

# Standard Chartered

## High Single Digits Revenue Growth is the New Double Digits

- Double Digit Revenues A Challenge** — Standard Chartered (SC) management have a rolling medium-term ambition to deliver double-digit revenue growth. However net interest income (NII) growth rates slowed to close to zero in 2H12 versus 1H12. The weakness was across most key markets. For Wholesale Banking (WB) the near term outlook for NII growth is relatively challenging. We believe the 8% reported NII growth in 2012 could slow further (2013E: +6%) making it very tough to grow overall revenues at >10%. We believe investors should get used to high single digit growth in revenues being the “New Double Digit” growth rate for SC. However in 2012 SC demonstrated strong cost flexibility (cost growth ex US charges was only 3%). The ability to release investment spend in the budget means operating profit growth of c10% is still feasible.
- Money Flows to Asia** — WB NII is being hurt by the Asia liquidity glut, as well as the renewed focus from rival banks on Asian WB, especially in trade finance and cash management. FED and ECB balance sheet expansion in 2008, and again by the ECB in 2011, led to a flood of liquidity into Asian markets that helped lower borrowing costs. It is not a co-incidence that SC's WB NII came under pressure in the immediate aftermath of the Central Bank balance sheet expansion. Next it is the turn of the BoJ to pick up the monetary easing baton, which will help lower margins again in WB. In addition, most banks active in the Asian region appear to prioritise growth in trade finance and cash management. The Japanese banks, with their 17-34% yoy Asian loan growth rates in 2011-12 are a good example of the attraction of Asian WB.
- Reiterate Buy, Lower TP** — We reiterate our Buy rating on SC, but remove it from our Most Preferred list, based on near term NII headwinds. However long-term this could be offset by gains in FX & Markets, as well as continued strength in Corporate Finance. In addition slower revenue growth will likely be accompanied by positive operational leverage. SC's valuation also remains attractive. It currently trades at 1.3x FY13E P/B with an RoE of 13.0%. Our target price of £19.00/HK\$226 is based on the average of a two-stage dividend discount model (DDM) and a peer group SOTP. Our peer SOTP model benchmarks peer valuations in key SC markets. Our new £19 TP (down from £20) reflects a c2ppt EPS cut on lower NII and reduced Asian peer group multiples.

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Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Standard	2888.HK	1	1	HK\$235.00	HK\$226.00	US\$236.0	US\$236.0
Standard Chartered	STAN.L	1	1	£20.00	£19.00	US\$240.5	US\$236.0

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

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## High Single Digits is the New Double Digits

**SC delivered robust revenue growth FY12 but 2H12 NII was flat hoh and other income boosted results**

In 2012 Standard Chartered (SC) delivered headline NII and total revenue growth of 8% in USD terms, or c10% growth for both items on a constant currency basis. With exceptionally tight cost control relative to recent periods, 2012 expenses increased only 3% yoy, after adjusting for the US settlement costs. As a result, 2012 pre-provision profit growth increased 15% yoy (ex US charges).

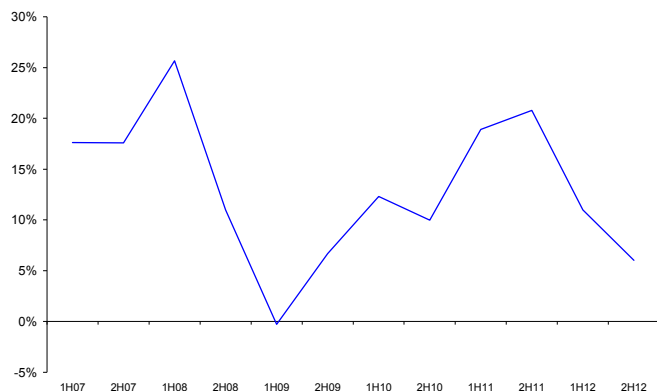
However, if we focus on the standalone 2H12 numbers, the picture looks less rosy. 2H12 revenues grew 8% yoy on a reported basis, similar to the FY12 numbers, but the quality of the revenue growth appeared to be weaker. 2H12 other income increased 36% yoy, while NII increased only 6% yoy and was flat 2H12 vs 1H12. SC's core banking franchise in Asia is suffering from declining margins due to increased credit supply and insufficient demand growth. The duration and severity of the NIM pressure is unclear, but the trend is negative.

## Net Interest Income Is Under Pressure

**1H11 NII growth rate peaked at c15% hoh, boosted by market share and re-pricing opportunities**

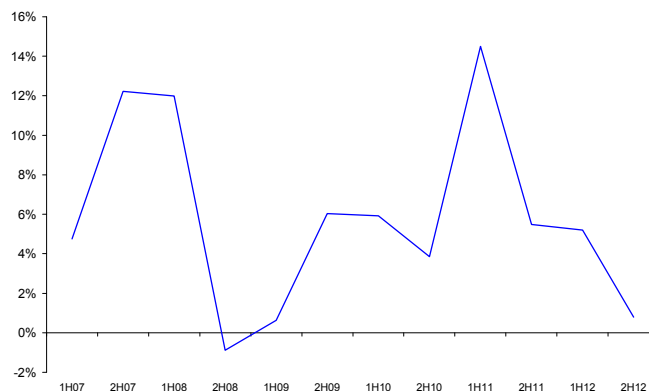
Net Interest Income growth for Standard Chartered has flat-lined in the recent half-year period. The recent peak in yoy NII growth was 2H11 at 21% yoy as SC benefitted from the market share and re-pricing opportunity from the tightening in global liquidity conditions, especially for the EU banks suffering from the effects of the unfolding Euro Area sovereign risk crisis. Growth rates on a hoh basis peaked in 1H11 at c15%. Only eighteen months later, SC's NII growth rate is close to zero.

Figure 1. STAN Group NII Change YoY% (1H07 – 2H12)



Source: Company Reports

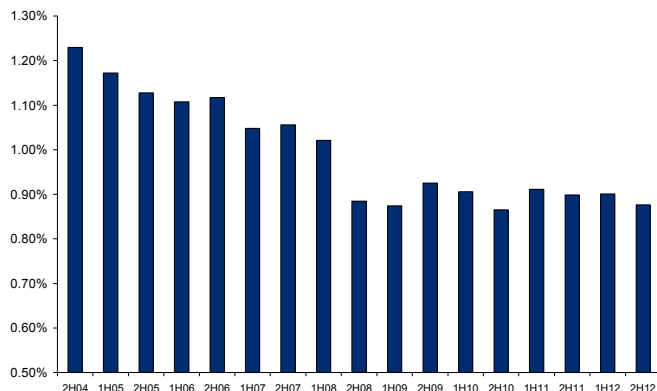
Figure 2. STAN Group NII Change HoH% (1H07 – 2H12)



Source: Company Reports

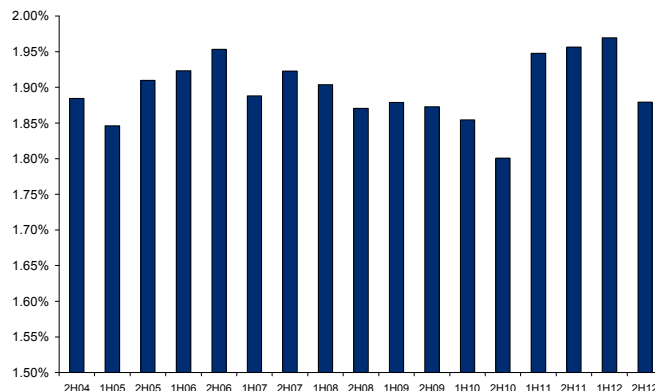
The group's NII, as a % of total assets and risk-weighted assets, has declined over the past few reporting periods. The NII/ATA ratio for the group at 0.88% was only marginally above the recent lowest point of 0.87% witnessed in 1H10. The rise and fall in NII has been even more marked if we compare NII to RWAs, dropping to a trough of 1.80% in 2H10, rebounding to a recent peak of 1.97% in 1H12, before again declining to 1.88% in 2H12.

Figure 3. STAN Group NII / Avg TA % (2H04 – 2H12)



Source: Company Reports

Figure 4. STAN Group NII / Avg RWAs % (2H04 – 2H12)



Source: Company Reports

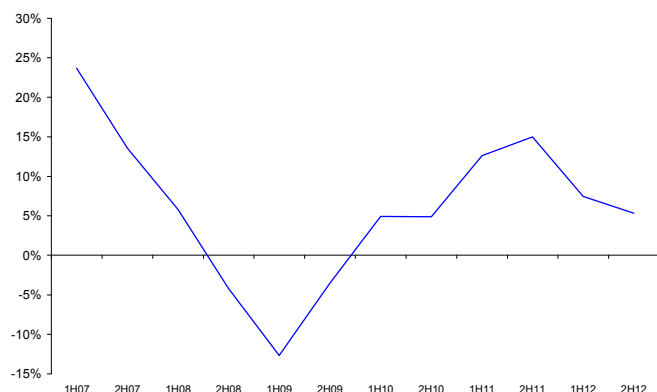
The NII decline trend can be seen across both major business segments of the group. In Consumer Banking, although the NII growth rate was slightly up hoh, there was a drop in the yoy growth. By contrast the Wholesale Banking (WB) growth trends were largely negative: the 2H12 NII growth rate was down for WB both on a hoh and a yoy basis. And for 2H12 relative to 1H12, the absolute NII also declined – not just the NII growth rate – for the first time in 5 years.

Looking ahead to 2013-14, CB NII should be supported by stabilising mortgage margins, reflecting regulatory efforts to increase risk-weighting, and by faster growth in higher margin unsecured consumer and SME lending (albeit the stand-alone pricing may come under pressure as banks reallocate capital in markets such as HK from a slowing housing market). Also an increasing tilt to higher margin unsecured lending pushes up normalized CB loan losses.

**WB NII hurt by Asia liquidity glut and bank COE's focus on Asian WB, especially trade and cash**

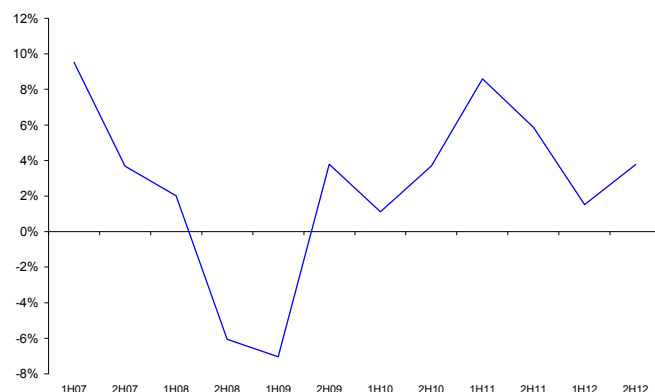
However, it is the WB NII that is of greater concern: liquidity is likely to remain abundant in Asia, too many banks (local, regional, international) have a strategic focus on growing Asian WB, and demand is not growing fast enough to absorb this increased credit supply. The inevitable result of this excess supply will be ongoing price pressure. Our conversations with a wide variety of banks and bankers in Asia over the past days leave us cautious about how price sensitive this supply is.

