

26 April 2017

## Standard Chartered PLC - Interim Management Statement

Standard Chartered PLC (the Group) today releases its Interim Management Statement for the quarter ended 31 March 2017. All figures are presented on an underlying basis unless otherwise stated.

### Commenting on the first quarter performance, Bill Winters, Group Chief Executive, said:

*"We are making good progress improving the performance of the Group. The significantly increased profit before tax results from particularly low loan impairment and our focus on cost control. Competition in our markets remains intense but our investments in the business and focus on our clients is making us more competitive and will enable us to deliver sustainable income growth over time."*

### First quarter financial performance highlights

- Income of \$3.6 billion was up 8 per cent year-on-year or 4 per cent excluding prior year Principal Finance losses
- Expenses of \$2.4 billion were well controlled and consistent with the run-rate seen in 2016 as a whole
- Loan impairment of \$198 million was particularly low, down 58 per cent year-on-year
- Profit before tax of \$1.0 billion was up 94 per cent year-on-year or 26 per cent excluding Principal Finance
- After restructuring charges of \$55 million, statutory profit before tax was \$1.0 billion (Q1 2016: \$0.5 billion)

### Resilient balance sheet and strong capital

- Net loans and advances to customers were up 5 per cent from the end of the year to \$270 billion
- Customer accounts were up 5 per cent in the quarter to \$398 billion
- The advances-to-deposits ratio was 67.8 per cent at the end of the quarter
- The Group already meets its expected minimum requirement for own funds and eligible liabilities (MREL) for 2022
- Common Equity Tier 1 ratio of 13.8 per cent was up 20 basis points since the end of 2016
- The Group issued \$1 billion of Additional Tier 1 capital in January 2017

### Summary and outlook

- Higher profit before tax was the result of particularly low loan impairment and good cost control
- Actions are underway to sustainably improve income trends
- Gross cost efficiencies are continuing to create investment capacity
- Overall credit quality remained stable though stresses remain in certain parts of the portfolio
- Competition in our markets remains intense but the Group continues to invest to create opportunities for growth

## Performance summary

	3 months ended 31.03.16 \$million	3 months ended 31.12.16 \$million	3 months ended 31.03.17 \$million <sup>1</sup>	Q1 17 vs Q1 16 Better/ (Worse)	Q1 17 vs Q4 16 Better/ (Worse)
Operating income	3,345	3,533	3,608	8%	2%
Other operating expenses	(2,006)	(2,368)	(2,069)	(3%)	13%
Regulatory costs	(243)	(303)	(309)	(27%)	(2%)
UK Bank levy	-	(383)	-	nm	nm
<b>Operating profit before impairment and tax</b>	1,096	479	1,230	12%	157%
Impairment losses on loans and advances and other credit risk provisions	(471)	(690)	(198)	58%	71%
Other impairment	(123)	(106)	(53)	57%	50%
Profit/(loss) from associates and joint ventures	37	(42)	66	78%	nm
<b>Underlying profit/(loss) before taxation</b>	539	(359)	1,045	94%	nm
Restructuring	(123)	(599)	(55)	55%	91%
Other items	84	87	-	nm	nm
<b>Statutory profit/(loss) before taxation</b>	500	(871)	990	98%	nm

<sup>1</sup>In 2016 the Group decided to exit Principal Finance and consequently from 1 January 2017 gains and losses are treated as restructuring and excluded from the Group's underlying performance

Income of \$3.6 billion was 8 per cent higher year-on-year or 4 per cent higher excluding Principal Finance losses in the first quarter of 2016. Income was up 2 per cent quarter-on-quarter reflecting higher income from Asset and Liability Management partly offset by the timing of Corporate Finance transactions and weaker Foreign Exchange income.

Other operating expenses were up 3 per cent year-on-year demonstrating our strong focus on cost control. Regulatory costs were up 27 per cent year-on-year and 2 per cent quarter-on-quarter. The Group is on track to deliver an additional \$1.1 billion in planned gross costs efficiencies by the end of 2018 that will fund further investment to create opportunities for growth with clients and to enhance the Group's controls and compliance infrastructure.

