Standard Chartered PLC
Pre-close trading update

9 December 2010

Standard Chartered PLC (along with its subsidiaries, the "Group") will be holding discussions with analysts and investors ahead of its close period for the year ending 31 December 2010. This statement details the information that will be covered in those discussions.

Peter Sands, Group Chief Executive, commented, "Standard Chartered has performed strongly in 2010, and is on track to deliver another year of record income and profit. We have invested throughout the year to underpin future momentum in 2011 and beyond. We are taking market share and continue to be advantaged by our deep relationships, our network and a diverse, liquid and well capitalised balance sheet. The Group remains disciplined in the execution of its strategy. We continue to be very well placed in markets that have strong growth prospects, despite continuing turbulence in the global economy."

All comparisons in the statement are in relation to 2009 unless otherwise stated.

Overall - Profit & Loss Account

The Group has continued to perform well, consistent with our expectations and guidance.

Income growth remains strong year on year, with income levels in the second half of the year broadly flat on the first half. Both businesses have performed well, with client income growth in Wholesale Banking very good and income in Consumer Banking showing good levels of growth.

For the Group overall, net interest margins have fallen fractionally from the levels seen in 2009. As reported in the third quarter Interim Management Statement (IMS), this is due to moderate pressure on asset margins across several products in several geographies.

Cost growth is expected to exceed income growth for the full year by broadly the same margin as in the first half of the year. This reflects a continued deliberate high level of investment in both businesses, in opening new branches, hiring relationship managers and front line staff, improving systems and investing in the brand. We have also seen upwards pressure from two additional factors, namely, increased regulatory and compliance costs and, secondly increasing competition for staff.

Credit quality continues to be very good in both businesses, with falling levels of loan impairment.

We anticipate double digit growth in profit before tax for both Consumer Banking and Wholesale Banking.

Overall – Balance Sheet

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

The Group's liquidity position remains strong. We have seen very good levels of deposit growth in both businesses, especially in current accounts and savings accounts.

The advances to deposits ratio remains strong.

Following the recent rights issue, the Group has further strengthened its already strong capital position and is well positioned in a still fluid regulatory environment. Risk Weighted Assets have grown by a single digit percentage since the half year.

The Group maintains a conservative funding structure and has limited levels of refinancing required over the next few years. The Group remains a net lender to the interbank market.

Business Performance

Consumer Banking

Consumer Banking is making good progress in transitioning towards a customer-focused business model.

As mentioned in our third quarter IMS, Consumer Banking income is continuing to recover and it is expected that income for the full year will show a growth rate broadly consistent with that seen in the first half of the year.

From a product perspective, mortgage income has shown good growth year on year but is broadly flat on the first half of the year, with margin pressure offsetting strong volume growth. Deposit income has fallen year on year, but second half income is up on the first half, reflecting good volume growth.

Income in Credit Cards and Personal Loans has grown reflecting momentum in our target segments and markets. Wealth Management fees have shown excellent growth year on year reflecting improved investor sentiment.

SME saw double digit income growth year on year especially in mortgages and in trade products as business activity levels have continued to increase.

We continue to take a disciplined approach to expense management, but have also invested in the business. We have increased sales capacity, continued to invest in branches, express banking centres and priority hubs, as well as building systems capabilities and investing in the brand. Expenses in 2010 are expected to show a double digit increase on 2009.

Portfolio credit quality in the Consumer Banking business remains good and loan impairment in the second half of the year is expected to be slightly below the levels seen in the first half.

We have seen good double digit asset growth year on year, predominantly in secured products.

Consumer Banking continues to grow its deposit base, and is improving the mix with good growth in current and savings accounts in particular.

Wholesale Banking

Wholesale Banking has performed well, continuing to strengthen relationships with existing clients and delivering very good levels of client income.

Wholesale Banking income in 2010 is expected to show mid-single digit income growth over 2009, with client income growing at a mid teens rate and contributing around 80 per cent of total Wholesale Banking income.

As in prior periods, Commercial Banking, including flow FX, remains the bedrock of the Wholesale Banking business, contributing over half of all client income.

Trade income is up strongly year on year, driven by good growth in average volumes. Trade margins, although down since 2009, are broadly stable on first half levels. Cash management margins are experiencing a similar pattern, but the cash management business is winning good levels of mandates, growing volumes, resulting in income up slightly year on year. Lending income has shown good growth reflecting good average volume growth, albeit with some softening of margins in the second half.

Corporate Finance has had an excellent performance with income up very strongly year on year, albeit with income lower in the second half of the year than in the first half. The pipeline of deals remains strong.

Own account income has fallen year on year, reflecting in part the exceptional performance in the first half of 2009. Own account income in the second half of the year is expected to be below the levels seen in the first half of the year due to Financial Markets and ALM, although this has been partially offset by a very strong second half performance in Principal Finance.

In the first half of 2009, in the face of an uncertain environment, we held back on investment. As the environment improved, we deliberately decided to invest in the second half of 2009 and in 2010. During 2010, we have invested in headcount as we continue to build out our product offering and in further standardising our systems. As a result, expenses in 2010 are expected to show a double digit increase on 2009 and jaws are expected to be significantly negative.

Credit quality across the Wholesale Banking portfolio remains good and ‘early alert’ indicators have improved steadily since the half year and are not showing any particular concentration. Loan impairment for the full year is expected to be significantly below the level seen in 2009.

Asset growth in the Wholesale Banking business has been disciplined. Risk Weighted Assets growth is expected to be broadly in line with client income.

Conclusion

The Group is currently tracking towards a strong performance in 2010. Both businesses have good momentum and we have continued to invest to underpin future growth. Loan impairment is improving and the fundamentals of the Group are in excellent shape.   We remain very well positioned across our growth markets in Asia, Africa and the Middle East.

The pre-close conference call, hosted by Richard Meddings, Group Finance Director, will be audio webcast live on Standard Chartered's website. To access the webcast follow this link http://investors.standardchartered.com from 8:30 GMT onwards. A recording of the audio webcast and a podcast will also be available shortly after the event.

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