



Standard Chartered PLC - AGM Statement

Released 12:01 07-May-09

STANDARD CHARTERED PLC

ANNUAL GENERAL MEETING

7 MAY 2009

The meeting will deal with the proposed Resolutions as outlined in the Notice of Annual General Meeting dated 27 March 2009 and will provide a summary of the business and financial performance of the Group in 2008.

The following statements are excerpts from the speeches to be made to shareholders by John Peace, acting chairman, and Peter Sands, Group chief executive, at the Annual General Meeting, being held today at 12.00 noon in London.

John Peace, acting chairman

In 2008 the Group performed very well, despite the economic crisis that swept across the West and which is now affecting our markets in the East. The events of last year were truly extraordinary. They tested to the extreme our industry, regulators, governments and the global economy alike.

Despite these extraordinary events, in 2008 we delivered record profits, strengthened our balance sheet and enhanced our liquidity position. At the same time we continued to invest and grow; and remained open for business. We maintained our strong position, without any need for government support.

As we stated in the Interim Management Statement earlier this week, the first quarter of this year has also seen a continuing strong performance for the Group. We remain focused on our strategy in Asia, Africa and the Middle East, and we are sticking to the basics of banking and maintaining discipline in costs and risk management.

However, we are not complacent about what might happen during the rest of this year. The Bank is resilient and well-positioned to meet ongoing challenges and benefit from new opportunities.

That is why we further strengthened our capital base late last year with a rights issue. We did this for three reasons: to respond to the change in investor sentiment about required levels of capital; to give us a buffer in a deteriorating environment; and to give us greater room to take advantage of any potential opportunities which may come along.

We are very appreciative of the high level of support we received from you for the rights issue - 97 per cent - and given the continuing global downturn, it was clearly the right decision. We strongly believe that it was important to give our shareholders the opportunity to support and participate in the capital raising. For those of you who participated in the Rights Issue at 390 pence per share, your support has paid off as the share price is now significantly higher than that.

Our capital levels remain strong and we will continue to maintain and support a conservatively-managed balance sheet.

The Bank is eligible to participate in the UK government's various schemes to support the industry, but we would only consider using some of these facilities if it were in our commercial interest to do so. This seems unlikely since we have a strong capital base, have continued to attract significant deposits in recent months and have high levels of liquidity. Indeed, we continue to be

a significant provider of liquidity to other financial institutions.

Sustainable banking

Over the past 12 months, Standard Chartered's performance has stood out from its peers, and I am frequently asked how we avoided so many of the toxic problems which have affected many other banks. There is no single reason for this, but the fact that we have a strong, conservatively managed balance sheet and are staying true to our values and culture are certainly two of the major contributing factors.

There has clearly been a systemic failure of the banking system in the West. Our management team, led by Peter Sands, has been fully involved in discussions on the future stability of the financial system and regulatory architecture, both in the UK and elsewhere. We will continue to engage with the FSA on the Turner review, and with Sir David Walker on his report on corporate governance, to maintain our contributions to the debate on the stability of the financial system and effective governance.

Furthermore, in April, we announced that we would be launching a new global trade finance facility in collaboration with the World Bank. This would be the first such partnership to have been created and we were instrumental in its design and establishment.

Building a business which is sustainable over the longer term is about much more than just short-term financial performance. It's about ensuring the support of a wide range of stakeholders, which means banks must behave - and be seen to behave - responsibly.

Banks rely on trust and we all know how unpopular they have become during this crisis. It is up to us therefore to demonstrate that we have an essential role to play in society and to help regain the trust that has been lost in the industry as a whole. Here at Standard Chartered, we take this responsibility very seriously and are very mindful of public concerns.

Indeed, we are also very aware of our responsibilities in relation to all of our stakeholders - including shareholders, customers, employees and the communities in which we operate. Whilst there is no single explanation as to why Standard Chartered's performance has stood out over the period, one major factor underpinning this must be staying true to our strong values and culture.

