Standard Chartered PLC
Pre-close trading update

4 December 2013

Standard Chartered PLC (along with its subsidiaries the "Group") will be holding discussions with analysts and investors ahead of its close period for the full year ending 31 December 2013. This statement details the information that will be covered in those discussions.

Peter Sands, Group Chief Executive, commented, *"In a challenging year, Standard Chartered has continued to support the growth and activity of our customers and clients. We are responding to near term challenges to ensure we strike the right balance between growth and returns, and have successfully managed costs tightly in light of the pressures on income. We retain a highly diversified and strong balance sheet and remain confident in the potential of our markets."*

All commentary regarding our 2013 performance excludes Own Credit Adjustment, the impairment of goodwill in respect of Korea, and the US$667 million settlement in 2012 with the US authorities.

All comparisons will be made in relation to the full year 2012 and reflect our current forward-looking expectation of our full year 2013 performance, unless otherwise stated.

Group

The Group's performance has been supported by continued strong client activity levels despite market turbulence. Difficult market conditions that began in August have continued in the second half and are likely to remain through to the year end. This has had a significant impact on business performance in the second half, in particular in Financial Markets.

Income for the full year is expected to be broadly flat on 2012. Consumer Banking income has increased by a low single digit rate and Wholesale Banking income is broadly flat. Client income in Wholesale Banking has grown by a mid single digit percentage, reflecting strong volume growth offset by significantly lower margins. Ongoing weakness in Own Account income and more recent pressure in Financial Markets are the main drags to overall 2013 income performance.

There has been some depreciation in a number of currencies against the US dollar, particularly the Indian rupee and Indonesian rupiah. Our current estimate is that this will reduce income and profit growth by around 1 per cent.

A number of geographies have shown good income performance in 2013. For example, Hong Kong and Africa both grew income at a double digit rate year on year, as did India. These have offset weaker performances elsewhere and particularly in Korea where income is now expected to decline by a double digit percentage.

For the Group overall, the net interest margin is slightly down on the level seen for the full year 2012, with high levels of liquidity in many of our markets impacting margins.

Costs remain well controlled and are expected to be up by a low single digit percentage despite accommodating significant increases in regulatory and compliance costs, continued investment in the business, a non-recurring tax related cost in Korea of some US$60 million, and a significant increase in the UK bank levy. The cost of the UK Bank levy is expected to be around US$250 million, up from US$174 million in 2012.

Total impairment in the second half, which includes other impairment, is currently expected to be greater than the first half, but this will only be finalised when we report our Full Year Results in March 2014.

The balance sheet remains highly liquid, conservative, and well diversified by product, by industry and by geography. The Group has seen growth on both sides of the balance sheet, with loans and advances to customers up by around a double digit rate and customer deposits up by a mid single digit rate over 2012. Risk Weighted Assets ('RWA'), excluding the US$7 billion increase in RWA following the regulatory consolidation of our holding in Permata Bank, have grown broadly in line with loan growth. We anticipate some further model changes imposed by the Prudential Regulation Authority ('PRA') before the end of the year which will add to RWA growth.

The Group remains well capitalised with a Core Tier 1 ratio at around the level seen at the half year.

The Group maintains a very strong funding profile and recently successfully executed a benchmark €1.25 billion 12 year Tier 2 subordinated issuance in October and a €1.25 billion 5 year senior unsecured issuance in November, both from Standard Chartered PLC.

Consumer Banking

Consumer Banking income is expected to increase at a low single digit rate for the full year, impacted by some weakness in local currencies against the US dollar, continued de-risking of our Korean business and, more recently, weaker investor sentiment in Wealth Management.

Consumer Banking income in Korea is now expected to be down by around 15 per cent. This reflects continued difficult market conditions, de-risking of the portfolio as well as the impact of the planned sale of the consumer finance businesses.

Excluding Korea, Consumer Banking income is expected to grow at a mid single digit rate. In Hong Kong and Africa income is up by a double digit rate, and in India and China income is up by a high single digit rate. However, in Singapore, income is broadly flat on 2012 given margin pressure and lower Mortgages volumes.

From a product perspective, double digit percentage growth in income from Mortgages reflects improved margins that have more than offset muted volumes given the regulatory tightening across a number of our markets.

