

# Standard Chartered

## Widening Valuation Discount, Asian EM Banks Rebound

- **SOTP Discount Widens, Especially On Price/Book** —The current discount for STAN vs its peer group PE SOTP valuation, at c13%, is at its widest point since 2010. STAN shares have lost c25ppt on its relative PE SOTP valuation since end 2012. On P/B basis, STAN's valuation discount vs peers is now at a decade high of c35%, even below the GFC trough, reflecting concern around capital. STAN's 1-yr forward P/TB is currently 1.2x, down one-third in the past year.
- **Signs of Life or Dead Cat Bounce?** — The Citi Economic Surprise Index for EM has recovered from a trough mid-2013 and has been in positive territory for the past couple of months. Banks in the consensus concern markets of India and Indonesia are up strongly over the past month at +12% and 16% respectively, helped by positive macro news vs expectations and upcoming elections. While these markets are small for STAN, they represent tail risk concerns for the stock.
- **Stock De-Rated, Reiterate Buy** — FY13 results, reported 5 March, were better than feared on capital. But caution is required on the likelihood of clarity on the required capital for the group and the near-term earnings outlook. However, with the stock heavily de-rated, and signs of life among selected Asian emerging market bank stocks, we believe that a lot of negatives are in the price. We lower our target price to 1550p (from 1650p) to reflect lowered earnings but reiterate our Buy rating.

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Figure 1. Citi Economic Surprise Index - EM



Source: Bloomberg

Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Standard Chartered	2888.HK	1	1	HK\$206.00	HK\$201.00	US\$221.5	US\$211.3
Standard Chartered	STAN.L	1	1	£16.50	£15.50	US\$221.5	US\$211.3

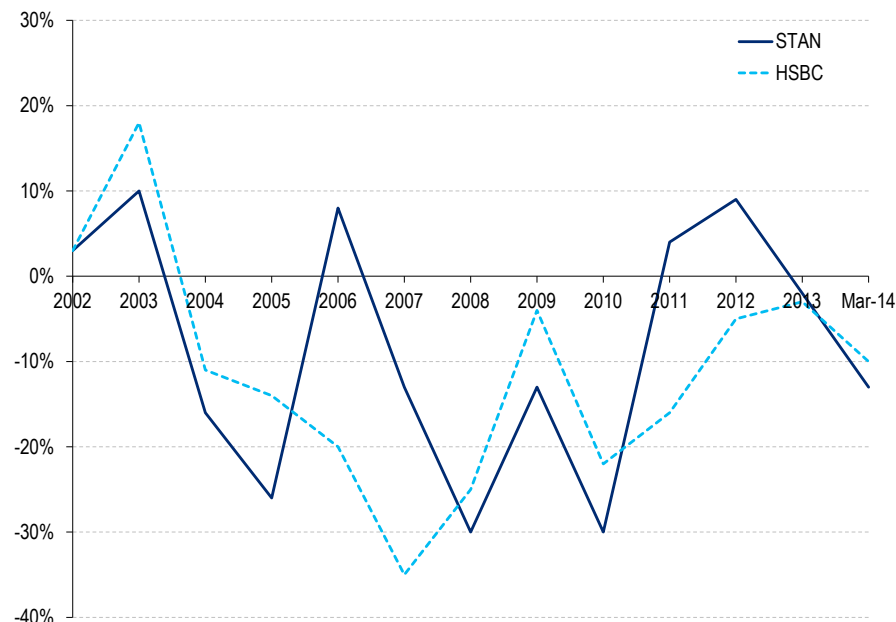
See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## Widening Valuation Discount, Asian EM Banks Rebound

The current discount for STAN vs its peer group PE SOTP valuation, at c13%, is at its widest point since 2010. Albeit not as low as the PE discount reached in 2008-10, STAN shares have lost c25ppt on its relative PE SOTP valuation since 2012.

Figure 2. STAN vs HSBC – Valuation Discount vs Peer Group SOTP Valuation (PE Basis)



Source: Citi Research

On P/B basis, STAN's valuation discount vs peers has also declined sharply since 2011 and is now at a decade wide of c35% and below the PB peer group discount in 2008 during the global financial crisis. This reflects concern around capital.

Figure 3. STAN vs HSBC – Valuation Discount vs Peer Group SOTP Valuation (PB Basis)



Source: Citi Research; Note chart above excludes adjustment for leverage difference between SC and local peers

The STAN SOTP PE valuation reached its peak in 2010, at close to an implied equity valuation of \$100bn, dropped in 2011 and has been slightly up since then. STAN's market capitalization peaked at \$74bn in Nov 2010 and has declined c30% from peak to current levels.

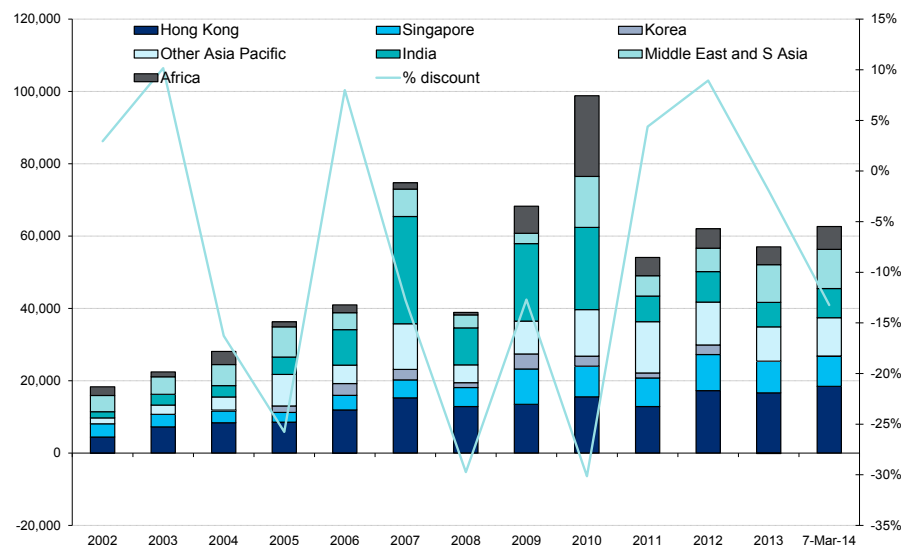
Figure 5. STAN -1Y Forward P/TB



Source: Company Reports and Citi Research Estimates; Forward TBVPS is based on Citi estimates

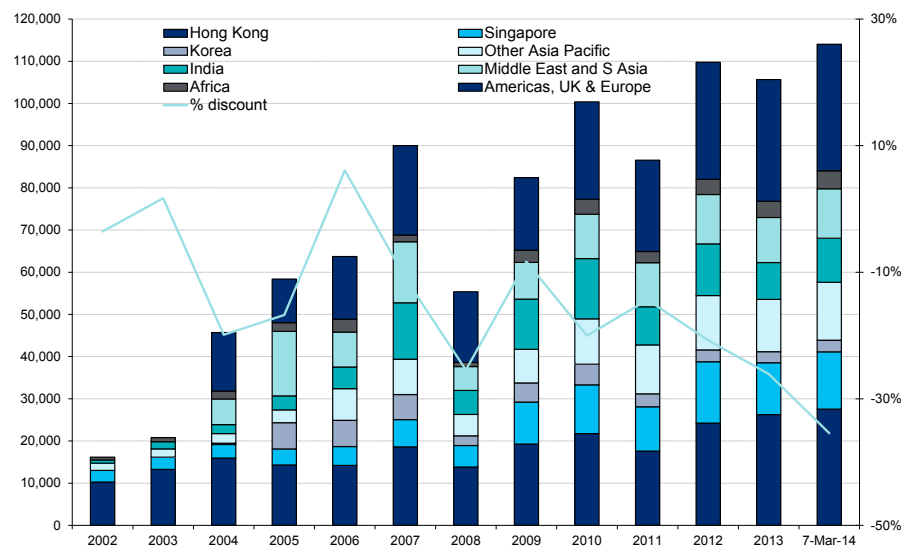
On P/B basis, STAN's SOTP discount has widened to c35% recently reflecting a declining STAN equity value while the peer group P/B implied market value has remained steady since 2002. STAN's 1-yr forward P/TB is currently 1.2x, down one-third in the past year.

Figure 4. STAN PE Based Peer Group SOTP Valuation Split



Source: Citi Research.

Figure 6. STAN PB Based Peer Group SOTP Valuation Split



Source: Citi Research. Note chart above excludes adjustment for leverage difference between SC and local peers

STAN's stock performance over the past 12 months has lagged average local bank sector stock performance in major Asian markets. STAN has declined c30% in the past 12 months. Malaysia and Singapore lead the way over the past year, over the past month Indonesia and India have rebounded.

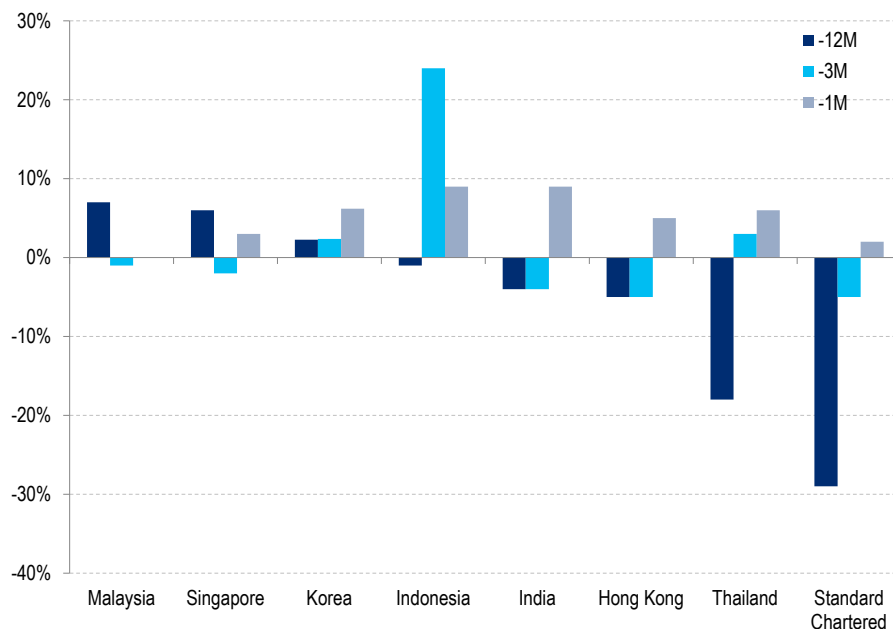
Figure 8. Citi Economic Surprise Index - Indonesia



Source: Citi Research

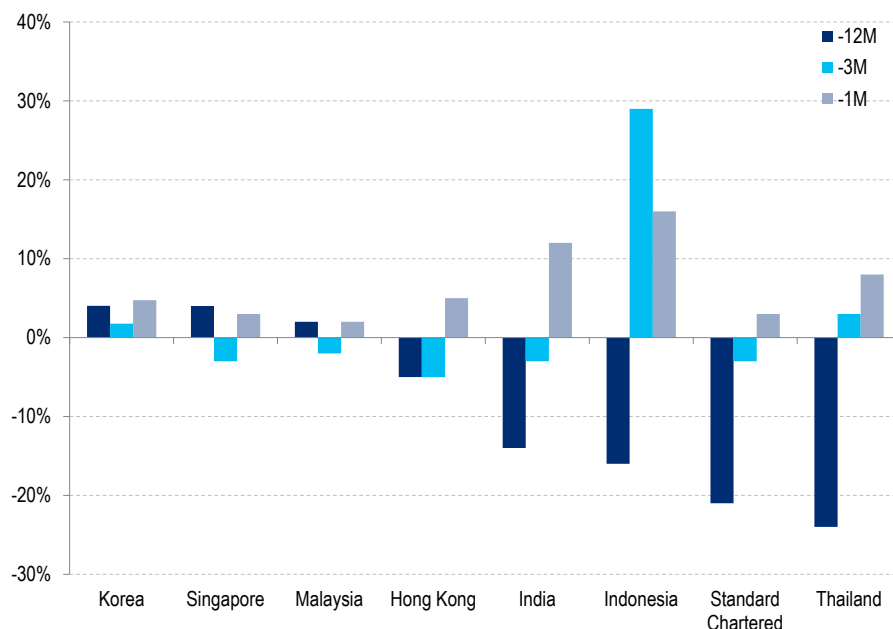
In USD terms, STAN is up 3% over past 1 month but is down c20% over past 12 months. Again, STAN shares have lagged banks in almost all the major markets it operates in. Interestingly, banks in the consensus concern markets of India and Indonesia are up strongly over the past month at +12% and 16% respectively. On a 3 month view, Indonesian banks are up c30% - in USD terms.

