Standard Chartered PLC
Interim Management Statement

3 November 2015

Standard Chartered today releases its Interim Management Statement for the third quarter of 2015.

Bill Winters, Group Chief Executive, commented: *"The business environment in our markets remains challenging and our recent performance is disappointing. Today we have announced a strategy that makes big changes to how we will manage ourselves going forward. We are positioning the Group for improved return on equity on a strengthened capital base. We will execute as quickly as possible to get through this transition phase, start delivering improved performance, and ensure our people are focused on providing value to our clients across Asia, Africa and the Middle East."*

Group[1]

	3 months ended 30.09.15 US$ million	3 months ended 30.09.14 US$ million	**9 months ended 30.09.15 US$ million**	9 months ended 30.09.14 US$ million
Income	**3,682**	4,514	**12,177**	13,788
Operating expenses	**(2,238)**	(2,314)	**(6,792)**	(7,071)
Regulatory expenses	**(237)**	(198)	**(690)**	(480)
Restructuring costs	**(25)**	(11)	**(60)**	(55)
Operating profit before impairment losses and taxation	**1,183**	1,991	**4,636**	6,182
Impairment losses on loans and advances and other credit risk provisions	**(1,230)**	(536)	**(2,882)**	(1,382)
Other impairment	**(161)**	(3)	**(247)**	(188)
Profit from associates and joint ventures	**70**	78	**179**	191
Profit/(loss) before taxation	**(139)**	1,530	**1,685**	4,803

The Group's disappointing third quarter operating loss reflects the previously announced business divestments and de-risking initiatives, combined with challenging conditions in the Group's key markets including due to depressed commodity prices and the broader impact of the slowdown in China. Loan impairment charges remain at elevated levels.

Income of US$12.2 billion year to date was down 12 per cent, or 8 per cent on a constant currency basis. Third quarter income of US$3.7 billion was down 18 per cent year on year or 10 per cent from the previous quarter, reflecting a decline in client activity as a result of volatile market conditions and the impact of de-risking actions.

Operating expenses excluding regulatory and restructuring costs were US$2.2 billion in the third quarter, down 3 per cent year on year and down 3 per cent on the previous quarter. Operating expenses of US$6.8 billion year to date were down 4 per cent. Regulatory costs of US$690 million year to date were up 44 per cent year on year following a step up in investment into our financial crime risk compliance capability in the fourth quarter of 2014. The run rate in the last three quarters has remained broadly stable.

We remain on track to deliver on the first year of our cost efficiency programme which we announced earlier this year. Today we announced our plans to increase this target to further improve efficiency and fund incremental investments.

The Group continues to critically assess the quality of the loan book and has taken a loan impairment charge of US$1.2 billion in the third quarter, broadly in line with the second quarter, which reflects continued adverse trends in particular in India and Commodities, offset by further improvement in Retail Clients. The Group's cover ratio has improved to 58 per cent of gross non-performing loans, from 54 per cent at the end of June, and including collateral, increased to 72 per cent from 70 per cent.

We have further tightened our risk tolerance levels and have reduced some of our higher portfolio concentrations with our commodity exposure down 21 per cent and China exposure down 15 per cent for the year to date. As part of the strategy review announced today, the Group has also applied a new, tighter set of risk tolerance criteria to create a more diverse and resilient balance sheet.

Other impairment of US$161 million reflects write-downs of certain strategic investments which were impacted by market conditions in the period.

As a result of the above, the Group made a loss before taxation of US$139 million in the quarter. The Group's profit before taxation for the year to date of US$1.7 billion was down 65 per cent year on year, or 64 per cent on a constant currency basis.

Balance sheet

	30.09.15 **US$million**	30.06.15 US$million
Customer accounts	**366,551**	388,795
Loans and advances to customers	**269,539**	282,339
Risk Weighted Assets	**314,744**	326,171
Gross non-performing loans	**9,511**	8,747
Cover ratio	**58%**	54%
Common equity tier 1 ratio	**11.4%**	11.5%
Leverage ratio	**4.8%**	**5.0%**

Customer loans and advances were down 5 per cent in the quarter as we focus on disciplined balance sheet management and more selective asset origination. Customer deposits were down 6 per cent as we concentrate on lower cost sources of funding. Risk Weighted Assets were down 4 per cent or US$11.4 billion as we continue to exit low returning client relationships.

The Group's Common Equity Tier 1 (CET 1) ratio of 11.4 per cent represents a small decline on the half year with the benefit of RWA reductions offset by the operating loss, headwinds relating to foreign exchange movements and valuation adjustments caused by market volatility. This included a further Prudential Valuation Adjustment deduction made in the third quarter to reflect current market conditions, bringing the total deduction to US$ 1.1 billion. As part of the strategy review, the Group has today announced further management actions to strengthen the capital position.

Based on current guidance received from the PRA, the Group's Pillar 2A guidance has increased, which raises the Group's known minimum CET1 requirement in 2019 from 8.7 per cent to 8.9 per cent. The Group's Pillar 2A guidance will vary over time. In addition, the Group undertakes periodic internal assessments of its Pillar 2A risks, which may, from time-to-time, lead to the Group holding higher levels of capital to cover its Pillar 2A risks than those prescribed by its PRA guidance.

Overall, the balance sheet remains diverse and highly liquid.

