

## Standard Chartered reports growth in first half 2013 income and profits

Broad based performance across multiple markets, including strong performances from Hong Kong, India and Africa

- Operating Income grows 4% to US\$9.75 billion, excluding own credit adjustment<sup>1</sup>
- Wholesale Banking income up 2% to US\$6.07 billion; client income up 6%
- Consumer Banking income up 7% to US\$3.68 billion
- 17 markets with income growth of at least 10 per cent
- Profit before goodwill impairment and own credit adjustment up 4 per cent at US\$4.08 billion
- Profit before tax after goodwill impairment charge of US\$1 billion related to Korea is US\$3.32 billion
- Highly liquid balance sheet, excellent capital strength with Core Tier 1 ratio of 11.4%
- Continued shareholder value – return on equity 13.3%, earnings per share up 5%
- Second half starts with good momentum; we remain confident in our strategy and of growth in our markets

**London, 6 August 2013** -Standard Chartered PLC today announced an increase in both underlying income and profits for the first half of 2013 with 17 markets achieving double digit income growth and 25 markets delivering income over US\$ 50 million. Total group income was up 4 per cent to US\$9.75 billion, excluding own credit adjustment, driven by growth in Consumer Banking revenue and a step-up in Q2 income in Wholesale Banking.

We enter the second half with good momentum, high volume growth and excellent client activity levels. We have a robust balance sheet, strong capital and ample liquidity to serve our clients as they achieve their growth aspirations.

Although the economic environment has made it a challenging six months, the fundamentals across our markets in Asia, Africa and the Middle East remain good. Our income is well diversified across our businesses, markets and products.

We continue to manage costs tightly whilst continuing to invest selectively, targeting cost growth broadly in line with income.

<sup>1</sup> Own credit adjustment is an adjustment to the valuation of SCB's issued debt instruments designated at fair value through P&L to reflect SCB's default risk. These include debt securities issued and structured notes with embedded derivatives issued as part of SCB's client activities.

**Commenting on these results, Chairman of Standard Chartered Sir John Peace, said:** "These results demonstrate the diversity and resilience of our business. Despite a difficult external environment, we continue to support our clients' growth aspirations. We have a strong balance sheet and ample liquidity. We have entered the second half of the year with good momentum and the Board remains confident for the long term."

The Group has delivered a number of excellent performances in markets such as Hong Kong, where operating profit before tax was over US\$1 billion for the first time in a six month period, as well as good performances in, the Americas, UK and Europe region, and in Africa. India has also shown good growth in income and profits, up 10 per cent and 45 per cent respectively.

We have impaired goodwill in the Korea business of US\$1 billion, as we indicated at the time of our pre-close market update in June. We are taking a number of actions to refocus the business to improve productivity and return on capital, including simplifying the operating structure and reviewing options for non-core businesses. We are the largest foreign investor in Korea, which remains an important part of our franchise and we are committed to offering both Consumer and Wholesale Banking in the market.

Expenses are up 3 per cent year on year, lower than underlying income growth. We are investing selectively in improving our systems, branches and technology to enhance the service we offer to our clients and customers.

We focus on the basics of banking, maintaining our liquidity, funding and capital strength. The Group is primarily deposit funded and has limited refinancing requirements over the next few years and continues to receive excellent support from the capital markets. Our balance sheet is in excellent shape, with an asset to deposit ratio and liquid asset ratio of 76.6 and over 28 per cent respectively; Core Tier 1 capital ratio is strong at 11.4 per cent.

We are disciplined and proactive in our approach to risk management, with a loan book that remains conservative and well diversified. At a Group level, loan impairment was up by 27 per cent, driven by Consumer Banking; 81 per cent of the Consumer Banking book is now either fully or partially secured. Korea PDRS remains a concern but peaked in the first quarter of the year and has shown signs of stabilising in Q2. Wholesale Banking asset quality is stable with loan impairment down 21% and we are not seeing new areas of stress; 65 per cent of the Wholesale Banking loan book is under one year in tenor.

### **Diversity a differentiator**

We have a highly diverse business, where multiple engines of growth and strong performance have offset markets or products that deliver weaker performances in a period. So far this year, there has been double digit growth in Credit Cards and Personal Loans and Mortgages in Consumer Banking, and Foreign Exchange and Corporate Finance in Wholesale Banking.

Our performance is not dependent on any one market's growth with Hong Kong, our largest market, representing less than 20 per cent of the Group's income, despite a stand-out performance.

