

Standard Chartered PLC
Interim Management Statement

29 October 2013

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

Peter Sands, Group Chief Executive, commented,

“In the third quarter, we delivered a resilient performance despite an uncertain macro environment, with continued strong levels of client activity and good volumes across many of our markets. Our diversity by market, product and industry has underpinned our performance in the quarter, as has our ongoing tight control of costs and risk.”

For comparative purposes, the following commentary excludes the impact of the UK bank levy, now estimated to be around US\$260 million, the Own Credit Adjustment, the impairment of goodwill in respect of Korea and the payment of US\$340 million in the third quarter of 2012 to the New York State Department of Financial Services ('NY DFS').

'Year to date' refers to the nine months ended 30 September 2013 and comparisons are made to the same nine month period in 2012 unless otherwise stated.

The resilience of the third quarter performance was underpinned by continued strong client activity despite a volatile market environment. The quarter started well but slowed as usual in August. The difficult market conditions that arose in August also had an impact on September.

As in the first half, Consumer Banking has continued to grow income at a mid single digit percentage for the year to date. In Wholesale Banking, Client Income also grew at a mid single digit rate for the year to date, with strong volumes offsetting a lower margin environment than 2012. The key pressures on year to date performance are the ongoing weakness in Own Account income and continued market uncertainty.

Since the Group's interim results, there has been some depreciation in a number of emerging market currencies including the Indian Rupee and Indonesian Rupiah. Based on current rates, the full year impact would be some US\$200 million on income and around US\$70 million on profits.

Against this backdrop, the Group overall has grown income at a low single digit rate year to date, with income in the quarter down by a low single digit percentage compared with the third quarter of 2012.

Our income performance remains broad based by geography, client segment and product. Hong Kong and Africa have delivered strong performances and continue to grow income and profit at double digit rates for the year to date. These strong performances have offset weaker performances in Korea and Singapore where income in both markets declined by single digit percentages for the year to date.

Costs remain well controlled, and have grown in line with income in the year to date, despite accommodating significant increases in regulatory and compliance costs, and continued investment in the businesses. Costs in the quarter were broadly flat on the third quarter of 2012.

For the full year, we now anticipate a non-recurring tax related cost in Korea of some US\$60 million.

Total impairment for the Group in the third quarter was below the first half run rate, at less than US\$300 million, although it was ahead of the levels seen in the equivalent quarter of 2012 by some tens of millions of dollars. This reflects, in the main, the continued elevated loan impairment levels in Consumer Banking and limited impairment in Wholesale Banking.

Early Alerts have remained at broadly the same levels as in the first half of 2013. For the last couple of years we have said that we remained watchful in India where we have further tightened our underwriting criteria. We continue to keep our portfolio under tight control given the prevailing macroeconomic conditions.

As a result, the Group's operating profit for the year to date was up by a low single digit percentage when compared with the prior period.

The balance sheet remains strong, diversified and highly liquid.

Consumer Banking

Consumer Banking sustained the momentum from the first half growing income for the year to date at a mid single digit rate. Income in the third quarter was slightly ahead of the equivalent quarter of 2012. Income remains well spread with strong performances in Hong Kong, India, MESA, China and Africa offsetting weaker performances in Korea and Singapore. Whilst in Korea performance is impacted by multiple factors, the performance in Singapore is largely a factor of compressed margins and lower Mortgage activity levels following government cooling measures.

From a product perspective, Mortgages continues to grow income at a double digit rate for the year to date, however Wealth Management income was impacted in the quarter by recent market volatility although it was still up by a mid single digit percentage for the first 9 months of the year. Income grew at a high single digit percentage in Credit Cards and Personal Loans for the year to date, slightly behind the growth rate in the first half, following increased de-risking actions, notably in Korea.

Expenses are up by a low single digit percentage for the year to date, creating strongly positive jaws, as we continue to control business as usual costs tightly whilst also investing.

Loan impairment remained, as expected, at elevated levels, similar to the first half. This reflects the ongoing impact of PDRS in Korea, the historical growth in unsecured assets, and lower loan sales in the year to date. The forward credit indicators are stable and show no sign of deterioration from the levels seen in the first half of 2013.

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

The performance of Korea continues to have a material impact on the overall performance of Consumer Banking. Excluding Korea, Consumer Banking grew both income and profits by high single digit percentages.

Wholesale Banking

Year to date, Wholesale Banking income was flat on the prior period. Strong client activity sustained a mid single digit percentage growth in client income for the year to date, despite the market turbulence in August and September. However this was offset by continued weakness in Own Account, principally in Asset and Liability Management and in Principal Finance.

Commercial Banking remains at the heart of our Wholesale Banking business, contributing around 50 per cent of client income. Within this, Transaction Banking income was down by a mid single digit percentage both for the year to date and when compared to the equivalent quarter of 2012.

Volumes across Cash and Trade, consistent with the first half, remain strong, up by double digit percentages both for the year to date and also when compared to the third quarter of 2012.

Margins in the third quarter remain materially lower than in the equivalent quarter of 2012, with margins in Trade now some 26 basis points lower, and margins in Cash some 15 basis points lower. Margins in both Trade and Cash are now broadly stable.

In Financial Markets overall, income in the quarter was materially down on the levels seen in the second quarter, albeit for the year to date income remained up by a mid single digit percentage. This was predominantly a result of volumes which, whilst ahead of both the equivalent quarter of 2012 and for the year to date, fell materially compared with second quarter activity levels. Spreads have been broadly stable during the third quarter.

Corporate Finance income continues to perform well and the pipeline remains strong. Corporate Finance income is up at broadly the same double digit rate as in the first half, although there have been some delays in deal execution given the market volatility.

Own Account income continues to drag overall Wholesale Banking performance and is down by a double digit percentage for the year to date. Within this Asset and Liability management income continues to be weak, down by approaching 20 per cent for the year to date, owing to persistently low interest rates and fewer de-risking opportunities.

Principal Finance income has been impacted by fewer realisations, and lower revaluation gains in the quarter, and is down by more than US\$140 million, or over 40 per cent in the year to date.

Expenses remain well controlled with costs growing at a low single digit percentage in the year to date.

The credit portfolios across Wholesale Banking continue to perform well. As previously guided, we remain particularly watchful in India where we have further tightened underwriting criteria.

As a result of the good growth in client income, a weak own account performance and tight control of costs and risk, Wholesale Banking Operating Profit for the first nine months of the year was up by a low single digit percentage.

Group

The Group has continued to deliver a resilient performance.

We are managing costs tightly, targeting neutral jaws for the year. Impairment remains elevated in Consumer Banking, however we are not seeing any material deterioration across our Wholesale portfolio.

In line with our usual investor communication programme, we will give significant further detail on our businesses and markets during the Analyst and Investor Day on 11 November, followed by our normal pre-close trading statement in early December.

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