Standard Chartered PLC
Pre-close trading update

8 December 2011

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 2011. This statement details the information that will be covered in those discussions.

Peter Sands, Group Chief Executive, commented, "Standard Chartered is on course to deliver another strong set of full year results. Income growth remains resilient and well diversified, underpinned by high levels of activity across our businesses. We have continued to invest to underpin future income momentum; the credit environment remains relatively benign across our footprint. We continue to focus on the basics of banking, on maintaining a very strong balance sheet, as well as on the continued disciplined execution of our strategy. Our consistent performance and balance sheet resilience have been recognised by both the market and by the rating agencies. We have now been upgraded by all three rating agencies since the beginning of the financial crisis. The growth prospects of our markets in Asia, Africa and the Middle East remain intact despite the increasing uncertainty in the West."

All comparisons will be made in relation to the full year 2010 unless otherwise stated.

Group

The Group has continued to build on the strong performance reported in the third quarter Interim Management Statement. The following commentary excludes the impact of the UK bank levy.

Asian exchange rates continue to depreciate against the US Dollar, and whilst we have seen continued good execution of a strong pipeline in difficult market conditions, income in 2011 for the Group is now expected to grow at just below a double digit rate. Since the time of the third quarter Interim Management Statement, Asian exchange rates have depreciated further by between one per cent and five per cent.

Both businesses are exhibiting good momentum; client income within Wholesale Banking is expected to grow at around a double digit rate and income in Consumer Banking is expected to grow at a double digit rate.

Sources of income growth remain well diversified, both by product and geography. Income in India continues to be impacted by the local business environment. Full year income is expected to be below the level seen in 2010, albeit by a lower percentage than seen in the first half. Full year income in Korea is expected to be slightly ahead of the levels seen in 2010, however performance in the second half has been muted. Last week the Group initiated a voluntary restructuring programme which is expected to impact expenses this year by some mid to high tens of millions of US dollars, although the final cost is dependent on the level of participation.

Income performance in India and Korea is more than offset by double digit income growth in a number of markets with Singapore, Hong Kong, China, Botswana, Bangladesh, Pakistan and Indonesia expected to perform particularly well. Despite competition remaining strong across our markets, we are seeing a number of opportunities, primarily in Wholesale Banking, to reprice business and increase market share.

For the Group overall, net interest margins are expected to be up slightly on the level seen for the full year 2010. Asset margins have continued to see some pressure in the second half of the year. Liability margins have increased moderately in the same period, although we are seeing increasing competition in a number of markets.

The Group has continued to manage expenses tightly and as a result, income growth is expected to be ahead of cost growth for the full year. We have continued to invest in both businesses, to underpin income momentum into 2012. Headcount levels are expected to be around 2,000 higher than at the end of 2010, driven in particular by increases in Consumer Banking and in China, Hong Kong, Korea, Singapore and our processing hub in India.

For 2011 pre-impairment profit is expected to grow at a double digit rate over 2010.

Asset quality in both businesses remains good and loan impairment for the full year is currently expected to be below the level seen for the full year 2010 reflecting our diversified portfolio, the economic performance of the markets we serve and our continued disciplined approach to risk management.

We anticipate double digit growth in profit before tax for the Group. The effective tax rate for the Group for full year 2011 is expected to be around 29 per cent.

The balance sheet remains well diversified and conservative, with limited exposure to problem asset classes. We have no direct sovereign exposure to Portugal, Italy, Ireland, Greece or Spain and our direct sovereign exposure in Europe is immaterial. The Group has a strong asset to deposit ratio and we are continuing to see good inflows of deposits. Loan growth has been disciplined and in target segments and geographies.

The Group remains strongly capitalised and the Core Tier one ratio for the full year is expected to be slightly below the level seen at the half year partly due to the impact of recent Asian currency depreciation.

Risk Weighted Asset growth is broadly in line with previous guidance. The Group continues to self fund Risk Weighted Asset growth.

The Group maintains a conservative funding structure and has only very limited levels of refinancing required over the next few years, albeit demand for the Group's name as a credit remains strong, as evidenced by the two successful issuances in October. The Group remains a net lender to the interbank market.

Consumer Banking

The Consumer Banking business has continued to perform well and income is expected to grow at a double digit rate for the full year. We have seen some recent signs of slowdown, particularly in Wealth Management where investor sentiment has been impacted by events in the West. In addition there has been some translation impact due to the ongoing depreciation of Asian exchange rates over recent months.