Figure 5. STAN CB Segment NII Change YoY% (1H07 – 2H12)



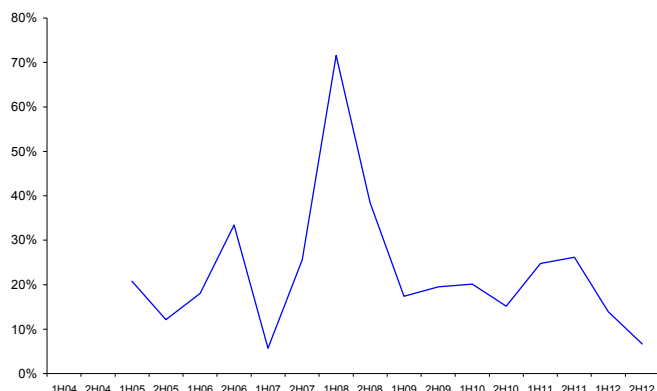
Source: Company Reports

Figure 6. STAN CB Segment NII Change HoH% (1H07 – 2H12)



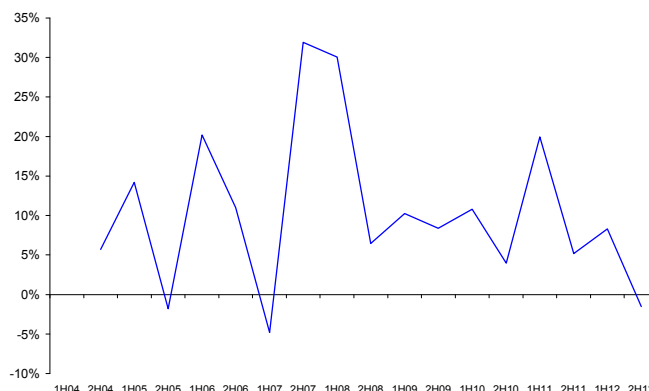
Source: Company Reports

Figure 7. STAN WB Segment NII Change YoY% (2H04 – 2H12)



Source: Company Reports

Figure 8. STAN WB Segment NII Change HoH% (2H04 – 2H12)



Source: Company Reports

## NII Declining Across Region, HK Weak

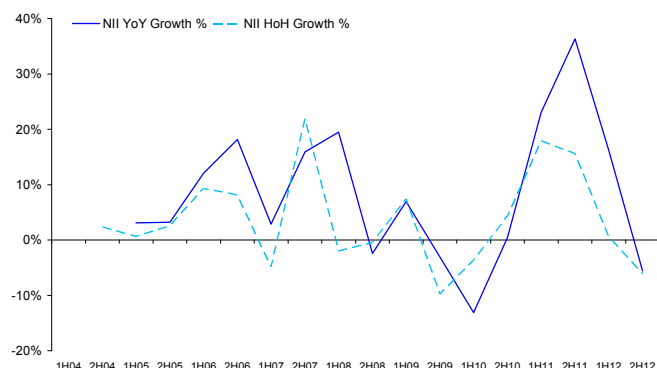
**Most geographies had either both yoy and hoh NII decline (eg Hong Kong) or had one of the two (eg Singapore)**

Looking at individual geographies, Africa was the only major region in which SC operates where it witnessed noticeable 2H12 NII growth both on a yoy and hoh basis. In most key geographies SC either saw 2H12 NII decline both hoh and yoy (incl HK, Korea) or had growth yoy but not hoh (eg Singapore, Other APAC). The 2H12 weakness in NII in the core country franchises, such as HK or Singapore, reflects pressure on the core commercial banking NIM, with 2H12 hoh revenues declining in cash management and dropping to close to zero growth in trade finance.

**Trade finance NIM below 130bps in 1Q13 versus 144bps 2012 average; ALM and cash management also down**

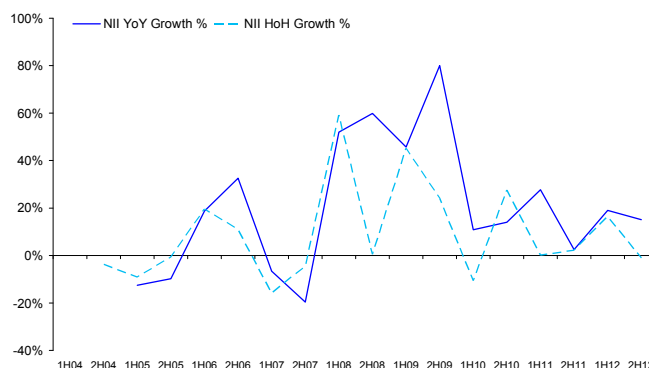
Pressure is particularly acute in 1Q13 in trade finance margins, which look set to fall below 130bps, having exited 2012 at 138bps and averaged 2012 at 144bps. We would expect further pressure on trade margins going forward given the high level of strategic focus on the trade business by bank CEOs. Cash management margins have been under pressure due to low interest rates, which also hurt ALM income in 2H12 due to lower re-investment yields. In addition, regulatory pressure on banks to reduce inter-bank funding had led to a focus on raising client deposits; however, this may ease somewhat given recent regulatory moves towards greater forbearance (eg Jan 2012 LCR relaxation).

Figure 9. STAN HK NII Change % (2H04 – 2H12)



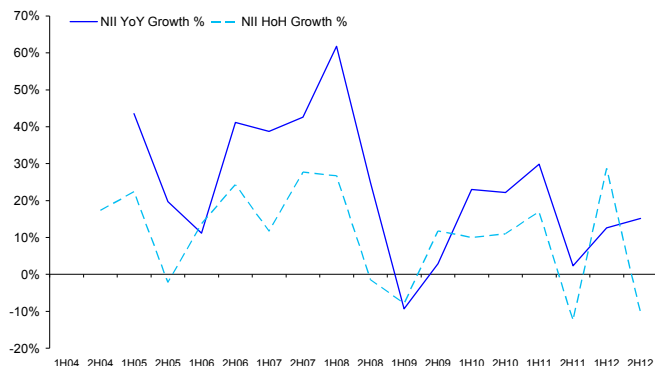
Source: Company Reports; Note: NII includes internal revenue

Figure 10. STAN SG NII Change % (2H04 – 2H12)



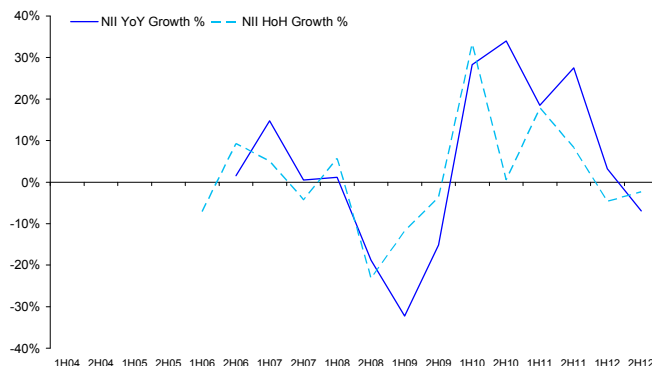
Source: Company Reports; Note: NII includes internal revenue

Figure 11. STAN Other APAC NII Change % (2H04 – 2H12)



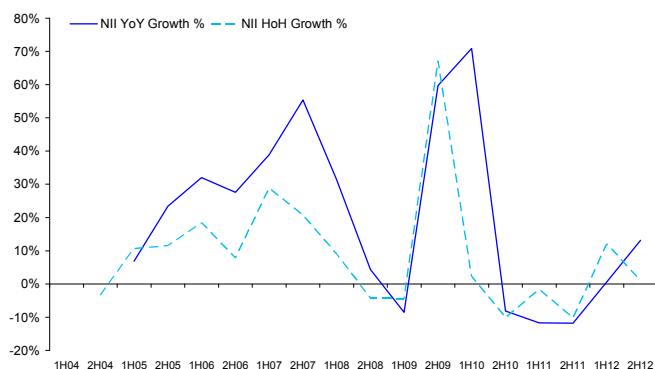
Source: Company Reports; Note: NII includes internal revenue

Figure 12. STAN Korea NII Change % (1H06 – 2H12)



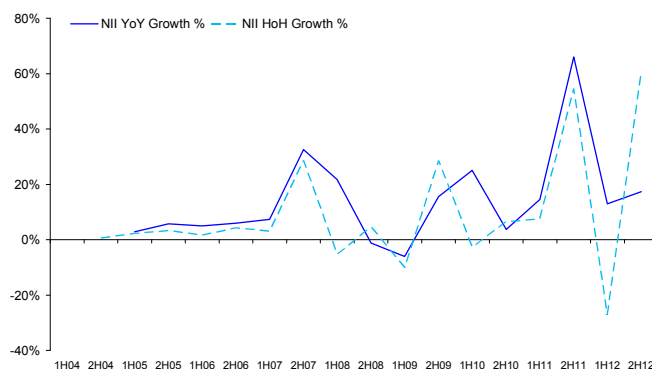
Source: Company Reports; Note: NII includes internal revenue

Figure 13. STAN India NII Change % (2H04 – 2H12)



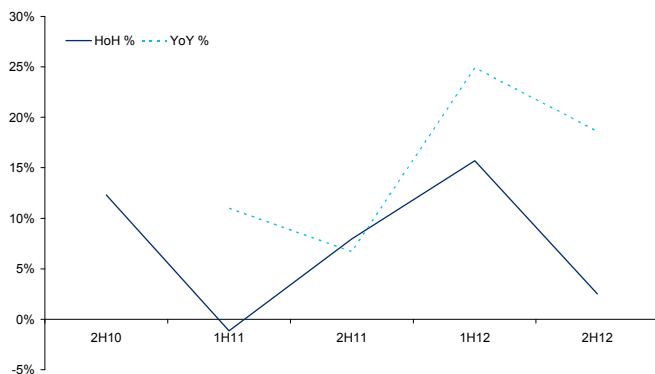
Source: Company Reports; Note: NII includes internal revenue

Figure 14. STAN Africa NII Change % (2H04 – 2H12)



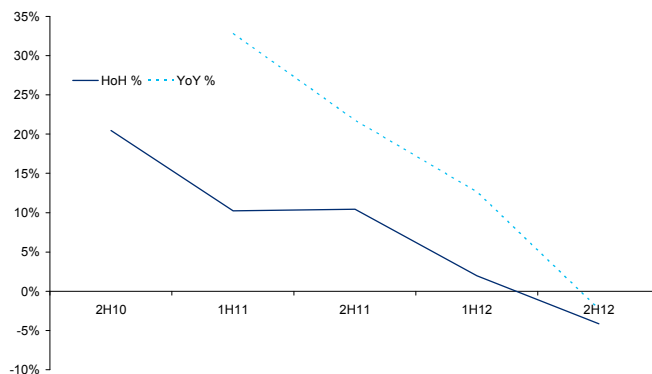
Source: Company Reports; Note: NII includes internal revenue

Figure 15. STAN – Trade Revenues Growth %



Source: Citi Research, Company

Figure 16. STAN – Cash Management & Custody Revenue Gr %



Source: Citi Research, Company

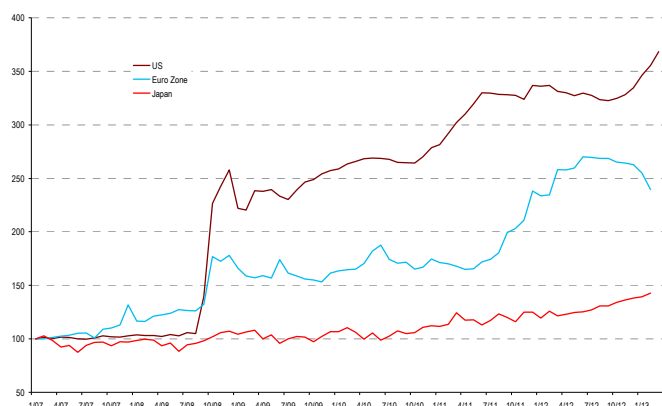
## What's Driving Asian Credit Supply?