Figure 7. Local Currency Bank Stock Performance in Key Markets vs STAN



Source: Reuters

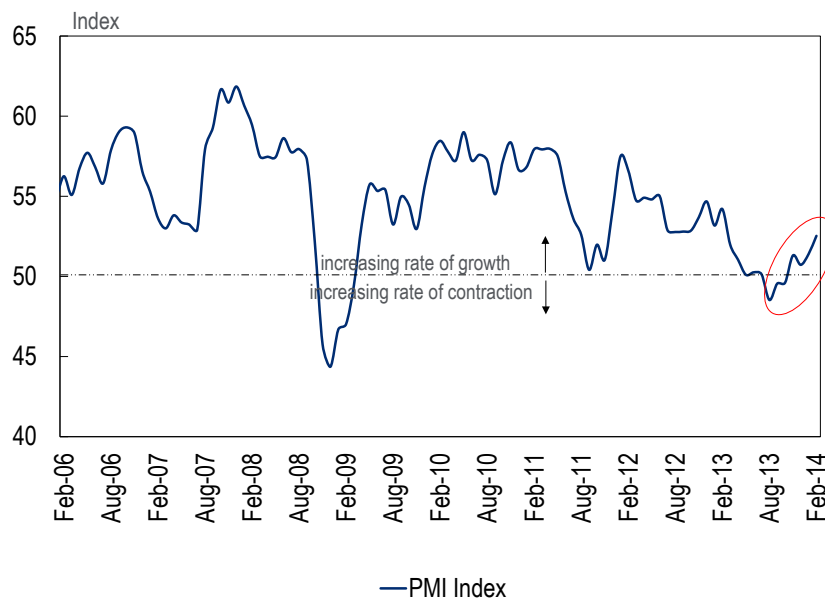
Figure 9. USD Bank Stock Performance in Key Markets vs STAN



Source: Reuters

Indian bank stocks have rebounded partly due to a recovering economy: February PMI was up 1.1pts m-o-m at 52.5 on account of improved current as well as forward-looking indicators. Output rose +1.4pts m-o-m to 54; New Orders were up +2.5pts m-o-m to 54.9

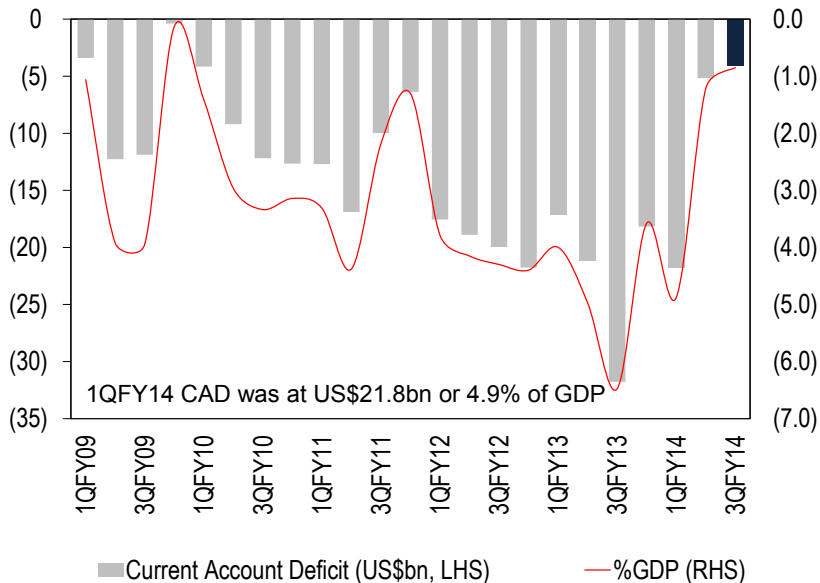
Figure 10. India – Trends in PMI Index



Source: Markit, Office of the Economic Advisor

Concerns around current account deficits have dogged EM asset values in recent months: however, India's current account deficit has narrowed from c5-6% of GDP in fiscal year 2013/1Q14 to only c1% of GDP in the 2Q-3Q14 fiscal year.

Figure 11. India - Trends in Current Account Deficit (US\$bn, %GDP)



Source: Markit, Office of the Economic Advisor

Indian elections have excited investors: opinion polls suggest the NDA will win 200+ seats or more than 2x the seats of the incumbent administration.

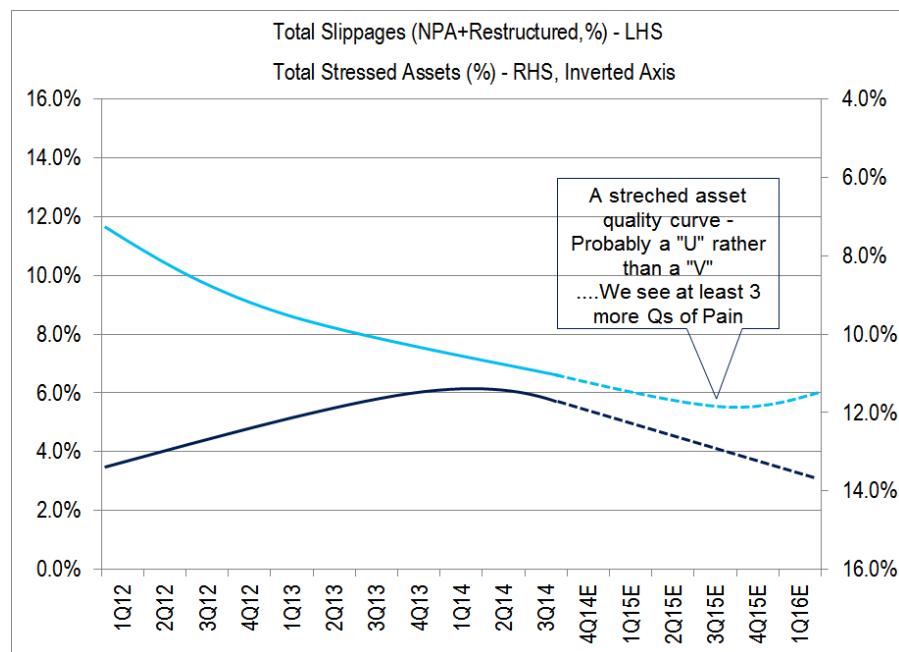
Figure 12. India - 2014 Elections - Opinion Polls\*

	Times Now CVoter	ABP News - Nielsen	CNN-IBN-Lokniti-CSDS
NDA (BJP+Allies)	227	236	211-231
UPA (Congress + Allies)	101	92	107-127
Others	215	215	205
Total	543	543	543

\*info available as of 5<sup>th</sup> March; Source: News Reports (Times of India, ABP News, CNN)

Despite the improving macro headlines, Indian bank asset quality remains weak: while the pace of deterioration may be slowing we believe we are probably three or more quarters from the bottom of the NPL cycle.

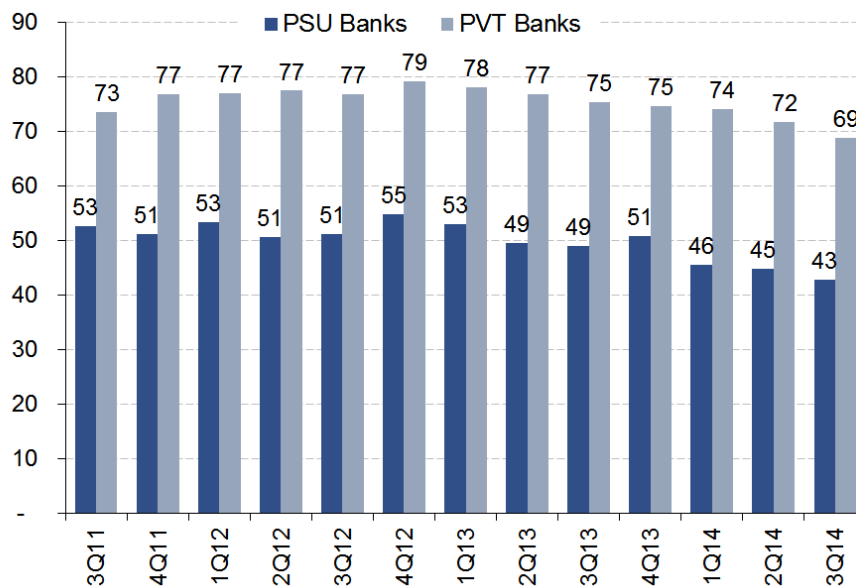
Figure 13. Indian Banks - Hypothesis: A 'U'-shaped Asset Quality Curve\*\*



Citi Research, Company Data \*\*Analysis & forecasts for PSUs, ICBK & Axis

We expect continued high credit costs in Indian banking for a while. But the Indian system's falling loan loss coverage levels suggest higher provisioning for building future NPL coverage

Figure 14. Indian Banks - Coverage Levels Falling – High Credit Costs to Stay?

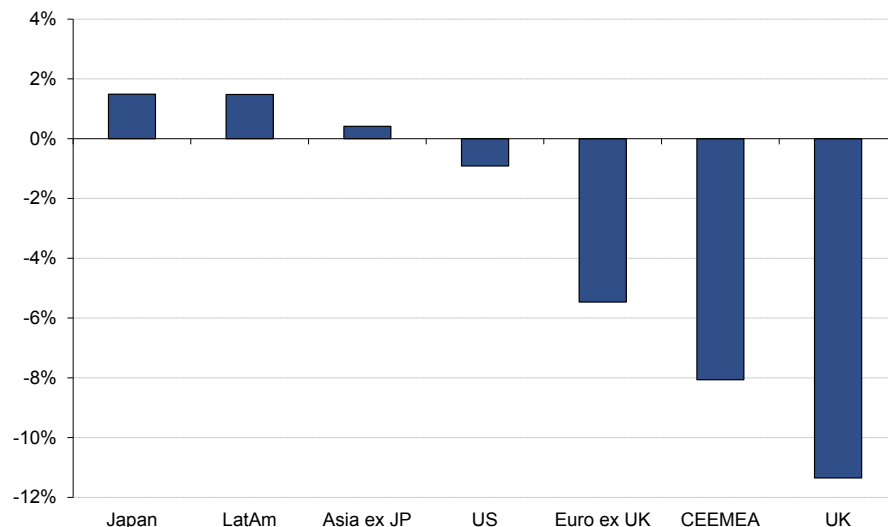


Source: Citi Research, Company Data

Over the past 3 months, UK and European banks have seen among the largest Citi 2014 estimate EPS declines: perhaps surprisingly, there have been small upgrades for EM and Japan. In Asia the largest 2014 EPS upgrades have been in Indonesia.