Behaving responsibly is at the heart of how we do business. Let me give you an example.

As you know there has been significant political and media focus on the issues of bonuses. I can assure you that our Remuneration Committee has had many rigorous debates on this issue taking into account all of our stakeholders' interests. On balance, we decided that given the Company's continued record of excellent performance last year, particularly in the current operating environment, it was appropriate to pay for performance.

Having said that, we did change our performance-related pay structure by introducing greater deferment of payments into shares: the bigger the bonus award, the higher the proportion that must be deferred into shares. The deferral is over a longer period of time, so that employees' interests are more closely aligned to shareholders'.

We believe these changes are in line with best practice. Compensation at Standard Chartered is very much governed by a "One Bank" approach, whereby risk management, behaviour and values are rewarded as well as profits.

By building a sustainable business, we reward all of our stakeholders and increase shareholder value. I am also pleased to report that we were able to recommend a higher overall dividend payment.

We have been building shareholder value now for quite some time. Last year we celebrated 150 years since the opening of our

first-ever branches, in India and China and this year we are celebrating 150 years in Hong Kong and Singapore.

Last week Peter Sands and I were together in Hong Kong at a celebration event attended by over 1000 guests, who were mostly customers. To build a great and enduring brand you must first build a great company. Great companies have strong leaders and leadership teams.

Governance

In these challenging times, it is even more important that shareholders can rely on boards to devote the necessary time and energy to protect the long-term interests of shareholders. I am pleased to report that during 2008, the Standard Chartered board provided this extra commitment, often at relatively short notice.

We have a dynamic and highly-effective board, the membership of which is regularly refreshed. The composition of the board is under constant review and this is particularly the case at the moment as we are looking to appoint a new chairman.

When Lord Davies resigned as chairman in the middle of January, shareholders and other stakeholders including the regulators made it clear that they supported the board's approach to finding the very best chairman possible rather than acting expediently.

We have defined the key criteria for the role, and conducted an extensive review of the recruitment firms available to assist in the search. One of these firms has been appointed and we are now reviewing an initial candidate list. The process will continue over the coming weeks. Our aim is to provide a substantive update at the time of our interim results announcement in early August.

As you know, Mervyn Davies, now Lord Davies of Abersoch, led the Group during a period of strong strategic and financial progress. He stepped to join the UK Government as minister for trade and investment, after 15 years with the Bank, 11 of those on the Company's board.

We are extremely grateful to Mervyn for the immense contribution he made to the Bank's success during this time.

Likewise, Adair, Lord Turner, was a non-executive director for two years and made an excellent contribution to the board. Adair left in September upon his appointment as the chair of the Financial Services Authority.

We wish both of them well in their demanding new roles.

Then in June, Mike DeNoma stepped down from the board after a long career with the Bank, during which Consumer Banking grew significantly. We would like to thank Mike for his contribution to the bank, and wish him well for the future.

During 2008, we have also made a number of new appointments to the board. Steve Bertamini joined the board as Group executive director for Consumer Banking in June, having previously held a senior role with GE in Asia. Steve is now driving the next stage of the strategy in our Consumer Banking business.

John Paynter joined the board as a non-executive director in October. He has a wealth of experience in the fields of corporate broking and financial advisory after serving 29 years with Cazenove, and latterly JP Morgan Cazenove, where he was vice chairman.

Both of these individuals add significantly to the range of banking skills and experience available to the board.

I would like to say thank you to all members of the board and to all the management and staff of Standard Chartered for their hard work and dedication throughout the past 12 months. I am delighted with everything that has been achieved during the past year, and the strong start we have made to 2009.

To conclude, I would just like to reiterate that 2008 was another very good year for Standard Chartered. During the year we remained consistent in our strategy, doing business in markets we know and with products we understand. We have focused on the basics of banking. And very importantly we have kept true to our values and culture.

We have made progress with our community initiatives: educating people about HIV/AIDS, our work with Seeing is Believing and Nets for Life. We are proud of these achievements, and believe it is even more important to continue with them in the current climate.