**Global central bank easing has coincided with STAN margin pressure: Japan next after Fed/ECB**

The abundant liquidity that is helping push down Asian wholesale banking margins is driven by a couple of big picture factors. Concerted central bank monetary action since the global financial crisis, first by the US (and to a lesser extent the ECB) in 2008, and then again in 2H11/1H12 by the ECB has led to large expansion in Central Bank balance sheet size. Monetary action to support weak developed market economies has spilled over into Asia. It is probably no coincidence that SC's NIM declined notably in 2H08 and 2H12, shortly after the Fed (and ECB) and ECB (LTRO) monetary actions.

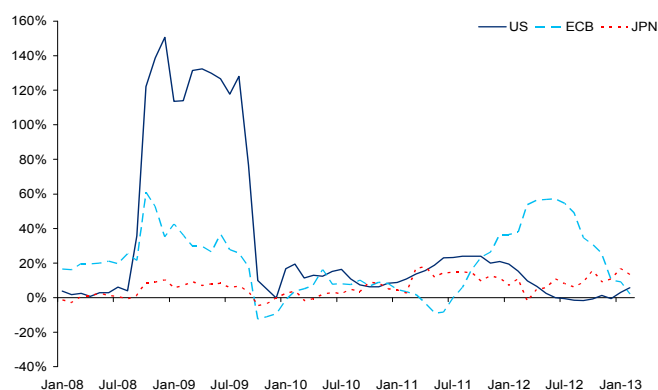
The Fed and the ECB may no longer be expanding their balance sheet at the rate as before but the BoJ is promising to step into the breach to provide the latest developed market Central Bank balance sheet shock. If the history of 2008 and 2011-12 is to be repeated the net result will be yet another increase in global liquidity and potential further pressure on Asian wholesale banking margins. Bank of Japan (BoJ) outlined its new policy recently of aggressive monetary easing by doubling the monetary base over the next two years, more than doubling JGB holdings and doubling its purchasing of ETFs and other risk assets.

Figure 17. Central Bank Balance Sheet Trend (Jan 07 – Feb 13)



Source: Citi Research, Haver; Note: Indexed to 100 at Jan 2007

Figure 18. Central Bank Balance Sheet Growth YoY % (Jan 08 – Feb 13)



Source: Haver, Citi Research

**Asian WB credit supply also driven by the large number of banks focused on this segment**

The second important driver of rising credit supply in Asia is the strategic focus of a vast number of banks to expand their Asian wholesale banking business, especially in the post GFC banking segment of choice: cash and trade. Asian growth is a strategic focus for a lot of banks, whether they are regional banks growing more outside their immediate neighborhood (such as ANZ or the Singaporeans), the historically internationally active Europeans returning post LTRO support, the North Americans looking to deploy surplus capital or the Japanese flush with excess liquidity on a hunt for yield and some recovery of historically strong market shares.

The Japanese banks in recent years are illustrative of the rapid growth of "foreign banks" in Asia. During 2010-2012 the large Japanese banks hardly had any loan growth in their home market. However over this period they expanded in Asia ex Japan at a double digit rate every year. There was also strong expansion of Japanese banks in America and to a lesser extent in Europe but it has not matched their rate of growth in Asia. With the BoJ embarking upon its aggressive easing policy, the combination of reduced local government bond buying opportunities and a depreciating yen, will likely push the Japanese banks to continue to expand their Asia ex Japan balance sheet.

**Leading Japanese banks growing their Asian loan book between 17% and 34% in past couple of years**

Figure 19. Japanese Banks' Overseas Loan Growth %

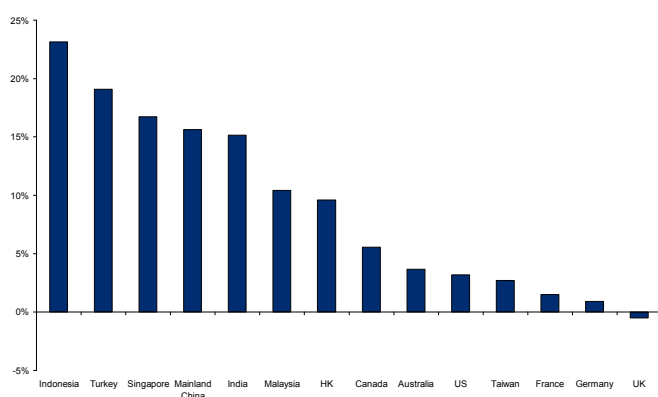
		FY2010	FY2011	FY2012E
Mizuho	Asia	24.5%	27.4%	18.4%
	America	5.7%	12.7%	8.6%
	Europe	-13.4%	17.9%	1.0%
	Others	-3.6%	13.2%	12.6%
	Japan	-0.4%	-2.5%	0.5%
MUFG	Asia	15.0%	22.5%	16.8%
	America	2.5%	16.0%	10.9%
	Europe	-7.6%	11.0%	8.6%
	Others	-6.0%	-5.0%	6.6%
	Japan	-5.8%	1.8%	1.2%
SMFG	Asia	12.0%	33.8%	17.8%
	America	6.7%	5.3%	9.3%
	Europe	-8.2%	15.4%	24.0%
	Others	9.1%	1.4%	14.3%
	Japan	-3.4%	-1.3%	0.9%

Source: Company Reports, Citi Research

## Growth Yes; But Credit Slowing

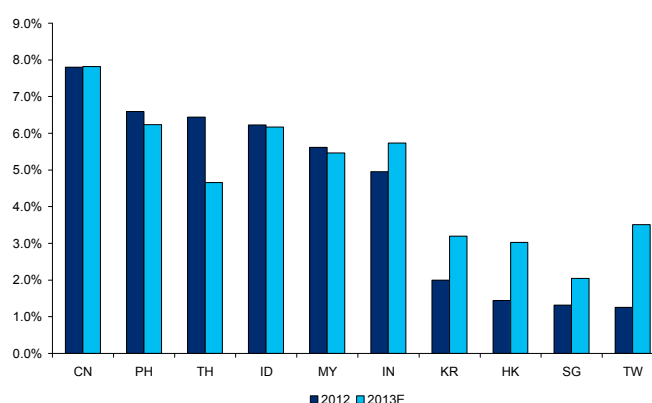
Asia does have growth. In 2012, most of the faster growing larger economies in the world for lending were in Asia, led by Indonesia. China and India loan growth in 2012 was in the mid-teens. By contrast, US and EU system loan growth was in the low single digits. At the same time, we expect most of the major Asian markets to grow 2013 GDP at the same or faster rate relative to 2012. In fact our Economists are forecasting faster GDP growth in 2013 relative to 2012 in most of SC's core markets, including Hong Kong, Singapore, India, Korea and Taiwan.

Figure 20. System YoY Credit Growth



Source: Citi Research, Central Bank Websites; Data as of Dec 12

Figure 21. GDP Growth for Major Asian Markets

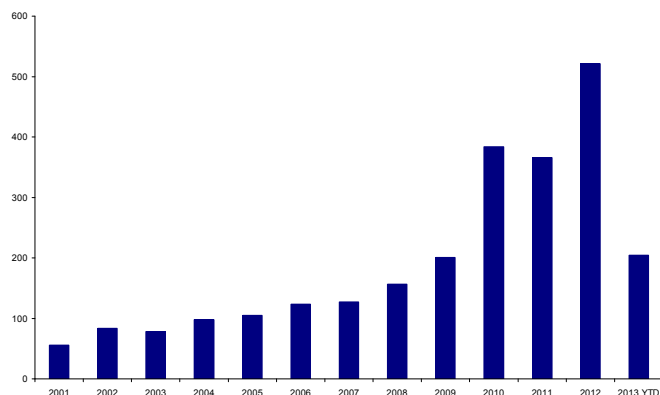


Source: CEIC, Citi Economists

**Asian syndicated lending volumes down yoy and we expect slower system credit growth in 7 of 10 Asian markets**

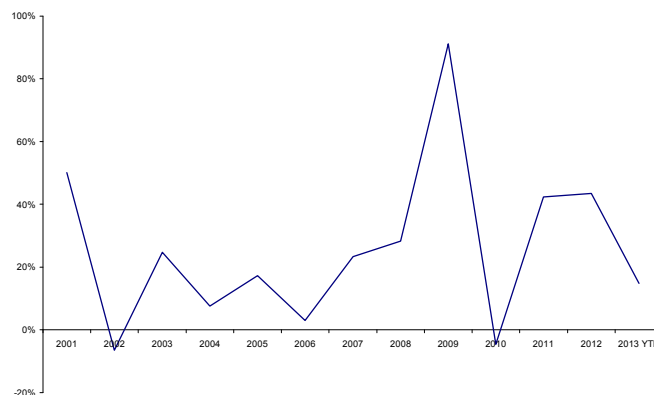
However, some of the indicators for 2013 bank credit growth are not as strong as last year. For instance, Asia loan syndication volumes are down yoy in 1Q13 despite being up for the US and Europe. By contrast, Asian DCM volumes are up yoy in 1Q13. While we note that the strength in DCM is a global trend, Asian corporate bonds also benefit from a structural growth driver as they are typically very under-developed. Many loan syndications are getting refinanced in the bond market. While the growth in DCM is a healthy development for the system and provides the banks with a new source of fee income the growth of DCM provides further competition for bank loan margins.

Figure 22. Asia DCM Volumes (USD Bn) (2001-YTD 2013)



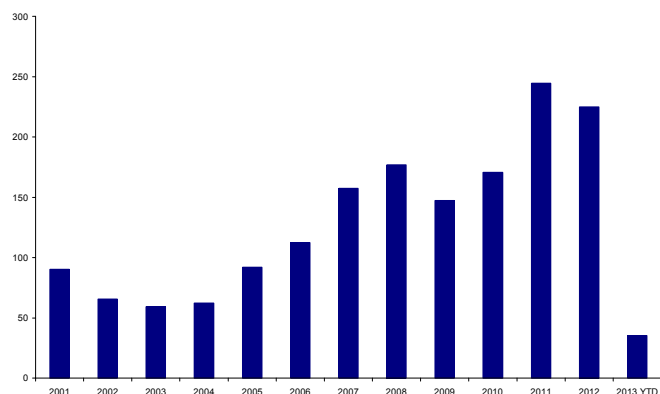
Source: Citi Research, Dealogic; Note: Excludes sovereign

Figure 23. Asia DCM Volume Trends (YoY %) (2001-YTD 2013)



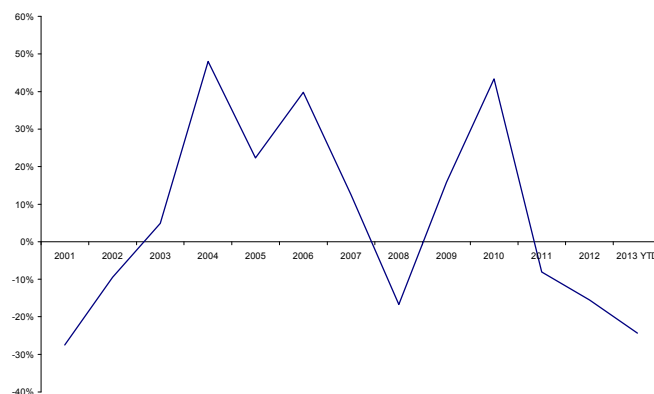
Source: Citi Research, Dealogic; Note: Excludes sovereign

Figure 24. Asia Loan Syndication Volumes (USD Bn) (2001-YTD 2013)



Source: Citi Research, Dealogic

Figure 25. Asia Loan Syndication Volume Trends (YoY %) (2001-YTD 2013)

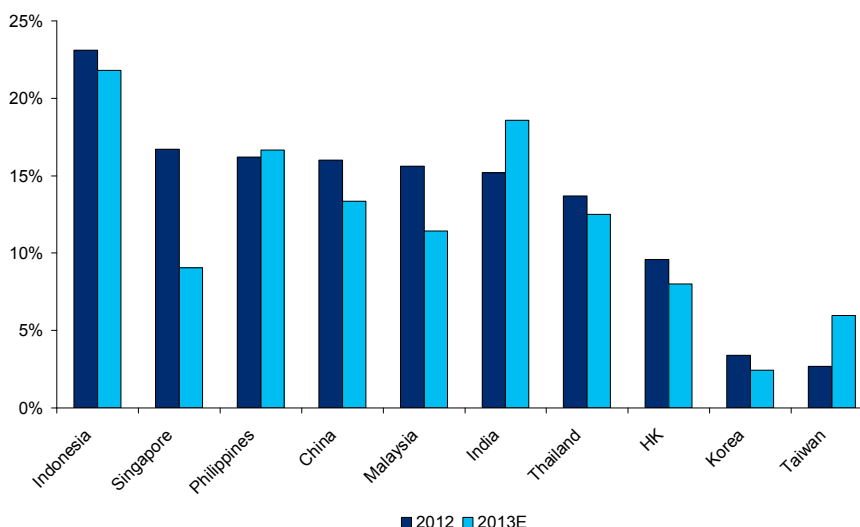


Source: Citi Research, Dealogic

Turning our focus to total loan growth, we forecast a slight decline in overall credit growth for seven of the ten markets we cover in Asia. While the absolute level of loan growth in most of these markets is still stellar compared to the US or Europe, and some moderation of credit growth is probably a good thing from a qualitative perspective (in terms of feeding any of the current real estate bubbles in the region or dampening down future NPL generation), the bottom line is that both syndicated loan data for recent quarters and our overall loan system forecasts for 2013 are indicating a slowdown in credit growth. Reduced lending, combined with increasing liquidity, is a recipe for further incremental margin erosion.