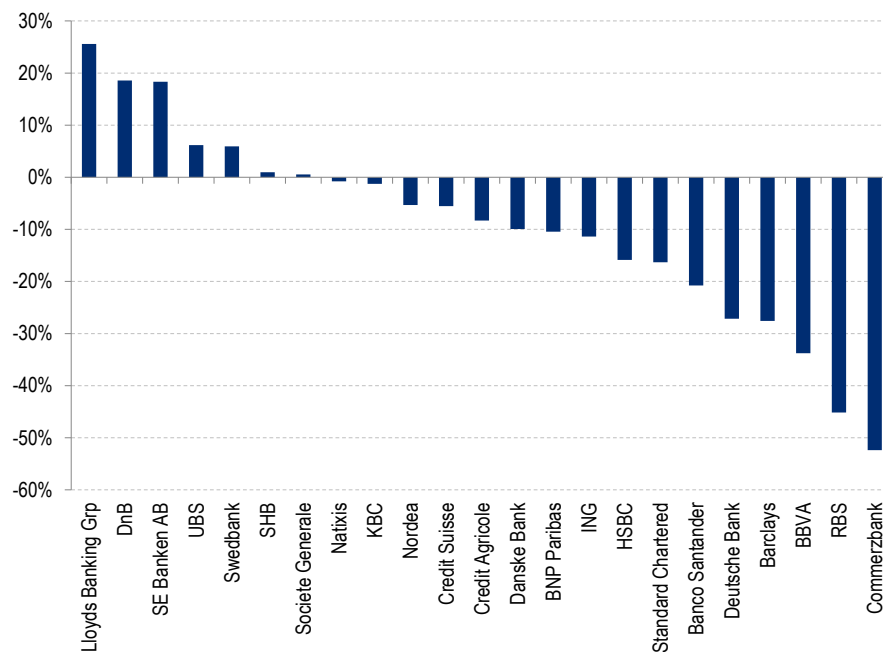
STAN has suffered consensus 2014 EPS forecast downgrades (c15%, -12M) but similar revisions have been done for banks such as HSBC, Santander – and much larger for banks such as BARC, BBVA RBS or Commerzbank.

Figure 15. Citi 2014E Revisions -3M - Global



Source: Citi Research

Figure 16. EU Banks Consensus -12M EPS Chg – 2014E, %



Source: Reuters; Note: We screen EU banks with MCap>20\$bn in our coverage for this exercise

## Company Focus

- Estimate Change
- Target Price Change

<b>Buy</b>	<b>1</b>
Price (07 Mar 14)	£12.65
Target price	£15.50
from £16.50	
Expected share price return	22.5%
Expected dividend yield	4.0%
<b>Expected total return</b>	<b>26.6%</b>
Market Cap	£30,707M
	US\$51,318M

Price Performance  
(RIC: STAN.L, BB: STAN LN)



## Standard Chartered PLC (STAN.L) Capital Better Than Feared, Outlook Cautious, Stock Cheap

■ **FY13 Results Wrap** – FY13 results, reported on 5 March, surprised positively on capital. BIII CET1 ratio increased to 11.2%, +60bps HoH and 80bps ahead of our estimate of 10.4%. NPL ratio has increased to 2.2% end-2013 from 2.0% 1H13, mainly driven by some exposures in Africa (commodities) and India (client suffered fraud). 2H13 P&L items were slightly below our expectations, and along with a cautious outlook statement, leads to reduced Citi 2014-15 EPS forecasts of c5ppt per annum. But this is less of a stock price driver right now given the capital driven de-rating of the shares over the past 9-12 months. Reiterate Buy.

■ **Better Capital Position But Ambiguity Persists** — The headline 11.2% BIII CET1 ratio needs to be adjusted for the second 2013 dividend yet to be paid out, that will adjust the CET1 ratio to 10.9%. STAN is also guiding for regulatory model changes to impact CET1 by 30-50bps in 2014E, so the pro-forma BIII CET1 is 10.4-10.6%, still above the 10.4% we had assumed for end 2013. The underlying CET1 positive was end-2013 RWA \$322bn +7% yoy vs our forecast of +12% yoy and down 0.5% HoH, driven by lower Market RWAs, down 12% HoH. Also the base line 11.2% BIII ratio includes future management actions worth c30bps.

■ **Wholesale Bank PBT Miss, Consumer Beat** — 2H13 WB pre-tax profit of \$2.4bn is 8% below Citi estimates, driven by lower revenues, a 3% miss vs Citi and down 5% yoy, and heavier impairments, 5% heavy vs Citi and +51% yoy. The weaker revenues are attributable to transaction banking (lower margins), financial markets (own account income) and especially principal finance. CB 2H13 pre-tax profit of \$0.7bn is 2% above Citi estimates with lower revenues offset by more aggressive cost cutting. Revenue of \$3.5bn is down -5% HoH and -3% YoY. Total costs are down -2% HoH and YoY.

■ **Mixed Outlook** — “2013 was not a great year for Standard Chartered, and 2014 will inevitably have its own challenges ... Our outlook for 2014 is one of modest growth. Market and trading conditions are more volatile and difficult than a year ago. While current performance momentum is ahead of the second half of last year, performance in the first half of 2014 will remain challenged both at an income and profit level ... Our priorities for 2014 flow naturally from our strategic aspirations and financial framework: First, to deliver profitable and capital accretive growth ... Second, to make tangible progress on our five strategic aspirations ... Third, to innovate, digitise and simplify in order to improve productivity and effectiveness.”

### Standard Chartered PLC (USD)

Year to 31 Dec	2012A	2013A	2014E	2015E	2016E
Net Income (\$M)	4,786.0	4,989.0	5,196.9	5,769.5	6,392.4
Diluted EPS (¢)	197.5	204.4	211.3	232.1	254.3
Diluted EPS (Old) (¢)	197.5	212.0	221.5	246.4	271.3
PE (x)	10.7	10.3	10.0	9.1	8.3
P/BV (x)	1.2	1.1	1.1	1.0	0.9
DPS (¢)	84.0	86.0	85.6	93.6	102.6
Net Div Yield (%)	4.0	4.1	4.0	4.4	4.9
ROE (%)	11.5	11.3	11.1	11.4	11.6



## Company Focus

## Standard Chartered Plc (2888.HK) Better Capital Position Than Feared

■ Please refer to the previous page on STAN.L

### ■ Target Price Change

<b>Buy</b>	<b>1</b>
Price (07 Mar 14)	HK\$162.70
Target price	HK\$201.00
<i>from HK\$206.00</i>	
Expected share price return	23.5%
Expected dividend yield	4.1%
<b>Expected total return</b>	<b>27.6%</b>
Market Cap	HK\$394,937M
	US\$50,888M

### Price Performance

(RIC: 2888.HK, BB: 2888 HK)



### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(US\$M)	(US¢)	(%)	(x)	(x)	(%)	(%)
2012A	4,786	197.5	-0.5	10.6	1.2	11.5	4.0
2013A	4,989	204.4	3.5	10.3	1.1	11.3	4.1
2014E	5,197	211.3	3.4	9.9	1.1	11.1	4.1
2015E	5,769	232.1	9.9	9.0	1.0	11.4	4.5
2016E	6,392	254.3	9.5	8.2	0.9	11.6	4.9

