Standard Chartered PLC – Performance highlights

Commenting on these results, Bill Winters, Group Chief Executive, said:

"While 2015 performance was poor, the actions we took on capital throughout last year and in particular in December have positioned us strongly for the current macro environment. We have a balance sheet that is resilient and we are in the right markets. We have identified our risk issues, and we are dealing with them assertively. We are making good progress on executing our strategy, creating a bank that will generate improved financial performance over time following from our improved cost efficiency, tightened risk controls, and focus on our many core advantages."

Financial performance summary

- Underlying profit before tax of $0.8 billion, down 84 per cent, reflecting challenging market conditions and strategic management actions
- Underlying operating income of $15.4 billion, down 15 per cent:
  - One-quarter of the decline resulted from lower exchange rates against the US dollar
  - One-quarter resulted from business exits, disposals, and de-risking
  - One-quarter related to lower commodity prices and mark-to-market valuations
  - One-quarter related to lower levels of business activity
- Underlying operating costs, excluding the bank levy and regulatory costs, of $9.0 billion, down 7 per cent
- Underlying loan impairment of $4.0 billion, up 87 per cent:
  - Around 40 per cent related to a number of exposures beyond our tightened risk tolerance
  - The balance was mainly driven by falling commodity prices and deterioration in financial markets in India
- Reported loss before tax of $1.5 billion after taking:
  - Restructuring charges of $1.8 billion, within the $3 billion indicated in November 2015, covering redundancy costs, impairments and a goodwill write down
  - A broadly capital neutral credit and funding valuation adjustment of $863 million in the fourth quarter
  - A positive own credit adjustment of $495 million
  - A gain on sale of businesses in the period of $218 million
  - Goodwill impairment of $362 million related to Taiwan
- Normalised basic earnings per share of (6.6) cents (2014: 138.9 cents)
- Normalised return on ordinary shareholders' equity of (0.4) per cent (2014: 7.8 per cent)
- The Board confirms its earlier decision not to declare a final dividend for 2015

The Group is strongly capitalised with a highly liquid balance sheet

- Strong Common Equity Tier 1 (CET1) ratio of 12.6 per cent
- Expect the CET1 ratio to be toward the top end of the 12-13% target range as we release around $20 billion risk-weighted assets (RWA) through the eventual liquidation of exposures beyond our tightened risk tolerance
- Well positioned for the introduction of the minimum requirement for own funds and eligible liabilities (MREL) at approximately 24 per cent
- Liquidity coverage ratio and net stable funding ratio both above 100 per cent
- Liquid asset ratio of 30.9 per cent (2014: 32.2 per cent)
- Advances to deposits ratio of 72.8 per cent (2014: 69.7 per cent)
- Disciplined balance sheet management:
  - Customer loans and advances down 9 per cent to $261.4 billion;
  - RWAs down 11 per cent to $302.9 billion and;
  - Customer deposits down 13 per cent to $359.1 billion as we focused on high-quality liabilities

Comprehensive programme of management actions

- We are making good progress on executing our strategy
- Hired a new Chief Risk Officer and new Head of Corporate and Institutional Banking
- Delivered annualised cost efficiencies of $0.6 billion, including $0.2 billion from business exits
- We have commenced our programme to deliver future cost efficiencies of $2.3 billion over the next 3 years
- Early progress in restructuring more than $100 billion RWAs, including actively managing the liquidation portfolio which represents 3 per cent of the Group's loans and advances to customers
- Commenced implementation of our multi-year investment programme