Our business across the ASEAN countries of South East Asia is becoming increasingly diversified. We are now in all ten ASEAN markets, following our re-entry into Myanmar in February of this year, supporting clients trading both within ASEAN and with other regions. Singapore is a sophisticated, established market where we have a major presence, and it represents some 12 per cent of our income. In the first half, income fell 3%, whilst profits fell 12%. The decline in income is a result of three factors: a sharp reduction in own account income, largely in ALM; pressure on Wholesale Banking margins, particularly trade finance; and a slowdown in Consumer Banking, again mainly due to weaker margins on both sides of the balance sheet. With Q2 volumes up significantly on Q1 and some signs of margins stabilising, we anticipate a stronger second half.

Looking more widely across ASEAN, we have seen income growth in the Philippines of 22 per cent, in Thailand of 5 per cent and in Vietnam of 6 per cent.

China continues to be our biggest network income contributor. Our Chinese clients are mainly high quality corporates who are interested in building their businesses, exporting across our network and trading around the globe. Our ability to support their growth remains strong and mainland China is a dynamic opportunity for Standard Chartered as we continue to invest, targeting urban areas where the prospects for growth are best.

Africa has achieved an impressive start to the year, with income up 16 per cent. We have seen particularly strong growth in Ghana, Zambia and Kenya. We are investing across Africa – in people, in systems, in new branches. In the second half we will launch our new joint venture bank in Angola, giving us an onshore presence in sub-Saharan Africa's third largest economy for the first time and we also intend to open up in Mozambique.

Our UK, Europe and Americas region plays an important role in our network, both because of the Western corporates that we take into our footprint markets and because it connects those in our footprint to vital finance hubs in the West. Income from this region was up 5% in the first half.

### **Wholesale Banking performance shows great resilience**

Wholesale Banking was up 2 per cent and client income, which represents over 80 per cent of Wholesale Banking income, was up 6 per cent. The step up in client income performance over the first quarter was driven by excellent volumes across multiple products and in multiple geographies but was also impacted by material margin and spread compression.

Over 50 per cent of Wholesale Banking client income was generated outside of the home country of our clients, showing the importance of our international network and the increasing interconnectivity of our markets.

Income is well diversified with strong growth in Corporate Finance and Financial Markets. Standard Chartered continues to be a top two trade finance bank globally, with strong volume growth of 18 per cent year on year.

#### Consumer Banking positive income momentum

Overall, Consumer Banking saw continued income momentum from the first quarter, growing income for the first half at 7 per cent year on year to US\$3.68 billion. This growth was broad based and included strong performances in Hong Kong, India, Africa and China, offsetting more muted performances in Singapore and Korea.

Mortgage income was up 18 per cent reflecting prior year asset growth and margin growth. Deposit income was down 7 per cent, impacted by a 2 per cent fall in balances and reduced margins, especially in Hong Kong, Korea, Indonesia and China. However, Wealth Management income was up 8 per cent, due to stronger investor sentiment for much of the first half of the year.

Consumer Banking operating profit has fallen 6 per cent with loan impairment increasing by 74 per cent. US\$80 million of this increase was in Korea, of which around US\$50 million related to PDRS, US\$30 million related to Thailand and around US\$40 million was due to the timing of debt sales. The remaining increase reflects earlier growth in the book, the change in mix towards unsecured products and the higher credit risk from a small number of discontinued products. Nevertheless, Consumer Banking generated a good income performance in a number of geographies and products, with expenses tightly controlled.

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### Financial Performance Highlights

GROUP (in US\$ m)	H1 2013	H2 2012	% CHANGE
Income	9,751	9,371	4
Expenses	5,034	4,963	3
Loan Impairment	730	583	27
Profit Before Tax	4,088	3,936	4
<b>WHOLESALE BANKING</b>			
Income	6,068	5,996	2
Profit Before Tax	3,230	2,992	7
<b>CONSUMER BANKING</b>			
Income	3,683	3,515	7
Profit Before Tax	858	899	(6)

### Operating Profit Before Tax by Regions

REGION (in US\$ m)	H1 2013	H1 2012	% CHANGE
Hong Kong	1,033	870	19
Singapore	544	546	0
Korea	(861)	303	(384)
Other APR	636	765	(14)
India	450	311	45
MESA	551	378	46
Africa	357	311	10
Americas, UK & Europe	615	464	33
Total	3,325	3,948	(16)

**Standard Chartered - leading the way in Asia, Africa and the Middle East**

Standard Chartered is a leading international banking group. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90 per cent of its income and profits in Asia, Africa and the Middle East.

This geographic focus and commitment to developing deep relationships with clients and customers has driven the Bank's growth in recent years. Standard Chartered PLC is listed on the London and Hong Kong stock exchanges as well as the Bombay and National Stock Exchanges in India.

With 1,700 offices in 68 markets, the Group offers exciting and challenging international career opportunities to over 89,000 staff. It is committed to building a sustainable business over the long term and upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, 'Here for good'.

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