Source: Powered by dataCentral

Figure 16. Standard Chartered – Group Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Net Interest Income</b>	<b>8,470</b>	<b>10,153</b>	<b>10,781</b>	<b>6%</b>	<b>11,156</b>	<b>3%</b>	<b>11,558</b>	<b>4%</b>	<b>12,517</b>	<b>8%</b>	<b>13,638</b>	<b>9%</b>
Fee Income	4,238	4,046	4,079	1%	4,101	1%	4,332	6%	4,690	8%	5,091	9%
Trading Income	2,577	2,644	2,739	4%	2,514	-8%	2,472	-2%	2,685	9%	2,923	9%
Other	777	794	1,184	49%	1,006	-15%	1,043	4%	1,096	5%	1,150	5%
<b>Total Income</b>	<b>16,062</b>	<b>17,637</b>	<b>18,783</b>	<b>6%</b>	<b>18,777</b>	<b>0%</b>	<b>19,405</b>	<b>3%</b>	<b>20,988</b>	<b>8%</b>	<b>22,801</b>	<b>9%</b>
Staff Costs	-5,765	-6,630	-6,492	-2%	-6,570	1%	-6,701	2%	-7,103	6%	-7,530	6%
Premises and Equipment	-800	-862	-863	0%	-877	2%	-903	3%	-958	6%	-1,015	6%
Other Costs	-1,899	-1,804	-2,040	13%	-2,032	0%	-2,073	2%	-2,197	6%	-2,329	6%
Depreciation and other	-559	-621	-660	6%	-714	8%	-753	5%	-803	7%	-884	10%
<b>Total Operating Expenses</b>	<b>-9,023</b>	<b>-9,917</b>	<b>-10,055</b>	<b>1%</b>	<b>-10,193</b>	<b>1%</b>	<b>-10,430</b>	<b>2%</b>	<b>-11,061</b>	<b>6%</b>	<b>-11,757</b>	<b>6%</b>
<b>Operating Profit</b>	<b>7,039</b>	<b>7,720</b>	<b>8,728</b>	<b>13%</b>	<b>8,584</b>	<b>-2%</b>	<b>8,975</b>	<b>5%</b>	<b>9,928</b>	<b>11%</b>	<b>11,044</b>	<b>11%</b>
Prov. Loan loss (net)	-883	-899	-1,196	33%	-1,617	35%	-1,763	9%	-1,938	10%	-2,204	14%
Other	-76	-110	-863	NM	-129	NM	-22	NM	-18	-18%	-18	0%
Exceptionals	0	0	0		0		0		0		0	
Equity Method	42	74	182	146%	226	NM	239	NM	259	NM	280	NM
<b>Pre-tax Profit</b>	<b>6,122</b>	<b>6,785</b>	<b>6,851</b>	<b>1%</b>	<b>7,064</b>	<b>3%</b>	<b>7,429</b>	<b>5%</b>	<b>8,230</b>	<b>11%</b>	<b>9,102</b>	<b>11%</b>
Income Tax	-1,708	-1,842	-1,866	1%	-1,864	0%	-2,006	8%	-2,222	11%	-2,457	11%
Minorities	-82	-84	-98	17%	-110	12%	-116	5%	-128	11%	-142	11%
Pref Shares distributions	-101	-101	-101	0%	-101	0%	-110	9%	-110	0%	-110	0%
<b>Attributable Profit</b>	<b>4,231</b>	<b>4,758</b>	<b>4,786</b>	<b>1%</b>	<b>4,989</b>	<b>4%</b>	<b>5,197</b>	<b>4%</b>	<b>5,769</b>	<b>11%</b>	<b>6,392</b>	<b>11%</b>
<b>Per share data</b>												
<b>EPS</b>	<b>196.3c</b>	<b>201.1c</b>	<b>199.5c</b>	<b>-1%</b>	<b>206.2c</b>	<b>3%</b>	<b>213.1c</b>	<b>3%</b>	<b>234.1c</b>	<b>10%</b>	<b>256.4c</b>	<b>10%</b>
<b>Adj EPS</b>	<b>193.0c</b>	<b>198.5c</b>	<b>197.5c</b>	<b>0%</b>	<b>204.4c</b>	<b>3%</b>	<b>211.3c</b>	<b>3%</b>	<b>232.1c</b>	<b>10%</b>	<b>254.3c</b>	<b>10%</b>
Dividend	69.2c	76.0c	84.0c	11%	86.0c	2%	85.6c	0%	93.6c	9%	102.6c	10%
Payout Ratio	35%	38%	42%		42%		40%		40%		40%	
BVPS	1,563.8c	1,645.1c	1,817.9c	11%	1,843.9c	1%	1,977.9c	7%	2,124.1c	7%	2,282.3c	7%
Tangible BVPS	1,266.5c	1,349.0c	1,521.8c	13%	1,593.8c	5%	1,730.3c	9%	1,879.1c	9%	2,040.3c	9%
Number of shares (avg)	2,155.3c	2,366.0c	2,398.5c	1%	2,420.0c	1%	2,439.2c	1%	2,464.8c	1%	2,493.2c	1%
<b>Operating Ratios</b>												
<b>ROE</b>	<b>13.2%</b>	<b>12.5%</b>	<b>11.5%</b>		<b>11.3%</b>		<b>11.1%</b>		<b>11.4%</b>		<b>11.6%</b>	
Net Interest margin (NII/ ATA)	1.78%	1.83%	1.76%		1.71%		1.67%		1.68%		1.67%	
Provision charge / gross customer loans	40	35	44		57		59		60		63	
Cost / income ratio	56%	56%	54%		54%		54%		53%		52%	
Return on Avg Assets	0.89%	0.86%	0.78%		0.76%		0.75%		0.78%		0.78%	
Tangible Equity/ Assets	5.8%	5.4%	5.8%		5.7%		6.0%		6.0%		6.0%	
<b>Balance Sheet Summary</b>												
Total assets	516,542	592,686	631,208	8%	674,380	7%	708,099	5%	778,909	10%	856,800	10%
<b>Customer advances</b>	<b>240,358</b>	<b>266,790</b>	<b>279,638</b>	<b>5%</b>	<b>290,708</b>	<b>4%</b>	<b>307,990</b>	<b>6%</b>	<b>332,909</b>	<b>8%</b>	<b>363,440</b>	<b>9%</b>
Customer deposits	306,992	345,726	372,874	8%	381,066	2%	415,181	9%	453,920	9%	498,611	10%
Loan to deposit ratio	78%	77%	75%		76%		74%		73%		73%	
<b>Shareholders Equity ex Pref</b>	<b>36,718</b>	<b>39,220</b>	<b>43,867</b>	<b>12%</b>	<b>44,752</b>	<b>2%</b>	<b>48,486</b>	<b>8%</b>	<b>52,640</b>	<b>9%</b>	<b>57,242</b>	<b>9%</b>
Coverage	58%	64%	56%		54%		51%		47%		49%	
NPL Ratio	1.9%	1.6%	2.0%		2.2%		2.5%		2.8%		2.8%	
<b>RWA's Basel II from FY07</b>	<b>245,077</b>	<b>270,510</b>	<b>301,861</b>	<b>12%</b>	<b>322,251</b>	<b>7%</b>	<b>348,641</b>	<b>8%</b>	<b>369,560</b>	<b>6%</b>	<b>395,429</b>	<b>7%</b>
<b>Equity Tier 1 Ratio – B2</b>	<b>11.8%</b>	<b>11.8%</b>	<b>11.4%</b>		<b>11.4%</b>		<b>11.5%</b>		<b>11.8%</b>		<b>12.0%</b>	
<b>CET1 – B3</b>			<b>10.4%</b>		<b>10.9%</b>		<b>11.0%</b>		<b>11.3%</b>		<b>11.5%</b>	

Source: Company Reports and Citi Research Estimates

Figure 17. Standard Chartered – Geographic Profit and Loss Account, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Hong Kong</b>												
NII + internal income	1,234	1,602	1,675	5%	1,800	7%	1,935	8%	2,167	12%	2,428	12%
<b>Total Income</b>	<b>2,500</b>	<b>3,049</b>	<b>3,348</b>	<b>10%</b>	<b>3,725</b>	<b>11%</b>	<b>4,045</b>	<b>9%</b>	<b>4,481</b>	<b>11%</b>	<b>4,965</b>	<b>11%</b>
Costs	-1,355	-1,395	-1,572	13%	-1,666	6%	-1,751	5%	-1,873	7%	-2,005	7%
<b>Operating Profit</b>	<b>1,145</b>	<b>1,654</b>	<b>1,776</b>	<b>7%</b>	<b>2,059</b>	<b>16%</b>	<b>2,294</b>	<b>11%</b>	<b>2,608</b>	<b>14%</b>	<b>2,960</b>	<b>14%</b>
Bad Debts	-43	-103	-109	6%	-135	24%	-165	22%	-183	11%	-203	11%
Other	1	0	-7		-4		-4		0		0	
<b>Trading Profit</b>	<b>1,103</b>	<b>1,551</b>	<b>1,660</b>	<b>7%</b>	<b>1,920</b>	<b>16%</b>	<b>2,125</b>	<b>11%</b>	<b>2,425</b>	<b>14%</b>	<b>2,757</b>	<b>14%</b>
Consumer Bank	24,796	27,554	31,324	14%	34,105	9%	36,204	6%	38,856	7%	41,703	7%
Wholesale Bank	18,781	23,432	21,515	-8%	25,154	17%	28,172	12%	31,553	12%	35,340	12%
<b>Total Loans</b>	<b>43,516</b>	<b>50,914</b>	<b>52,765</b>	<b>4%</b>	<b>59,173</b>	<b>12%</b>	<b>64,290</b>	<b>9%</b>	<b>70,330</b>	<b>9%</b>	<b>76,964</b>	<b>9%</b>
Cost/ income ratio	54%	46%	47%		45%		43%		42%		40%	
<b>Singapore</b>												
NII + internal income	860	977	1,144	17%	1,070	-6%	1,100	3%	1,199	9%	1,343	12%
<b>Total Income</b>	<b>1,738</b>	<b>2,186</b>	<b>2,203</b>	<b>1%</b>	<b>2,132</b>	<b>-3%</b>	<b>2,144</b>	<b>1%</b>	<b>2,326</b>	<b>8%</b>	<b>2,523</b>	<b>8%</b>
Costs	-986	-1,105	-1,169	6%	-1,129	-3%	-1,122	-1%	-1,200	7%	-1,284	7%
<b>Operating Profit</b>	<b>752</b>	<b>1,081</b>	<b>1,034</b>	<b>-4%</b>	<b>1,003</b>	<b>-3%</b>	<b>1,022</b>	<b>2%</b>	<b>1,126</b>	<b>10%</b>	<b>1,239</b>	<b>10%</b>
Bad Debts	-33	-48	-66	38%	-88	33%	-109	23%	-131	21%	-158	21%
Other	-1	-31	-2		10		0		0		0	
<b>Trading Profit</b>	<b>718</b>	<b>1,002</b>	<b>966</b>	<b>-4%</b>	<b>925</b>	<b>-4%</b>	<b>914</b>	<b>-1%</b>	<b>994</b>	<b>9%</b>	<b>1,081</b>	<b>9%</b>
Consumer Bank	19,939	24,014	27,567	15%	28,762	4%	29,821	4%	31,067	4%	32,367	4%
Wholesale Bank	19,441	24,815	28,321	14%	33,451	18%	37,465	12%	41,961	12%	46,996	12%
<b>Loans</b>	<b>39,339</b>	<b>48,788</b>	<b>55,841</b>	<b>14%</b>	<b>62,154</b>	<b>11%</b>	<b>67,229</b>	<b>8%</b>	<b>72,971</b>	<b>9%</b>	<b>79,307</b>	<b>9%</b>
Cost/ income ratio	57%	51%	53%		53%		52%		52%		51%	
<b>Other Asia Pacific</b>												
NII + internal income	1,897	2,188	2,261	3%	2,376	5%	2,470	4%	2,668	8%	2,881	8%
<b>Total Income</b>	<b>3,165</b>	<b>3,511</b>	<b>3,672</b>	<b>5%</b>	<b>3,473</b>	<b>-5%</b>	<b>3,732</b>	<b>7%</b>	<b>4,051</b>	<b>9%</b>	<b>4,397</b>	<b>9%</b>
Costs	-1,970	-2,065	-2,258	9%	-2,118	-6%	-2,245	6%	-2,389	6%	-2,543	6%
<b>Operating Profit</b>	<b>1,195</b>	<b>1,446</b>	<b>1,414</b>	<b>-2%</b>	<b>1,355</b>	<b>-4%</b>	<b>1,488</b>	<b>10%</b>	<b>1,662</b>	<b>12%</b>	<b>1,853</b>	<b>12%</b>
Bad Debts	-152	-135	-221	64%	-415	88%	-530	28%	-683	29%	-890	30%
Other	-2	31	-157		-3		0		0		0	
<b>Trading Profit</b>	<b>1,083</b>	<b>1,415</b>	<b>1,217</b>	<b>-14%</b>	<b>1,161</b>	<b>-5%</b>	<b>1,197</b>	<b>3%</b>	<b>1,237</b>	<b>3%</b>	<b>1,243</b>	<b>0%</b>
Consumer Bank	25,651	27,913	26,702	-4%	25,149	-6%	26,295	5%	27,664	5%	29,107	5%
Wholesale Bank	22,515	23,890	22,526	-6%	24,248	8%	26,188	8%	30,116	15%	34,633	15%
<b>Loans</b>	<b>47,967</b>	<b>51,619</b>	<b>49,062</b>	<b>-5%</b>	<b>49,241</b>	<b>0%</b>	<b>52,326</b>	<b>6%</b>	<b>57,513</b>	<b>10%</b>	<b>63,474</b>	<b>10%</b>
Cost/ income ratio	62%	59%	61%		61%		60%		59%		58%	
<b>Korea</b>												
NII + internal income	1,109	1,364	1,336	-2%	1,198	-10%	1,120	-7%	1,142	2%	1,165	2%
<b>Total Income</b>	<b>1,698</b>	<b>1,718</b>	<b>1,852</b>	<b>8%</b>	<b>1,564</b>	<b>-16%</b>	<b>1,394</b>	<b>-11%</b>	<b>1,427</b>	<b>2%</b>	<b>1,460</b>	<b>2%</b>
Costs	-1,080	-1,335	-1,081	-19%	-1,120	4%	-965	-14%	-971	1%	-977	1%
<b>Operating Profit</b>	<b>618</b>	<b>383</b>	<b>771</b>	<b>101%</b>	<b>443</b>	<b>-43%</b>	<b>429</b>	<b>-3%</b>	<b>456</b>	<b>6%</b>	<b>483</b>	<b>6%</b>
Bad Debts	-226	-198	-249	26%	-427	71%	-402	-6%	-319	-21%	-259	-19%
Other	-4	-13	-8		-29		-20		-20		-20	
<b>Trading Profit</b>	<b>388</b>	<b>172</b>	<b>514</b>	<b>199%</b>	<b>-13</b>	<b>-103%</b>	<b>6</b>	<b>NM</b>	<b>116</b>	<b>NM</b>	<b>204</b>	<b>76%</b>
Consumer Bank	33,178	31,546	28,587	-9%	23,178	-19%	22,691	-2%	23,145	2%	23,607	2%
Wholesale Bank	7,007	6,646	7,710	16%	6,688	-13%	7,022	5%	7,374	5%	7,742	5%
<b>Loans</b>	<b>40,071</b>	<b>38,066</b>	<b>36,165</b>	<b>-5%</b>	<b>29,760</b>	<b>-18%</b>	<b>29,607</b>	<b>-1%</b>	<b>30,412</b>	<b>3%</b>	<b>31,244</b>	<b>3%</b>
Cost/ income ratio	64%	78%	58%		72%		69%		68%		67%	
<b>UK and AMERICAS</b>												
NII + internal income	508	995	1,112	12%	1,223	10%	1,230	1%	1,304	6%	1,382	6%
<b>Total Income</b>	<b>1,520</b>	<b>1,767</b>	<b>2,296</b>	<b>30%</b>	<b>2,227</b>	<b>-3%</b>	<b>2,184</b>	<b>-2%</b>	<b>2,276</b>	<b>4%</b>	<b>2,392</b>	<b>5%</b>
Costs	-1,235	-1,389	-1,338	-4%	-1,515	13%	-1,582	4%	-1,658	5%	-1,746	5%
<b>Operating Profit</b>	<b>285</b>	<b>378</b>	<b>958</b>	<b>153%</b>	<b>712</b>	<b>-26%</b>	<b>602</b>	<b>-15%</b>	<b>617</b>	<b>3%</b>	<b>647</b>	<b>5%</b>
Bad Debts	-24	-2	-32	1500%	-20	-38%	-64	218%	-114	80%	-165	44%
Other	-28	-8	-666		2		2		2		2	
<b>Trading Profit</b>	<b>233</b>	<b>369</b>	<b>261</b>	<b>-29%</b>	<b>696</b>	<b>167%</b>	<b>541</b>	<b>-22%</b>	<b>505</b>	<b>-7%</b>	<b>484</b>	<b>-4%</b>
Consumer Bank	3,040	3,437	3,919	14%	4,984	27%	5,475	10%	6,016	10%	6,611	10%
Wholesale Bank	38,398	42,139	47,023	12%	50,252	7%	50,755	1%	53,292	5%	58,621	10%
<b>Loans</b>	<b>41,393</b>	<b>45,510</b>	<b>50,879</b>	<b>12%</b>	<b>55,152</b>	<b>8%</b>	<b>56,165</b>	<b>2%</b>	<b>59,243</b>	<b>5%</b>	<b>65,167</b>	<b>10%</b>
Cost/ income ratio	81%	79%	58%		68%		72%		73%		73%	

