

Standard Chartered PLC  
Pre-close trading update

6 December 2012

Standard Chartered PLC (along with its subsidiaries the “Group”) will be holding discussions with analysts and investors ahead of its close period for the full year ending 31 December 2012. This statement details the information that will be covered in those discussions.

Peter Sands, Group Chief Executive, commented, “Standard Chartered is on course to deliver another strong set of full year results for 2012. We continue to focus on the basics of banking, on maintaining a very strong and conservatively positioned balance sheet, and on the disciplined execution of our strategy. We continue to see significant opportunities across our markets in Asia, Africa and the Middle East.”

In the third quarter of 2012 a payment of US\$340 million was made to the New York State Department of Financial Services (“NY DFS”). The Group remains in active and constructive discussions with the other US agencies on the resolution of the Group’s historical US sanctions compliance. We anticipate that these discussions will conclude very shortly and are likely to result in the Group paying a sum of approximately US\$330 million.

All commentary regarding 2012 full year expenses and operating profit includes the US\$340 million settlement with the NY DFS, but excludes any potential further settlements with the other US agencies.

All comparisons will be made in relation to the full year 2011 unless otherwise stated.

## **Group**

The Group has continued to deliver a strong performance in line with the first half of the year.

Income for the year is expected to be up by a high single digit rate, and by a double digit rate on a constant currency basis, impacted by the continued weakness of Asian currencies against the US dollar. The headwind from currency translation is reducing. This income performance is underpinned by the diversity of our business by product and by geography.

A number of geographies have shown strong performances in 2012 with Africa plus the Americas, UK and Europe regions and Malaysia, China and Indonesia each expected to grow income at double digit rates year on year. Hong Kong, which remains the Group’s largest market, is expected to grow income at a high single digit rate for the year.

For the Group overall, the net interest margin is expected to be broadly stable with the level seen for the full year 2011. Liquidity levels are high in many markets which is placing greater competitive pressure on asset margins.

Expenses continue to be managed tightly and as a result income growth is expected to be ahead of cost growth for the full year even after the settlement with the NY DFS.

The Group has continued to invest in both businesses to underpin income momentum, this includes investment in Transaction Banking within Wholesale Banking and in mobile technology within Consumer Banking. The build out of the branch network continues in markets such as China and Africa. The Group is hiring people with headcount levels expected to be more than 1,800 higher than at the end of 2011 as investment continues in the infrastructure supporting future growth.

For 2012 pre-impairment profit is expected to grow at a high single digit rate over 2011.

Asset quality in both businesses remains good. Loan impairment within Consumer Banking is expected to increase as previously guided. Within Wholesale Banking loan impairment for the second half is currently expected to be below the level seen in the first half of 2012.

Profit before tax for the Group is expected to grow at a mid single digit rate. Excluding the NY DFS settlement profit before tax is expected to be up by a double digit percentage.

The balance sheet remains well diversified and conservative, with limited exposure to problem asset classes.

The Group has excellent liquidity with a strong advances to deposits ratio and at the half year the Group had already met the Basel III Liquidity Coverage Ratio benchmark (as currently drafted) of 100 per cent. The Group has seen good growth on both sides of the balance sheet in both businesses. Both loans and deposits are expected to grow at a high single digit rate year on year. Loan growth has been disciplined across target segments and geographies. Risk Weighted Assets are expected to grow at a double digit rate in line with previous guidance.

The Group remains strongly capitalised. The Core Tier one ratio for the full year is expected to be slightly below the level seen at the half year principally due to the impact of the NY DFS settlement.

The Group maintains a conservative funding structure and has only very limited levels of refinancing required over the next few years. In November the Group demonstrated the continued good appetite for its paper with a very positive market reaction to a €750 million ten year Tier 2 issuance, the third subordinated

issuance in 2012 from Standard Chartered PLC. This followed another successful €1.25 billion five year senior unsecured issue in October.

## **Consumer Banking**

Consumer Banking income is expected to grow at a mid single digit rate for the full year. Performance has been impacted by some weakness in local currencies against the US dollar.

Asset margins in Consumer Banking have continued to see some pressure from competition across a number of footprint markets, particularly in credit cards, however given the gradual mix shift to higher margin unsecured business, Consumer Banking asset margins overall are expected to increase.

