

30 October 2019

Standard Chartered PLC – third quarter 2019 results

Standard Chartered PLC (the Group) today releases its results for the third quarter ended 30 September 2019. All figures are presented on an underlying basis and comparisons are made to the third quarter of 2018, unless otherwise stated. A reconciliation of restructuring and other items that have been excluded from underlying results is set out on page 8 below.

“Our strategy of the last few years has progressively created a stronger and more resilient business as evidenced by a 16% increase in underlying profits in the third quarter. The continuing execution of that strategy remains our priority, enabling us to face the more challenging external environment confidently, determined to continuously enhance our service to our clients, our performance-oriented culture and our profitability.”

Bill Winters, Group Chief Executive

Progress year-to-date on strategic priorities

- **Deliver our network:** income from corporate and institutional clients using our international network grew 7%
- **Grow our affluent business:** income from Premium, Priority and Private Banking clients increased 5%
- **Optimise low-returning markets:** aggregate profit in India, Indonesia, Korea and UAE improved 16%
- **Improve productivity:** income per full-time employee increased 5%
- **Transform and disrupt with digital:** key client digital adoption measures continued to improve
- **Drive sustainability:** adopted Principles for Responsible Banking; issued Asia’s first sustainable deposit

Progress in 3Q’19 on financial framework

- **Return on tangible equity** up 160bps to 8.9%
 - Underlying profit before tax up 16% to \$1.2bn
 - Statutory profit before tax up 4% to \$1.1bn
- **Income** up 7% to \$4.0bn; up 8% on a constant currency basis
 - Broad-based growth across all segments and regions
 - Particularly strong performance in Corporate & Institutional Banking up 13% and Private Banking up 14%
 - Europe & Americas grew 19% and ASEAN & South Asia was up 13%
 - Income year-to-date up 3%; up 5% on a constant currency basis
- **Costs** flat at \$2.5bn; up 1% on a constant currency basis
 - Significantly positive income-to-cost jaws both in 3Q’19 and year-to-date
 - Costs in 2H’19 will be slightly higher than in 1H’19 due to investment phasing; so 4Q’19 will exceed 3Q’19
 - Costs in FY’19 excluding the UK bank levy are expected to grow below the rate of inflation
- **Capital**
 - Completed **\$1bn buy-back:** 116m shares acquired and cancelled reducing total issued share capital by 3.5%
 - **Common equity tier 1** ratio remains within 13-14% target range at 13.5%: up 6bps since 30 June 2019
 - Changes to Pillar 2A and HK counter-cyclical buffers increased the CET1 requirement by 21bps to 10.2%
 - **Risk-weighted assets (RWA)** down \$2bn since 30 June 2019 to \$269bn
 - Credit risk RWA reduced by \$2bn whilst total assets grew by 3% in the same period
 - RWA grew broadly in line with income year-to-date

Other 3Q’19 financial highlights

- **Pre-provision operating profit** up 22% to \$1.5bn
- **Asset quality** remains stable despite higher credit impairment driven partly by IFRS 9 expected credit losses
 - Higher stage 3 credit impairment from a small number of unconnected corporate exposures
 - Stage 1 and 2 credit impairment of \$54m compared to a net release of \$35m in 3Q’18
- **Average interest-earning assets** up 8% to \$603bn; yield up 19bps to 3.28%
- **Average interest-bearing liabilities** up 11% to \$530bn; rate paid up 18bps to 1.96%
- **Net interest margin** year-to-date flat at 1.58%

Outlook

We continue to focus on executing our strategy with the objective of delivering a 10% return on tangible equity by 2021 but there are growing headwinds from the combination of continuing geopolitical tensions and expectations of declining near-term global growth and interest rates.