Source: Company Reports and Citi Research Estimates

Figure 18. Standard Chartered – Geographic Profit and Loss Account, 2010-16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>Africa</b>												
NII + internal income	599	845	977	16%	1,121	15%	1,242	11%	1,379	11%	1,544	12%
<b>Total Income</b>	<b>1,246</b>	<b>1,382</b>	<b>1,593</b>	<b>15%</b>	<b>1,751</b>	<b>10%</b>	<b>1,937</b>	<b>11%</b>	<b>2,143</b>	<b>11%</b>	<b>2,401</b>	<b>12%</b>
Costs	-653	-714	-784	10%	-862	10%	-948	10%	-1,043	10%	-1,147	10%
<b>Operating Profit</b>	<b>593</b>	<b>668</b>	<b>809</b>	<b>21%</b>	<b>889</b>	<b>10%</b>	<b>988</b>	<b>11%</b>	<b>1,100</b>	<b>11%</b>	<b>1,254</b>	<b>14%</b>
Bad Debts	-24	-24	-38	58%	-270	611%	-199	-26%	-219	10%	-241	10%
Other	-10	-16	0		0		0		0		0	
<b>Trading Profit</b>	<b>559</b>	<b>628</b>	<b>771</b>	<b>23%</b>	<b>619</b>	<b>-20%</b>	<b>789</b>	<b>28%</b>	<b>881</b>	<b>12%</b>	<b>1,013</b>	<b>15%</b>
Consumer Bank	1,100	1,341	1,710	28%	2,083	22%	2,381	14%	2,722	14%	3,113	14%
Wholesale Bank	3,815	6,002	6,327	5%	6,077	-4%	6,685	10%	7,487	12%	8,610	15%
<b>Loans</b>	<b>4,876</b>	<b>7,294</b>	<b>7,974</b>	<b>9%</b>	<b>8,093</b>	<b>1%</b>	<b>9,025</b>	<b>12%</b>	<b>10,168</b>	<b>13%</b>	<b>11,682</b>	<b>15%</b>
Cost/ income ratio	52%	52%	49%		49%		49%		49%		48%	
<b>India</b>												
NII + internal income	1,116	985	1,049	6%	1,114	6%	1,115	0%	1,204	8%	1,325	10%
<b>Total Income</b>	<b>2,028</b>	<b>1,805</b>	<b>1,585</b>	<b>-12%</b>	<b>1,696</b>	<b>7%</b>	<b>1,646</b>	<b>-3%</b>	<b>1,778</b>	<b>8%</b>	<b>1,956</b>	<b>10%</b>
Costs	-749	-829	-753	-9%	-699	-7%	-685	-2%	-726	6%	-784	8%
<b>Operating Profit</b>	<b>1,279</b>	<b>976</b>	<b>832</b>	<b>-15%</b>	<b>997</b>	<b>20%</b>	<b>961</b>	<b>-4%</b>	<b>1,052</b>	<b>9%</b>	<b>1,171</b>	<b>11%</b>
Bad Debts	-79	-112	-165	47%	-195	18%	-205	5%	-193	-6%	-184	-4%
Other	-3	-60	9		-105		0		0		0	
<b>Trading Profit</b>	<b>1,197</b>	<b>804</b>	<b>676</b>	<b>-16%</b>	<b>697</b>	<b>3%</b>	<b>756</b>	<b>8%</b>	<b>859</b>	<b>14%</b>	<b>987</b>	<b>15%</b>
Consumer Bank	4,947	4,830	5,190	7%	5,085	-2%	5,359	5%	5,781	8%	6,241	8%
Wholesale Bank	6,400	6,407	6,827	7%	6,768	-1%	7,106	5%	7,817	10%	8,755	12%
<b>Loans</b>	<b>11,293</b>	<b>11,153</b>	<b>11,978</b>	<b>7%</b>	<b>11,815</b>	<b>-1%</b>	<b>12,386</b>	<b>5%</b>	<b>13,520</b>	<b>9%</b>	<b>14,917</b>	<b>10%</b>
Cost/ income ratio	37%	46%	48%		41%		42%		41%		40%	
<b>Middle East and Other S.Asia</b>												
NII + internal income	1,147	1,197	1,227	3%	1,254	2%	1,346	7%	1,453	8%	1,570	8%
<b>Total Income</b>	<b>2,167</b>	<b>2,219</b>	<b>2,234</b>	<b>1%</b>	<b>2,209</b>	<b>-1%</b>	<b>2,321</b>	<b>5%</b>	<b>2,507</b>	<b>8%</b>	<b>2,708</b>	<b>8%</b>
Costs	-995	-1,085	-1,100	1%	-1,084	-1%	-1,131	4%	-1,199	6%	-1,271	6%
<b>Operating Profit</b>	<b>1,172</b>	<b>1,134</b>	<b>1,134</b>	<b>0%</b>	<b>1,125</b>	<b>-1%</b>	<b>1,190</b>	<b>6%</b>	<b>1,308</b>	<b>10%</b>	<b>1,437</b>	<b>10%</b>
Bad Debts	-302	-277	-316	14%	-67	-79%	-89	33%	-96	8%	-104	8%
Other	-29	-13	-32		0		0		0		0	
<b>Trading Profit</b>	<b>841</b>	<b>844</b>	<b>786</b>	<b>-7%</b>	<b>1,058</b>	<b>35%</b>	<b>1,101</b>	<b>4%</b>	<b>1,212</b>	<b>10%</b>	<b>1,333</b>	<b>10%</b>
Consumer Bank	4,499	4,615	5,418	17%	6,456	19%	6,972	8%	7,530	8%	8,133	8%
Wholesale Bank	13,657	13,957	14,672	5%	14,271	-3%	15,413	8%	16,646	8%	17,977	8%
<b>Loans</b>	<b>17,949</b>	<b>18,434</b>	<b>19,952</b>	<b>8%</b>	<b>20,627</b>	<b>3%</b>	<b>22,268</b>	<b>8%</b>	<b>24,059</b>	<b>8%</b>	<b>25,993</b>	<b>8%</b>
Cost/ income ratio	46%	49%	49%		49%		49%		48%		47%	