Loan impairment of \$198 million was 58 per cent lower than in the same period last year and 71 per cent lower than in the previous quarter. Lower Corporate & Institutional Banking and Commercial Banking loan impairment reflected in part the non-repeat of provisions taken against the diamonds and jewellery sector in the fourth quarter of 2016. Retail Banking loan impairment was lower than the run-rate seen in the second half of 2016. While overall credit quality has improved compared to the same period last year, loan impairments were unusually low and we remain cautious about credit conditions in our markets.

Other impairment of \$53 million excludes Principal Finance losses and as a result was lower by \$70 million year-on-year and around half the level seen in the fourth quarter of 2016.

Profit from associates and joint ventures of \$66 million was higher both year-on-year and quarter-on-quarter in part driven by an improvement in the performance of the Group's joint venture in Indonesia, reflecting actions taken there to stabilise the business.

As a result, underlying profit before tax of \$1.0 billion was 94 per cent higher year-on-year or 26 per cent higher excluding Principal Finance.

Statutory profit before tax of \$1.0 billion included restructuring charges of \$55 million relating primarily to Principal Finance losses. This takes total restructuring charges since the announcement of our strategic review in November 2015 to \$2.8 billion.

### Underlying client segment income

	3 months ended 31.03.16 \$million	3 months ended 31.12.16 \$million	3 months ended 31.03.17 \$million	Q1 17 vs Q1 16 Better/ (Worse)	Q1 17 vs Q4 16 Better/ (Worse)
Corporate & Institutional Banking	1,554	1,729	1,623	4%	(6%)
Retail Banking	1,151	1,167	1,174	2%	1%
Commercial Banking	348	305	327	(6%)	7%
Private Banking	115	110	117	2%	6%
Central & other items	177	222	367	107%	65%
<b>Total operating income</b>	<b>3,345</b>	<b>3,533</b>	<b>3,608</b>	<b>8%</b>	<b>2%</b>

Corporate & Institutional Banking income of \$1.6 billion was 4 per cent higher year-on-year and 6 per cent lower quarter-on-quarter. Excluding Principal Finance losses, income was 4 per cent and 7 per cent lower respectively. Balance sheet momentum in the first quarter was more than offset by lower Corporate Finance income and a decline in Foreign Exchange income that resulted from lower volatility.

Retail Banking income of \$1.2 billion was up 2 per cent year-on-year and 1 per cent quarter-on-quarter. Asset margin compression and lower income from Credit Cards and Personal Loans in part due to seasonally lower balances was offset by higher income from Wealth Management and Deposits, particularly in Hong Kong, resulting from an increase in the proportion of Priority clients.

Commercial Banking income of \$327 million was 6 per cent lower year-on-year as increases in liability margins and balances was offset by lower asset margins and balances and a decline in Foreign Exchange income. Income was 7 per cent higher compared to the fourth quarter of 2016 following improvement in Foreign Exchange income.

Private Banking income of \$117 million was 2 per cent higher year-on-year and 6 per cent higher compared to the fourth quarter of 2016. Increases in Deposit margins and higher sales of treasury products in Wealth Management in the first quarter offset lower lending balances and margins following actions taken to improve the risk profile of the segment during 2016. There has been early momentum in 2017 with \$0.9 billion of net new money added in the first quarter.

Included within Central & other items is income from Asset and Liability Management which was \$99 million higher year-on-year and \$176 million higher quarter-on-quarter. This resulted from gains in favourable market conditions in India and Hong Kong.