The Bank is well positioned to deal with the challenges we expect to face in 2009. This global downturn is far from over. At the same time we will continue to seek new opportunities to grow the business in our chosen markets with the overall objective of continuing to increase value for our shareholders.

Peter Sands, Group chief executive

Performance highlights

I am very pleased that we have again achieved record income and profits in 2008 despite the difficulties we are seeing in the external environment.

Operating profit rose 13 per cent to 4.57 billion dollars

Income increased 26 per cent to 13.97 billion dollars

Normalised earnings per share were up one per cent to 174.9 cents

Our tier one capital ratio increased from 8.8 per cent to 10.1 per cent, and core tier one increased from 6.6 per cent to 7.6 per cent.

The Board is recommending a final dividend of 42.32 cents per share, making an annual dividend of 61.62 cents, which is in line with statements made at the time of our rights issue.

Our continued performance is the result of a disciplined approach to running the Bank. There are four aspects of this approach I would like to mention:

First, we've stuck to our strategy - we want to be the world's best international bank, leading the way in Asia, Africa and the Middle East. We do business in markets we understand intimately, with customers with whom we have long standing relationships, selling products we understand fully.

Second, we have been - and will remain - very focused on the basics of banking: on liquidity, capital, risks, operational control and costs. Perhaps because we've always operated in volatile markets, we've never lost sight of such disciplines.

Third, we're open for business. We want to support our clients as they navigate the economic turmoil. We want to seize the opportunities arising from the turbulence. Whilst we have taken action in response to the crisis, we continue to invest for growth.

And finally, we've stayed true to our values and culture. Standard Chartered is a rather different Bank and we want to keep it

like that. We run as One Bank across geographies and businesses. We're focused on customers not transactions. We're playing the long game. Our values and culture are a key to our competitive advantage.

Given the uncertainties in the world, we do need to be flexible and adaptive, anticipating and responding to the extraordinary changes around us. However, these aspects of how we run the Bank will not change.

Our two businesses have started 2009 with different priorities. In Wholesale Banking the task was to sustain the momentum after such a strong performance in 2008. In Consumer Banking the priority was to reshape the business to rekindle income and profit growth.

As we made clear in our Interim Management Statement released earlier this week, describing our performance in the first quarter of 2009, we have made good progress against these priorities. In fact, the Bank has made a strong start to the year, with record levels of income and profits.

Wholesale Banking

The Wholesale Banking team had a very successful 2008. Almost every business put in a strong performance. Our strategy of deepening client relationships continued to deliver results. In 2008, income from the top 50 clients grew 45 per cent and the number of clients with annual income over \$10m increased by 88 per cent. Building bigger, deeper relationships with our clients will continue to be the key driver of growth in 2009.

Despite the success we've had in building new, more sophisticated businesses, almost 60 per cent of Wholesale Banking's income arises from what might be described as classic commercial banking - trade finance, lending, cash management, plus directly related FX and hedging transactions. This is the core of our franchise. And while overall market volumes will be under pressure as economies slow, we are winning market share and increasing margins significantly. A good example of this is the strength of our performance in Trade Finance in the first quarter of this year. In many of our markets and for many of our products, competition is disappearing faster than demand.

Wholesale Banking has had an excellent start to the year, despite the economic challenges facing our markets and clients, with strong growth in both client and own account income, and relatively low levels of loan impairment.

Consumer Banking

Steve Bertamini took over Consumer Banking at the beginning of June and he and his team have embarked on reshaping the business.

We are accelerating the shift from a product-focused model to a much more customer-oriented approach. We want to increase the number of products and services we sell to each of our customers. So we're putting much greater focus on product bundles tailored to specific segment needs and on relationship pricing and management rather than simply sales.

We are improving productivity and customer service through a series of re-engineering projects and by standardising system platforms, processes and products. We're cutting costs, whilst still investing in the franchise. The progress we are making is demonstrated by the fact that our monthly costs in the first quarter of this year are more than 10 per cent lower than those in the second half of 2008.