Standard Chartered PLC – Summary of results

For the three months ended 30 September 2019

	3 months ended 30.09.19 \$m	3 months ended 30.06.19 \$m	3 months ended 30.09.18 \$m
Underlying performance			
Operating income	3,978	3,883	3,724
Operating expenses	(2,501)	(2,554)	(2,511)
Credit impairment	(279)	(176)	(115)
Other impairment	(5)	(19)	(76)
Profit from associates and joint ventures	45	91	47
Profit before taxation	1,238	1,225	1,069
Return on ordinary shareholders' tangible equity (%)	8.9	7.3	7.3
Cost to income ratio (%)	62.9	65.8	67.4
Statutory performance			
Operating income	3,959	3,912	3,751
Operating expenses	(2,567)	(2,642)	(2,566)
Credit impairment	(280)	(176)	(94)
Other impairment	(60)	(24)	(76)
Profit from associates and joint ventures	53	102	47
Profit before taxation	1,105	1,172	1,062
Profit attributable to parent company shareholders	761	669	741
Profit attributable to ordinary shareholders ¹	725	482	707
Return on ordinary shareholders' tangible equity (%)	7.5	5.0	7.0
Net interest margin (%)	1.56	1.62	1.56
Cost to income ratio (%)	64.8	67.5	68.4
Balance sheet and capital			
Total assets	734,800	712,504	684,605
Total equity	50,696	50,439	51,643
Loans and advances to customers	269,703	263,595	254,798
Customer accounts	387,857	401,597	371,493
Risk-weighted assets	268,668	270,739	265,245
Total capital	54,940	54,957	57,576
Advances-to-deposits ratio (%) ²	65.6	63.7	65.6
Liquidity coverage ratio (%)	133	139	154
Common Equity Tier 1 ratio (%)	13.5	13.5	14.5
Total capital (%)	20.4	20.3	21.7
UK leverage ratio (%)	5.1	5.3	5.8
Information per ordinary share			
	Cents	Cents	Cents
Basic earnings per ordinary share – underlying ³	26.6	21.4	22.2
– statutory ³	22.5	14.6	21.4
Ordinary dividend per share ⁴	-	7.0	-
Net asset value per share ⁵	1,358	1,339	1,358
Tangible net asset value per share ⁵	1,199	1,182	1,207
Number of ordinary shares at period end (m)	3,195	3,255	3,305

¹ Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity

² When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts includes customer accounts held at fair value through profit or loss

³ Represents the underlying or statutory earnings divided by the basic weighted average number of shares

⁴ Represents the recommended ordinary dividend per share

⁵ Calculated on period end net asset value, tangible net asset value and number of shares

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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.

This information will be available on the Group's website at www.sc.com

Summary of financial performance

	3Q'19	3Q'18	Change	Constant Currency Change ¹	2Q'19	Change	YTD'19	YTD'18	Change	Constant Currency Change ¹
	\$m	\$m	%	%	\$m	%	\$m	\$m	%	%
Net Interest income	2,385	2,190	9		2,371	1	7,028	6,577	7	
Other income	1,593	1,534	4		1,512	5	4,646	4,796	(3)	
Operating income	3,978	3,724	7	8	3,883	2	11,674	11,373	3	5
Operating expenses	(2,501)	(2,511)	-	(1)	(2,554)	2	(7,470)	(7,628)	2	(1)
Operating profit before impairment and taxation	1,477	1,213	22	22	1,329	11	4,204	3,745	12	14
Credit impairment	(279)	(115)	(143)		(176)	(59)	(533)	(408)	(31)	
Other impairment	(5)	(76)	93		(19)	74	(26)	(127)	80	
Profit from associates and joint ventures	45	47	(4)		91	(51)	202	215	(6)	
Underlying profit before taxation	1,238	1,069	16	16	1,225	1	3,847	3,425	12	14
Restructuring	(123)	(7)	n.m. ²		(46)	(167)	(137)	(86)	(59)	
Other items	(10)	-	n.m. ²		(7)	(43)	(191)	69	n.m. ²	
Statutory profit before taxation	1,105	1,062	4	4	1,172	(6)	3,519	3,408	3	5
Taxation	(333)	(310)	(7)		(494)	33	(1,251)	(1,063)	(18)	
Profit for the period	772	752	3		678	14	2,268	2,345	(3)	
Net interest margin (%) ³	1.56	1.56			1.62		1.58	1.58		
Underlying return on tangible equity (%)	8.9	7.3			7.3		8.6	7.5		
Underlying basic earnings per share (cents) ⁴	26.6	22.2			21.4		75.7	67.1		
Statutory return on tangible equity (%)	7.5	7.0			5.0		6.8	6.9		
Statutory basic earnings per share (cents) ⁴	22.5	21.4			14.6		60.5	62.0		