Figure 26. System Credit Growth Trends in Asia, 2012-2013E



Source: Citi Research, CEIC; NOTE: 2013E values are average of our coverage

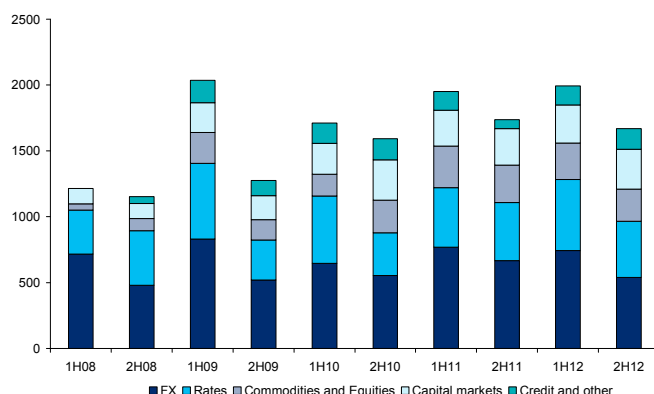
## Better Financial Markets, Corporate Finance

**We expect fee and trading income to accelerate in 2013 versus 2012, helped by better FX, markets and corporate finance**

While net interest income may not be exciting for 1H13, we could see a recovery in fee and trading income. SC's Financial Markets revenues in 2H12 were impacted by lower FX, rates, commodities and equities business. FX revenues have declined from 52% of SC's Financial Markets revenues in 1H08, to 32% in 2H12. The growth has come in other product areas such as commodities, capital markets and credit and other business areas.

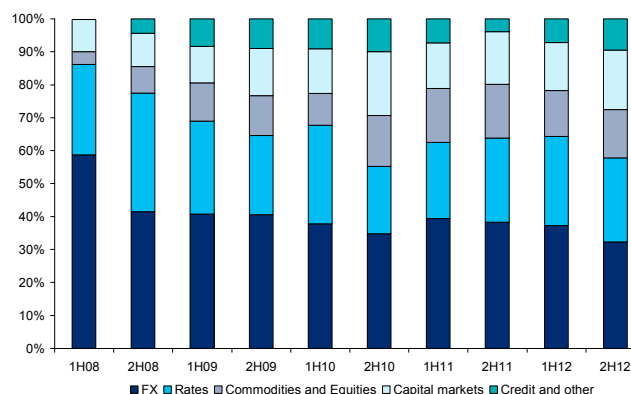
However, we believe the core FX business could bounce back. This is partly due to seasonality as 1Q/1H is usually a strong markets quarter for activity levels, but also due to strong trade growth expected in Asia in 2013 Asia by our Economists and also technical factors such as an uptick in overall currency volatility. While we do not expect a repeat in 2013 of the FX revenue performance at SC in 2012 (-11% yoy), by their nature trading line items are harder to predict relative to Transaction Banking or Consumer Banking revenues.

Figure 27. STAN Financial Markets Revenue Trend (1H08-2H12)



Source: Company Reports

Figure 28. STAN Financial Markets Revenue Split (1H08-2H12)



Source: Company Reports

**2012 FX revenues generally hurt by low volatility and for HK FX hit by reduced CNY/CNH spread**

For the HK based FX business, one factor to consider is the the spread between USDCNY (ie onshore rate) and USDCNH (offshore rate) which can drive trading and speculative activities. The CNY vs CNH spread was very limited for much of 2012. Having picked up in late 2012 / early 2013, this spread has narrowed again suggested reduced FX activity linked to this factor. More generically for global FX revenues, higher volatility levels can drive higher revenues. The declining volatility levels (see CVIX indexed below) from 4Q11 through 4Q12 were accompanied by declining FX revenues for many banks. During 1Q13, FX volatility has picked up from the levels of end-2012, but compared to 2009-10 levels of FX volatility are still not particularly high.

**Figure 29. Spread of USDCNY vs USDCNH (Aug 2010 – Apr 2013)**



Source: Bloomberg, Citi Research

**Figure 30. CVIX Index (Mar 05 – Apr 13)**

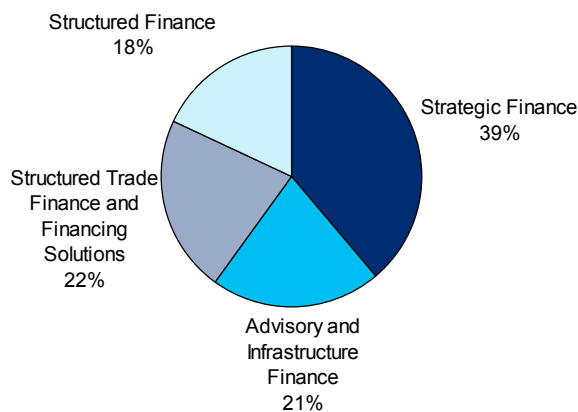


Source: Bloomberg, Citi Research

**Corporate finance revenues growing at c20% yoy in 2012-13, c60% NII based, longer duration vs rest of book**

Another growing business for the group that management flagged at FY12 results as doing well is corporate finance, which increased revenues 19% yoy last year and had a very strong start to 2013 in terms of realized revenues and pipeline outlook. SC management are keen to stress that their “corporate finance” unit is not an M&A or advisory business typical of an investment bank. For instance, c60% of 2012 SC corporate finance revenues in 2012 are NII based and generally long tenor business relative to say plain vanilla trade finance and thus attracts fewer competitors. By product line, the revenues splits as follows: strategic finance (comprising of ECM and leveraged finance) generated 39% of the corporate finance business revenue, structured trade finance and financing solutions comprised another 22%, advisory and infrastructure 21% and structured finance 18%.

**Figure 31. Corporate Finance Revenue Split**



Source: Company Presentations; Note: Based on average revenues for 1H11 & 1H12

## Footnote: On FX translation

In 2012, FX translation headwinds from mainly the Won and Rupee reduced reported SC revenue growth by c2ppt. We now calculate that based on the current USD vs Won and INR rates the net impact of FX translation should be close to zero for 2013 yoy or a net c2ppt improvement from last year's headwind. So this is another incremental positive versus 2012. However, recently both the Won and the INR has sold off due to political concerns (Korea) and weak macro data (India). The Won is -4% versus the USD over the past month and -7% ytd.

Figure 32. 2013E FX Impact Analysis

	Revenues USD M 2013E	FX Impact	Revenues, USD M At constant (2012) Exchange Rates for IN, KO & SG
India	1,693	- 57	1,750
Korea	1,910	78	1,832
Singapore	2,442	29	2,413
<b>Add:</b>			
HK	3,695		3,695
Other APAC	4,440		4,440
UK & Americas	2,347		2,347
Africa	1,804		1,804
MESA	2,397		2,397
<b>Group</b>	<b>20,728</b>		<b>20,678</b>
<b>Fx Impact</b>			<b>0.2%</b>
<b>Memo:</b>			
<b>(% Chg)</b>	<b>-1 M</b>	<b>YTD</b>	<b>YoY</b>
INR	-0.3%	0.9%	-5.5%
KRW	-4.0%	-6.7%	0.0%

Source: Citi Research, Datacentral; Note: Negative number in memo signifies depreciation

**Our updated Standard Chartered group and divisional models are set out in Figures 33-39 on the following pages.**

Figure 33. STAN - Summary Group P&L (\$m)

