

## Press release

### Standard Chartered PLC - Performance highlights

*For the twelve months ended 31 December 2017*

**London, 27 February 2018** - Standard Chartered PLC (the Group) today releases its results for the year ended 31 December 2017. All figures are presented on an underlying basis unless otherwise stated with a full reconciliation between statutory and underlying results presented on page 12 of this press release and page 211 of the 2017 Annual Report.

“The transformation of the Group continued in 2017 with the significant improvement in underlying profits, a strong capital position and emerging clarity on regulatory capital requirements allowing us to resume paying dividends. We are encouraged by our start to 2018 and remain focused on realising the Group’s full potential.” **Bill Winters, Group Chief Executive**

#### Financial performance for the year:

- Significant improvement in profitability and returns was a direct consequence of the many actions taken since 2015:
  - Profit before tax of \$3.0bn was up 175% and up 71% excluding Principal Finance
  - Statutory profit before tax of \$2.4bn is stated after restructuring and other items and was \$2.0bn higher
  - RoE improved from 0.3% to 3.5%; just under half-way towards the Group's initial milestone of 8%
- Operating income of \$14.3bn was up 3% despite a 4% drag from Financial Markets
  - 13% income growth from key areas of investment (half of total), with particular strength in liability-led products
  - Industry-wide low volatility during 2017 impacted performance in Financial Markets
  - Income was 3% lower quarter-on-quarter due partly to the early achievement of a bonus in Wealth Management
  - Net interest income increased 5% and the net interest margin increased slightly to 1.55%
- Other operating expenses of \$8.6bn were well controlled rising 2% due primarily to variable pay
  - Over 85% of the four-year \$2.9bn gross cost efficiencies target has been achieved with a year to go
  - Gross savings funded investment of \$1.5bn (2016: \$1.4bn), 50% over the 2015 level
  - Anticipate operating expenses excluding the UK bank levy in 2018 to be below 2015
- Regulatory costs rose 15%, with several large programmes including MiFID II and IFRS 9 being implemented
  - Further significant progress in implementing financial crime prevention capabilities
  - Continuing cooperation and ongoing discussions with US and UK authorities to resolve historical matters
- After updating prior-year estimates, the UK bank levy was \$220m; the estimate for 2018 is around \$310m
- Asset quality overall has improved with the focus on better quality origination within a more granular risk appetite
  - Loan impairment of \$1.2bn halved as management actions resulted in improvement across all client segments
- Profit from associates and joint ventures rose \$185m following better performances in China and Indonesia
- RWAs in the liquidation portfolio have been reduced considerably from \$20bn in 2015 to \$815m at the end of 2017
- Basic earnings per share increased from 3.4 cents in 2016 to 47.2 cents in 2017

#### Balance sheet and capital

- Capital and liquidity ratios remain strong
  - CET1 ratio of 13.6% remains above the Group’s reiterated 12-13% target range
  - Liquidity coverage ratio was 146% with a prudent surplus to regulatory requirements
- Strong and broad-based balance sheet growth in both customer loans and advances and customer deposits
- The impact of adopting IFRS 9 and implementing final Basel III reforms is considered manageable
  - Adopting IFRS 9 increases credit provisions by \$1.2bn and has a negligible day-one impact on the CET1 ratio
  - Early assessment of final Basel III reforms to be implemented in 2022 is a 10-15% increase in current RWAs

#### Dividend

- The Board has recommended resuming a dividend given improving financial performance and strong capital
  - Full year dividend of 11 cents per ordinary share proposed for 2017
  - Intend to increase the dividend per share over time as the Group’s performance improves

## **Outlook**

- New medium-term Group income growth target of 5-7% CAGR with cost increases controlled below inflation
- We are encouraged by our start to 2018 with broad-based double-digit year-on-year income growth
- Operating leverage and continued focus on risks is expected to deliver RoE above 8% in the medium term

**For more information or interview opportunities, please contact:**

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## **Standard Chartered**

We are a leading international banking group, with more than 80,000 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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