¹ Comparisons presented on the basis of the current period's functional currency rate

² Not meaningful

³ Statutory net interest income divided by average interest earning assets, annualised

⁴ Represents the underlying or statutory earnings divided by the basic weighted average number of shares

The Group delivered an encouraging and resilient performance in the third quarter of 2019. Income grew at the top end of the medium-term guidance range of 5-7 per cent and at a significantly faster rate than costs; profitability improved despite an increase in impairments; capital and liquidity levels remain strong; and the balance sheet is growing.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2018 where the percentage change is better / (worse) unless otherwise stated.

- **Operating income** grew 7 per cent or 8 per cent on a constant currency basis. **Net interest income** grew 9 per cent with increased contribution from trading book assets in Financial Markets and increased volumes and margins within Cash Management and Retail Deposits whilst **Other income** increased 4 per cent
- **Operating expenses** were flat or up 1 per cent on a constant currency basis, with tight control of costs generating positive cost-to-income jaws of 7 per cent. The Group has clear strategic priorities and continues to invest behind them. As previously guided: excluding the UK bank levy, costs in the second half of 2019 are expected to be slightly higher than in the first half. That means that costs in the fourth quarter will be higher than in the third quarter due to investment phasing but for full-year 2019 are expected to grow below the rate of inflation
- **Credit impairment** increased by \$164 million to \$279 million driven mainly by higher stage 3 credit impairment relating to a small number of unconnected single-name exposures within Corporate & Institutional Banking. Expected credit losses relating to stage 1 and 2 exposures of \$54 million in the quarter were \$89 million higher compared to a net release of \$35 million in 3Q'18, and included \$24 million related to the impact of changes to macroeconomic forecasts during the period. Credit impairment of \$533 million year-to-date represents a loan-loss rate of 23 basis points, an increase of 2 basis points year-on-year
- **Other impairment** reduced by \$71 million to \$5 million following the Group's decision to discontinue its ship leasing business, with the related impairment now recorded as a restructuring charge and excluded from underlying results
- **Profit from associates and joint ventures** was down 4 per cent with the exclusion from underlying performance of the Group's non-core share of PT Bank Permata Tbk's earnings offsetting an increase in profit from the Group's other associates and joint ventures

- **Profit before tax** improved 16 per cent on both a reported and a constant currency basis. Charges relating to restructuring and other items totalled \$133 million, an increase of \$126 million. Including these items statutory profit before tax improved 4 per cent
- **Taxation** was \$333 million on a statutory basis. The underlying effective tax rate was 27.1 per cent (3Q'18: 27.2 per cent)
- **Return on tangible equity** improved by 160 basis points to 8.9 per cent reflecting the increase in underlying profit and the reduction in tangible equity following the completion of the \$1 billion share buy-back programme
- **Basic earnings per share** (EPS) increased 4.4 cents to 26.6 cents and statutory EPS increased 1.1 cents to 22.5 cents

Operating income by product

	3Q'19 \$m	3Q'18 \$m	Change %	2Q'19 \$m	Change %	YTD'19 \$m	YTD'18 \$m	Change %
Transaction Banking	976	936	4	990	(1)	2,928	2,776	5
Trade	282	277	2	282	-	841	866	(3)
Cash Management	606	577	5	621	(2)	1,829	1,658	10
Securities Services	88	82	7	87	1	258	252	2
Financial Markets	789	631	25	747	6	2,285	2,032	12
Foreign Exchange	261	239	9	304	(14)	864	769	12
Rates ¹	176	194	(9)	136	29	533	492	8
Commodities	39	38	3	44	(11)	128	142	(10)
Credit and Capital Markets ¹	167	48	n.m. ²	145	15	452	241	88
Capital Structuring Distribution Group	87	71	23	74	18	243	218	11
Other Financial Markets	59	41	44	44	34	65	170	(62)
Corporate Finance ³	340	324	5	330	3	991	989	-
Lending and Portfolio Management	145	123	18	140	4	414	401	3
Wealth Management	488	465	5	511	(5)	1,463	1,456	-
Retail Products	971	929	5	973	-	2,892	2,825	2
CCPL and other unsecured lending	315	320	(2)	320	(2)	940	1,016	(7)
Deposits	508	476	7	499	2	1,499	1,301	15
Mortgage and Auto	123	114	8	128	(4)	379	446	(15)
Other Retail Products	25	19	32	26	(4)	74	62	19
Treasury	335	342	(2)	251	33	894	970	(8)
Others	(66)	(26)	(154)	(59)	(12)	(193)	(76)	(154)
Total operating income	3,978	3,724	7	3,883	2	11,674	11,373	3