	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>Net Interest Income</b>	<b>7,623</b>	<b>8,470</b>	<b>10,153</b>	<b>20%</b>	<b>11,010</b>	<b>8%</b>	<b>11,715</b>	<b>6%</b>	<b>12,752</b>	<b>9%</b>	<b>13,951</b>	<b>9%</b>
Fee Income	3,370	4,238	4,046	-5%	4,121	2%	4,631	12%	5,080	10%	5,549	9%
Trading Income	2,890	2,577	2,644	3%	2,748	4%	3,090	12%	3,383	9%	3,687	9%
Other	1,301	777	794	2%	1,192	50%	1,144	-4%	1,217	6%	1,271	4%
<b>Total Income</b>	<b>15,184</b>	<b>16,062</b>	<b>17,637</b>	<b>10%</b>	<b>19,071</b>	<b>8%</b>	<b>20,582</b>	<b>8%</b>	<b>22,432</b>	<b>9%</b>	<b>24,458</b>	<b>9%</b>
Staff Costs	-4,912	-5,765	-6,630	15%	-6,584	-1%	-6,929	5%	-7,483	8%	-8,082	8%
Premises and Equipment	-698	-800	-862	8%	-886	3%	-950	7%	-1,026	8%	-1,098	7%
Other Costs	-1,822	-1,899	-1,804	-5%	-2,091	16%	-2,225	6%	-2,403	8%	-2,571	7%
Depreciation and other	-520	-559	-621	11%	-668	8%	-778	17%	-784	1%	-821	5%
<b>Total Operating Expenses</b>	<b>-7,952</b>	<b>-9,023</b>	<b>-9,917</b>	<b>10%</b>	<b>-10,229</b>	<b>3%</b>	<b>-10,882</b>	<b>6%</b>	<b>-11,697</b>	<b>7%</b>	<b>-12,572</b>	<b>7%</b>
<b>Operating Profit</b>	<b>7,232</b>	<b>7,039</b>	<b>7,720</b>	<b>10%</b>	<b>8,842</b>	<b>15%</b>	<b>9,699</b>	<b>10%</b>	<b>10,735</b>	<b>11%</b>	<b>11,886</b>	<b>11%</b>
Prov. Loan loss (net)	-2,000	-883	-899	2%	-1,221	36%	-1,417	16%	-1,597	13%	-1,834	15%
Other	-102	-76	-110	45%	-861 NM		-63	-93%	-63	0%	-63	0%
Exceptionals		0	0		0		0		0		0	
Equity Method	21	42	74	76%	116	57%	130	12%	145	12%	160	11%
<b>Pre-tax Profit</b>	<b>5,151</b>	<b>6,122</b>	<b>6,785</b>	<b>11%</b>	<b>6,876</b>	<b>1%</b>	<b>8,349</b>	<b>21%</b>	<b>9,221</b>	<b>10%</b>	<b>10,150</b>	<b>10%</b>
Income Tax	-1,674	-1,708	-1,842	8%	-1,891	3%	-2,326	23%	-2,582	11%	-2,842	10%
Minorities	-97	-82	-84	2%	-98	17%	-118	20%	-130	10%	-143	10%
Pref Shares distributions	-101	-101	-101	0%	-101	0%	-110	9%	-110	0%	-110	0%
<b>Attributable Profit</b>	<b>3,279</b>	<b>4,231</b>	<b>4,758</b>	<b>12%</b>	<b>4,786</b>	<b>1%</b>	<b>5,795</b>	<b>21%</b>	<b>6,399</b>	<b>10%</b>	<b>7,054</b>	<b>10%</b>
<b>Per share data</b>												
<b>EPS</b>	<b>161.9c</b>	<b>196.3c</b>	<b>201.1c</b>	<b>2%</b>	<b>199.5c</b>	<b>-1%</b>	<b>239.0c</b>	<b>21%</b>	<b>261.2c</b>	<b>9%</b>	<b>284.7c</b>	<b>9%</b>
<b>Adj EPS</b>	<b>159.4c</b>	<b>193.0c</b>	<b>198.5c</b>	<b>3%</b>	<b>197.0c</b>	<b>-1%</b>	<b>236.0c</b>	<b>20%</b>	<b>258.0c</b>	<b>9%</b>	<b>281.2c</b>	<b>9%</b>
Dividend	66.0c	69.2c	76.0c	10%	84.0c	11%	95.6c	14%	104.5c	9%	113.9c	9%
Payout Ratio	41%	35%	38%		42%		40%		40%		40%	
BVPS	1,302.0c	1,627.4c	1,707.8c	5%	1,879.9c	10%	2,032.7c	8%	2,197.9c	8%	2,376.1c	8%
Tangible BVPS	986.8c	1,330.2c	1,411.6c	6%	1,576.9c	12%	1,732.6c	10%	1,901.1c	10%	2,082.7c	10%
Number of shares (avg)	2,025.1c	2,155.3c	2,366.0c	10%	2,398.5c	1%	2,424.9c	1%	2,450.1c	1%	2,477.8c	1%
<b>Operating Ratios</b>												
<b>ROE</b>	<b>13.3%</b>	<b>12.9%</b>	<b>12.1%</b>		<b>11.1%</b>		<b>12.2%</b>		<b>12.3%</b>		<b>12.4%</b>	
Net Interest margin (NII/ ATA)	1.75%	1.78%	1.83%		1.79%		1.75%		1.73%		1.72%	
Provision charge / gross customer loans	107	40	35		44		47		48		50	
Cost / income ratio	52%	56%	56%		54%		53%		52%		51%	
Return on Avg Assets	0.75%	0.89%	0.86%		0.78%		0.87%		0.87%		0.87%	
Tangible Equity/ Assets	4.7%	6.0%	5.7%		6.0%		6.0%		6.1%		6.1%	
<b>Balance Sheet Summary</b>												
Total assets	436,653	516,542	592,686	8%	636,518	8%	701,761	10%	771,937	10%	849,131	10%
<b>Customer advances</b>	<b>198,292</b>	<b>240,358</b>	<b>266,790</b>	<b>11%</b>	<b>283,885</b>	<b>6%</b>	<b>315,020</b>	<b>11%</b>	<b>349,794</b>	<b>11%</b>	<b>388,582</b>	<b>11%</b>
Customer deposits	251,244	306,992	345,726	13%	377,639	9%	414,779	10%	456,930	10%	503,369	10%
Loan to deposit ratio	79%	78%	77%		75%		76%		77%		77%	
<b>Shareholders Equity</b>	<b>27,340</b>	<b>38,212</b>	<b>40,714</b>	<b>7%</b>	<b>45,362</b>	<b>11%</b>	<b>49,534</b>	<b>9%</b>	<b>54,141</b>	<b>9%</b>	<b>59,221</b>	<b>9%</b>
Coverage	71%	58%	64%		57%		54%		54%		58%	
NPL Ratio	2.0%	1.9%	1.6%		2.0%		2.3%		2.5%		2.5%	
<b>RWA's Basel II from FY07</b>	<b>213,923</b>	<b>245,077</b>	<b>270,510</b>	<b>10%</b>	<b>301,861</b>	<b>12%</b>	<b>335,979</b>	<b>11%</b>	<b>373,067</b>	<b>11%</b>	<b>414,436</b>	<b>11%</b>
<b>Equity Tier 1 Ratio</b>	<b>8.9%</b>	<b>11.8%</b>	<b>11.8%</b>		<b>11.7%</b>		<b>11.8%</b>		<b>11.8%</b>		<b>11.9%</b>	
<b>Tier 1 Ratio</b>	<b>11.5%</b>	<b>14.0%</b>	<b>13.7%</b>		<b>13.4%</b>		<b>13.3%</b>		<b>13.2%</b>		<b>13.1%</b>	
<b>Total Capital Ratio</b>	<b>16.5%</b>	<b>18.4%</b>	<b>17.6%</b>		<b>17.5%</b>		<b>16.6%</b>		<b>16.2%</b>		<b>15.8%</b>	

Source: Company, Citi Research

Figure 34. STAN – Summary Results by Geography (\$m)

	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>Hong Kong</b>												
NII + internal income	1,322	1,234	1,602	30%	1,675	5%	1,720	3%	1,840	7%	2,006	9%
<b>Total Income</b>	<b>2,370</b>	<b>2,500</b>	<b>3,049</b>	<b>22%</b>	<b>3,348</b>	<b>10%</b>	<b>3,660</b>	<b>9%</b>	<b>3,990</b>	<b>9%</b>	<b>4,349</b>	<b>9%</b>
Costs	-1,168	-1,355	-1,395	3%	-1,572	13%	-1,709	9%	-1,846	8%	-1,994	8%
<b>Operating Profit</b>	<b>1,202</b>	<b>1,145</b>	<b>1,654</b>	<b>44%</b>	<b>1,776</b>	<b>7%</b>	<b>1,951</b>	<b>10%</b>	<b>2,144</b>	<b>10%</b>	<b>2,355</b>	<b>10%</b>
Bad Debts	-145	-43	-103	140%	-109	6%	-140	28%	-169	21%	-204	21%
Other	10	1	0		-7		0		0		0	
<b>Trading Profit</b>	<b>1,062</b>	<b>1,103</b>	<b>1,551</b>	<b>41%</b>	<b>1,660</b>	<b>7%</b>	<b>1,811</b>	<b>9%</b>	<b>1,975</b>	<b>9%</b>	<b>2,151</b>	<b>9%</b>
Consumer Bank	19,428	24,796	27,554	11%	31,324	14%	33,786	8%	36,872	9%	40,073	9%
Wholesale Bank	10,611	18,781	23,432	25%	21,515	-8%	24,398	13%	27,326	12%	30,605	12%
<b>Total Loans</b>	<b>29,973</b>	<b>43,516</b>	<b>50,914</b>	<b>17%</b>	<b>52,765</b>	<b>4%</b>	<b>58,105</b>	<b>10%</b>	<b>64,119</b>	<b>10%</b>	<b>70,599</b>	<b>10%</b>
Cost/ income ratio	49%	54%	46%		47%		47%		46%		46%	
<b>Singapore</b>												
NII + internal income	764	860	977	14%	1,144	17%	1,200	5%	1,296	8%	1,413	9%
<b>Total Income</b>	<b>1,592</b>	<b>1,738</b>	<b>2,186</b>	<b>26%</b>	<b>2,203</b>	<b>1%</b>	<b>2,390</b>	<b>9%</b>	<b>2,606</b>	<b>9%</b>	<b>2,840</b>	<b>9%</b>
Costs	-801	-986	-1,105	12%	-1,169	6%	-1,244	6%	-1,343	8%	-1,450	8%
<b>Operating Profit</b>	<b>791</b>	<b>752</b>	<b>1,081</b>	<b>44%</b>	<b>1,034</b>	<b>-4%</b>	<b>1,147</b>	<b>11%</b>	<b>1,263</b>	<b>10%</b>	<b>1,390</b>	<b>10%</b>
Bad Debts	-37	-33	-48	45%	-66	38%	-117	77%	-142	21%	-171	21%
Other	-40	-1	-31		-2		-2		-2		-2	
<b>Trading Profit</b>	<b>714</b>	<b>718</b>	<b>1,002</b>	<b>40%</b>	<b>966</b>	<b>-4%</b>	<b>1,028</b>	<b>6%</b>	<b>1,119</b>	<b>9%</b>	<b>1,216</b>	<b>9%</b>
Consumer Bank	15,476	19,939	24,014	20%	27,567	15%	30,393	10%	33,432	10%	36,775	10%
Wholesale Bank	15,968	19,441	24,815	28%	28,321	14%	31,967	13%	35,803	12%	40,100	12%
<b>Loans</b>	<b>31,399</b>	<b>39,339</b>	<b>48,788</b>	<b>24%</b>	<b>55,841</b>	<b>14%</b>	<b>62,303</b>	<b>12%</b>	<b>69,178</b>	<b>11%</b>	<b>76,818</b>	<b>11%</b>
Cost/ income ratio	50%	57%	51%		53%		52%		52%		51%	
<b>Other Asia Pacific</b>												
NII + internal income	1,548	1,897	2,188	15%	2,490	14%	2,700	8%	2,970	10%	3,267	10%
<b>Total Income</b>	<b>2,888</b>	<b>3,165</b>	<b>3,511</b>	<b>11%</b>	<b>3,960</b>	<b>13%</b>	<b>4,391</b>	<b>11%</b>	<b>4,830</b>	<b>10%</b>	<b>5,286</b>	<b>9%</b>
Costs	-1,778	-1,970	-2,065	5%	-2,432	18%	-2,667	10%	-2,907	9%	-3,155	9%
<b>Operating Profit</b>	<b>1,110</b>	<b>1,195</b>	<b>1,446</b>	<b>21%</b>	<b>1,528</b>	<b>6%</b>	<b>1,724</b>	<b>13%</b>	<b>1,923</b>	<b>12%</b>	<b>2,130</b>	<b>11%</b>
Bad Debts	-395	-152	-135	-11%	-246	82%	-319	30%	-397	25%	-500	26%
Other	26	-2	31		-155		-30		-30		-30	
<b>Trading Profit</b>	<b>770</b>	<b>1,083</b>	<b>1,415</b>	<b>31%</b>	<b>1,242</b>	<b>-12%</b>	<b>1,505</b>	<b>21%</b>	<b>1,640</b>	<b>9%</b>	<b>1,761</b>	<b>7%</b>
Consumer Bank	19,286	25,651	27,913	9%	29,161	4%	33,558	15%	38,464	15%	44,122	15%
Wholesale Bank	22,909	22,515	23,890	6%	24,336	2%	28,123	16%	32,342	15%	37,193	15%
<b>Loans</b>	<b>41,992</b>	<b>47,967</b>	<b>51,619</b>	<b>8%</b>	<b>53,309</b>	<b>3%</b>	<b>61,414</b>	<b>15%</b>	<b>70,539</b>	<b>15%</b>	<b>81,049</b>	<b>15%</b>
Cost/ income ratio	62%	62%	59%		61%		61%		60%		60%	
<b>Korea</b>												
NII + internal income	846	1,109	1,364	23%	1,336	-2%	1,350	1%	1,418	5%	1,488	5%
<b>Total Income</b>	<b>1,554</b>	<b>1,698</b>	<b>1,718</b>	<b>1%</b>	<b>1,852</b>	<b>8%</b>	<b>1,875</b>	<b>1%</b>	<b>1,943</b>	<b>4%</b>	<b>2,021</b>	<b>4%</b>
Costs	-953	-1,080	-1,335	24%	-1,081	-19%	-1,106	2%	-1,139	3%	-1,176	3%
<b>Operating Profit</b>	<b>601</b>	<b>618</b>	<b>383</b>	<b>-38%</b>	<b>771</b>	<b>101%</b>	<b>769</b>	<b>0%</b>	<b>804</b>	<b>5%</b>	<b>845</b>	<b>5%</b>
Bad Debts	-278	-226	-198	-12%	-249	26%	-294	18%	-323	10%	-355	10%
Other	-1	-4	-13		-8		-5		-5		-5	
<b>Trading Profit</b>	<b>322</b>	<b>388</b>	<b>172</b>	<b>-56%</b>	<b>514</b>	<b>199%</b>	<b>470</b>	<b>-9%</b>	<b>476</b>	<b>1%</b>	<b>485</b>	<b>2%</b>
Consumer Bank	29,435	33,178	31,546	-5%	28,587	-9%	29,750	4%	30,898	4%	32,092	4%
Wholesale Bank	7,481	7,007	6,646	-5%	7,710	16%	8,339	8%	9,006	8%	9,727	8%
<b>Loans</b>	<b>36,804</b>	<b>40,071</b>	<b>38,066</b>	<b>-5%</b>	<b>36,165</b>	<b>-5%</b>	<b>37,963</b>	<b>5%</b>	<b>39,778</b>	<b>5%</b>	<b>41,693</b>	<b>5%</b>
Cost/ income ratio	61%	64%	78%		58%		59%		59%		58%	
<b>UK and AMERICAS</b>												
NII + internal income	602	508	995	96%	1,112	12%	1,150	3%	1,219	6%	1,292	6%
<b>Total Income</b>	<b>1,800</b>	<b>1,520</b>	<b>1,767</b>	<b>16%</b>	<b>2,296</b>	<b>30%</b>	<b>2,325</b>	<b>1%</b>	<b>2,465</b>	<b>6%</b>	<b>2,612</b>	<b>6%</b>
Costs	-1,237	-1,235	-1,389	12%	-1,338	-4%	-1,358	1%	-1,419	5%	-1,483	5%
<b>Operating Profit</b>	<b>563</b>	<b>285</b>	<b>378</b>	<b>33%</b>	<b>958</b>	<b>153%</b>	<b>967</b>	<b>1%</b>	<b>1,046</b>	<b>8%</b>	<b>1,129</b>	<b>8%</b>
Bad Debts	-79	-24	-2	-92%	-32	1500%	-29	-10%	-30	5%	-32	5%
Other	-106	-28	-8		-666		-16		-16		-16	
<b>Trading Profit</b>	<b>375</b>	<b>233</b>	<b>369</b>	<b>58%</b>	<b>261</b>	<b>-29%</b>	<b>923</b>	<b>254%</b>	<b>999</b>	<b>8%</b>	<b>1,081</b>	<b>8%</b>
Consumer Bank	2,083	3,040	3,437	13%	3,919	14%	4,320	10%	4,752	10%	5,227	10%
Wholesale Bank	28,185	38,398	42,139	10%	47,023	12%	51,843	10%	57,027	10%	62,730	10%
<b>Loans</b>	<b>30,256</b>	<b>41,393</b>	<b>45,510</b>	<b>10%</b>	<b>50,879</b>	<b>12%</b>	<b>56,098</b>	<b>10%</b>	<b>61,714</b>	<b>10%</b>	<b>67,892</b>	<b>10%</b>
Cost/ income ratio	69%	81%	79%		58%		58%		58%		57%	