We're also taking a much more proactive stance towards the balance sheet, attracting current and savings accounts with improved transactional services, reinforcing Consumer Banking's ability to be a powerful liability gathering engine for the Bank as a whole.

We're taking a more defensive stance on risk, shifting the asset mix towards more secured products, enhancing our scorecards

and collection capabilities.

We're reconfiguring the Wealth Management business. Whilst demand for wealth products will come back at some point as consumers regain confidence, it is not going to happen quickly and it is not going to be the same. We remain very cautious about the near term outlook for this business.

And finally, we're implementing a new market participation model that puts more discipline on what business we do in each market and aligns the cost structure and risk approach accordingly.

The change agenda for Consumer Banking is ambitious and far-reaching and we have to execute it in a very difficult market environment. We don't underestimate the scale of the task, but we are doing the right things and we will reshape the business for sustainable growth and competitive advantage.

Consumer Banking showed resilience in the first three months of 2009, reflecting both the ongoing challenges of the environment and the progress we are making to reconfigure the business. Monthly income remained slightly below the rate in the second half of 2008, loan impairment was as anticipated and costs were lower.

One Bank

While it's important to talk about the individual businesses, it is also important to recognise that we run Standard Chartered as one bank. The two businesses depend on each other for balance sheet, products, client referrals and shared infrastructure. We need both to succeed.

Our emphasis on balance - between Wholesale and Consumer, between short-term and long term, between profit and loss and the balance sheet - is perhaps why we have been able to weather the storm so well. Why we're still around after 150 years.

We think banking is a long game. It's about relationships, trust and commitment. It's about building a sustainable business, creating value for our shareholders, supporting our customers, contributing to the economy as a whole, and being a force for good in the communities in which we live and work.

We will not let the turmoil in financial markets divert us from our commitments to community initiatives.

For example, we have stepped up our efforts to address the challenges of preventable blindness, malaria and HIV/AIDS that threaten lives and economic prospects across our markets. In October 2008, under the banner of Seeing is Believing - A New Vision, we made a commitment to provide eye care services to 20 million people in 20 cities by 2015.

Nets for Life, a regional programme to tackle malaria in Africa, has distributed over one million anti-malarial nets since 2006. We have extended our commitment to supply a further five million nets by 2013.

We have committed to educating one million people about how to avoid HIV infection by 2010 and extended our education programmes to SME customers, global corporations and students around the world.

While I am proud of the progress on our sustainability agenda in 2008, I recognise there is much more to do. As a leading international bank, we recognise the role we must play in helping to re-invigorate growth by supporting our clients across Africa, Asia and the Middle East as they navigate these difficult times. And we recognise that we must play our part in helping address some of the most pressing health, social and environmental challenges that affect the countries in which we operate.

Amidst the turmoil of the industry, our brand stands prouder than ever before. Ultimately, it's about our people and our

performance. It's about the values and culture of the Bank. These aren't things we take for granted. In fact I'd like to take this opportunity to thank the staff of Standard Chartered for the commitment, teamwork and professionalism they showed in 2008. We'll need it again this year.

In 2008, with the support of our shareholders, we didn't just weather the crisis, but delivered record profits and strengthened the balance sheet and brand. We have made a strong start to 2009, with a record quarter in terms of both income and profits. The world remains very uncertain. There will undoubtedly be further challenges, and consequently we must remain vigilant and cautious. Yet we must also be alert to the opportunities.

I want to thank you for supporting us during what has been a truly extraordinary period for anyone involved in banking. I know it has been a rollercoaster ride for you, as well as for our customers and for the management team and staff. I can assure you that Standard Chartered is in very good shape, has had a strong start to the year, and is well positioned to grasp the opportunities emerging from the crisis.

- END -

For further information please contact:

Arijit De, Head of Media Relations +44 (0) 20 7885 7163

Stephen Atkinson, Head of Investor Relations +44 (0)20 7885 7245

END