Standard Chartered PLC
Interim Management Statement

28 October 2014

Standard Chartered today releases its Interim Management Statement for the third quarter of 2014.

Peter Sands, Group Chief Executive, commented,

"Whilst trading conditions remained subdued, we did see a modest return to year on year income growth during the quarter. We are executing our refreshed strategy, including reprioritising investments, exiting non-core businesses, de-risking certain portfolios and reallocating capital. To create more capacity for investment in the many opportunities in our markets, we are taking further action on costs, targeting more than US$400 million in productivity improvements for 2015. We also continue to make progress in reshaping Korea. Whilst some of these actions will impact near term performance, they are crucial to getting us back to a trajectory of sustainable, profitable growth."

Group[1]

	3 months ended 30.09.14	3 months ended 30.09.13	**9 months ended 30.09.14**	9 months ended 30.09.13
	US$million	US$million	**US$million**	US$million
Operating income	**4,514**	4,471	**13,783**	14,222
Operating expenses	**(2,523)**	(2,424)	**(7,606)**	(7,458)
Operating profit before impairment losses and taxation	**1,991**	2,047	**6,177**	6,764
Impairment losses on loans and advances and other credit risk provisions	**(536)**	(288)	**(1,382)**	(1,018)
Other impairment	**(3)**	(1)	**(188)**	(12)
Profit from associates and joint ventures	**78**	72	**191**	184
Profit before taxation	**1,530**	1,830	**4,798**	5,918

Following the decline in year on year income in the first half, third quarter income of US$4.5 billion was up 1 per cent year on year. Year to date income was US$13.8 billion, down 3 per cent. Within this, client income, which represents over 90 per cent of Group income, was more resilient, down 2 per cent year to date. Own account income was down 14 per cent year to date.

Costs in the third quarter were US$2.5 billion, up 4 per cent. Group expenses for the year to date were US$7.6 billion, up 2 per cent, or less than 1 per cent excluding regulatory and compliance costs.

Total impairment in the quarter was US$539 million, up US$250 million on the third quarter of 2013. Year to date total impairment was US$1.6 billion. Within

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this, loan impairment in Retail Clients, which represents over 50 per cent of total loan impairment, was broadly flat year on year in both the third quarter and year to date. The increase in loan impairment related to a small number of accounts, primarily in the Corporate and Institutional Clients segment, some of which have been affected by weak commodity markets.

We remain watchful in India, in China and of commodity exposures more broadly, where we have continued to tighten our underwriting criteria and reduce our exposures.

As a result of the above, the Group's operating profit in the quarter was US$1.5 billion, down 16 per cent year on year. Year to date operating profit of US$4.8 billion was down 19 per cent compared with the same period last year.

Balance sheet

	30.09.14	30.06.14
	US$million	US$million
Loans and advances to customers	**296,412**	305,061
Customer accounts	**395,492**	390,523

Amounts net of individual impairment provision and include financial instruments held at fair value through profit and loss

Group customer deposits increased 1 per cent since the half year driven by growth in the Retail and Corporate and Institutional segments. Customer loans and advances reduced 3 per cent in the third quarter, largely reflecting the high levels of liquidity, continued de-risking actions and continued optimisation of low returning relationships.

Overall, the Group is highly liquid and well capitalised, with ratios well above the regulatory requirements.

Operating income by Client segment[1]

	3 months ended 30.09.14	3 months ended 30.09.13	**9 months ended 30.09.14**	9 months ended 30.09.13
	US$million	US$million	**US$million**	US$million
Corporate and Institutional	**2,562**	2,521	**7,896**	8,098
Commercial	**294**	370	**910**	1,182
Private Banking	**155**	142	**469**	443
Retail	**1,503**	1,438	**4,508**	4,499
Total income	**4,514**	4,471	**13,783**	14,222

Income from Corporate and Institutional Clients in the third quarter was US$2.6 billion, up 2 per cent, reflecting continued good levels of client activity offset by ongoing margin and spread compression. Year to date income was US$7.9 billion, down 2 per cent.

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Income from Commercial Clients of US$294 million in the third quarter was down 21 per cent, having been down 24 per cent at the half year. Income for the year to date was down 23 per cent.

Income from Private Banking Clients of US$155 million in the quarter was up 9 per cent and was up 6 per cent for the year to date.

Income from Retail Clients of US$1.5 billion in the third quarter was up 5 per cent, whilst income of US$4.5 billion year to date was flat on the same period last year. Good performances in the High Value Segments of Priority and International and Business Clients offset the impact of continued de-risking actions across unsecured portfolios, including Consumer Finance.

