Standard Chartered today released its Interim Management Statement (IMS) for the first quarter of 2013.

Peter Sands, Group Chief Executive, commented, “Standard Chartered has continued to deliver a resilient performance despite the impact of extraordinary monetary policies in the West and Japan on liquidity conditions across Asia and thus on margins. We remain focused on continuing to grow the business, building on our long-standing relationships with our clients and customers, on maintaining our strong balance sheet, and on keeping a firm grip on costs and risks. We are in the right markets and remain confident in the outlook for our business.”

The Group had a very strong start to the year in January, but momentum slowed later in the quarter. The Group delivered income slightly ahead of the first quarter of 2012 with good growth in client volumes offset in part by continued tightening of margins and spreads as well as a fall in Own Account income, as indicated at the time of the full year results.

From a geographic perspective, double digit income growth in Hong Kong and Africa was offset by a weaker performance in Korea and Singapore. On a constant currency basis, income in India increased by a low single digit percentage, and we continued to increase our support for our Indian clients doing business in other regions.

Group expenses were up by a low single digit percentage. Within this figure, staff costs increased by a high single digit percentage reflecting an increase in headcount of around 560 staff and underlying wage inflation.

In the first quarter loan impairment was above the level in the comparable period of 2012, driven by an increase in Consumer Banking. However, the run rate in the first quarter was below the run rates seen in the first and second halves of last year by some tens of millions of dollars.

Overall the Group’s operating profit in the first quarter was slightly down on the first quarter of 2012.

Overall, the Group continues to demonstrate the underlying strength and diversity of the franchise. We have started the second quarter well with April income back at trend levels. We continue to exercise a firm grip on costs and whilst we still face external challenges, particularly with respect to Korea, we remain comfortable with consensus for profit before tax for the year.

The Group remains strongly capitalised, highly liquid and has a strong credit rating.
Consumer Banking

Consumer Banking delivered high single digit income growth on the comparable period of 2012.

Income growth continued to be broad based. Credit Cards and Personal Loans and Mortgages grew income at double digit rates and Wealth Management income was up by a high single digit percentage, ahead of the run rate seen in 2012 with improved investor sentiment. Deposit income fell by a mid single digit rate reflecting ongoing margin pressure despite good growth in customer balances.

Expenses were up by a high single digit rate as we kept business as usual costs under tight control to create capacity for investment.

The increase in Consumer Banking loan impairment was broadly in line with expectations, reflecting overall growth in the book, the gradual shift in mix towards unsecured and the timing of loan sales, although in Korea we saw an increase in loan impairment over the level previously expected, including an acceleration in Personal Debt Rehabilitation Scheme (‘PDRS’) filings. As a result, Consumer Banking loan impairment increased by a double digit percentage on the comparable period in 2012, or up by some tens of millions of dollars over the quarterly run rate in the second half of 2012.

As a result, Consumer Banking operating profit for the first quarter of the year was down by a mid single digit percentage.

Wholesale Banking

Wholesale Banking continued to build on extremely good levels of client activity and strong volumes across our markets, although pressure on margins and spreads intensified as we progressed through the first quarter.

Client income increased by a mid single digit percentage, despite these margin pressures, as Wholesale Banking grew transaction volumes strongly, made market share gains and benefited from good levels of broad based client activity. This growth was offset by lower Own Account income, the result of lower realisations in Principal Finance and a weaker ALM outcome. As a result overall Wholesale Banking income fell by a mid single digit percentage.

Transaction Banking income declined at a mid single digit rate as very good growth in Trade balances was offset by a decline in margins. Margins in Cash and Trade fell 16 per cent and 14 per cent respectively on the comparable period of 2012.

Corporate Finance continued to perform well, up by a strong double digit rate on the comparable period in 2012 and is ahead of the full year growth rate for 2012. The deal pipeline remains very strong.

Financial Markets income was down by a mid single digit percentage year on year. Within this, Client Income grew by a low single digit percentage with excellent volume growth in FX Options, Rates and Cash FX offsetting spread compression.
ALM income was impacted by the low interest rate environment and low reinvestment yields and was down by a double digit percentage.

Wholesale Banking expenses were broadly flat against the comparable period in 2012. We continue to create capacity for investment by tightly managing our business as usual costs.

Asset quality remains good, with very low levels of impairment, as expected. However, we remain watchful, particularly in India and the Middle East.

As a result of these income, cost and loan impairment dynamics, Wholesale Banking operating profit declined by a mid single digit percentage.

**Change in accounting treatment**

Under IFRS 11, the contribution to the Group from Permata, our joint venture business in Indonesia, will be equity accounted rather than proportionally consolidated from 2013 onwards. This change will be incorporated in our 2013 interim results, with prior periods restated, and has been reflected in this statement.

For 2012 this accounting change would have reduced income by US$287 million, expenses by US$174 million, impairment by US$23 million and operating profit before tax by US$90 million. There would have been a corresponding increase to profit from associates of US$65 million and a reduction in taxation of US$25 million, but no change to the Group’s post-tax profit.

We look forward to providing a further update at the end of June in the preclose trading statement.
of the Group and are difficult to predict. Such risks, factors and uncertainties may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks, factors and uncertainties include but are not limited to: changes in the credit quality and the recoverability of loans and amounts due from counterparties; changes in the Group's financial models incorporating assumptions, judgments and estimates which may change over time; risks relating to capital, capital management and liquidity; risks arising out of legal and regulatory matters, investigations and proceedings; operational risks inherent in the Group's business; risks arising out of the Group's holding company structure; risks associated with the recruitment, retention and development of senior management and other skilled personnel; risks associated with business expansion and engaging in acquisitions; global macroeconomic risks; risks arising out of the dispersion of the Group's operations, the locations of its businesses and the legal, political and economic environment in such jurisdictions; competition; risks associated with banking and financial services legislation, regulations policies and guidelines; changes in the credit ratings or outlook for the Group; market, interest rate, commodity prices, equity price and other market risk; foreign exchange risk; financial market volatility; systemic risk in the banking industry and other financial institutions or corporate borrowers; cross-border country risk; risks arising from operating in markets with less developed judicial and dispute resolution systems; risks arising out of regional hostilities, terrorist attacks, social unrest or natural disasters and failure to generate sufficient level of profits and cash flows to pay future dividends.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Company 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 Company and/or the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Company and/or the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable law or regulations, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.