press release

Comprehensive programme of ongoing actions to return Standard Chartered to sustainable profitable growth

New financial priorities - CET1 target of 11 to 12 per cent for 2015 and thereafter and to deliver RoE of over 10 per cent in the medium term

- **Identified sustainable cost savings of more than $400 million for 2015 with a total of $1.8 billion targeted over the next 3 years**
- **Achieved $8.5 billion of RWA savings to date and expect to release $25-30 billion more over the next two years**
- **Retail transformation - reducing headcount by 4,000 (2,000 last year, 2,000 in 2015) and reducing branches by 80-100**
- **Exited 15 underperforming and non-strategic businesses**
- **Operating income[1] for 2014 was down 2 per cent to $18.2 billion**
- **Profit before tax[2] of $5.2 billion down 25 per cent from $7.0 billion in 2013**

London, 4 March 2015 – Operating against the backdrop of tough market conditions, with persistent low interest rates, low volatility, high levels of liquidity, and changing regulations, performance in 2014 was disappointing.

Management actions

The Group has taken a range of actions to reposition the business during 2014:

- $400 million of cost saves have been identified to be achieved in 2015; in Retail, around 2,000 job cuts were announced or completed in the last three months of 2014, and a further 2,000 are expected during 2015.
- The Group has disposed of, or is in the process of disposing of, 15 underperforming and non-strategic businesses and significant de-risking action continues to take place across the book; for example, in unsecured lending and correspondent banking.
- The Group accreted some 50 basis points of capital in 2014, 20 in the first half and 30 in the second half. To achieve this, some $8.5 billion of low returning RWA were reallocated from low returning relationships, largely from Corporate and Institutional Clients.

[1] Excluding own credit adjustment
[2] Excludes, own credit adjustment, goodwill impairment and the civil monetary penalty incurred in 2014

Additionally, the Board has agreed some very clear targets on capital, returns, and costs:

- To achieve an 11 to 12 per cent CET1 ratio during 2015 and maintain thereafter.
- A ROE target of over 10 per cent in the medium term, therefore sustainably delivering above our cost of capital. This will take longer to achieve as the actions being taken to strengthen the CET1 ratio make this more difficult.
- $1.8 billion of costs will be taken out of the business over the next three years, comprising underlying savings of around $400 to $500 million per annum plus the impact of divestments.
- Over the next two years, it is the Group's intention to cut a further $25-30 billion of RWA from low returning client relationships and underperforming businesses.

Performance highlights

Income of $18.2 billion was down 2 per cent, partly due to de-risking actions.

Underlying costs of $10.2 billion increased by less than 3 per cent. During the year, the Group faced further regulatory cost increases of $237 million, without which costs would have been flat.

Total impairment was up $798 million, or 46 per cent. Within this, Loan Impairment was up $524 million, or 32 per cent, to $2.1 billion.

In 2014, the Group incurred some significant one-off items:

- Restructuring costs of $181 million. Approximately a quarter relates to redundancy programs in Korea.
- The bank levy has risen a significant 56 per cent to $366 million.
- In August 2014, the Group reached a settlement with the US authorities of $300 million.
- Following a detailed review of the outlook for our Korean business, and taking into account encouraging PDRS trends, it is nonetheless currently loss making and hence the remaining goodwill of $726 million is being written off. This is on top of the $1 billion write-down last year. This write-off has no cash impact and does not affect Group capital ratios, as goodwill is already fully deducted for prudential purposes.

On this basis adjusted profit before tax for the year was $5.2 billion, down 25 per cent. Normalised Earnings per Share declined 28 per cent to 146 cents and normalised Return on Equity was 7.8 per cent. Dividend per share at 86 cents per share, the same level as 2013.

The balance sheet remains in good shape, diversified, well structured, and highly liquid, with total deposits up $29 billion or 6 per cent in the second half.

Loans and advances to customers are down $16 billion or 5 per cent in the second half, driven by continued de-risking of the retail unsecured portfolio; reducing exposure to the energy, mining and quarrying sectors, more assertive management of low returning relationships, high levels of liquidity resulting in early repayments, and currency translation.

As a result, Advances to Deposits ratio is now below 70 per cent and Liquid Asset Ratio is 32.2 per cent.

Raising the bar on conduct

This is a key focus for the Group and in which it continues to invest heavily, increasing Legal & Compliance staff by just over 50 per cent and more than doubling headcount in Financial Crime Compliance (FCC) since 2013. The Group also brought in more than a dozen highly skilled people into FCC leadership roles and will continue to add resources in this area in 2015.

The Financial Crime Risk Mitigation Programme, which encompasses over 50 separate projects and initiatives, was launched to remediate and reinforce controls and capabilities in this vital arena. Playing a stronger role in the fight against financial crime is a strategic imperative for Standard Chartered.

To reinforce governance of these efforts, the Group established a Board-level Financial Crime Risk Committee, with a combination of experienced NEDs and extremely high quality external advisors.

Commenting on these results, Group Chief Executive of Standard Chartered Peter Sands, said: “2014 was tough year and our performance was disappointing. We are taking action in response - sharpening the strategy, reconfiguring the organisation, cutting costs and redeploying capital. By executing on this agenda, we are confident that we can return to a trajectory of sustainable, profitable growth, delivering returns above our costs of capital.”

Summary and outlook

2014 was challenging year in which the Group has embedded a new organisation structure, exited a number of non-core businesses, and developed a new set of financial priorities underpinned by real actions. 2015 will be about accelerating these management actions and executing the plans for the four client segments.

- Ends -

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About 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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