Income has been well spread, with a number of geographies performing well. In particular, those geographies in which we invested in 2010 have performed strongly in 2011, namely Hong Kong, Singapore, China, Malaysia and Indonesia.

From a product perspective, mortgage income continues to be impacted by margin pressure and is expected to be down by a low single digit percentage compared to 2010. Deposit income is expected to grow at a strong double digit rate reflecting increasing margins and balances growing well.

As noted in the third quarter Interim Management Statement, Wealth Management has been impacted by weaker investor sentiment. As a result Wealth Management income in the second half of the year is expected to be below the level seen in the first half, albeit full year income is expected to grow at a double digit rate over 2010. An improvement in investor sentiment and therefore in Wealth Management sales in the short term is unlikely without some substantive progress being made towards resolving the European debt crisis.

Income in Credit Cards and Personal Loans is expected to grow at a double digit rate as we continue to selectively grow our unsecured business, particularly in Hong Kong, Korea and Singapore.

SME income is expected to grow at a double digit rate year on year, driven by Foreign Exchange and Cash Management, with Korea, Hong Kong, Singapore and China performing particularly well.

Our approach to expense management remains disciplined. We have accelerated investment in the second half of the year. For the year as a whole we expect to add over 1,600 headcount, almost half of this in China, and over 35 branches across a number of geographies including China, Hong Kong, Malaysia and Nigeria. We have enhanced systems architecture and increased marketing spend. Also included within the cost base is a provision of some mid to high tens of millions of dollars relating to restructuring in Korea.

Income growth is expected to exceed cost growth for the full year.

Loan impairment in the second half of the year has increased, in line with the change in the size, mix and seasoning of the loan portfolio. Credit quality in the Consumer Banking business remains good, forward looking indicators remain at low levels and it is anticipated that the impairment charge for the full year will be below the level seen for 2010. Impairment has benefited from the sale of a number of loan portfolios primarily during the first half of the year, albeit we have continued to see a good level of loan sales in the second half.

Wholesale Banking

Wholesale Banking has performed well and continues to strengthen relationships with its existing clients.

Wholesale Banking income in 2011 is expected to show high single digit growth over 2010. Client income continues to contribute over 80 per cent of total Wholesale Banking income, and is expected to grow at around a double digit rate year on year.

Commercial Banking, comprising of Transaction Banking, Lending and flow Foreign Exchange, remains the core of the Wholesale Banking business, contributing over half of all client income.

Transaction Banking income is expected to show strong double digit growth over 2010 with strong performances in both Cash and Trade. In Trade, average balances have continued to grow strongly and margins have increased slightly during the second half of the year as we reprice across a number of geographies. The Cash Management business continues to benefit from strong growth in average balances in addition to a slight improvement in margins.

Corporate Finance deal execution in the fourth quarter of the year has continued to be impacted by the market environment; income for the full year is, however, expected to be ahead of the levels seen in 2010 by a mid single digit percentage.

Financial Markets volumes continue to show good growth, particularly in Foreign Exchange and Rates, benefiting from the flows from the Transaction Banking business. Financial Markets client income has remained strong and is expected to grow at a mid single digit percentage year on year.

Total own account income is expected to be below the level seen in 2010. Principal Finance has been impacted in 2011 by the macroeconomic environment, and therefore realisations are materially below the levels seen during 2010. Financial Markets has delivered double digit income growth, with Commodities, Foreign Exchange and Rates particularly strong, however ALM is expected to be slightly below the level seen in 2010.

Expenses in Wholesale Banking have been tightly managed, albeit we have continued to invest in both people and systems architecture. Income growth is expected to be slightly ahead of expense growth for the full year.

Loan impairment in the second half of the year is currently tracking below the level seen in the first half, although the level of loan impairment will not be finalised until the end of February. Loan impairment for the full year is expected to be ahead of the level seen in 2010.

Early alert indicators have increased in the second half of the year, mainly due to precautionary measures taken in India, but none of these accounts is expected to result in material impairment. There have been no new material provisions emerging during the second half to date although we remain watchful of the external credit environment.

Conclusion

The Group remains disciplined in the execution of its strategy and is on track to deliver another strong performance in 2011, with good momentum in both businesses. Income remains well diversified by product, customer segment and geography. The Group's capital and liquidity position remains strong and we have a firm grip of risks and costs. The growth prospects of our markets in Asia, Africa and the Middle East remain intact despite the increasing uncertainty in the West.

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 10:00 GMT onwards. A recording of the audio webcast and a podcast will also be available shortly after the event.

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