

8 May 2014

Standard Chartered today released its Interim Management Statement (IMS) for the first quarter of 2014.

Peter Sands, Group Chief Executive, commented, *“Despite a somewhat challenging external environment, we continue to support our clients’ growth, whilst managing tightly our costs, risks and capital. Our performance so far this year is in line with our expectations. On 1 April we completed the reorganisation announced in January. These changes align the organisation to reflect our refreshed strategic priorities.”*

The following commentary on the Group’s first quarter performance excludes the impact of the UK bank levy, estimated to be around US\$350 million for the full year, and the Own Credit Adjustment. Unless otherwise stated, all comparisons will be made in relation to the first quarter of 2013.

In January, the Group announced a change to its organisation structure effective 1 April 2014. This first quarter trading update reflects the organisation structure in place up to and including 31 March 2014.

## **Group**

The difficult market conditions that began last year have continued into the first quarter of 2014 and remain through April and into May. Whilst current momentum is ahead of the second half of last year, Group income in the first quarter of 2014 was, as expected, down by a low single digit percentage on the comparative quarter in 2013. This performance was impacted by local currency weakness, mainly the Indian Rupee and Indonesian rupiah. Group income was up slightly on a constant currency basis. Margins have stabilised but remain at compressed levels and pressures common to the industry continue to impact performance in our Financial Markets business, particularly in Rates.

From a geographic perspective, broad based growth across a number of markets has been offset by weaker performances in other markets, particularly in Korea, where income is down by some US\$110 million year on year as we continue to reshape our business. Excluding Korea, income for the first quarter is flat year on year.

Group expenses continued to be tightly managed and were flat on the same period last year.

Loan impairment is up by a low single digit percentage and we are seeing no new areas of material pressure.

Overall the Group's operating profit in the first quarter was down by a high single digit percentage, in line with expectations. On a constant currency basis, Group operating profit was down by a mid single digit percentage.

We continue to see disciplined growth in customer loans and advances, up by a low single digit percentage on the 2013 year end position, as we continued to support our clients. Growth in Group Risk Weighted Assets on a Basel 3 basis was broadly in line with growth in customer loans and advances. Customer deposits remained in line with year-end levels.

Our balance sheet remains in excellent shape, highly liquid, well diversified and strongly capitalised. On 21 March 2014, Standard Chartered PLC successfully issued a US\$2 billion 30 year Tier 2 subordinated debt transaction further supporting the Group's capital and loss absorbency capital position.

## **Consumer Banking**

Consumer Banking income was down by a mid single digit rate on the comparable period of 2013 impacted by continued selective de-risking of the book and further management actions in Korea, as previously guided.

Within this, income in both Credit Cards and Personal Loans and Mortgages fell by a mid single digit percentage on the comparable period last year. Deposit income was also down by a mid single digit percentage reflecting higher levels of competition across our markets. Wealth Management income, although down by a low single digit percentage, is ahead of the run rate seen in the second half of 2013 following improved investor sentiment, with a particularly strong performance in Hong Kong.

Expenses remain well controlled and are down by a low single digit. We have kept business as usual costs under tight control to protect investment capacity.

Consumer Banking loan impairment was up by a low single digit rate year on year and in line with the quarterly run rate in the second half of 2013. Forward looking indicators remain stable and at year end levels.

Consumer Banking operating profit for the first quarter of the year was down by a high teens percentage. Excluding Korea, which remains challenging, Consumer Banking operating profit was up by a low single digit percentage.

## **Wholesale Banking**

Wholesale Banking income was flat on the first quarter of 2013. Within this, client income was up by a low single digit percentage driven by broad based client activity, although offset by lower Own Account income, the result of continued weakness in the Financial Markets.

Transaction Banking income was lower than the comparable period last year by a low single digit percentage. Average Cash and Trade balances, whilst up on the same period last year, are down year to date, as a result of management action to optimise the returns on our balance sheet. Cash margins have stabilised at year end

levels and we have seen an increase in Trade margins in a number of markets, though they remain lower than in the comparable period last year.

Corporate Finance continued to perform well, up by a high single digit percentage on the comparable period in 2013 and the deal pipeline remains strong.

Financial Markets income was down by some 16 per cent year on year as the challenging market-wide conditions seen at the end of 2013 continued into the first quarter of 2014. Client income was flat on the comparable period in 2013 driven by growth in Capital Markets and Foreign Exchange, offset by a decline in Rates. Financial Markets Own Account income however remained weak, primarily reflecting the continued weakness in Rates, as well as in Foreign Exchange.

ALM income benefitted from better accrual income and was up strongly on the same quarter of 2013.

Principal Finance income benefitted from the successful execution of a number of transactions that were delayed from the end of 2013.

Wholesale Banking expenses were up by a low single digit percentage on the comparable period in 2013, broadly in line with client income growth.

Asset quality remains good with low levels of impairment, as expected, and Early Alerts were stable at year end levels. We are seeing no new areas of stress but remain watchful, particularly in India and of commodity exposures more generally.

As a result of these above dynamics, with flat income and tight cost control, Wholesale Banking operating profit declined by a mid single digit percentage.

We will provide a further update at the end of June in the preclose trading statement.

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