Operating income by Client segment[1]

	3 months ended 30.09.15 US$ million	3 months ended 30.09.14 US$ million	**9 months ended 30.09.15 US$ million**	9 months ended 30.09.14 US$ million
Corporate and Institutional	**2,096**	2,561	**6,902**	7,895
Commercial	**194**	295	**691**	911
Private Banking	**131**	155	**435**	469
Retail	**1,261**	1,503	**4,149**	4,513
Total income	**3,682**	4,514	**12,177**	13,788

Income from Corporate and Institutional Clients in the third quarter of US$2.1 billion was down 18 per cent year on year. More selective asset origination and deliberate RWA management actions taken over the last 12 months have led to weak momentum in our financing business. Income was further impacted by the challenging market wide conditions in Financial Markets and as a result, year to date income of US$6.9 billion was down 13 per cent.

Income from Commercial Clients in the third quarter was down 34 per cent to US$194 million, impacted by weaker Financial Markets income and subdued corporate activity. Year to date income from Commercial Clients was down 24 per cent.

Income from Private Banking Clients of US$131 million was down 15 per cent, impacted by business exits and by weaker demand for Wealth Management products mainly in Hong Kong and Singapore. Excluding business exits, income was down 9 per cent in the third quarter and down 1 per cent year to date.

Income from Retail Clients of US$ 1.3 billion in the third quarter was down 16 per cent. Excluding business exits and adverse currency translation, income was down 6 per cent in the third quarter primarily due to continued de-risking of the portfolio. Year to date income was down 8 per cent, and flat excluding business exits and adverse currency translation.

Operating income by product[1]

	3 months ended 30.09.15 US$million	3 months ended 30.09.14 US$million	**9 months ended 30.09.15 US$million**	9 months ended 30.09.14 US$million
Transaction Banking	**832**	958	**2,609**	2,876
Trade	395	490	1,259	1,489
Cash Management and Custody	437	468	1,350	1,386
Financial Markets	**645**	899	**2,173**	2,679
Corporate Finance	**536**	615	**1,644**	1,856
Wealth Management	**399**	441	**1,351**	1,258
Retail Products	**976**	1,209	**3,183**	3,649
Cards, Personal Loans and Unsecured Lending	456	641	1,533	1,956
Deposits	290	311	902	909
Mortgage & Auto	208	224	631	698
Other Retail Products	23	33	117	86
Others	**293**	392	**1,217**	1,470
Asset & Liability Management	92	119	370	539
Lending and Portfolio Management	215	251	690	780
Principal Finance	(14)	22	157	151
Total operating income	**3,682**	4,514	**12,177**	13,788

Transaction Banking income of US$ 832 million in the quarter was down 13 per cent year on year or 7 per cent compared to the previous quarter, impacted by continuing market headwinds including adverse foreign currency translation, weak global trade volumes, lower commodity prices and ongoing RWA management actions.

Financial Markets income for the quarter of US$ 645 million was down 29 per cent year on year impacted by challenging market wide conditions. Client income was down 15 per cent year on year due to lower activity levels in Capital Markets and Commodities, partly offset by growth in Cash Foreign Exchange and Rates.

Corporate Finance income of US$ 536 million in the third quarter was down 13 per cent year on year. More selective asset origination and higher levels of liquidity resulting in stronger competition both impacted balance sheet momentum.

Wealth Management income in the third quarter was US$399 million, down 9 per cent year on year, or down 19 per cent compared to the prior quarter. We have seen lower demand for fund and equity-linked products given recent increased equity market volatility.

Income from Retail Products was US$ 977 million in the third quarter, down 19 per cent year on year, impacted by the de-risking of our unsecured portfolio. Excluding the impact of business disposals and adverse currency translation income from Retail Products was down 8 per cent.

Asset and Liability Management income in the third quarter was down 23 per cent year on year impacted by lower accruals income.

Principal Finance income in the third quarter was impacted by negative mark-to-market revaluations due to weaker equity markets in our footprint.

Additional items

The Group's methodology for estimating the accounting, as distinct from regulatory, Credit Valuation Adjustment (CVA) is being revised to incorporate more market based data available across the Group's footprint. While it is not possible to reliably estimate the accounting impact at this time, a charge for this will be included in the final quarter of the year.

As in previous periods the UK Bank Levy is calculated and charged on the final day of the year. The current estimate for the UK Bank levy in 2015 is US$480 million.

Conclusion

Momentum reflects continued challenging market conditions. We continue to take action to further strengthen our capital position and position the Group for improved returns. The Group's third quarter results highlight a clear need for change. We will be taking assertive actions to manage costs to create investment capacity, reallocate capital to drive stronger returns and improve the Group's risk profile. The comprehensive programme of actions announced today in the strategy review will result in a lean, focused and well capitalised international bank, poised for growth across our dynamic and growing markets across Asia, Africa and the Middle East.

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Notes:
'Third quarter' refers to the three months ended 30 September 2015. 'Year to date' refers to the nine months ended 30 September 2015. All comparisons are made to the same periods in 2014 unless otherwise stated.

1) Excludes the impact of Own Credit Adjustment (Q3 15: US$570m; Q3 14 US$20m), gains and losses on businesses sold/held for sale and civil monetary penalties.

Forward-looking statements

This document contains or incorporates by reference ‘forward-looking statements’ regarding the belief or expectations of the Company, the Directors and other members of its senior management about the Group’s strategy, businesses, performance and the matters described in this document. Generally, words such as ‘‘may’’, ‘‘could’’, ‘‘will’’, ‘‘expect’’, ‘‘intend’’, ‘‘estimate’’, ‘‘anticipate’’, ‘‘believe’’, ‘‘plan’’, ‘‘seek’’, ‘‘continue’’ or similar expressions are intended to identify forward-looking statements.

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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