¹ Following a reorganisation of certain product teams within Financial Markets, \$46 million of income that in 1H 2018 was reported within Credit and Capital Markets was transferred to Rates during 3Q 2018. Prior periods have not been restated

² Not meaningful

³ In Dec 2018 it was decided to discontinue the ship operating lease business; any future profits and losses will be reported as restructuring. Prior periods have not been restated.

Transaction Banking income grew 4 per cent with continued strong performance in Cash Management and growth in Trade and Securities Services. Corporate & Institutional Banking clients generated 78 per cent of this income with the remainder generated by Commercial Banking clients.

Financial Markets income grew 25 per cent benefiting from market volatility and increased hedging and investment activity by clients. Credit and Capital Markets income more than trebled and there was double-digit growth in the Capital Structuring Distribution Group and Other Financial Markets and a positive \$11m movement in the Debit Valuation Adjustment.

Corporate Finance income increased 5 per cent despite the Group's decision to discontinue its ship leasing business, with the related income now recorded as a restructuring charge and excluded from underlying results. Excluding the impact of discontinuing ship leasing, Corporate Finance income was up 10 per cent driven by asset origination.

Lending and Portfolio Management income was up 18 per cent from improved margins in Corporate Lending and lower costs from collateralised loan obligation initiatives to optimise risk-weighted assets.

Wealth Management income grew 5 per cent - despite the more challenging market conditions - primarily from growth in equity and fixed income investment products partially offset by lower bancassurance income as a result of an accelerated recognition of an annual bancassurance bonus within Retail Banking into the prior quarter. Retail Banking clients generated 81 per cent of this income with the remainder generated by Private Banking clients.

Retail Products income grew 5 per cent or 7 per cent on a constant currency basis with continued growth from Deposits as well as an 8 per cent increase in Mortgages and Auto.

Treasury income reduced 2 per cent with a \$12 million favourable movement in hedge ineffectiveness offset by the impact of interest rate movements within the Treasury Markets portfolio.

Operating income by client segment

	3Q'19 \$m	3Q'18 \$m	Change %	2Q'19 \$m	Change %	YTD'19 \$m	YTD'18 \$m	Change %
Corporate & Institutional Banking	1,868	1,646	13	1,817	3	5,475	5,097	7
Retail Banking	1,319	1,268	4	1,330	(1)	3,914	3,888	1
Commercial Banking	372	346	8	375	(1)	1,118	1,052	6
Private Banking	145	127	14	157	(8)	451	398	13
Central & other items	274	337	(19)	204	34	716	938	(24)
Total operating income	3,978	3,724	7	3,883	2	11,674	11,373	3

Corporate & Institutional Banking income grew 13 per cent with double digit growth in Financial Markets and continued growth in Cash Management.

Retail Banking income grew 4 per cent or 6 per cent on a constant currency basis driven primarily by Retail Products, and Deposits in particular, with Wealth Management income broadly stable.

Commercial Banking income grew 8 per cent or 9 per cent on a constant currency basis with broad-based growth across multiple products.

Private Banking income grew 14 per cent primarily driven by Wealth Management, with positive contributions from all products.

Central & other items income reduced 19 per cent with lower Other income from the impact on fixed assets of adopting IFRS 16 and increased funding charges, and lower Treasury income.