Source: Company Reports and Citi Research Estimates

Figure 19. Standard Chartered – Consumer Bank, 2010-16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>GROUP TOTAL</b>												
<b>Total Revenues</b>	<b>6,079</b>	<b>6,791</b>	<b>7,021</b>	<b>3%</b>	<b>7,179</b>	<b>2%</b>	<b>7,492</b>	<b>4%</b>	<b>8,082</b>	<b>8%</b>	<b>8,732</b>	<b>8%</b>
Operating Costs	-4,176	-4,605	-4,596	0%	-4,632	1%	-4,660	1%	-4,923	6%	-5,209	6%
<b>Pre-Provision Profit</b>	<b>1,903</b>	<b>2,186</b>	<b>2,425</b>	<b>11%</b>	<b>2,547</b>	<b>5%</b>	<b>2,832</b>	<b>11%</b>	<b>3,159</b>	<b>12%</b>	<b>3,523</b>	<b>12%</b>
Bad Debts	-578	-515	-674	31%	-1,034	53%	-1,120	8%	-1,155	3%	-1,235	7%
Other	-12	-12	-2		37		41		41		41	
<b>Trading Profit</b>	<b>1,313</b>	<b>1,659</b>	<b>1,749</b>	<b>5%</b>	<b>1,550</b>	<b>-11%</b>	<b>1,753</b>	<b>13%</b>	<b>2,045</b>	<b>17%</b>	<b>2,329</b>	<b>14%</b>
Cost/Income	69%	68%	65%		65%		62%		61%		60%	
<b>HONG KONG</b>												
<b>Total Revenues</b>	<b>1,116</b>	<b>1,326</b>	<b>1,410</b>	<b>6%</b>	<b>1,561</b>	<b>11%</b>	<b>1,655</b>	<b>6%</b>	<b>1,804</b>	<b>9%</b>	<b>1,966</b>	<b>9%</b>
Operating Costs	-721	-702	-771	10%	-795	3%	-819	3%	-876	7%	-938	7%
<b>Pre-Provision Profit</b>	<b>395</b>	<b>624</b>	<b>639</b>	<b>2%</b>	<b>766</b>	<b>20%</b>	<b>836</b>	<b>9%</b>	<b>927</b>	<b>11%</b>	<b>1,028</b>	<b>11%</b>
Bad Debts	-45	-71	-95	34%	-139	46%	-155	12%	-171	10%	-188	10%
Others	0	0	0		0		0		0		0	
<b>Trading Profit</b>	<b>350</b>	<b>553</b>	<b>544</b>	<b>-2%</b>	<b>627</b>	<b>15%</b>	<b>681</b>	<b>9%</b>	<b>757</b>	<b>11%</b>	<b>841</b>	<b>11%</b>
Cost/Income	65%	53%	55%		51%		49%		49%		48%	
<b>SINGAPORE</b>												
<b>Total Revenues</b>	<b>728</b>	<b>924</b>	<b>974</b>	<b>5%</b>	<b>982</b>	<b>1%</b>	<b>1,035</b>	<b>5%</b>	<b>1,128</b>	<b>9%</b>	<b>1,230</b>	<b>9%</b>
Operating Costs	-384	-503	-553	10%	-546	2%	-566	4%	-606	7%	-648	7%
<b>Pre-Provision Profit</b>	<b>344</b>	<b>421</b>	<b>421</b>	<b>0%</b>	<b>436</b>	<b>4%</b>	<b>469</b>	<b>8%</b>	<b>523</b>	<b>11%</b>	<b>582</b>	<b>11%</b>
Bad Debts	-33	-29	-62	114%	-78	26%	-94	20%	-112	20%	-135	20%
Others	0	0	0		0		0		0		0	
<b>Trading Profit</b>	<b>311</b>	<b>392</b>	<b>359</b>	<b>-8%</b>	<b>358</b>	<b>0%</b>	<b>375</b>	<b>5%</b>	<b>410</b>	<b>9%</b>	<b>447</b>	<b>9%</b>
Cost/Income	53%	54%	57%		56%		55%		54%		53%	
<b>OTHER ASIA PACIFIC (EX KOREA)</b>												
<b>Total Revenues</b>	<b>1,478</b>	<b>1,613</b>	<b>1,596</b>	<b>-1%</b>	<b>1,620</b>	<b>2%</b>	<b>1,750</b>	<b>8%</b>	<b>1,890</b>	<b>8%</b>	<b>2,041</b>	<b>8%</b>
Operating Costs	-1,085	-1,104	-1,209	10%	-1,183	-2%	-1,254	6%	-1,329	6%	-1,409	6%
<b>Pre-Provision Profit</b>	<b>393</b>	<b>509</b>	<b>387</b>	<b>-24%</b>	<b>437</b>	<b>13%</b>	<b>496</b>	<b>13%</b>	<b>560</b>	<b>13%</b>	<b>632</b>	<b>13%</b>
Bad Debts	-122	-117	-186	59%	-310	67%	-372	20%	-446	20%	-536	20%
Others	-1	0	7		42		42		42		42	
<b>Trading Profit</b>	<b>270</b>	<b>392</b>	<b>208</b>	<b>-47%</b>	<b>169</b>	<b>-19%</b>	<b>166</b>	<b>-2%</b>	<b>156</b>	<b>-6%</b>	<b>138</b>	<b>-11%</b>
Cost/Income	73%	68%	76%		73%		72%		70%		69%	
<b>KOREA</b>												
<b>Total Revenues</b>	<b>1,058</b>	<b>1,153</b>	<b>1,183</b>	<b>3%</b>	<b>1,046</b>	<b>-12%</b>	<b>946</b>	<b>-10%</b>	<b>965</b>	<b>2%</b>	<b>984</b>	<b>2%</b>
Operating Costs	-797	-1,023	-795	-22%	-835	5%	-685	-18%	-685	0%	-685	0%
<b>Pre-Provision Profit</b>	<b>261</b>	<b>130</b>	<b>388</b>	<b>198%</b>	<b>211</b>	<b>-46%</b>	<b>261</b>	<b>24%</b>	<b>280</b>	<b>7%</b>	<b>299</b>	<b>7%</b>
Bad Debts	-139	-166	-223	34%	-371	66%	-352	-5%	-264	-25%	-198	-25%
Others	-4	-5	-1		-2		-2		-2		-2	
<b>Trading Profit</b>	<b>118</b>	<b>-41</b>	<b>164 NM</b>		<b>-162</b>	<b>-199%</b>	<b>-93</b>	<b>-42%</b>	<b>14</b>	<b>-115%</b>	<b>99</b>	<b>629%</b>
Cost/Income	75%	89%	67%		80%		72%		71%		70%	
<b>INDIA</b>												
<b>Total Revenues</b>	<b>493</b>	<b>482</b>	<b>440</b>	<b>-9%</b>	<b>466</b>	<b>6%</b>	<b>465</b>	<b>0%</b>	<b>502</b>	<b>8%</b>	<b>552</b>	<b>10%</b>
Operating Costs	-336	-352	-318	-10%	-304	-4%	-300	-1%	-318	6%	-344	8%
<b>Pre-Provision Profit</b>	<b>157</b>	<b>130</b>	<b>122</b>	<b>-6%</b>	<b>162</b>	<b>33%</b>	<b>165</b>	<b>2%</b>	<b>184</b>	<b>12%</b>	<b>209</b>	<b>13%</b>
Bad Debts	-56	-32	-27	-16%	-38	41%	-40	5%	-44	10%	-51	15%
Others	0	0	0		-4		0		0		0	
<b>Trading Profit</b>	<b>101</b>	<b>98</b>	<b>95</b>	<b>-3%</b>	<b>120</b>	<b>26%</b>	<b>125</b>	<b>4%</b>	<b>140</b>	<b>12%</b>	<b>158</b>	<b>13%</b>
Cost/Income	68%	73%	72%		65%		65%		63%		62%	

Source: Company Reports and Citi Research Estimates

Figure 20. Standard Chartered – Consumer Bank, 2010–16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>MESA</b>												
<b>Total Revenues</b>	<b>691</b>	<b>723</b>	<b>753</b>	<b>4%</b>	<b>801</b>	<b>6%</b>	<b>865</b>	<b>8%</b>	<b>934</b>	<b>8%</b>	<b>1,009</b>	<b>8%</b>
Operating Costs	-458	-487	-493	1%	-496	1%	-526	6%	-557	6%	-591	6%
<b>Pre-Provision Profit</b>	<b>233</b>	<b>236</b>	<b>260</b>	<b>10%</b>	<b>305</b>	<b>17%</b>	<b>339</b>	<b>11%</b>	<b>377</b>	<b>11%</b>	<b>418</b>	<b>11%</b>
Bad Debts	-159	-80	-51	-36%	-63	24%	-69	10%	-76	10%	-84	10%
Others	0	-1	0		0		0		0		0	
<b>Trading Profit</b>	<b>74</b>	<b>155</b>	<b>209</b>	<b>NM</b>	<b>242</b>	<b>16%</b>	<b>270</b>	<b>12%</b>	<b>301</b>	<b>11%</b>	<b>334</b>	<b>11%</b>
Cost/Income	66%	67%	65%		62%		61%		60%		59%	
<b>AFRICA</b>												
<b>Total Revenues</b>	<b>381</b>	<b>422</b>	<b>482</b>	<b>14%</b>	<b>529</b>	<b>10%</b>	<b>592</b>	<b>12%</b>	<b>664</b>	<b>12%</b>	<b>743</b>	<b>12%</b>
Operating Costs	-254	-268	-306	14%	-330	8%	-363	10%	-399	10%	-439	10%
<b>Pre-Provision Profit</b>	<b>127</b>	<b>154</b>	<b>176</b>	<b>14%</b>	<b>199</b>	<b>13%</b>	<b>229</b>	<b>15%</b>	<b>264</b>	<b>15%</b>	<b>304</b>	<b>15%</b>
Bad Debts	-19	-17	-20	18%	-22	10%	-24	10%	-27	10%	-29	10%
Other	-5	-6	0		0		0		0		0	
<b>Trading Profit</b>	<b>103</b>	<b>131</b>	<b>156</b>	<b>19%</b>	<b>177</b>	<b>13%</b>	<b>205</b>	<b>16%</b>	<b>238</b>	<b>16%</b>	<b>275</b>	<b>16%</b>
Cost/Income	67%	64%	63%		62%		61%		60%		59%	
<b>AMERICAS, UK &amp; OTHER</b>												
<b>Total Revenues</b>	<b>134</b>	<b>148</b>	<b>183</b>	<b>24%</b>	<b>174</b>	<b>-5%</b>	<b>184</b>	<b>6%</b>	<b>196</b>	<b>6%</b>	<b>207</b>	<b>6%</b>
Operating Costs	-141	-166	-151	-9%	-143	-5%	-147	3%	-152	3%	-156	3%
<b>Pre-Provision Profit</b>	<b>-7</b>	<b>-18</b>	<b>32</b>	<b>-278%</b>	<b>31</b>	<b>-3%</b>	<b>37</b>	<b>20%</b>	<b>44</b>	<b>18%</b>	<b>51</b>	<b>16%</b>
Bad Debts	-5	-3	-10	0%	-13	30%	-14	5%	-14	5%	-15	5%
Other	-2	0	-8		1		1		1		1	
<b>Trading Profit</b>	<b>-14</b>	<b>-21</b>	<b>14</b>	<b>NM</b>	<b>19</b>	<b>36%</b>	<b>25</b>	<b>29%</b>	<b>30</b>	<b>24%</b>	<b>37</b>	<b>21%</b>
Cost/Income	105%	112%	83%		82%		80%		78%		75%	
<b>Revenues by Product</b>												
Cards, Personal Loans and Unsecured Lending	2,044	2,422	2,668	10%	2,802	5%	2,942	5%	3,177	8%	3,431	8%
Wealth Management	1,138	1,272	1,268	0%	1,296	2%	1,360	5%	1,482	9%	1,616	9%
Deposits	1,202	1,409	1,526	8%	1,414	-7%	1,460	3%	1,577	8%	1,703	8%
Mortgages and Auto Finance	1,513	1,478	1,298	-12%	1,425	10%	1,478	4%	1,582	7%	1,700	8%
Others	182	210	261	24%	242	-7%	252	4%	264	5%	282	7%

