

4 May 2010

Standard Chartered today releases its Interim Management Statement (IMS) for the first quarter of 2010.

The Group has had a very strong start to the year, with income and profit both higher than in the first quarter of 2009. There is an improved balance between the two businesses with Consumer Banking making a larger contribution to total income and to profit than in the comparable period of 2009. Furthermore, client income in Wholesale Banking is up strongly on the first quarter of 2009, reflecting our continued focus on deepening relationships with clients.

The Group remains in excellent shape, is highly liquid, well capitalised and has a firm grip of risks and costs. We have continued to invest in both businesses.

Consumer Banking income momentum has continued, achieving double digit growth on the first quarter of 2009, and with underlying income ahead of the average run rate in the second half of 2009.

We continue to grow both customer assets and liabilities, with a focus on secured assets and current and savings accounts ("CASA"). Good volume growth in mortgages has been more than offset by pressure on margins as competition increases. CASA inflows have continued, but liability margins remain under pressure given the low interest rate environment. Sustained growth on both sides of the balance sheet, especially in trade and working capital, has resulted in strong growth in SME income. Wealth Management income continued to improve across a number of geographies including Hong Kong, Singapore and India.

Consumer Banking has continued to invest to underpin momentum, with particular focus on hiring relationship managers and on building the brand. Despite this, Consumer Banking's cost-income jaws remain positive.

Asset quality in the Consumer Banking business has improved versus 2009, reflecting our disciplined approach to risk management, increased collections activity and the improving macroeconomic outlook. Delinquency indicators have continued to improve and the trend of incremental quarterly improvement in loan impairment has, as expected, accelerated.

Wholesale Banking has had a strong start to 2010 with a record performance in client income, up over 20 per cent on the first quarter of 2009, contributing over 80 per cent of total Wholesale Banking income. Own account income remains around the run rate seen in the second half of 2009, although significantly below the levels of the first half of 2009.

Wholesale Banking's core commercial banking businesses of trade finance, cash, payments, and directly related FX hedging have performed well, reflecting Standard Chartered's distinctive capabilities and competitive advantages in enabling cross border trade and investment flows. Trade has performed particularly well with volumes up and margins, despite increasing competition, remaining firm. However, in the cash business, volume increases have been more than offset by continuing margin pressure.

Corporate Finance has also had a strong first quarter, with very good income growth and the deal pipeline remains robust.

Wholesale Banking expenses are ahead of the run rate seen in the first half of 2009 due to increased levels of headcount and the impact of investments made in the second half of 2009. As a result, cost growth has, as expected, exceeded income growth in the first quarter of 2010.

Asset quality in the corporate loan book remains good with no material new impairments charged in the period. Early alert indicators are consistent with the year end position, having fallen substantially from the peak levels seen in March 2009, and are not showing any particular industry or geographic concentration.

The Group remains well capitalised and we have continued to be disciplined in our management of RWA growth.

The Group has maintained a strong liquidity position with the A/D ratio consistent with the year end position. We are continuing to see inflows of deposits and remain a significant net lender to the interbank money market.

Overall, the Group has had a very strong start to the year, despite margin headwinds and increasing competitive pressures, with a record quarter in terms of both profit and income. We continue to invest in both businesses to underpin momentum. We remain vigilant and continue to take a highly proactive approach to managing our balance sheet, and the Group's capital and liquidity position remains excellent. We look forward to providing a further performance update in our pre-close trading statement in June.

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