

29 October 2009

Standard Chartered today releases its Interim Management Statement (IMS) for the third quarter of 2009.

Standard Chartered has continued to make good progress during the third quarter of 2009, building on the record income and profits in the first half of the year. We continue to benefit from the growth opportunities across our broad and diverse franchise and our continued deliberate focus on capital and liquidity strength remains a source of competitive advantage.

It is clear that the economies in Asia are rebounding and they remain resilient. Their economic growth rates remain well above the rates of growth for markets in the West. This greater resilience is also attracting increased levels of competitive behaviour from both local and international banks.

### **Wholesale Banking**

The Wholesale Banking business has continued to see strong and broad-based income performance. Client income in the third quarter is broadly in line with the levels seen during the first half and accounts for approximately three quarters of total Wholesale Banking income. Transaction Banking, especially trade finance which had a record quarter, remains strong with growth in both trade and cash management volumes. Trade margins continue to be strong but cash management margins continued to compress in the third quarter. Corporate Finance also performed well on the back of a strong deal pipeline.

However, the third quarter has also seen an increase in competitor activity both from international and local banks given the attractiveness of our markets. Volatility has reduced to more normal levels, spreads have tightened and, as a result, own account income is lower than the exceptional levels seen in the first half of the year but remains significantly ahead of the run rate seen in 2008. Lower income in FX and ALM has been partially offset by realisations from the Principal Finance portfolio.

Expenses in the Wholesale Banking business remain very well controlled, allowing for a continued investment programme, and the third quarter run rates are in line with those of the first half.

Credit quality in the Wholesale Banking portfolio remains good and 'early alert' indicators have continued to show improvement since the March 2009 peak. The loan impairment charge in the third quarter was, as expected, low although we do continue to monitor a number of situations where uncertainty remains. The impact of Probability of Default migration has eased significantly from the levels

seen in the first half, reflecting improvements in the macro economic environment. Overall growth in Risk Weighted Assets in the third quarter has been muted.

## **Consumer Banking**

Income momentum in Consumer Banking continues to progress with third quarter income sustaining the recent trend of rising quarterly income since the fourth quarter of 2008.

Mortgages have performed well, especially in Hong Kong, Korea, Singapore and India where, in general, margins continued to improve. However, liability margins continued to be under pressure given the low interest rate environment, offsetting mortgage income gains. Wealth Management fees continue to show signs of recovery with double digit percentage income growth in the third quarter over the second quarter levels. SME income increased in the third quarter driven by mortgages and trade and working capital products.

Cost discipline in Consumer Banking remains strong and we have continued to invest on a selective basis, especially in Relationship Manager capability, to support the customer-centric strategy. Despite appreciating Asian currencies, quarterly expense run rates on a headline basis remain similar to those seen in the first half of 2009.

Portfolio credit quality in Consumer Banking continues to improve. The third quarter loan impairment charge has been some tens of millions better than the US\$300 million charge signalled at the time of the interim results reaffirming our view that credit conditions have stabilised.

## **Group**

Standard Chartered continues to maintain its firm focus on balance sheet strength; it remains strongly liquid and well capitalised with a conservative balance sheet, well diversified by geography, asset type and industry. Capital ratios, at core, Tier 1 and Total level remain robust and the businesses continue to generate equity at broadly the same rate as in the first half of the year.

The Group's liquidity position remains excellent. We saw a steady inflow of customer deposits during the third quarter, in particular current and savings accounts, and we are continuing to win cash mandates in Wholesale Banking.

We have very limited levels of refinancing maturing in the next few years.

The overall growth in assets has been modest as we have selectively focused on key businesses and customer segments.

At the time of our half year results presentation in August we indicated that the Group's overall effective tax rate for the current year, 2009, would be higher than

in previous years and higher than our normal underlying effective tax rate of between 28 per cent and 29 per cent. This relates to a voluntary exercise with Her Majesty's Revenue and Customs in the UK, underway for the last 18 months, which seeks to finalise all prior year UK tax computations from 1990 to 2007. As a result, while the underlying tax rate will be in the range of 28 per cent to 29 per cent there will also be an additional one-off charge of up to US\$200 million relating to those past year tax computations.

Standard Chartered is actively considering a listing of its shares in India via an issue of Indian Depository Receipts (IDRs) in order to grow brand presence and its business in this key market. We are working with the Indian authorities and a decision on timing will be taken in due course. The Group is also exploring the possibility of listing in China.

Commenting on the third quarter trading, Peter Sands, Group Chief Executive of Standard Chartered said;

"Although economic data and the underlying environment are improving, it remains too early to call a sustained recovery and we remain cautious on the outlook. However, it is ever clearer that our markets in Asia, Africa and the Middle East are emerging more quickly and stronger than a number of markets in the West. Standard Chartered remains well placed, with an excellent balance sheet, serving its customers and is enjoying continued good momentum across multiple markets."

We look forward to providing a further update in early December in the preclose trading statement.

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