

press release

Standard Chartered PLC – full-year and fourth quarter 2019 results

27 February 2020, Lagos – Standard Chartered PLC (the Group) today releases its results for the year and quarter ended 31 December 2019. All figures are presented on an underlying basis and comparisons are made to the full-year 2018 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items that have been excluded from underlying results is set out on page 59 of the Annual Report.

“Discipline on the things we control and a sharp focus on where we are differentiated enabled us to grow underlying profit 8% and improve earnings per share by 23% in 2019, despite an increasingly challenging external environment. We are in the right markets guided by the right strategy and united through our purpose to drive commerce and prosperity. I am confident that we have set ourselves up for lasting success.” - Bill Winters, Group Chief Executive

Progress in 2019 on strategic priorities

- **Deliver our network:** income from corporate and institutional clients using our international network grew 6%
- **Grow our affluent business:** income from Premium, Priority and Private Banking clients increased 6%
- **Optimise low-returning markets:** aggregate profit before tax in India, Indonesia, Korea and UAE improved 10%
- **Improve productivity:** income per full-time employee increased 5%; Hong Kong liquidity hub is delivering benefits
- **Transform and disrupt with digital:** beta-testing virtual bank in Hong Kong; digital banks in nine African markets
- **Drive sustainability:** taking bold and ambitious actions to lead the way on global sustainability issues

Progress in 2019 on financial framework

- **Return on tangible equity** up 130bps to 6.4%
 - Underlying profit before tax up 8% to \$4.2bn
 - Statutory profit before tax up 46% to \$3.7bn
- **Income** up 2% to \$15.3bn; up 4% on a constant currency basis
 - Up 5% at constant currency excluding \$(177)m movement in Debit Valuation Adjustment (DVA)
 - 4Q'19 income flat YoY; up 1% at constant currency and up 4% excluding \$(118)m movement in DVA
 - 4Q'19 momentum continued into January 2020
- **Costs** (excluding the UK bank levy) down 1% at \$10.1bn; up 1% on a constant currency basis
 - Positive income-to-cost jaws of 3%; cost-to-income ratio (excluding UK bank levy) improved 2% to 66%
- **Capital**

- **Common equity tier 1** ratio remains within 13-14% target range at 13.8%: up 28bps since 3Q'19
- Proposed \$0.5bn share buy-back will reduce the CET1 ratio by ~20bps o Proposed final ordinary dividend per share of 20c will result in full-year dividend of 27c, up 29%
- **Risk-weighted assets** of \$264bn up \$6bn or 2%; down \$5bn since 3Q'19 Other financial highlights in 2019

Other financial highlights in 2019

- **Pre-provision operating profit up** 8% to \$4.9bn
- **Earnings per share up** 14c or 23% to 75.7c
- **Asset quality** remains stable; credit impairment up \$166m remains at an historically low level:
 - Stage 1 and 2 impairment increase of \$275m including impact of deteriorating macroeconomic variable
 - Stage 3 impairment reduction of \$109m: stage 3 loans down 50bps to 2.7% of total, lowest level since 2014
- **Average interest-earning assets up** 4% to \$495bn; gross yield up 16bps to 3.34%
- **Average interest-bearing liabilities up** 3% to \$445bn; rate paid up 27bps to 1.92%
- **Net interest margin down** 7bps to 1.62%

Outlook

The underlying momentum in the fourth quarter of 2019 continued in the opening weeks of 2020 but lower interest rates, slower global economic growth, a softer Hong Kong economy and the impact of the recent novel coronavirus outbreak will likely result in income growth in 2020 below our medium-term 5-7% target range. These headwinds are expected to be transitory, but we now believe it will take longer to achieve our RoTE target of 10% than we previously envisaged.

We have improved our RoTE every year since 2015 and we are focused on doing so again in 2020 through a combination of positive income-to-cost jaws and continued discipline on returning surplus capital to shareholders. The Board has authorised the purchase and cancellation of up to \$0.5bn worth of shares starting shortly and will review the potential for making a further capital return upon the completion of the Permata sale. starting shortly and will review the potential for making a further capital return upon the completion of the Permata sale.

Africa & Middle East Performance:

- Underlying operating profit before taxation of \$684 million was 29 per cent higher with lower expenses and improved credit impairment partially offset by a 2 per cent decrease in income
- Underlying operating income of \$2,562 million was down 2 per cent but up 3 per cent on a constant currency basis, with a good performance in our Financial Markets business across the region.
- Middle East, North Africa and Pakistan were flat, and Africa was down 3 per cent
- Strong performances in Financial Markets and Corporate Finance were offset by margin compression in Retail Banking and lower Wealth Management in UAE
- Loans and advances to customers were up 5 per cent and customer accounts were down 2 per cent

Commenting on the results, Sunil Kaushal, Regional CEO, Africa and Middle East said: *“I’m proud to say that 2019 was a strong year for the Bank. For Africa and Middle East, we were well-positioned for growth moving into the year and this is clearly illustrated in our results. Our strong performance demonstrates the transformation of the Africa and Middle East franchise despite a challenging macroeconomic backdrop across the region.”*

“Our results are driven by an outstanding performance by our Global Banking business, particularly in Corporate Finance which had a strong first quarter in 2019 closing out marquee deals, and our Debt Capital Markets business also had a strong year overall. The distinct competitive advantage of our network capabilities and strong product offering allowed us to connect to our clients across Africa and the Middle East and grow key corridors into the region. Our focus on accelerating our digital agenda and the transformation of our Retail Banking business proved successful as well. We launched eight digital banks across key markets in sub-Saharan Africa in less than a year, digitised our wealth management offering for the digital bank platform, and grew accounts by over 150,000.”

“We have had a good start to the business in 2020 and the underlying business excluding large deals continues to be resilient. As we move forward, the region is focused on executing swiftly against the strategy to drive growth and we are determined to support our clients achieve prosperity.”

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Standard Chartered

We are a leading international banking group, with a presence in 59 of the world’s most dynamic markets and serving clients in a further 85. Our purpose is to drive commerce and prosperity through our unique diversity, and 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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