Source: Company Reports and Citi Research Estimates

Figure 21. Standard Chartered – Wholesale Bank, 2010–16E (US Dollars in Millions)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>GROUP TOTAL</b>												
<b>Total Revenues</b>	<b>9,979</b>	<b>10,846</b>	<b>11,672</b>	<b>8%</b>	<b>11,492</b>	<b>-2%</b>	<b>11,913</b>	<b>4%</b>	<b>12,907</b>	<b>8%</b>	<b>14,069</b>	<b>9%</b>
Operating Costs	-4,840	-5,147	-5,285	3%	-5,326	1%	-5,470	3%	-5,778	6%	-6,128	6%
<b>Pre-Provision Profit</b>	<b>5,139</b>	<b>5,699</b>	<b>6,387</b>	<b>12%</b>	<b>6,166</b>	<b>-3%</b>	<b>6,443</b>	<b>4%</b>	<b>7,128</b>	<b>11%</b>	<b>7,941</b>	<b>11%</b>
Bad Debts	-305	-384	-522	36%	-583	12%	-643	10%	-784	22%	-969	24%
Other	-64	-99	-679		60		186		206		227	
<b>Trading Profit</b>	<b>4,770</b>	<b>5,216</b>	<b>5,186</b>	<b>-1%</b>	<b>5,643</b>	<b>9%</b>	<b>5,986</b>	<b>6%</b>	<b>6,551</b>	<b>9%</b>	<b>7,199</b>	<b>10%</b>
Cost/Income	49%	47%	45%		46%		46%		45%		44%	
<b>HONG KONG</b>												
<b>Total Revenues</b>	<b>1,384</b>	<b>1,723</b>	<b>1,938</b>	<b>12%</b>	<b>2,164</b>	<b>12%</b>	<b>2,391</b>	<b>10%</b>	<b>2,677</b>	<b>12%</b>	<b>2,999</b>	<b>12%</b>
Operating Costs	-634	-693	-801	16%	-871	9%	-932	7%	-997	7%	-1,067	7%
<b>Pre-Provision Profit</b>	<b>750</b>	<b>1,030</b>	<b>1,137</b>	<b>10%</b>	<b>1,293</b>	<b>14%</b>	<b>1,459</b>	<b>13%</b>	<b>1,680</b>	<b>15%</b>	<b>1,932</b>	<b>15%</b>
Bad Debts	2	-32	-14	NM	4	-129%	-10	-350%	-13	25%	-16	25%
Other	1	0	-7		-4		-4		-4		-4	
<b>Trading Profit</b>	<b>753</b>	<b>998</b>	<b>1,116</b>	<b>12%</b>	<b>1,293</b>	<b>16%</b>	<b>1,445</b>	<b>12%</b>	<b>1,664</b>	<b>15%</b>	<b>1,912</b>	<b>15%</b>
Cost/Income	46%	40%	41%		40%		39%		37%		36%	
<b>SINGAPORE</b>												
<b>Total Revenues</b>	<b>1,010</b>	<b>1,262</b>	<b>1,229</b>	<b>-3%</b>	<b>1,121</b>	<b>-9%</b>	<b>1,109</b>	<b>-1%</b>	<b>1,198</b>	<b>8%</b>	<b>1,294</b>	<b>8%</b>
Operating Costs	-602	-602	-616	2%	-583	-5%	-556	-5%	-595	7%	-636	7%
<b>Pre-Provision Profit</b>	<b>408</b>	<b>660</b>	<b>613</b>	<b>-7%</b>	<b>538</b>	<b>-12%</b>	<b>553</b>	<b>3%</b>	<b>603</b>	<b>9%</b>	<b>657</b>	<b>9%</b>
Bad Debts	0	-19	-4	-79%	-10	NM	-15	50%	-19	25%	-23	25%
Other	-1	-31	-2		10		10		10		10	
<b>Trading Profit</b>	<b>407</b>	<b>610</b>	<b>607</b>	<b>0%</b>	<b>538</b>	<b>-11%</b>	<b>548</b>	<b>2%</b>	<b>594</b>	<b>8%</b>	<b>644</b>	<b>8%</b>
Cost/Income	60%	48%	50%		52%		50%		50%		49%	
<b>OTHER ASIA PACIFIC</b>												
<b>Total Revenues</b>	<b>1,687</b>	<b>1,898</b>	<b>2,076</b>	<b>9%</b>	<b>1,837</b>	<b>-12%</b>	<b>1,983</b>	<b>8%</b>	<b>2,161</b>	<b>9%</b>	<b>2,356</b>	<b>9%</b>
Operating Costs	-885	-961	-1,049	9%	-935	-11%	-991	6%	-1,060	7%	-1,134	7%
<b>Pre-Provision Profit</b>	<b>802</b>	<b>937</b>	<b>1,027</b>	<b>10%</b>	<b>902</b>	<b>-12%</b>	<b>992</b>	<b>10%</b>	<b>1,101</b>	<b>11%</b>	<b>1,222</b>	<b>11%</b>
Bad Debts	-30	-18	-35	94%	-105	200%	-158	50%	-236	50%	-354	50%
Other	-1	31	17		179		197		217		238	
<b>Trading Profit</b>	<b>771</b>	<b>950</b>	<b>1,009</b>	<b>6%</b>	<b>976</b>	<b>-3%</b>	<b>1,031</b>	<b>6%</b>	<b>1,082</b>	<b>5%</b>	<b>1,105</b>	<b>2%</b>
Cost/Income	52%	51%	51%		51%		50%		49%		48%	
<b>KOREA</b>												
<b>Total Revenues</b>	<b>640</b>	<b>565</b>	<b>669</b>	<b>18%</b>	<b>517</b>	<b>-23%</b>	<b>448</b>	<b>-13%</b>	<b>462</b>	<b>3%</b>	<b>476</b>	<b>3%</b>
Operating Costs	-283	-312	-286	-8%	-285	0%	-280	-2%	-286	2%	-292	2%
<b>Pre-Provision Profit</b>	<b>357</b>	<b>253</b>	<b>383</b>	<b>51%</b>	<b>232</b>	<b>-39%</b>	<b>168</b>	<b>-28%</b>	<b>176</b>	<b>5%</b>	<b>184</b>	<b>5%</b>
Bad Debts	-87	-32	-26	-19%	-56	115%	-50	-11%	-55	10%	-61	10%
Other	0	-8	-7		-27		-20		-20		-20	
<b>Trading Profit</b>	<b>270</b>	<b>213</b>	<b>350</b>	<b>64%</b>	<b>149</b>	<b>-57%</b>	<b>98</b>	<b>-34%</b>	<b>101</b>	<b>3%</b>	<b>103</b>	<b>3%</b>
Cost/Income	44%	55%	43%		55%		63%		62%		61%	
<b>INDIA</b>												
<b>Total Revenues</b>	<b>1,531</b>	<b>1,323</b>	<b>1,145</b>	<b>-13%</b>	<b>1,230</b>	<b>7%</b>	<b>1,181</b>	<b>-4%</b>	<b>1,276</b>	<b>8%</b>	<b>1,403</b>	<b>10%</b>
Operating Costs	-413	-477	-435	-9%	-395	-9%	-385	-3%	-408	6%	-441	8%
<b>Pre-Provision Profit</b>	<b>1,118</b>	<b>846</b>	<b>710</b>	<b>-16%</b>	<b>835</b>	<b>18%</b>	<b>796</b>	<b>-5%</b>	<b>868</b>	<b>9%</b>	<b>963</b>	<b>11%</b>
Bad Debts	-23	-80	-138	73%	-157	14%	-165	5%	-149	-10%	-134	-10%
Other	-3	-60	9		-101		0		0		0	
<b>Trading Profit</b>	<b>1,092</b>	<b>706</b>	<b>581</b>	<b>-18%</b>	<b>577</b>	<b>-1%</b>	<b>631</b>	<b>9%</b>	<b>719</b>	<b>14%</b>	<b>829</b>	<b>15%</b>
Cost/Income	27%	36%	38%		32%		33%		32%		31%	

Source: Company Reports and Citi Research Estimates

Figure 22. Standard Chartered – Wholesale Bank, 2010–16E (US Dollars in Millions) (Cont'd)

	2010	2011	2012	% Chg	2013	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg
<b>MESA</b>												
<b>Total Revenues</b>	<b>1,476</b>	<b>1,496</b>	<b>1,481</b>	<b>-1%</b>	<b>1,408</b>	<b>-5%</b>	<b>1,456</b>	<b>3%</b>	<b>1,573</b>	<b>8%</b>	<b>1,699</b>	<b>8%</b>
Operating Costs	-537	-598	-607	2%	-588	-3%	-606	3%	-642	6%	-680	6%
<b>Pre-Provision Profit</b>	<b>939</b>	<b>898</b>	<b>874</b>	<b>-3%</b>	<b>820</b>	<b>-6%</b>	<b>851</b>	<b>4%</b>	<b>931</b>	<b>9%</b>	<b>1,018</b>	<b>9%</b>
Bad Debts	-143	-197	-265	35%	-4	-98%	-20	0%	-20	0%	-20	0%
Other	-29	-13	-32		0		0		0		0	
<b>Trading Profit</b>	<b>767</b>	<b>688</b>	<b>577</b>	<b>-16%</b>	<b>816</b>	<b>41%</b>	<b>831</b>	<b>2%</b>	<b>911</b>	<b>10%</b>	<b>998</b>	<b>10%</b>
Cost/Income	36%	40%	41%		42%		42%		41%		40%	
<b>AFRICA</b>												
<b>Total Revenues</b>	<b>865</b>	<b>960</b>	<b>1,111</b>	<b>16%</b>	<b>1,222</b>	<b>10%</b>	<b>1,344</b>	<b>10%</b>	<b>1,480</b>	<b>10%</b>	<b>1,658</b>	<b>12%</b>
Operating Costs	-399	-446	-478	7%	-532	11%	-585	10%	-644	10%	-708	10%
<b>Pre-Provision Profit</b>	<b>466</b>	<b>514</b>	<b>633</b>	<b>23%</b>	<b>690</b>	<b>9%</b>	<b>759</b>	<b>10%</b>	<b>836</b>	<b>10%</b>	<b>950</b>	<b>14%</b>
Bad Debts	-5	-7	-18	157%	-248	NM	-175	-29%	-193	10%	-212	10%
Other	-5	-10	0		0		0		0		0	
<b>Trading Profit</b>	<b>456</b>	<b>497</b>	<b>615</b>	<b>24%</b>	<b>442</b>	<b>-28%</b>	<b>584</b>	<b>32%</b>	<b>643</b>	<b>10%</b>	<b>738</b>	<b>15%</b>
Cost/Income	46%	46%	43%		44%		44%		44%		43%	
<b>AMERICAS, UK &amp; OTHER</b>												
<b>Total Revenues</b>	<b>1,386</b>	<b>1,619</b>	<b>2,023</b>	<b>25%</b>	<b>1,993</b>	<b>-1%</b>	<b>2,000</b>	<b>0%</b>	<b>2,080</b>	<b>4%</b>	<b>2,185</b>	<b>5%</b>
Operating Costs	-1,087	-1,058	-1,013	-4%	-1,137	12%	-1,135	0%	-1,146	1%	-1,169	2%
<b>Pre-Provision Profit</b>	<b>299</b>	<b>561</b>	<b>1,010</b>	<b>80%</b>	<b>856</b>	<b>-15%</b>	<b>865</b>	<b>1%</b>	<b>934</b>	<b>8%</b>	<b>1,016</b>	<b>9%</b>
Bad Debts	-19	1	-22	NM	-7	-68%	-50	614%	-100	100%	-150	50%
Other	-26	-8	-657		3		3		3		3	
<b>Trading Profit</b>	<b>254</b>	<b>554</b>	<b>331</b>	<b>-40%</b>	<b>852</b>	<b>157%</b>	<b>818</b>	<b>NM</b>	<b>837</b>	<b>NM</b>	<b>869</b>	<b>NM</b>
Cost/Income	78%	65%	50%		57%		57%		55%		54%	
<b>Revenues by Product</b>												
Lending and portfolio management	868	841	837	0%	818	-2%	856	5%	907	6%	962	6%
Transaction banking	2,770	3,247	3,636	12%	3,474	-4%	3,633	5%	4,035	11%	4,504	12%
-Trade	1,467	1,595	1,915	20%	1,845	-4%	1,955	6%	2,190	12%	2,474	13%
-Cash Management and Custody	1,303	1,652	1,721	4%	1,629	-5%	1,678	3%	1,846	10%	2,030	10%
Global markets	6,341	6,758	7,199	7%	7,200	0%	7,424	3%	7,964	7%	8,603	8%
- Financial markets	3,303	3,688	3,657	-1%	3,650	0%	3,730	2%	4,020	8%	4,341	8%
FX	1,200	1,434	1,277	-11%	1,413	11%	1,480	5%	1,598	8%	1,726	8%
Rates	837	893	965	8%	917	-5%	887	-3%	949	7%	1,025	8%
Commodities and Equities	411	603	521	-14%	507	-3%	527	4%	569	8%	615	8%
Capital markets	541	548	591	8%	558	-6%	575	3%	621	8%	671	8%
Credit and other	314	210	303	44%	255	-16%	261	2%	282	8%	305	8%
- ALM	912	921	837	-9%	754	-10%	770	2%	816	6%	881	8%
- Corporate finance	1,710	1,873	2,222	19%	2,519	13%	2,625	4%	2,809	7%	3,033	8%
- Principal finance	416	276	483	75%	277	-43%	299	8%	320	7%	347	8%

