exchange income was also driven by the combination of regular economic expansion coupled with an aggressive growth strategy. It included retaining and enhancing relationships with old clients, exploiting new opportunities (e.g. new custody business) and taking advantage of overall economic growth.
- Other income comprising mainly of income on government securities sales fell on the back of a 55% reduction in holdings in government securities as the Bank repositioned its balance sheet in order to support the rapid growth in customer assets and realized losses in the trading book and unrealized mark-to-market losses on the derivatives positions.

Costs

Total operating expenses increased by 23% to Kshs. 7.4 billion.

- Staff costs grew by 10% to Kshs. 3.7 billion as we continued to grow staff headcount in line with our business expansion;
- Premises and equipment costs increased by 40% to Kshs. 0.7 billion due to the flow through of investments made over the last eighteen months such as branch refurbishments, new priority centers and the new head office building;
- Depreciation and amortization increased by 135% to Kshs. 0.7 billion largely on account of the amortization charge on the intangible asset relating to the acquisition of the Custodial Services business as well as continued investment in infrastructure and technology to support business growth.
- Other costs increased by 23% to Kshs. 2.2 billion in line with increased operating costs due to increased business and the impact of the prevailing high inflationary rates throughout 2011. Consequently the cost:income ratio rose to 45.6% compared to 42.6% in 2010.

Loans and Advances

Loans and advances grew by 59% to Kshs. 96.1 billion, from Kshs. 60.3 billion in 2010. Customer deposits increased by 22% to Kshs 122.3 billion for Kshs 100.5 billion in 2010.

Non-Performing Loans and Net Bad Debt Charge

Non-performing loans remain among the lowest in the market at Kshs.1.0 billion compared to Kshs.1.2 billion last year. This translates to 1.1% of gross total loans compared to 2.0% in 2010. The Bank is comfortable with the current level of provisions and continues to manage credit risks.

Richard Etemesi, Managing Director and Chief Executive, Standard Chartered, said:

“In 2011, we continued on the path of rapid growth, strong financial performance and excellent strategic progress. We delivered against a balanced scorecard of growth and performance and cost control and risk management. Both our Wholesale and Consumer Banking businesses

contributed 51 per cent and 49 per cent to operating income respectively, underlining our success in completely transforming the Consumer Bank and building a balanced business is a strong testament to our diversified business.

Looking ahead, we see a lot of opportunities as the country gears up to achieving the Vision 2030 goals. There are opportunities in Infrastructure development/financing, energy and manufacturing. The business is well positioned to continue being the right partner to our clients. Indeed to our clients we will continue demonstrating that we are Here for good and Here for the long run and to do business with them.

We have started 2012 strongly and we are on track to deliver on our aspirations set for this year, but it is very early days and there are a number of factors which might affect our performance. Looking at the first two months of the year and our momentum into March, both businesses have had good starts, with income ahead of the comparable period last year. Expenses are under tight control across the Bank and credit quality remains good.”

Notes to Editors

Standard Chartered Bank in Kenya

Standard Chartered Bank Kenya Limited was established in 1911 with the first branch opened in Mombasa Treasury Square.

Today, 101 years later, Standard Chartered Bank is one of the leading Banks in Kenya, with an excellent franchise. It has a total of 34 branches spread across the country, 84 automated teller machines (ATMs) and 1,700 employees.

Standard Chartered Bank Kenya Limited has local shareholders of about 26%, comprising about 34,000 Kenyans. It has remained a public quoted company on the Nairobi Securities Exchange since 1989.

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. We are also one of the leading lenders to the Kenyan agricultural sector.

Further underpinning its importance, Standard Chartered Bank Kenya Limited hosts 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 more than 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 70 markets, the Group offers exciting and challenging international career opportunities for around 85,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for 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 more information please visit www.standardchartered.com

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