### Underlying geographic region income

	3 months ended 31.03.16 \$million	3 months ended 31.12.16 \$million	3 months ended 31.03.17 \$million	Q1 17 vs Q1 16 Better/ (Worse)	Q1 17 vs Q4 16 Better/ (Worse)
Greater China & North Asia	1,274	1,329	1,381	8%	4%
ASEAN & South Asia	1,043	993	1,002	(4%)	1%
Africa & Middle East	709	653	686	(3%)	5%
Europe & Americas	391	464	435	11%	(6%)
Central & other items	(72)	94	104	nm	11%
<b>Total operating income</b>	<b>3,345</b>	<b>3,533</b>	<b>3,608</b>	<b>8%</b>	<b>2%</b>

Income from Greater China & North Asia of \$1.4 billion was 8 per cent higher year-on-year and 4 per cent higher quarter-on-quarter. Growth in Retail Banking and Private Banking was driven by Hong Kong and continued

momentum in Wealth Management and Deposits, which offset margin compression and seasonally lower balances in Credit Cards and Personal Loans. In Corporate & Institutional Banking improvement in Financial Markets and higher Cash Management margins was offset by lower income from Corporate Finance. The region benefited from higher quarter-on-quarter income from Asset and Liability Management in favourable market conditions.

Income from ASEAN & South Asia of \$1 billion declined 4 per cent year-on-year and was 1 per cent higher quarter-on-quarter. Corporate & Institutional Banking was impacted by lower Corporate Finance income and Retail Banking income was lower following recent and planned business exits in the Philippines and Thailand. This was offset by higher Asset and Liability Management income.

Income from Africa & Middle East of \$686 million was 3 per cent lower year-on-year impacted by local currency depreciation in Africa and lower Financial Markets income in the Middle East, which was only partly offset by improved margins and higher balances in Cash Management. Income improved 5 per cent compared to the fourth quarter of 2016 due to better performance in Wealth Management and Financial Markets.

Europe & Americas is a significant contributor to the Group's Corporate & Institutional Banking network business. Income of \$435 million was up 11 per cent year-on-year driven by higher Cash Management balances and improved margins. Compared to the fourth quarter of 2016, income was down 6 per cent due to lower income from Foreign Exchange and Corporate Finance.

Income from Central & other items of \$104 million was higher both year-on-year and quarter-on-quarter benefiting from the non-repeat of fair valuation losses on private equity investments that are part of Principal Finance.

#### Asset quality

	31.12.16			31.03.17		
	Ongoing business \$million	Liquidation portfolio \$million	Total \$million	Ongoing business \$million	Liquidation portfolio \$million	Total \$million
<b>Loans and advances</b>						
Gross loans and advances to customers	258,396	3,854	262,250	<b>272,287</b>	<b>3,768</b>	<b>276,055</b>
Net loans and advances to customers	254,463	1,433	255,896	<b>268,349</b>	<b>1,391</b>	<b>269,740</b>
<b>Credit quality</b>						
Gross non-performing loans	5,880	3,807	9,687	<b>6,145</b>	<b>3,724</b>	<b>9,869</b>
Individual impairment provisions	(3,355)	(2,421)	(5,776)	<b>(3,354)</b>	<b>(2,377)</b>	<b>(5,731)</b>
Net non performing loans	2,525	1,386	3,911	<b>2,791</b>	<b>1,347</b>	<b>4,138</b>
Credit grade 12 accounts <sup>1</sup>	1,499	22	1,521	<b>1,164</b>	<b>20</b>	<b>1,184</b>
Cover ratio <sup>2</sup>	69%	64%	67%	<b>66%</b>	<b>64%</b>	<b>65%</b>
Cover ratio (after collateral) <sup>3</sup>	73%	80%	76%	<b>72%</b>	<b>79%</b>	<b>75%</b>
Risk-weighted assets	265,637	3,808	269,445	<b>269,536</b>	<b>3,767</b>	<b>273,303</b>

<sup>1</sup>Includes Corporate & Institutional Banking, Commercial Banking and Central & other items

<sup>2</sup>Including portfolio impairment provision

<sup>3</sup>Excluding portfolio impairment provision

Credit quality for the Group overall has remained broadly stable though stresses remain in certain parts of the portfolio.