Deposit income is down by a high single digit percentage for the year as margin compression outweighed mid single digit percentage growth in average balances.

Wealth Management income is up by a low single digit percentage year on year. However, income in the second half is expected to be lower than in the first half of 2013 by a double digit percentage, as market volatility led to weaker investor sentiment.

Income in Credit Cards and Personal Loans is up by a mid single digit rate. Period end balances are flat on 2012 reflecting selective asset growth offset by continued de-risking actions, most notably in Korea.

SME income is up by a low single digit percentage, broadly in line with the growth rate in the first half. Growth in Trade and Working Capital has offset a reduction in Deposit income. The SME book remains predominantly secured and deposit led.

Consumer Banking expenses remain tightly managed and are expected to increase by some mid tens of millions of US dollars, resulting in positive cost income jaws for the full year.

Loan impairment in Consumer Banking in the second half has remained, as guided, at elevated levels and is forecast to increase by only some tens of millions of US dollars over the first half level. Credit quality in Consumer Banking reflects the decision to slow the pace of growth in unsecured lending and to tighten underwriting criteria. Forward looking risk indicators are broadly in line with the levels seen at the end of 2012; however in Korea market-wide PDRS filings have increased in the last couple of months.

As a result, Consumer Banking operating profit for the full year is now expected to be down by a double digit rate. Excluding Korea, where we are now expecting an operating loss of up to US$200 million, including an estimated US$50 million attached to the planned sale of the consumer finance businesses and the majority of the non-recurring tax charge mentioned earlier, Consumer Banking operating profit is expected to be up by a high single digit percentage.

Wholesale Banking

Wholesale Banking income is broadly flat on the prior period. Strong levels of client activity have underpinned mid single digit percentage growth in client income. However, this has been offset by continued weakness in Own Account income, particularly in Financial Markets, but also, as guided, in Principal Finance and Asset and Liability Management.

Transaction Banking income is expected to be down by a low single digit percentage over 2012 with Trade income down by a low single digit percentage and Cash Management income down by a mid single digit percentage. Whilst volumes in Cash and Trade remain strong, both up by double digit percentages when compared to 2012, margins are materially lower. Margins in Trade are some 26 basis points, or 18 per cent lower and margins in Cash are some 15 basis points, or 16 per cent lower. In the fourth quarter, margins in Trade have seen some slight compression while margins in Cash have been broadly stable.

Corporate Finance has continued to perform strongly with income up by a double digit rate. There have been some recent delays in deal execution that have caused income growth to moderate slightly in the second half, yet the pipeline remains strong.

In Financial Markets, the fourth quarter has been disappointing and is down on the third quarter as market conditions did not improve as earlier anticipated. Overall, and for the year as a whole, low single digit growth in Financial Markets income has been driven by double digit growth in Foreign Exchange offsetting weaker performances in Rates, Credit and Capital Markets. Financial Markets client income growth remains good, up by a high single digit percentage, although growth in the second half has slowed significantly. Financial Markets Own Account income is down materially, by over 15 per cent year on year.

Principal Finance and Asset and Liability Management income remains weak, and both are down by double digit percentages. Principal Finance has been impacted by lower revaluations with income down, as guided, by over US$100 million. Asset and Liability Management has been impacted by persistently low interest rates and fewer de-risking opportunities and is down by nearly 15 per cent on 2012.

Given a broadly flat income performance, expenses in Wholesale Banking remain tightly managed increasing by a low single digit percentage. Expense growth is expected to be above income growth, although below growth in client income.

Total impairment is currently expected to be below the level seen in 2012, though this will only be finalised when we report our Full Year Results in March 2014. The portfolio remains well diversified, short in tenor and credit quality remains good. As we have highlighted before, the Group remains watchful, particularly in India.

As a result, Wholesale Banking operating profit is currently expected to be flat year on year.

Conclusion

The Group's income and balance sheet remain well diversified by product, by customer segment and by geography. We remain well capitalised, strongly funded and highly liquid.

As we highlighted at our November investor day, we are responding to near term challenges to ensure we strike the right balance between growth and returns. We remain confident in the strong underlying potential of our markets and of our competitive positioning as we gain market share supporting the ambitions of our clients and customers.

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