Source: Company, Citi Research

Figure 35. STAN – Summary Results by Geography Contd.. (\$m)

	2009	% Chg	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>Africa</b>														
NII + internal income	530	5%	599	13%	845	41%	977	16%	1,165	19%	1,328	14%	1,514	14%
<b>Total Income</b>	<b>1,089</b>	<b>20%</b>	<b>1,246</b>	<b>14%</b>	<b>1,382</b>	<b>11%</b>	<b>1,593</b>	<b>15%</b>	<b>1,849</b>	<b>16%</b>	<b>2,111</b>	<b>14%</b>	<b>2,410</b>	<b>14%</b>
Costs	-553	-2%	-653	18%	-714	9%	-784	10%	-875	12%	-973	11%	-1,083	11%
<b>Operating Profit</b>	<b>536</b>	<b>55%</b>	<b>593</b>	<b>11%</b>	<b>668</b>	<b>13%</b>	<b>809</b>	<b>21%</b>	<b>974</b>	<b>20%</b>	<b>1,137</b>	<b>17%</b>	<b>1,327</b>	<b>17%</b>
Bad Debts	-54	64%	-24	-56%	-24	0%	-38	58%	-44	15%	-48	10%	-53	10%
Other	0		-10		-16		0		-9		-9		-9	
<b>Trading Profit</b>	<b>482</b>	<b>54%</b>	<b>559</b>	<b>16%</b>	<b>628</b>	<b>12%</b>	<b>771</b>	<b>23%</b>	<b>922</b>	<b>20%</b>	<b>1,080</b>	<b>17%</b>	<b>1,266</b>	<b>17%</b>
Consumer Bank	1,003	11%	1,100	10%	1,341	22%	1,710	28%	1,963	15%	2,243	14%	2,564	14%
Wholesale Bank	3,081	11%	3,815	24%	6,002	57%	6,327	5%	7,656	21%	9,187	20%	11,024	20%
<b>Loans</b>	<b>4,029</b>	<b>11%</b>	<b>4,876</b>	<b>21%</b>	<b>7,294</b>	<b>50%</b>	<b>7,974</b>	<b>9%</b>	<b>9,577</b>	<b>20%</b>	<b>11,389</b>	<b>19%</b>	<b>13,547</b>	<b>19%</b>
Cost/ income ratio	51%		52%		52%		49%		47%		46%		45%	
<b>India</b>														
NII + internal income	919	25%	1,116	21%	985	-12%	1,049	6%	1,118	7%	1,263	13%	1,440	14%
<b>Total Income</b>	<b>1,813</b>	<b>7%</b>	<b>2,028</b>	<b>12%</b>	<b>1,805</b>	<b>-11%</b>	<b>1,585</b>	<b>-12%</b>	<b>1,693</b>	<b>7%</b>	<b>1,914</b>	<b>13%</b>	<b>2,177</b>	<b>14%</b>
Costs	-571	-12%	-749	31%	-829	11%	-753	-9%	-770	2%	-846	10%	-934	10%
<b>Operating Profit</b>	<b>1,242</b>	<b>19%</b>	<b>1,279</b>	<b>3%</b>	<b>976</b>	<b>-24%</b>	<b>832</b>	<b>-15%</b>	<b>923</b>	<b>11%</b>	<b>1,068</b>	<b>16%</b>	<b>1,243</b>	<b>16%</b>
Bad Debts	-201	51%	-79	-61%	-112	42%	-165	47%	-161	-3%	-166	3%	-191	15%
Other	19		-3		-60		9		0		0		0	
<b>Trading Profit</b>	<b>1,060</b>	<b>19%</b>	<b>1,197</b>	<b>13%</b>	<b>804</b>	<b>-33%</b>	<b>676</b>	<b>-16%</b>	<b>762</b>	<b>13%</b>	<b>902</b>	<b>18%</b>	<b>1,052</b>	<b>17%</b>
Consumer Bank	3,712	8%	4,947	33%	4,830	-2%	5,190	7%	5,664	9%	6,344	12%	7,108	12%
Wholesale Bank	5,242	17%	6,400	22%	6,407	0%	6,827	7%	7,339	8%	8,440	15%	9,706	15%
<b>Loans</b>	<b>8,866</b>	<b>13%</b>	<b>11,293</b>	<b>27%</b>	<b>11,153</b>	<b>-1%</b>	<b>11,978</b>	<b>7%</b>	<b>12,924</b>	<b>8%</b>	<b>14,705</b>	<b>14%</b>	<b>16,735</b>	<b>14%</b>
Cost/ income ratio	31%		37%		46%		48%		45%		44%		43%	
<b>Middle East and Other S.Asia</b>														
NII + internal income	1,092	8%	1,147	5%	1,197	4%	1,227	3%	1,312	7%	1,417	8%	1,531	8%
<b>Total Income</b>	<b>2,078</b>	<b>25%</b>	<b>2,167</b>	<b>4%</b>	<b>2,219</b>	<b>2%</b>	<b>2,234</b>	<b>1%</b>	<b>2,398</b>	<b>7%</b>	<b>2,574</b>	<b>7%</b>	<b>2,763</b>	<b>7%</b>
Costs	-891	9%	-995	12%	-1,085	9%	-1,100	1%	-1,154	5%	-1,223	6%	-1,297	6%
<b>Operating Profit</b>	<b>1,187</b>	<b>42%</b>	<b>1,172</b>	<b>-1%</b>	<b>1,134</b>	<b>-3%</b>	<b>1,134</b>	<b>0%</b>	<b>1,244</b>	<b>10%</b>	<b>1,351</b>	<b>9%</b>	<b>1,466</b>	<b>9%</b>
Bad Debts	-811	338%	-302	-63%	-277	-8%	-316	14%	-315	0%	-321	2%	-328	2%
Other	-10		-29		-13		-32		-1		-1		-1	
<b>Trading Profit</b>	<b>366</b>	<b>-44%</b>	<b>841</b>	<b>130%</b>	<b>844</b>	<b>0%</b>	<b>786</b>	<b>-7%</b>	<b>929</b>	<b>18%</b>	<b>1,029</b>	<b>11%</b>	<b>1,137</b>	<b>11%</b>
Consumer Bank	4,160	-4%	4,499	8%	4,615	3%	5,418	17%	5,860	8%	6,329	8%	6,835	8%
Wholesale Bank	14,617	11%	13,657	-7%	13,957	2%	14,672	5%	15,869	8%	17,139	8%	18,510	8%
<b>Loans</b>	<b>18,484</b>	<b>6%</b>	<b>17,949</b>	<b>-3%</b>	<b>18,434</b>	<b>3%</b>	<b>19,952</b>	<b>8%</b>	<b>21,613</b>	<b>8%</b>	<b>23,351</b>	<b>8%</b>	<b>25,228</b>	<b>8%</b>
Cost/ income ratio	43%		46%		49%		49%		48%		48%		47%	

Source: Company, Citi Research

Figure 36. STAN – Consumer Banking Summary Results (\$m)