Consumer Banking income in Korea and Taiwan is expected to remain muted for 2012, however currently forecasts show double digit growth in Malaysia, China, Indonesia, and Africa, and mid single digit growth in Hong Kong, Singapore and the MESA region.

From a product perspective, the Mortgage business is showing an improving trend. Whilst Mortgage income has been impacted by margin pressure and regulatory change across a number of our markets and is expected to be down by a mid single digit percentage compared to 2011, in the second half income is expected to increase by a double digit percentage over the first half of 2012. This is as a result of growth in balances and some improvement in fees in the second half of the year, in particular from the Korean mortgage purchase programme.

Deposit income is expected to grow at around a double digit percentage for the year reflecting broadly stable margins and at or around a double digit growth in balances.

Wealth Management income is slightly up on the first half and is expected to be broadly flat on the level seen in 2011.

Income in Credit Cards and Personal Loans is expected to grow at a double digit rate. Selective growth in balances, particularly in Hong Kong, Singapore, Korea, MESA and Africa has offset some margin compression.

The SME business, which is well collateralised, is expected to grow at a mid single digit rate year on year broadly in line with the first half growth rate, driven by Trade and Working Capital and Lending. Malaysia, China, Indonesia, Africa and MESA are all expected to see double digit SME income growth year on year.

Consumer Banking's approach to expense management remains disciplined, with expenses expected to grow by a low single digit rate year on year, benefitting from the Korean Early Retirement Programme costs at the end of 2011 and the resulting cost savings in 2012. Cost income jaws for Consumer Banking are expected to be positive for the full year.

As expected, loan impairment in the second half of the year is forecast to increase by a double digit percentage over the first half, reflecting the change in the size and mix of the loan portfolio.

Credit quality in the Consumer Banking business remains good with only a few areas of impairment pressure. Forward looking indicators remain broadly in line with the levels at the end of 2011. Loan impairment is expected to benefit in the second half from sales of previously written down portfolios, similar to the US\$43 million level seen in the first half of 2012.

As a result Consumer Banking operating profit for the full year is expected to be up by a mid single digit rate year on year.

### **Wholesale Banking**

Wholesale Banking has continued to perform well and is expected to deliver high single digit income growth for the full year. Wholesale Banking's strong performance has been delivered despite the significant and increasing cost of regulation, and in particular liquidity regulation.

Client income continues to be the driver of Wholesale Banking, contributing over 80 per cent of total Wholesale Banking income, and is expected to grow at a high single digit rate year on year.

Commercial Banking, comprising of Transaction Banking, Lending and flow Foreign Exchange, remains the core of the Wholesale Banking business, contributing over half of all client income.

Within Commercial Banking, Transaction Banking income is expected to show double digit growth over 2011 with strong double digit income growth in Trade and high single digit income growth in Cash. Both Trade and Cash average balances are expected to grow at or around a double digit rate for the full year despite the high levels of liquidity in many markets.

Corporate Finance has had a strong second half, building further on the first half performance, with income expected to be up on 2011 by a double digit rate. The pipeline remains excellent.

Financial Markets income is expected to be broadly flat year on year with strong performances in Rates and Credit offset by weaker performances in Foreign Exchange and Commodities.

Total own account income is expected to be up year on year driven mainly by a strong Principal Finance performance, as previously guided.

Expenses in Wholesale Banking have been tightly managed. However expense growth is expected to be slightly ahead of income growth as a result of the settlement with the NY DFS.

Loan impairment in the second half of the year is currently tracking below the level seen in the first half. Loan impairment for the full year is expected to be ahead of the level seen in 2011 by a double digit rate. The amount of loan impairment will not be finalised until the end of February, however there have been no new material provisions in the second half of 2012, the portfolio quality remains good, is not showing any signs of stress, and remains very diversified with a short tenor profile. The Group remains watchful, particularly in India and the Middle East.

As a result of the above, Wholesale Banking operating profit is expected to grow by a mid single digit rate year on year. Excluding the NY DFS settlement jaws are expected to be strongly positive and the full year operating profit would be up by a double digit percentage. The overall context for Wholesale Banking is one of continued strong performance.

## **Conclusion**

The Group's income and balance sheet remain well diversified by product, customer segment and geography and the Group continues to win market share. The balance sheet is diversified and conservative with capital and liquidity both strong.

The Group remains disciplined in the execution of its strategy, has a firm grip of risk and costs and is on track to deliver another strong performance in 2012.

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