Operating income by geographic region

	3Q'19 \$m	3Q'18 \$m	Change %	2Q'19 \$m	Change %	YTD'19 \$m	YTD'18 \$m	Change %
Greater China & North Asia	1,578	1,550	2	1,553	2	4,658	4,647	-
ASEAN & South Asia	1,085	958	13	1,090	-	3,221	3,031	6
Africa & Middle East	617	604	2	632	(2)	1,957	1,980	(1)
Europe & Americas	467	391	19	435	7	1,261	1,261	-
Central & other items	231	221	5	173	34	577	454	27
Total operating income	3,978	3,724	7	3,883	2	11,674	11,373	3

Greater China & North Asia income grew 2 per cent with growth in Financial Markets, Lending and Portfolio Management, Retail Products and Wealth Management offsetting a lower contribution from Treasury and Corporate Finance. Income grew in Hong Kong, Korea and China.

ASEAN & South Asia income grew 13 per cent with broad-based growth across all products. There was double-digit income growth in India, Bangladesh and Indonesia as well as high single-digit growth in Singapore.

Africa & Middle East income grew 2 per cent or 8 per cent on a constant currency basis, with double-digit growth in Financial Markets partly offset by reduced contribution from Retail Products and Treasury. Income grew in Pakistan and Ghana, partly offset by marginally lower income in UAE and Nigeria.

Europe & Americas income grew 19 per cent with strong double-digit growth across Treasury, Corporate Finance and Financial Markets.

Central & other items income grew 5 per cent with favourable movements in hedge ineffectiveness within Treasury and lower costs from collateralised loan obligation programmes.

Statutory net interest income and margin

	3Q'19	3Q'18	Change ¹	2Q'19	Change ¹	YTD'19	YTD'18	Change ¹
	\$m	\$m	%	\$m	%	\$m	\$m	%
Statutory net interest income	2,369	2,188	8	2,362	-	6,987	6,549	7
Average interest earning assets	602,798	555,787	8	584,135	3	590,844	554,744	7
Average interest bearing liabilities	529,764	479,412	11	507,657	4	515,821	484,157	7
Gross yield (%) ²	3.28	3.09	19	3.42	(14)	3.36	3.03	33
Rate paid (%) ²	1.96	1.78	18	2.07	(11)	2.03	1.66	37
Net yield (%) ²	1.32	1.31	1	1.35	(3)	1.33	1.37	(4)
Net interest margin (%) ^{2, 3}	1.56	1.56	-	1.62	(6)	1.58	1.58	-

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Statutory net interest income divided by average interest earning assets, annualised

Compared to the third quarter of 2018 statutory net interest income grew 8 per cent while the net interest margin was flat at 156 basis points.

- **Average interest-earning assets** increased 8 per cent driven by higher loans and advances to customers and increased trading book assets to support client demand for emerging market bonds and reverse repurchase agreements. Gross yields increased 19 basis points compared to the average in the third quarter of 2018 and predominantly reflected the rises in global interest rates that occurred through last year
- **Average interest-bearing liabilities** increased 11 per cent driven by growth in customer accounts and client demand for repurchase agreements. The rate paid on liabilities increased 18 basis points compared to the average in the third quarter of 2018 reflecting the same historical rises in interest rates

Credit risk summary

	30.09.19	30.06.19	Change ¹	31.12.18	Change ¹	30.09.18	Change ¹
	\$m	\$m	%	\$m	%	\$m	%
Gross loans and advances to customers ²	274,240	268,055	2	261,455	5	259,849	6
Of which stage 1 and 2	268,051	261,837	2	254,531	5	252,628	6
Of which stage 3	6,189	6,218	-	6,924	(11)	7,221	(14)
Expected credit loss provisions	(4,537)	(4,460)	2	(4,898)	(7)	(5,051)	(10)
Of which stage 1 and 2	(746)	(757)	(1)	(842)	(11)	(853)	(13)
Of which stage 3	(3,791)	(3,703)	2	(4,056)	(7)	(4,198)	(10)
Net loans and advances to customers	269,703	263,595	2	256,557	5	254,798	6
Of which stage 1 and 2	267,305	261,080	2	253,689	5	251,775	6
Of which stage 3	2,398	2,515	(5)	2,868	(16)	3,023	(21)
Cover ratio of stage 3 before/after collateral (%) ³	61/82	60/81	1/1	59/81	2/1	58/79	3/3
Credit grade 12 accounts (\$million)	1,556	1,416	10	1,523	2	992	57
Early alerts (\$million)	4,468	4,068	10	4,767	(6)	6,871	(35)
Investment grade corporate exposures (%) ³	63	57	6	62	1	62	1

1 Variance is increase/(decrease)

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$6,132 million at 30 September 2019, \$2,704 million at 30 June 2019, \$3,151 million at 31 December 2018 and \$3,597 million at 30 September 2018

3 Change is the percentage points difference between two points rather than percentage change

Asset quality overall was broadly stable in the quarter with no new areas of stress identified. The Group remains vigilant considering continuing geopolitical uncertainty and performs regular reviews and stress tests of its portfolio to help identify then mitigate any risks that may arise.