	2009	% Chg	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>GROUP TOTAL</b>														
<b>Total Revenues</b>	<b>5,629</b>	<b>-5%</b>	<b>6,079</b>	<b>8%</b>	<b>6,791</b>	<b>12%</b>	<b>7,202</b>	<b>6%</b>	<b>7,826</b>	<b>9%</b>	<b>8,470</b>	<b>8%</b>	<b>9,181</b>	<b>8%</b>
Operating Costs	-3,709	-3%	-4,176	13%	-4,605	10%	-4,723	3%	-5,042	7%	-5,410	7%	-5,810	7%
<b>Pre-Provision Profit</b>	<b>1,920</b>	<b>-9%</b>	<b>1,903</b>	<b>-1%</b>	<b>2,186</b>	<b>15%</b>	<b>2,479</b>	<b>13%</b>	<b>2,784</b>	<b>12%</b>	<b>3,060</b>	<b>10%</b>	<b>3,372</b>	<b>10%</b>
Bad Debts	-1,052	12%	-578	-45%	-515	-11%	-697	35%	-906	30%	-1,045	15%	-1,209	16%
Other	-1		-12		-12		-4		-18		-18		-18	
<b>Trading Profit</b>	<b>867</b>	<b>-22%</b>	<b>1,313</b>	<b>51%</b>	<b>1,659</b>	<b>26%</b>	<b>1,778</b>	<b>7%</b>	<b>1,860</b>	<b>5%</b>	<b>1,997</b>	<b>7%</b>	<b>2,145</b>	<b>7%</b>
Cost/Income	66%		69%		68%		66%		64%		64%		63%	
<b>HONG KONG</b>														
<b>Total Revenues</b>	<b>1,082</b>	<b>-7%</b>	<b>1,116</b>	<b>3%</b>	<b>1,326</b>	<b>19%</b>	<b>1,410</b>	<b>6%</b>	<b>1,584</b>	<b>12%</b>	<b>1,727</b>	<b>9%</b>	<b>1,882</b>	<b>9%</b>
Operating Costs	-604	3%	-721	19%	-702	-3%	-771	10%	-848	10%	-916	8%	-990	8%
<b>Pre-Provision Profit</b>	<b>478</b>	<b>-17%</b>	<b>395</b>	<b>-17%</b>	<b>624</b>	<b>58%</b>	<b>639</b>	<b>2%</b>	<b>736</b>	<b>15%</b>	<b>811</b>	<b>10%</b>	<b>893</b>	<b>10%</b>
Bad Debts	-104	-2%	-45	-57%	-71	58%	-95	34%	-120	26%	-144	20%	-173	20%
Others	5		0		0		0		0		0		0	
<b>Trading Profit</b>	<b>379</b>	<b>-15%</b>	<b>350</b>	<b>-8%</b>	<b>553</b>	<b>58%</b>	<b>544</b>	<b>-2%</b>	<b>616</b>	<b>13%</b>	<b>667</b>	<b>8%</b>	<b>720</b>	<b>8%</b>
Cost/Income	56%		65%		53%		55%		54%		53%		53%	
<b>SINGAPORE</b>														
<b>Total Revenues</b>	<b>635</b>	<b>3%</b>	<b>728</b>	<b>15%</b>	<b>924</b>	<b>27%</b>	<b>974</b>	<b>5%</b>	<b>1,065</b>	<b>9%</b>	<b>1,161</b>	<b>9%</b>	<b>1,266</b>	<b>9%</b>
Operating Costs	-297	3%	-384	29%	-503	31%	-553	10%	-594	7%	-641	8%	-692	8%
<b>Pre-Provision Profit</b>	<b>338</b>	<b>3%</b>	<b>344</b>	<b>2%</b>	<b>421</b>	<b>22%</b>	<b>421</b>	<b>0%</b>	<b>472</b>	<b>12%</b>	<b>520</b>	<b>10%</b>	<b>574</b>	<b>10%</b>
Bad Debts	-34	70%	-33	-3%	-29	-12%	-62	114%	-95	53%	-114	20%	-137	20%
Others	0		0		0		0		0		0		0	
<b>Trading Profit</b>	<b>304</b>	<b>-2%</b>	<b>311</b>	<b>2%</b>	<b>392</b>	<b>26%</b>	<b>359</b>	<b>-8%</b>	<b>377</b>	<b>5%</b>	<b>406</b>	<b>8%</b>	<b>437</b>	<b>7%</b>
Cost/Income	47%		53%		54%		57%		56%		55%		55%	
<b>OTHER ASIA PACIFIC (EX KOREA)</b>														
<b>Total Revenues</b>	<b>1,283</b>	<b>-8%</b>	<b>1,478</b>	<b>15%</b>	<b>1,613</b>	<b>9%</b>	<b>1,777</b>	<b>10%</b>	<b>1,953</b>	<b>10%</b>	<b>2,148</b>	<b>10%</b>	<b>2,363</b>	<b>10%</b>
Operating Costs	-1,046	4%	-1,085	4%	-1,104	2%	-1,336	21%	-1,456	9%	-1,587	9%	-1,730	9%
<b>Pre-Provision Profit</b>	<b>237</b>	<b>-39%</b>	<b>393</b>	<b>66%</b>	<b>509</b>	<b>30%</b>	<b>441</b>	<b>-13%</b>	<b>497</b>	<b>13%</b>	<b>561</b>	<b>13%</b>	<b>633</b>	<b>13%</b>
Bad Debts	-240	-23%	-122	-49%	-117	-4%	-209	79%	-268	28%	-322	20%	-386	20%
Others	-2		-1		0		0		0		0		0	
<b>Trading Profit</b>	<b>-5 NM</b>		<b>270 NM</b>		<b>392 NM</b>		<b>232</b>	<b>-41%</b>	<b>229</b>	<b>-1%</b>	<b>239</b>	<b>5%</b>	<b>247</b>	<b>3%</b>
Cost/Income	82%		73%		68%		75%		75%		74%		73%	
<b>KOREA</b>														
<b>Total Revenues</b>	<b>995</b>	<b>-2%</b>	<b>1,058</b>	<b>6%</b>	<b>1,153</b>	<b>9%</b>	<b>1,183</b>	<b>3%</b>	<b>1,235</b>	<b>4%</b>	<b>1,284</b>	<b>4%</b>	<b>1,336</b>	<b>4%</b>
Operating Costs	-701	-3%	-797	14%	-1,023	28%	-795	-22%	-816	3%	-840	3%	-866	3%
<b>Pre-Provision Profit</b>	<b>294</b>	<b>1%</b>	<b>261</b>	<b>-11%</b>	<b>130</b>	<b>-50%</b>	<b>388</b>	<b>198%</b>	<b>419</b>	<b>8%</b>	<b>444</b>	<b>6%</b>	<b>470</b>	<b>6%</b>
Bad Debts	-185	15%	-139	-25%	-166	19%	-223	34%	-280	26%	-308	10%	-339	10%
Others	-1		-4		-5		-1		-5		-5		-5	
<b>Trading Profit</b>	<b>108</b>	<b>-17%</b>	<b>118</b>	<b>NM</b>	<b>-41 NM</b>		<b>164 NM</b>		<b>134</b>	<b>-18%</b>	<b>131</b>	<b>-2%</b>	<b>126</b>	<b>-4%</b>
Cost/Income	70%		75%		89%		67%		66%		65%		65%	
<b>INDIA</b>														
<b>Total Revenues</b>	<b>444</b>	<b>-8%</b>	<b>493</b>	<b>11%</b>	<b>482</b>	<b>-2%</b>	<b>440</b>	<b>-9%</b>	<b>460</b>	<b>5%</b>	<b>497</b>	<b>8%</b>	<b>547</b>	<b>10%</b>
Operating Costs	-248	-22%	-336	35%	-352	5%	-318	-10%	-325	2%	-348	7%	-375	8%
<b>Pre-Provision Profit</b>	<b>196</b>	<b>17%</b>	<b>157</b>	<b>-20%</b>	<b>130</b>	<b>-17%</b>	<b>122</b>	<b>-6%</b>	<b>136</b>	<b>11%</b>	<b>150</b>	<b>10%</b>	<b>172</b>	<b>15%</b>
Bad Debts	-147	65%	-56	-62%	-32	-43%	-27	-16%	-36	32%	-41	15%	-47	15%
Others	5		0		0		0		0		0		0	
<b>Trading Profit</b>	<b>54</b>	<b>-24%</b>	<b>101</b>	<b>87%</b>	<b>98</b>	<b>-3%</b>	<b>95</b>	<b>-3%</b>	<b>100</b>	<b>5%</b>	<b>109</b>	<b>9%</b>	<b>124</b>	<b>15%</b>
Cost/Income	56%		68%		73%		72%		71%		70%		69%	

Source: Company, Citi Research

Figure 37. STAN - Consumer Banking Summary Results Contd.. (\$m)

	2009	% Chg	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>MESA</b>														
<b>Total Revenues</b>	<b>678</b>	<b>-3%</b>	<b>691</b>	<b>2%</b>	<b>723</b>	<b>5%</b>	<b>753</b>	<b>4%</b>	<b>799</b>	<b>6%</b>	<b>847</b>	<b>6%</b>	<b>897</b>	<b>6%</b>
Operating Costs	-395	-4%	-458	16%	-487	6%	-493	1%	-511	4%	-541	6%	-574	6%
<b>Pre-Provision Profit</b>	<b>283</b>	<b>-2%</b>	<b>233</b>	<b>-18%</b>	<b>236</b>	<b>1%</b>	<b>260</b>	<b>10%</b>	<b>288</b>	<b>11%</b>	<b>305</b>	<b>6%</b>	<b>324</b>	<b>6%</b>
Bad Debts	-285	60%	-159	-44%	-80	-50%	-51	-36%	-65	27%	-71	10%	-78	10%
Others	0		0		-1		0		-1		-1		-1	
<b>Trading Profit</b>	<b>-2</b>	<b>-102%</b>	<b>74</b>	<b>NM</b>	<b>155</b>	<b>NM</b>	<b>209</b>	<b>NM</b>	<b>223</b>	<b>6%</b>	<b>233</b>	<b>5%</b>	<b>245</b>	<b>5%</b>
Cost/Income	58%		66%		67%		65%		64%		64%		64%	
<b>AFRICA</b>														
<b>Total Revenues</b>	<b>351</b>	<b>2%</b>	<b>381</b>	<b>9%</b>	<b>422</b>	<b>11%</b>	<b>482</b>	<b>14%</b>	<b>539</b>	<b>12%</b>	<b>604</b>	<b>12%</b>	<b>677</b>	<b>12%</b>
Operating Costs	-229	-8%	-254	11%	-268	6%	-306	14%	-340	11%	-374	10%	-412	10%
<b>Pre-Provision Profit</b>	<b>122</b>	<b>30%</b>	<b>127</b>	<b>4%</b>	<b>154</b>	<b>21%</b>	<b>176</b>	<b>14%</b>	<b>199</b>	<b>13%</b>	<b>230</b>	<b>15%</b>	<b>265</b>	<b>15%</b>
Bad Debts	-28	47%	-19	-32%	-17	-11%	-20	18%	-24	18%	-26	10%	-29	10%
Other	0		-5		-6		0		-6		-6		-6	
<b>Trading Profit</b>	<b>94</b>	<b>25%</b>	<b>103</b>	<b>10%</b>	<b>131</b>	<b>27%</b>	<b>156</b>	<b>19%</b>	<b>170</b>	<b>9%</b>	<b>198</b>	<b>17%</b>	<b>230</b>	<b>16%</b>
Cost/Income	65%		67%		64%		63%		63%		62%		61%	
<b>AMERICAS, UK &amp; OTHER</b>														
<b>Total Revenues</b>	<b>161</b>	<b>-31%</b>	<b>134</b>	<b>-17%</b>	<b>148</b>	<b>10%</b>	<b>183</b>	<b>24%</b>	<b>190</b>	<b>4%</b>	<b>201</b>	<b>6%</b>	<b>213</b>	<b>6%</b>
Operating Costs	-189	-26%	-141	-25%	-166	18%	-151	-9%	-153	1%	-162	6%	-172	6%
<b>Pre-Provision Profit</b>	<b>-28</b>	<b>17%</b>	<b>-7</b>	<b>-75%</b>	<b>-18</b>	<b>157%</b>	<b>32</b>	<b>-278%</b>	<b>37</b>	<b>17%</b>	<b>40</b>	<b>6%</b>	<b>42</b>	<b>6%</b>
Bad Debts	-29	0%	-5	0%	-3	0%	-10	0%	-19	87%	-20	5%	-21	5%
Other	-8		-2		0		-3		-6		-6		-6	
<b>Trading Profit</b>	<b>-65</b>	<b>-34%</b>	<b>-14</b>	<b>-78%</b>	<b>-21</b>	<b>50%</b>	<b>19</b>	<b>NM</b>	<b>13</b>	<b>-33%</b>	<b>14</b>	<b>10%</b>	<b>15</b>	<b>10%</b>
Cost/Income	117%		105%		112%		83%		80%		80%		80%	
<b>Group CB Revenues by Product</b>														
Cards, Personal Loans and Unsecured Lending	1,992	-5%	2,044	3%	2,422	18%	2,707	12%	3,030	12%	3,272	8%	3,534	8%
Wealth Management	921	0%	1,138	24%	1,272	12%	1,275	0%	1,475	16%	1,593	8%	1,720	8%
Deposits	1,311	-53%	1,202	-8%	1,409	17%	1,566	11%	1,560	0%	1,685	8%	1,820	8%
Mortgages and Auto Finance	1,244	34%	1,513	22%	1,478	-2%	1,390	-6%	1,460	5%	1,577	8%	1,703	8%
Others	161	25%	182	13%	210	15%	264	26%	301	14%	343	8%	404	8%