Gross non-performing loans in the ongoing business increased by \$265 million since 31 December 2016 to \$6.1 billion while credit grade 12 accounts were lower by \$335 million. This followed the downgrade of a small number of Corporate & Institutional Banking clients and reflects continued challenging conditions. The cover ratio of non-performing loans fell from 69 per cent to 66 per cent but remained broadly stable after including collateral.

The credit quality of exposures in the liquidation portfolio remained stable.

## Balance sheet, capital and leverage

	31.12.16 \$million	31.03.17 \$million	Increase / (Decrease)
<b>Balance sheet</b>			
Net loans and advances to customers	255,896	269,740	13,844
Customer accounts	378,302	397,564	19,262
Advances-to-deposits ratio	67.6	67.8	
<b>Capital</b>			
Common equity tier 1 ratio	13.6%	13.8%	20bps
Risk-weighted assets	269,445	273,303	3,858
<b>Leverage</b>			
Leverage ratio	6.0%	5.9%	(10)bps

Further details on Capital and Leverage are contained in the Group's Pillar 3 Disclosures

The Group's balance sheet remains strong, liquid and is becoming increasingly diverse.

Net loans and advances to customers were up 5 per cent since 31 December 2016 to \$270 billion driven mostly by momentum in Corporate Finance and Mortgages. Customer deposits of \$398 billion were also up 5 per cent as the Group continued to focus on gathering high quality client operating accounts.

As a result, the Group's advances-to-deposits ratio was 67.8 per cent at the end of the first quarter compared to 67.6 per cent as at 31 December 2016.

The Group's Common Equity Tier 1 ratio of 13.8 per cent was 20 basis points higher than at 31 December 2016 largely reflecting profits for the period and currency translation. There remain a number of capital uncertainties including the eventual outcome of regulatory reforms to finalise banks' capital requirements.

The Group remains active in debt capital markets having issued \$1 billion of Additional Tier 1 capital in the quarter.

The Bank of England has confirmed the Group's non-binding indicative minimum requirement for own funds and eligible liabilities (MREL) will be 21.6 per cent of risk-weighted assets (RWA) from 1 January 2022. The combined buffer is expected to be additive. The Group estimated its MREL position to be over 26 per cent of RWA as at 31 December 2016.

## Summary and outlook

The Group's improved profitability in the first quarter is the result of particularly low loan impairment and a continuing focus on cost control. Competition remains intense in many of our markets but the Group continues to see opportunities with its clients, is investing in areas of competitive strength, and remains focused on delivering sustainable growth in income.

For further information, please contact:

Mark Stride, Head of Investor Relations +44 (0)20 7885 8596  
Julie Gibson, Head of Media Relations +44 (0)20 7885 2434

## ADDITIONAL INFORMATION

### Quarterly underlying operating income for the last seven quarters

#### By client segment

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
	\$million	\$million	\$million <sup>1</sup>	\$million <sup>1</sup>	\$million	\$million	\$million
Corporate & Institutional Banking	1,725	1,513	1,554	1,593	1,596	1,729	1,623
Retail Banking	1,199	1,166	1,151	1,165	1,186	1,167	1,174
Commercial Banking	377	309	348	319	323	305	327
Private Banking	127	117	115	146	125	110	117
Central & other items	254	157	177	242	235	222	367
<b>Total operating income</b>	<b>3,682</b>	<b>3,262</b>	<b>3,345</b>	<b>3,465</b>	<b>3,465</b>	<b>3,533</b>	<b>3,608</b>

<sup>1</sup> Corporate & Institutional Banking and Commercial Banking income has been restated by \$30 million to correctly reflect the allocation of Principal Finance losses in Q1 2016

