Standard Chartered PLC

Interim Management Statement

28 April 2015

Standard Chartered today releases its Interim Management Statement for the quarter ending 31 March 2015.

Peter Sands, Group Chief Executive, commented,

"We are on schedule to deliver a Common Equity Tier 1 ratio of between 11% and 12% and sustainable cost saves in excess of US$400 million in 2015. Trading conditions remain challenging and the actions we are taking to de-risk, cut costs and build capital are having an impact on near term performance. However, underlying business volumes generally remain strong. We remain confident in the strength of our franchise, the opportunities in our markets and in our ability to build returns to an attractive level in the medium term."

Group income statement[1]

	3 months ended 31.03.15	3 months ended 31.03.14	YOY better/ (worse)
	$million	$million	%
Operating income	4,395	4,572	(4%)
Operating expenses	(2,467)	(2,451)	(1%)
Restructuring costs	(35)	(32)	(8%)
Pre-provision operating profit	1,893	2,089	(9%)
Loan impairment	(476)	(265)	(80%)
Other impairment	2	2	nm
Profit from associates and joint ventures	48	49	(2%)
Profit before taxation	1,467	1,875	(22%)

The Group's financial performance in the first quarter reflects volume growth in certain parts of our business offset by management actions to prioritise strengthening the Common Equity Tier 1 ratio, portfolio de-risking, and compressed margins driven by high levels of market liquidity.

First quarter income was down by 1 per cent on a constant currency basis. Headline income of US$4.4 billion was down 4 per cent, 1 per cent of which was the result of business exits.

Operating expenses, excluding increased regulatory costs, were tightly managed and reduced by 3 per cent. However, continued significant investment in improving conduct and compliance systems and processes mean overall operating expenses increased 1 per cent. We remain on track to deliver in excess of US$400 million in sustainable productivity improvements in 2015.

Loan impairment of US$476 million was lower than in the previous two quarters, although US$211m up on the equivalent quarter of last year. Excluding the benefit of business disposals, loan impairment from Retail Clients was down 14 per cent year on year, benefitting from actions taken to de-risk the portfolio. Loan impairment from Corporate and Institutional Clients, while down on the previous two quarters, remains elevated.

'First quarter' refers to the three months ended 31 March 2015
[1]Excludes own credit adjustment
[2]Includes financial instruments designated at fair value

As a result, Group operating profit in the quarter of US$1.5 billion was down 22 per cent year on year.

Balance sheet

	31.03.15	31.12.14
	$million	$million
Loans and advances to customers[2]	295,265	288,599
Customer deposits[2]	401,492	414,189

Customer loans and advances increased by 2 per cent in the first quarter, although were down 1 per cent excluding the impact of short tenor IPO financing over the quarter end. Group customer deposits were down 3 per cent compared to the end of 2014 driven by management action to reduce higher cost surplus deposits.

Overall, the Group remains highly liquid and well capitalised, with ratios well above current regulatory requirements. Group Risk Weighted Assets were slightly up on the year end and we are well advanced on our plan to take out US$25-30 billion in the next two years.

Operating income by client segment[1]

	3 months ended 31.03.15	3 months ended 31.03.14	YOY Better/ (worse)
	$million	$million	%
Corporate and Institutional	2,515	2,656	(5%)
Commercial	259	312	(17%)
Private Banking	152	158	(4%)
Retail	1,469	1,446	2%
Total operating income	4,395	4,572	(4%)

Income from Corporate and Institutional Clients in the first quarter was US$2.5 billion, down 5 per cent. This reflects actions taken to reduce low returning Risk Weighted Assets, lower levels of Corporate Finance activity, and timing differences in Principal Finance.

Income from Commercial Clients of US$259 million was down 17 per cent year on year, the result of lower client demand for FX hedging products, portfolio de-risking and business exits.

Income from Private Banking Clients was up slightly on a continuing operations basis but down 4 per cent year on year to US$ 152 million following the exit of our operations in Geneva.

Income from Retail Clients of US$1.5 billion was up 2 per cent. The benefit in Wealth Management from the Prudential Bancassurance partnership and a continuing shift towards Priority Clients offset the impact of portfolio de-risking decisions.

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Operating income by product[1]

	3 months ended 31.03.15	3 months ended 31.03.14	YOY better/ (worse)
	$million	$million	%
Transaction Banking	886	935	(5%)
Trade	439	485	(9%)
Cash Management and Custody	446	450	(1%)
Financial Markets[1]	904	898	1%
Corporate Finance	561	620	(10%)
Lending and Portfolio Management	239	257	(7%)
Wealth Management	456	378	21%
Retail Products	1,142	1,195	(4%)
Cards, Personal Loans and Unsecured Lending	564	660	(15%)
Deposits	301	285	6%
Mortgage & Auto	216	227	(5%)
Other Retail Products	61	23	166%
Asset & Liability Management	175	203	(14%)
Principal Finance	32	86	(62%)
Total operating Income	4,395	4,572	(4%)

Transaction Banking income of US$886 million was down 5 per cent on the same quarter last year. Within this Trade income was down 9 per cent, reflecting good volume growth offset by lower commodity prices. Trade margins were broadly stable. Cash Management and Custody income was down 1 per cent year on year with lower cash margins offsetting good volume growth and a strong Custody performance.

Financial Markets income was up 1 percent year on year to US$904 million, with strong income growth in Foreign Exchange and Rates offsetting lower Capital Markets income.

Corporate Finance income was US$561 million in the first quarter, down 10 per cent on the same period last year. High levels of market liquidity have resulted in early repayments and reduced fee levels on new transactions.

Wealth Management income remained strong and was up 21 per cent in the first quarter to US$456 million as we continue to benefit from a renewal of our Prudential Bancassurance partnership in the second half of last year.

Income from Retail Products was US$1.1 billion in the quarter, down 4 per cent year on year, reflecting continued de-risking of the unsecured portfolio through 2014, particularly in Korea and Thailand, spread compression in Mortgages driven by regulatory change in a number of markets, and the impact of business exits.

Asset and Liability Management income was down 14 per cent year on year driven by lower accrual income, and Principal Finance income was down US$54 million due to the timing of realisations.

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Conclusion

The Group's performance in the first quarter is consistent with our financial priorities and areas of strategic focus. We are on schedule to deliver both a Common Equity Tier 1 ratio of 11-12% and sustainable cost saves in excess of US$400 million in 2015.

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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-lookin 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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