Standard Chartered

press release

Standard Chartered announces new strategy to create lean, focused and more profitable bank

- **3 November 2015 – Launch of fully underwritten GBP3.3bn rights issue to strengthen Core Equity Tier 1 (CET1) ratio, reinforce balance sheet, and underpin strategic execution**
- **Investing more than USD3bn over the next three years into strategic opportunities, delivering new technology, and upgrading our regulatory and conduct systems**
- **Identifying over USD100bn of assets which will be restructured or exited**
- **Delivering USD2.9bn of cost rationalisation between now and 2018**
- **Simplified organisational structure, removing a gross 15,000 roles by 2018**
- **Establishing new targets for capital (12-13% CET1 ratio) and return on equity (10% RoE)**

Standard Chartered today outlined the key components of its updated strategy to create a lean, focused and strongly capitalised bank that is positioned for long-term and sustainable growth. The updated strategy will refocus the Group towards more profitable and less capital-intensive businesses through a series of significant management actions that will strengthen the balance sheet and improve shareholder returns.

The new strategy has three components:

Securing the foundations

The Group is taking a number of actions to manage risk and position for safe and sustainable future growth. These actions include:

- Adoption of a new risk tolerance framework which will reduce single-name concentrations and unsecured retail and corporate business, coupled with more active reduction in our China, India and commodities exposures
- Targeting USD100bn of RWA to be managed up, restructured or exited by 2018. This includes turnaround for the Retail and Commercial Banking business in Korea, exit of non-strategic businesses, improving returns on, or exiting low returning client relationships, as well as liquidating assets in GSAM which are beyond our new risk tolerances
- The Group will invest significantly in compliance and related infrastructure as we continue to focus on our behaviour, systems and processes to enable us to make a meaningful contribution to fighting financial crime

Becoming lean and focused

The Group is also restructuring its three client businesses to differentiate against local and international competition, and deliver greater efficiency. Corporate and Institutional Banking will reduce its number of capital-intensive products and deliver USD50bn of RWA optimisation. The transformation of Retail Banking will be accelerated. We will concentrate on large cities in our network that deliver a RoE above 10%, growing the number of emerging affluent clients, and investing in technology to save costs and improve the customers' experience. We will also exit a number of smaller retail presence countries where the Group is sub-scale. Commercial Banking will be overhauled, with a focus on cost efficiencies, RWA optimisation and greater risk controls.

Invest and Innovate

The Group will cut costs to free up capital to invest in the business. We will invest USD3bn into the Group's technology infrastructure, and into strategic opportunities where we have, or will create, a competitive advantage:

- Grow Private Banking and Wealth Management where we have a good platform and a meaningful competitive position, targeting USD25bn AUM growth by 2018.
- Investing to grow our business in Africa, building on our strong brand, where the opportunities are significant
- Use our franchise in China and our international footprint to capture the substantial RMB opportunities and retain our leadership in offshore RMB
- Improve retail client systems and digital capability (30% of sales and 40% of payments online by 2018) to improve the customer experience and make the bank more efficient
- Our regulatory and compliance spend has tripled over the last three years, from US$1/3bn to a US$1bn a year. We will continue to invest in making a meaningful and leading contribution to the global fight against financial crime, and to do so by engaging proactively and transparently with regulators and other stakeholders

The execution of the strategy is underpinned by a Rights Issue which will be launched today to:

- Strengthen the balance sheet and enable the Group to achieve its target CET1 capital ratio of 12 to 13 per cent
- Absorb the financial impact of the Group's planned restructuring charges, estimated to be approximately USD3bn by the end of 2016
- Implement the strategic initiatives outlined above
- Enable the Group to weather near-term macroeconomic uncertainty and focus on businesses and markets where it has a competitive advantage

The Rights Issue is fully underwritten.The issue price is 465 pence per share, with two new shares being issued for each seven existing shares.

Temasek, the Company's largest shareholder, is supportive and intends to take up its rights in respect of 15.8 per cent. of the existing share capital. Standard Chartered has been informed by the Joint Bookrunners that Temasek is also participating in the Rights Issue as a sub-underwriter.

The Directors and the Management Team are fully supportive of the Rights Issue and those that are entitled to intend to take up their rights in full.

Bill Winters, Group Chief Executive, Standard Chartered said:

“This comprehensive programme of actions will result in a lean, focused and well capitalised international bank, poised for growth across our dynamic and growing markets in Asia, Africa and the Middle East.

"We have an outstanding franchise at the heart of this bank, and we are focused on taking advantage of it.”

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About Standard Chartered

We are a leading international banking group, with around 84,000 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. 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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