Gross Stage 3 loans and advances to customers of \$6.2 billion were flat compared to 30 June 2019. These credit-impaired loans represented 2.3 per cent of gross loans and advances, the same proportion as at 30 June 2019. They are 61 per cent covered before collateral and 82 per cent covered after collateral, an improvement of 1 percentage point for both measures compared to 30 June 2019.

Credit grade 12 balances grew 10 per cent since 30 June 2019 reflecting a combination of upgrades from Stage 3 and new inflows. Early alert accounts increased 10 per cent in the quarter due to a few material exposures but are lower year-on-year and on a year-to-date basis.

The proportion of investment grade corporate exposures has increased to 63 per cent due to growth in repurchase agreements. This is back to broadly the same levels as at 31 December 2018 following a drop as at 30 June 2019.

Restructuring and other items

	3Q'19		2Q'19		3Q'18	
	Restructuring	Other items	Restructuring	Other items	Restructuring	Other items
	\$m	\$m	\$m	\$m	\$m	\$m
Operating income	(19)	-	29	-	27	-
Operating expenses	(44)	(22)	(70)	(18)	(55)	-
Credit impairment	(1)	-	-	-	21	-
Other impairment	(55)	-	(5)	-	-	-
Profit/(loss) from associates and joint ventures	(4)	12	-	11	-	-
Profit/(loss) before taxation	(123)	(10)	(46)	(7)	(7)	-

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 underlying performance period-by period. These adjustments are set out below.

Restructuring charges of \$123 million primarily related to the run-down of the Group's Principal Finance exposures together with impairments related to the Group's discontinued ship leasing business. Other items of \$10 million included profits from the Group's joint venture investment in Indonesia which is no longer considered core as well as provisions for regulatory matters.

Balance sheet and liquidity

	30.09.19	30.06.19	Change ¹	31.12.18	Change ¹	30.09.18	Change ¹
	\$m	\$m	%	\$m	%	\$m	%
Assets							
Loans and advances to banks	60,743	59,210	3	61,414	(1)	60,789	-
Loans and advances to customers	269,703	263,595	2	256,557	5	254,798	6
Other assets	404,354	389,699	4	370,791	9	369,018	10
Total assets	734,800	712,504	3	688,762	7	684,605	7
Liabilities							
Deposits by banks	32,603	30,783	6	29,715	10	31,337	4
Customer accounts	387,857	401,597	(3)	391,013	(1)	371,493	4
Other liabilities	263,644	229,685	15	217,682	21	230,132	15
Total liabilities	684,104	662,065	3	638,410	7	632,962	8
Equity	50,696	50,439	1	50,352	1	51,643	(2)
Total equity and liabilities	734,800	712,504	3	688,762	7	684,605	7
Advances-to-deposits ratio (%) ^{2,3}	65.6	63.7	2	63.1	3	65.6	-
Liquidity coverage ratio (%) ³	133	139	(6)	154	(21)	154	(21)

1 Variance is increase/(decrease)

2 The Group now excludes \$10,632 million held with central banks (30.06.19: \$6,835 million, 31.12.18: \$7,412 million, 30.09.18: \$7,172 million) that has been confirmed as repayable at the point of stress

3 Change is percentage points difference between two points rather than percentage change

The Group's balance sheet remains strong, liquid and well diversified.

