Standard Chartered

press release

Half Year 2014 income and profits lower following challenging business and market conditions

Taking action on multiple fronts as we reshape our business to maximise future growth opportunities

- **Operating income[1] was down 5 per cent to $9,269 million from H1 2013 but up 4 per cent from $8,920 million in H2 2013**
- **Profit before tax of $3,268[1] million was down 20 per cent from $4,088[1] million in H1 2013 but up 14 per cent from $2,870[1] million in H2 2013**
- **Operating income of over $100 million in 20 markets and operating profit of over $100 million in 8 markets**
- **Continue to support clients: average trade assets up 5 per cent, cash FX volumes up 24 per cent and FX options up 45 per cent; customer loans and advances up 3 per cent**
- **Balance sheet continues to be highly liquid, well diversified and strongly capitalised**
- **Dividend per share increased 0 per cent to 28.8 cents per share**
- **Normalised return on ordinary shareholders' equity of 10.4 per cent (H1 2013: 13.3 per cent; H2 2013: 8.9 per cent)**

London, 6 August 2014 – As guided in the June pre-close statement, the first half of 2014 was challenging. Negative sentiment towards emerging markets impacted the Financial Markets business, whilst the Group faced continuing challenges in Korea. As a result, income fell 5 per cent to $9,269 million and profit before tax fell 20 per cent to $3,268 million.

The Group took a number of actions during the first half to manage short-term performance challenges, whilst executing our refreshed strategy to position the Bank for the long-term growth opportunities we see across Asia, Africa and the Middle East. Some of these actions created a short-term impact on both income and costs.

The Group is focused on striking the right balance between growth and returns. Actions in the first half include exiting of non-core and subscale businesses, including Prime Credit in Hong Kong and our Private Banking operations in Miami, Geneva and Korea; exiting of lower return and high risk credit card and unsecured loan portfolios across the Retail business; and optimising the deployment of capital, with $9 billion of RWA freed-up into higher return business and products.

[1] Excluding Own Credit Adjustment (OCA). OCA is the adjustment taken for the firm's own credit risk on the liabilities reported at Fair Value, under the Fair Value Measurement rules (FVM) Fair Value measurement is an accounting standard under IFRS 13, whereby firms may choose to carry trades at Fair Value instead of amortised cost. H1 2013 profit before tax also excludes goodwill impairment.

Within the Financial Markets business we are moving resources from the areas most affected by structural change towards our client-driven flow businesses, which play to our strengths as a relationship bank and that we are confident will return to growth.

In Korea, we have sold our consumer finance and savings bank businesses to J-Trust and are simplifying our corporate structure. Headcount is down around 9 per cent since this time last year and the branch network is down by 47 outlets. We continue to de-risk the balance sheet, tightening underwriting criteria for unsecured Retail lending and exiting all third party sales channels. As a result of these actions, income was down 26 per cent or $229 million with Operating Profit down by $264 million.

We continue to see the benefits of our strong client relationships and continue to take market share; customer loans and advances were up 3 per cent since the year end as we have supported the growth and financing needs of our clients; average trade assets were up 5 per cent, Cash FX volumes up 24 per cent and FX options up 45 per cent.

Reorganising for long-term growth

Our reorganisation will deliver efficiencies and opportunities, focusing attention and resources on the differing needs of clients across all of our client segments. The reorganisation is enabling the business to boost revenue through better linkages between the client segments - for example, using Commercial Banking and Retail Clients to provide supply chain and employee banking for our large corporate clients. The Group is also focussing on creating productivity improvements across the bank in order to create capacity to invest for growth. Investment capacity will be directed towards higher return business, and expanding our digital banking platforms.

Twenty of our markets delivered more than $100m in income, with eight returning more than $100m in profits. Africa income was up 3 per cent, Hong Kong up 3 per cent and China up 15 per cent. Income from Greater China was up 5 per cent, benefiting from the increasing inter-connectivity within the region, particularly between Hong Kong and mainland China.

We have been extremely disciplined in managing costs, up 1 per cent despite significant increases in regulatory and compliance costs, continued investment, and staff and other inflation across our footprint.

Total impairment was just over $1 billion. Most of the increase was due to the write-down of some commodity exposures in China as well as a one-off impairment of certain strategic and associate investments. Loan impairment rose 16 per cent; Retail Clients, accounting for over half of Group loan impairment, remained flat. Corporate and Institutional Clients loan impairment increased 35 per cent, driven by a small number of accounts including the aforementioned China commodities exposure.

Our balance sheet remains in excellent shape. Common Equity Tier 1 capital is 10.7 per cent, significantly above our known minimum requirement; our asset to deposit ratio and liquid asset ratio are 78.1 per cent and 30.5 per cent respectively.

We are executing a comprehensive programme of change to raise the bar on conduct. We have brought in extensive and senior level expertise as part of a 30 per cent increase in legal and compliance headcount, including a doubling of headcount in financial crime. We have established a Board-level Financial Crime Risk Oversight Committee, launched a Financial Crime Risk Mitigation Programme, and we are undertaking de-risking actions across the business. The Group recognises that its compliance with historical, current and future sanctions, as well as Anti-Money Laundering and Bank Secrecy Act requirements, and customer due diligence practices, not just in the US but throughout its footprint, is and will remain a focus of the relevant authorities.

Commenting on these results, Group Chief Executive of Standard Chartered Peter Sands, said: "Our performance this first half is clearly disappointing. We're taking action on multiple fronts, both in response to near term pressures and to execute our refreshed strategy, with the objective of getting back to a trajectory of sustainable, profitable growth. There are immense opportunities in our markets and we are confident we can translate the strength of our balance sheet and the depth and quality of our client franchise into sustained shareholder value creation."

Summary and outlook

Over the past six months, we have completely reorganised the Bank to make it fitter, more flexible and better aligned to our strategic aspirations. We have shifted resource allocation, disposed of several non-strategic businesses, managed costs and capital deployment tightly and stepped up investment in priority areas.

While the external environment is more difficult than a year ago and the outlook for Financial Markets remains uncertain, we do see positive momentum in Transaction Banking; Wealth Management will benefit from the recently signed Prudential Bancassurance agreement and Corporate Finance has a good pipeline.

Overall, it currently remains our expectation that full year underlying profits will be down on 2013, but with underlying profits in the second half likely to be higher than in the same period last year.

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Note to Editors

To read a full copy of the Half Year 2014 Results please visit investors.sc.com

Standard Chartered is a leading international banking group, with more than 86,000 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.

For more information please visit www.sc.com. Hear from Standard Chartered's experts and comment on our blog at ourviews.sc.com. Follow Standard Chartered on Twitter, LinkedIn and Facebook.

For further information on our Half Year results 2014 watch our video with Peter Sands, CEO at here.