#### By geographic region

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Greater China & North Asia	1,391	1,298	1,274	1,277	1,310	1,329	1,381
ASEAN & South Asia	1,116	937	1,043	1,011	1,005	993	1,002
Africa & Middle East	667	638	709	711	669	653	686
Europe & Americas	439	452	391	426	383	464	435
Central & other items	69	(63)	(72)	40	98	94	104
<b>Total operating income</b>	<b>3,682</b>	<b>3,262</b>	<b>3,345</b>	<b>3,465</b>	<b>3,465</b>	<b>3,533</b>	<b>3,608</b>

#### By product

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Transaction Banking	800	733	716	702	722	744	785
Trade	363	314	305	299	300	295	297
Cash Management and Custody	437	419	411	403	422	449	488
Financial Markets	622	582	697	642	714	676	626
Foreign Exchange	361	281	365	264	249	272	225
Rates	180	106	169	174	187	147	162
Commodities	61	50	44	34	59	53	48
Credit and Capital Markets	72	81	75	80	112	97	119
Other Financial Markets	(52)	64	44	90	107	107	72
Corporate Finance	517	459	470	474	421	532	447
Wealth Management	375	364	349	370	387	377	421
Retail Products	952	915	915	918	925	900	871
CCPL and other unsecured lending	443	417	403	390	394	370	344
Deposits	291	283	301	327	333	326	346
Mortgage and Auto	199	197	193	183	178	185	164
Other Retail Products	19	18	18	18	20	19	17
Asset and Liability Management	78	45	105	112	63	28	204
Lending and Portfolio Management	180	134	150	130	93	103	95
Principal Finance <sup>2</sup>	(17)	(88)	(130)	(37)	(30)	(20)	-
Other	175	118	73	154	170	193	159
<b>Total operating income</b>	<b>3,682</b>	<b>3,262</b>	<b>3,345</b>	<b>3,465</b>	<b>3,465</b>	<b>3,533</b>	<b>3,608</b>

<sup>2</sup> In 2016 the Group disclosed its decision to exit Principal Finance and from 1 January 2017 gains and losses are treated as restructuring and excluded from the Group's underlying performance

## Basis of presentation

This interim management statement covers the results of Standard Chartered PLC together with its subsidiaries (the Group) as at and for the three months ended 31 March 2017. Following the Group's adoption of the IFRS 9 Financial Instruments requirement to reflect changes in the value attributable to own credit on fair value elected liabilities in other comprehensive income, the performance summary table has been restated to remove OCA from the three months ended 31 March 2016 and three months ended 31 December 2016.

The Group uses a number of alternative performance measures including underlying earnings, credit grade 12 and cover ratio in the discussion of its business performance and financial position. These are defined as follows:

## Restructuring and other items

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing performance period-by-period. These adjustments are set out below.

	3 months ended 31.03.16		3 months ended 31.12.16		3 months ended 31.03.17	
	Restructuring \$million	Other items \$million	Restructuring \$million	Other items \$million	Restructuring \$million	Other items \$million
Operating income	-	84	(207)	253	(28)	-
Operating expenses	-	-	(211)	-	(40)	-
<b>Operating profit before impairment and tax</b>	-	84	(418)	253	(68)	-
Impairment losses on loans and advances and other credit risk provisions	(107)	-	(102)	-	(5)	-
Other impairment	(16)	-	(17)	(166)	-	-
(Loss)/profit from associates and joint ventures	-	-	(62)	-	18	-
<b>(Loss)/profit before taxation</b>	(123)	84	(599)	87	(55)	-

## Credit grade 12 accounts

These are customer accounts that while performing at present exhibit potential credit weaknesses and could become impaired in the future. There is however, currently, no expectation of loss of principal or interest, and therefore interest on credit grade 12 accounts is taken to income. Further credit rating details are provided on pages 142 to 143 and a credit quality mapping table is provided on page 152 of the 2016 Annual Report.

## Cover ratio

The cover ratio represents the extent to which non-performing loans are covered by impairment allowances.

## Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as may, could, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political,

economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise. Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.