- **Loans and advances to customers** increased 2 per cent since 30 June 2019 to \$270 billion driven in particular by Financial Markets and Corporate Finance
- **Customer accounts** of \$388 billion reduced 3 per cent since 30 June 2019 with an increase in operating account balances within Cash Management balances offset by a run-off in Corporate Term Deposits. As a result, the Group's advances-to-deposits ratio rose to 65.6 per cent from 63.7 per cent in the prior quarter
- **Other assets and other liabilities** since 30 June 2019 were 4 per cent and 15 per cent higher respectively. The growth in other assets was driven by increased trading book assets and reverse repurchase agreements partly offset by a reduction of cash balances at central banks. The growth in other liabilities reflects increased trading book liabilities and repurchase agreements

Risk-weighted assets

	30.09.19 \$m	30.06.19 \$m	Change ¹ %	31.12.18 \$m	Change ¹ %	30.09.18 \$m	Change ¹ %
By risk type							
Credit risk	218,198	220,010	(1)	211,138	3	219,095	-
Operational risk	27,620	27,620	-	28,050	(2)	28,050	(2)
Market risk	22,850	23,109	(1)	19,109	20	18,100	26
Total RWAs	268,668	270,739	(1)	258,297	4	265,245	1

¹ Variance is increase/(decrease)

Total risk-weighted assets (RWA) reduced \$2 billion since 30 June 2019 to \$269 billion.

- **Credit risk RWA** reduced \$1.8 billion, with asset growth offset by favourable foreign exchange movements and efficiency actions including model changes and the partial sale of the Group's Principal Finance portfolio
- **Market risk RWA** reduced slightly, to \$23 billion
- **Operational risk RWA** are calculated annually so are unchanged

On a year-to-date constant currency basis total RWA increased at broadly the same rate as income growth. The execution of organic and inorganic RWA optimisation initiatives support the expectation that income growth will exceed RWA growth in the medium-term.

Capital base and ratios

	30.09.19 \$m	30.06.19 \$m	Change ¹ %	31.12.18 \$m	Change ¹ %	30.09.18 \$m	Change ¹ %
CET1 capital	36,386	36,511	-	36,717	(1)	38,340	(5)
Additional Tier 1 capital (AT1)	7,153	6,612	8	6,684	7	6,689	7
Tier 1 capital	43,539	43,123	1	43,401	-	45,029	(3)
Tier 2 capital	11,401	11,834	(4)	12,295	(7)	12,547	(9)
Total capital	54,940	54,957	-	55,696	(1)	57,576	(5)
CET1 capital ratio end point (%)²	13.5	13.5	-	14.2	(0.7)	14.5	(1.0)
Total capital ratio transitional (%) ²	20.4	20.3	0.1	21.6	(1.2)	21.7	(1.3)
UK leverage ratio (%) ²	5.1	5.3	(0.2)	5.6	(0.5)	5.8	(0.7)

¹ Variance is increase/(decrease)

² Change is percentage points difference between two points rather than percentage change

The Group's common equity tier 1 (CET1) ratio of 13.5 per cent was up 6 basis points compared to 30 June 2019 due to profits generated in the quarter and lower RWA partly offset by adverse foreign exchange movements on reserves and an increase in the foreseeable dividend. The Group's formulaic approach to setting the ordinary dividend results in a higher foreseeable dividend in the second half of the year.

The Group repurchased 116,103,483 ordinary shares for an aggregate consideration of approximately \$1 billion between 2 May 2019 and 25 September 2019 at a volume-weighted average price of 686.3p per ordinary share. The shares were subsequently cancelled, reducing the total issued share capital by 3.5 per cent.

The Group was advised during the period that its Pillar 2A requirement as reviewed regularly by the Prudential Regulation Authority has increased. After the period end, the Hong Kong Monetary Authority announced that the countercyclical buffer rate for Hong Kong would reduce from 2.5 to 2 per cent. The net effect of these changes (applied to the period-end balance sheet) is to increase the Group's CET1 requirement by 21 basis points to 10.2 per cent and its expected 2022 minimum requirement for own funds and eligible liabilities (MREL) including the combined buffer by 90 basis points to 26.6 per cent. The Group continues to operate above its minimum capital requirements and remains well positioned relative to expected MREL.