Operating income by product[1]

	3 months ended 30.09.14 US$million	3 months ended 30.09.13 US$million	**9 months ended 30.09.14 US$million**	9 months ended 30.09.13 US$million
Transaction Banking	**957**	970	**2,875**	2,934
Trade	**490**	517	**1,489**	1,559
Cash Management and Custody	**467**	453	**1,386**	1,375
Financial Markets	**899**	902	**2,679**	3,114
Corporate Finance	**614**	606	**1,855**	1,844
Wealth Management	**441**	339	**1,258**	1,094
Retail Products	**1,211**	1,250	**3,646**	3,838
Cards, Personal Loans and Unsecured Lending	**642**	690	**1,957**	2,091
Deposits	**311**	290	**909**	895
Mortgage & Auto	**225**	241	**699**	760
Other Retail Products	**33**	29	**81**	92
Others	**392**	404	**1,470**	1,398
Asset & Liability Management	**119**	101	**539**	406
Lending and Portfolio Management	**251**	264	**780**	786
Principal Finance	**22**	39	**151**	206
Total operating Income	**4,514**	4,471	**13,783**	14,222

Transaction Banking income of US$957 million was down 1 per cent on the same quarter last year. Year to date income of US$2.9 billion was down 2 per cent. Trade income in the quarter was down 5 per cent year on year given lower balances and stable margins. Cash volumes increased in the period offsetting margins which remain under pressure. Cash income was therefore up 3 per cent in the quarter and 1 per cent year to date.

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Financial Markets remained challenging and income of US$899 million in the third quarter was flat year on year. Financial Markets income of US$2.7 billion for the year to date, was down 14 per cent. Continued spread compression as a result of the low volatility, low interest rate environment offset good levels of customer activity in Foreign Exchange. Within this, Client Income, which represents nearly 90 per cent of Financial Markets income, was down 3 per cent in the quarter and down 7 per cent year to date. Own Account income was up 9 per cent in the quarter, but remained down 49 per cent year to date.

Corporate Finance income was US$614 million in the third quarter, up 1 per cent on the same period last year. The pipeline remains good although deal execution and timing will remain dependent on market conditions.

Wealth Management income remained strong and was up 30 per cent in the third quarter to US$441 million, benefitting in particular from the new Bancassurance agreement with Prudential.

Income from Retail Products was US$1.2 billion in the third quarter, down 3 per cent year on year, and reflects the continued de-risking of our unsecured portfolio, particularly in Korea, and the impact of property market cooling measures on mortgages.

Asset and Liability Management income in the third quarter was up 18 per cent year on year, and benefitted from better accrual income, in line with the first half results.

Principal Finance income remained weak through the third quarter given unfavourable market conditions.

Outlook

Despite a challenging year our clients remain active and our balance sheet remains strong and diverse.

Income was up in the quarter but the market environment remains challenging. Given somewhat subdued income momentum and the level of loan impairment experienced in the third quarter, we now expect that underlying profits in the second half will be lower than the same period last year, partly due a higher UK bank levy, regulatory and restructuring costs.

We are taking action on multiple fronts, both to respond to near term challenges and to deliver against our refreshed strategy. We will provide further details of these actions during our investor presentations in November. Additionally, given the enhanced disclosure in our Interim Management Statements, the Group will no longer issue trading updates prior to close periods.

For further information, please contact:

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James Hopkinson, Head of Investor Relations +44 (0)20 7885 7151
Jon Tracey, Head of Media Relations +44 (0)20 7885 7613

Forward-looking statements

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Forward-looking statements involve inherent risks and uncertainties. They are not guarantees of future performance and actual results could differ materially from those contained in the forward-looking statements. Forward-looking statements are based on current views, estimates and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict. Such risks, factors and uncertainties may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks, factors and uncertainties include but are not limited to: changes in the credit quality and the recoverability of loans and amounts due from counterparties; changes in the Group's financial models incorporating assumptions, judgments and estimates which may change over time; risks relating to capital, capital management and liquidity; risks arising out of legal and regulatory matters, investigations and proceedings; operational risks inherent in the Group's business; risks arising out of the Group's holding company structure; risks associated with the recruitment, retention and development of senior management and other skilled personnel; risks associated with business expansion and engaging in acquisitions; global macroeconomic risks; risks arising out of the dispersion of the Group's operations, the locations of its businesses and the legal, political and economic environment in such jurisdictions; competition; risks associated with banking and financial services legislation, regulations policies and guidelines; changes in the credit ratings or outlook for the Group; market, interest rate, commodity prices, equity price and other market risk; foreign exchange risk; financial market volatility; systemic risk in the banking industry and other financial institutions or corporate borrowers; cross-border country risk; risks arising from operating in markets with less developed judicial and dispute resolution systems; risks arising out of regional hostilities, terrorist attacks, social unrest or natural disasters and failure to generate sufficient level of profits and cash flows to pay future dividends.

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