Source: Company Reports and Citi Research Estimates



## Standard Chartered PLC

### Company description

Standard Chartered Bank (SC) is an unusual bank. It is listed in the UK but is an emerging market bank. Among EM-listed banks, Standard Chartered is unusual as it offers diversified exposure to multiple markets, including Hong Kong, Korea, India, Singapore, among others in Asia, as well as Africa and the Middle East. Asia (incl Middle-East) is by far the most important region for SC, in 2013 accounting for 79% of revenues and 81% of PBT.

### Investment strategy

We rate Standard Chartered Buy. We see the following key investment positives:

**Network Banking:** SCB has an international network in over 70 countries, including over 40 countries in Asia, Africa and the Middle East. Only few other international banks have a comparable network in these emerging markets. Local banking champions often have a deeper presence in individual countries, but none has a comparable cross-border network. The network helps SC in Wholesale Banking, especially FX, trade finance and cash management.

**Solid Funding Base:** SC has a strong client funding franchise, reflecting its roots in Asian markets with high savings rates. SC client deposits have grown at a double-digit CAGR in the past few years. We forecast strong deposit growth going forward, similar to client loan growth. However, lendable deposit ratios are tighter in some markets due to reserve requirements (eg India, China, Indonesia).

**Client Growth Profile:** Most SC key markets are enjoying rapid growth. We forecast a high single-digit underlying revenue CAGR from 2015 onwards. This is still an attractive growth albeit not the double-digits growth rate achieved during 2004-2008.

### Valuation

Our Standard Chartered (SCB) target price is £15.50. We primarily value Standard Chartered using the average of two-stage dividend discount models (DDMs) and peer group SOTPs. We also reference to historical valuation multiples to verify our target price.

### Risks

We note the following risks to our forecasts and target price:

**Economic Risks and Growth Risks:** SC has grown its balance sheet rapidly in the 2000s, but in the past 12-18 months loan growth has slowed. We have an upbeat economic forecast for SC's key markets in 2014, but any deterioration in the economic environment could raise asset quality concerns.

**Competition and Margin Weakness:** Low interest rates put pressure on returns in deposit-heavy businesses, including cash management in WB and current accounts in CB. The group's low LDR is a drag on returns in a low rate environment and higher rates will help returns, in particular in CB. Many of the markets in which SC operates are a strategic growth priority for many banks, international and regional, and this is also placing pressure on product margins (eg trade finance) and staff and general costs.

**Rising Rates and EM Valuation:** Emerging market stocks often underperform when US\$ rates rise. Our analysis of banks' performance through rate cycles shows that UK international banks (HSBC, Standard Chartered) have underperformed the broader European equity market when \$ short rates increase faster than long rates and the yield curve. In other rate scenarios (long-end led flattening or steepening, or a short-end led steepening) UK international banks have typically outperformed or performed in-line with the broader market.

**Political Risks:** SC operates in many countries which are considered higher risk political environments, including South Asia and Africa.

## Standard Chartered Plc

### Company description

Standard Chartered Bank (SC) is an unusual bank. It is listed in the UK but is an emerging market bank. Among EM-listed banks, Standard Chartered is unusual as it offers diversified exposure to multiple markets, including Hong Kong, Korea, India, Singapore, among others in Asia, as well as Africa and the Middle East. Asia (incl Middle-East) is by far the most important region for SC, in 2013 accounting for 79% of revenues and 81% of PBT.

### Investment strategy

We rate Standard Chartered Buy. We see the following key investment positives:

**Network Banking:** SCB has an international network in over 70 countries, including over 40 countries in Asia, Africa and the Middle East. Only few other international banks have a comparable network in these emerging markets. Local banking champions often have a deeper presence in individual countries, but none has a comparable cross-border network. The network helps SC in Wholesale Banking, especially FX, trade finance and cash management.

**Solid Funding Base:** SC has a strong client funding franchise, reflecting its roots in Asian markets with high savings rates. SC client deposits have grown at a double-digit CAGR in the past few years. We forecast strong deposit growth going forward, similar to client loan growth. However, lendable deposit ratios are tighter in some markets due to reserve requirements (eg India, China, Indonesia).

**Client Growth Profile:** Most SC key markets are enjoying rapid growth. We forecast a high single-digit underlying revenue CAGR from 2015 onwards. This is still an attractive growth albeit not the double-digits growth rate achieved during 2004-2008.

### Valuation

Our Standard Chartered (SCB) target price is HK\$201 (£15.50). We primarily value Standard Chartered using the average of two-stage dividend discount models (DDMs) and peer group SOTPs. We also reference to historical valuation multiples to verify our target price.

### Risks

We note the following risks to our forecasts and target price:

**Economic Risks and Growth Risks:** SC has grown its balance sheet rapidly in the 2000s, but in the past 12-18 months loan growth has slowed. We have an upbeat economic forecast for SC's key markets in 2014 but any deterioration in the economic environment could raise asset quality concerns.

**Competition and Margin Weakness:** Low interest rates put pressure on returns in deposit-heavy businesses, including cash management in WB and current accounts in CB. The group's low LDR is a drag on returns in a low rate environment and higher rates will help returns, in particular in CB. Many of the markets in which SC operates are a strategic growth priority for many banks, international and regional, and this is also placing pressure on product margins (e.g. trade finance) and staff and general costs.

**Rising Rates and EM Valuation:** Emerging market stocks often underperform when US\$ rates rise. Our analysis of banks' performance through rate cycles shows that UK international banks (HSBC, Standard Chartered) have underperformed the broader European equity market when \$ short rates increase faster than long rates and the yield curve. In other rate scenarios (long-end led flattening or steepening, or a short-end led steepening) UK international banks have typically outperformed or performed in-line with the broader market.

**Political Risks:** SC operates in many countries which are considered higher risk political environments, including South Asia and Africa.

## Appendix A-1

### Analyst Certification

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### IMPORTANT DISCLOSURES

#### Standard Chartered PLC (STAN.L)

##### Ratings and Target Price History Fundamental Research

Analyst: Ronit Ghose



	Date	Rating	Target Price	Closing Price
1	21-Mar-11	1M	*22.00	16.22
2	23-Jun-11	1M	*20.00	15.34
3	7-Oct-11	Stock rating system changed		
4	8-Oct-11	*1	20.00	13.27
5	12-Oct-11	1	*18.00	14.35

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	28-Nov-11	1	*17.50	13.40
7	2-Mar-12	1	*18.25	16.26
8	1-Jan-13	1	*18.50	15.74
9	31-Jan-13	1	*19.20	16.78
10	27-Feb-13	1	*20.00	17.75

	Date	Rating	Target Price	Closing Price
11	11-Apr-13	1	*19.00	16.55
12	13-May-13	1	*17.75	15.53
13	4-Dec-13	1	*16.50	13.39

Rating/target price changes above reflect Eastern Standard Time

#### Standard Chartered PLC (STAN.L)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Ronit Ghose



	Date	Rating	Target Price	Closing Price
1	11-May-11	*REM MP	-	15.88
2	1-Jul-11	*ADD MP	-	16.72

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	8-Feb-12	*REM MP	-	15.97
4	15-Oct-12	*ADD MP	-	14.62

	Date	Rating	Target Price	Closing Price
5	11-Apr-13	*REM MP	-	16.55

Rating/target price changes above reflect Eastern Standard Time

## Standard Chartered Plc (2888.HK)

### Ratings and Target Price History Fundamental Research

Analyst: Ronit Ghose

Covered since July 28 2011



	Date	Rating	Target Price	Closing Price
1	28-Jul-11	*1M	*252.00	202.20
2	5-Aug-11	1M	*254.00	190.80
3	7-Oct-11	Stock rating system changed		
4	8-Oct-11	*1	254.00	161.10

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	28-Nov-11	1	*212.00	156.20
6	2-Mar-12	1	*226.00	201.40
7	1-Jan-13	1	*232.00	196.00
8	31-Jan-13	1	*235.00	204.40

	Date	Rating	Target Price	Closing Price
9	11-Apr-13	1	*226.00	197.70
10	14-May-13	1	*219.00	185.10
11	4-Dec-13	1	*206.00	182.60

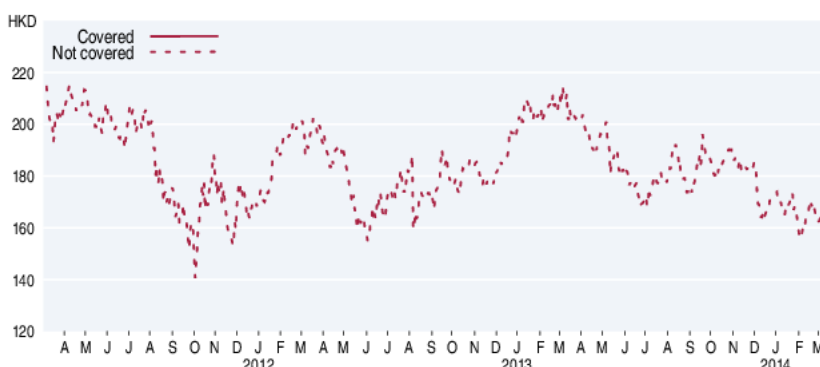
Rating/target price changes above reflect Eastern Standard Time

## Standard Chartered Plc (2888.HK)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Ronit Ghose

Covered since July 28 2011



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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### Citi Research Equity Ratings Distribution

Data current as of 31 Dec 2013

Citi Research Global Fundamental Coverage

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
49%	40%	12%	6%	88%	6%

% of companies in each rating category that are investment banking clients 55% 52% 44% 62% 52% 49%

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