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Additional information

Quarterly underlying operating income

By client segment

	3Q'19	2Q'19	1Q'19	4Q'18	3Q'18	2Q'18	1Q'18	4Q'17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Corporate & Institutional Banking	1,868	1,817	1,790	1,763	1,646	1,709	1,742	1,649
Retail Banking	1,319	1,330	1,265	1,153	1,268	1,281	1,339	1,186
Commercial Banking	372	375	371	339	346	355	351	335
Private Banking	145	157	149	118	127	127	144	130
Central & other items	274	204	238	222	337	304	297	178
Total operating income	3,978	3,883	3,813	3,595	3,724	3,776	3,873	3,478

By geographic region

	3Q'19	2Q'19	1Q'19	4Q'18	3Q'18	2Q'18	1Q'18	4Q'17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Greater China & North Asia	1,578	1,553	1,527	1,510	1,550	1,533	1,564	1,411
ASEAN & South Asia	1,085	1,090	1,046	940	958	998	1,075	932
Africa & Middle East	617	632	708	624	604	692	684	677
Europe & Americas	467	435	359	409	391	429	441	414
Central & other items	231	173	173	112	221	124	109	44
Total operating income	3,978	3,883	3,813	3,595	3,724	3,776	3,873	3,478

By product

	3Q'19	2Q'19	1Q'19	4Q'18	3Q'18	2Q'18	1Q'18	4Q'17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Transaction Banking	976	990	962	942	936	924	916	876
Trade	282	282	277	257	277	285	304	298
Cash Management	606	621	602	604	577	553	528	506
Securities Services	88	87	83	81	82	86	84	72
Financial Markets	789	747	749	580	631	677	724	536
Foreign Exchange	261	304	299	232	239	280	250	208
Rates ¹	176	136	221	63	194	121	177	74
Commodities	39	44	45	50	38	53	51	35
Credit and Capital Markets ¹	167	145	140	83	48	87	106	85
Capital Structuring Distribution Group	87	74	82	91	71	92	55	51
Other Financial Markets	59	44	(38)	61	41	44	85	83
Corporate Finance ²	340	330	321	434	324	334	331	466
Lending and Portfolio Management	145	140	129	117	123	141	137	111
Wealth Management	488	511	464	343	465	452	539	397
Retail Products	971	973	948	925	929	953	943	916
CCPL and other unsecured lending	315	320	305	294	320	345	351	334
Deposits	508	499	492	481	476	431	394	366
Mortgage and Auto	123	128	128	127	114	156	176	196
Other Retail Products	25	26	23	23	19	21	22	20
Treasury	335	251	308	253	342	338	290	200
Others	(66)	(59)	(68)	1	(26)	(43)	(7)	(24)
Total operating income	3,978	3,883	3,813	3,595	3,724	3,776	3,873	3,478

1 Following a reorganisation of certain product teams within Financial Markets, \$46 million of income that in 1H 2018 was reported within Credit and Capital Markets was transferred to Rates during 3Q 2018. Prior periods have not been restated

2 In Dec 2018 it was decided to discontinue the ship operating lease business; any future profits and losses will be reported as restructuring. Prior periods have not been restated

Basis of presentation

This interim management statement covers the results of Standard Chartered PLC together with its subsidiaries and equity accounted interest in associates and jointly controlled entities (the Group) for the three months ended 30 September 2019. The financial information on which this statement is based, and the data set out in the appendix to this statement, are unaudited and have been prepared in accordance with Standard Chartered's significant accounting policies as described in the Annual Report 2018, except for IFRS 16 as described below.

The information in this announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018, which contained an unqualified audit report under Section 495 of the Companies Act 2006 (which did not make any statements under Section 498 of the Companies Act 2006) have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

IFRS 16

IFRS 16 Leases became effective on 1 January 2019 and introduced a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The impact on the Group of adopting IFRS 16 is primarily where the Group is a lessee in property lease contracts. The Group has elected to adopt the simplified approach of transition and has not restated comparative information. On 1 January 2019 the Group recognised a lease liability, being the remaining lease payments including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of recognition of the lease liability and right-of-use asset as of 1 January 2019 was approximately \$1.4 billion, with no adjustment to retained earnings. The asset is presented in 'Property, plant and equipment' and the liability is presented in 'Other liabilities'.

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

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 specific loss of principal or interest, and therefore interest on credit grade 12 accounts is taken to income.

Cover ratio

The cover ratio under IFRS 9 represents the extent to which stage 3 loans are covered by stage 3 impairment allowances.

This information will be available on the Group's website at www.sc.com.