Source: Company, Citi Research



Figure 38. STAN – Wholesale Banking Summary results (\$m)

	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>GROUP TOTAL</b>												
<b>Total Revenues</b>	<b>9,291</b>	<b>9,979</b>	<b>10,846</b>	<b>9%</b>	<b>11,779</b>	<b>9%</b>	<b>12,755</b>	<b>8%</b>	<b>13,962</b>	<b>9%</b>	<b>15,277</b>	<b>9%</b>
Operating Costs	-4,185	-4,840	-5,147	6%	-5,332	4%	-5,675	6%	-6,122	8%	-6,597	8%
<b>Pre-Provision Profit</b>	<b>5,106</b>	<b>5,139</b>	<b>5,699</b>	<b>11%</b>	<b>6,447</b>	<b>13%</b>	<b>7,080</b>	<b>10%</b>	<b>7,840</b>	<b>11%</b>	<b>8,680</b>	<b>11%</b>
Bad Debts	-948	-305	-384	26%	-524	36%	-512	-2%	-551	8%	-625	13%
Other	-82	-64	-99		-787		-50		-50		-50	
<b>Trading Profit</b>	<b>4,076</b>	<b>4,770</b>	<b>5,216</b>	<b>9%</b>	<b>5,136</b>	<b>-2%</b>	<b>6,519</b>	<b>27%</b>	<b>7,239</b>	<b>11%</b>	<b>8,004</b>	<b>11%</b>
Cost/Income	45%	49%	47%		45%		44%		44%		43%	
<b>HONG KONG</b>												
<b>Total Revenues</b>	<b>1,288</b>	<b>1,384</b>	<b>1,723</b>	<b>24%</b>	<b>1,938</b>	<b>12%</b>	<b>2,076</b>	<b>7%</b>	<b>2,263</b>	<b>9%</b>	<b>2,467</b>	<b>9%</b>
Operating Costs	-564	-634	-693	9%	-801	16%	-861	7%	-930	8%	-1,004	8%
<b>Pre-Provision Profit</b>	<b>724</b>	<b>750</b>	<b>1,030</b>	<b>37%</b>	<b>1,137</b>	<b>10%</b>	<b>1,215</b>	<b>7%</b>	<b>1,333</b>	<b>10%</b>	<b>1,462</b>	<b>10%</b>
Bad Debts	-41	2	-32	NM	-14	NM	-20	43%	-25	25%	-31	25%
Other	5	1	0		-7		0		0		0	
<b>Trading Profit</b>	<b>688</b>	<b>753</b>	<b>998</b>	<b>33%</b>	<b>1,116</b>	<b>12%</b>	<b>1,195</b>	<b>7%</b>	<b>1,308</b>	<b>9%</b>	<b>1,431</b>	<b>9%</b>
Cost/Income	44%	46%	40%		41%		41%		41%		41%	
<b>SINGAPORE</b>												
<b>Total Revenues</b>	<b>957</b>	<b>1,010</b>	<b>1,262</b>	<b>25%</b>	<b>1,229</b>	<b>-3%</b>	<b>1,325</b>	<b>8%</b>	<b>1,444</b>	<b>9%</b>	<b>1,574</b>	<b>9%</b>
Operating Costs	-504	-602	-602	0%	-616	2%	-650	6%	-702	8%	-758	8%
<b>Pre-Provision Profit</b>	<b>453</b>	<b>408</b>	<b>660</b>	<b>62%</b>	<b>613</b>	<b>-7%</b>	<b>675</b>	<b>10%</b>	<b>742</b>	<b>10%</b>	<b>816</b>	<b>10%</b>
Bad Debts	-3	0	-19	0%	-4	-79%	-22	NM	-28	25%	-34	25%
Other	-40	-1	-31		-2		-5		-5		-5	
<b>Trading Profit</b>	<b>410</b>	<b>407</b>	<b>610</b>	<b>50%</b>	<b>607</b>	<b>0%</b>	<b>648</b>	<b>7%</b>	<b>710</b>	<b>10%</b>	<b>777</b>	<b>9%</b>
Cost/Income	53%	60%	48%		50%		49%		49%		48%	
<b>OTHER ASIA PACIFIC</b>												
<b>Total Revenues</b>	<b>1,605</b>	<b>1,687</b>	<b>1,898</b>	<b>13%</b>	<b>2,183</b>	<b>15%</b>	<b>2,438</b>	<b>12%</b>	<b>2,681</b>	<b>10%</b>	<b>2,923</b>	<b>9%</b>
Operating Costs	-732	-885	-961	9%	-1,096	14%	-1,211	10%	-1,320	9%	-1,425	8%
<b>Pre-Provision Profit</b>	<b>873</b>	<b>802</b>	<b>937</b>	<b>17%</b>	<b>1,087</b>	<b>16%</b>	<b>1,227</b>	<b>13%</b>	<b>1,362</b>	<b>11%</b>	<b>1,497</b>	<b>10%</b>
Bad Debts	-155	-30	-18	-40%	-37	106%	-51	37%	-76	50%	-114	50%
Other	28	-1	31		-95		-30		-30		-30	
<b>Trading Profit</b>	<b>746</b>	<b>771</b>	<b>950</b>	<b>23%</b>	<b>955</b>	<b>1%</b>	<b>1,146</b>	<b>20%</b>	<b>1,256</b>	<b>10%</b>	<b>1,353</b>	<b>8%</b>
Cost/Income	46%	52%	51%		50%		50%		49%		49%	
<b>KOREA</b>												
<b>Total Revenues</b>	<b>559</b>	<b>640</b>	<b>565</b>	<b>-12%</b>	<b>669</b>	<b>18%</b>	<b>640</b>	<b>-4%</b>	<b>659</b>	<b>3%</b>	<b>686</b>	<b>4%</b>
Operating Costs	-252	-283	-312	10%	-286	-8%	-290	1%	-299	3%	-311	4%
<b>Pre-Provision Profit</b>	<b>307</b>	<b>357</b>	<b>253</b>	<b>-29%</b>	<b>383</b>	<b>51%</b>	<b>350</b>	<b>-9%</b>	<b>361</b>	<b>3%</b>	<b>375</b>	<b>4%</b>
Bad Debts	-93	-87	-32	-63%	-26	-19%	-14	-46%	-15	8%	-16	8%
Other	0	0	-8		-7		0		0		0	
<b>Trading Profit</b>	<b>214</b>	<b>270</b>	<b>213</b>	<b>-21%</b>	<b>350</b>	<b>64%</b>	<b>336</b>	<b>-4%</b>	<b>345</b>	<b>3%</b>	<b>359</b>	<b>4%</b>
Cost/Income	45%	44%	55%		43%		45%		45%		45%	
<b>INDIA</b>												
<b>Total Revenues</b>	<b>1,369</b>	<b>1,531</b>	<b>1,323</b>	<b>-14%</b>	<b>1,145</b>	<b>-13%</b>	<b>1,232</b>	<b>8%</b>	<b>1,417</b>	<b>15%</b>	<b>1,630</b>	<b>15%</b>
Operating Costs	-323	-413	-477	15%	-435	-9%	-445	2%	-498	12%	-558	12%
<b>Pre-Provision Profit</b>	<b>1,046</b>	<b>1,118</b>	<b>846</b>	<b>-24%</b>	<b>710</b>	<b>-16%</b>	<b>787</b>	<b>11%</b>	<b>919</b>	<b>17%</b>	<b>1,072</b>	<b>17%</b>
Bad Debts	-54	-23	-80	248%	-138	73%	-125	-9%	-125	0%	-144	15%
Other	14	-3	-60		9		0		0		0	
<b>Trading Profit</b>	<b>1,006</b>	<b>1,092</b>	<b>706</b>	<b>-35%</b>	<b>581</b>	<b>-18%</b>	<b>637</b>	<b>10%</b>	<b>794</b>	<b>25%</b>	<b>928</b>	<b>17%</b>
Cost/Income	24%	27%	36%		38%		36%		35%		34%	

Source: Company, Citi Research

Figure 39. STAN – Wholesale Banking Summary Results (\$m)

	2009	% Chg	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>MESA</b>														
<b>Total Revenues</b>	<b>1,400</b>	<b>46%</b>	<b>1,476</b>	<b>5%</b>	<b>1,496</b>	<b>1%</b>	<b>1,481</b>	<b>-1%</b>	<b>1,599</b>	<b>8%</b>	<b>1,727</b>	<b>8%</b>	<b>1,866</b>	<b>8%</b>
Operating Costs	-496	21%	-537	8%	-598	11%	-607	2%	-643	6%	-682	6%	-723	6%
<b>Pre-Provision Profit</b>	<b>904</b>	<b>65%</b>	<b>939</b>	<b>4%</b>	<b>898</b>	<b>-4%</b>	<b>874</b>	<b>-3%</b>	<b>956</b>	<b>9%</b>	<b>1,045</b>	<b>9%</b>	<b>1,143</b>	<b>9%</b>
Bad Debts	-526	NM	-143	-73%	-197	38%	-265	35%	-250	-6%	-250	0%	-250	0%
Other	-10		-29		-13		-32		0		0		0	
<b>Trading Profit</b>	<b>368</b>	<b>-32%</b>	<b>767</b>	<b>108%</b>	<b>688</b>	<b>-10%</b>	<b>577</b>	<b>-16%</b>	<b>706</b>	<b>22%</b>	<b>795</b>	<b>13%</b>	<b>893</b>	<b>12%</b>
Cost/Income	35%		36%		40%		41%		40%		39%		39%	
<b>AFRICA</b>														
<b>Total Revenues</b>	<b>738</b>	<b>30%</b>	<b>865</b>	<b>17%</b>	<b>960</b>	<b>11%</b>	<b>1,111</b>	<b>16%</b>	<b>1,310</b>	<b>18%</b>	<b>1,507</b>	<b>15%</b>	<b>1,733</b>	<b>15%</b>
Operating Costs	-324	3%	-399	23%	-446	12%	-478	7%	-535	12%	-599	12%	-671	12%
<b>Pre-Provision Profit</b>	<b>414</b>	<b>64%</b>	<b>466</b>	<b>13%</b>	<b>514</b>	<b>10%</b>	<b>633</b>	<b>23%</b>	<b>775</b>	<b>22%</b>	<b>907</b>	<b>17%</b>	<b>1,062</b>	<b>17%</b>
Bad Debts	-26	86%	-5	-81%	-7	40%	-18	157%	-20	11%	-22	10%	-24	10%
Other	0		-5		-10		0		-5		-5		-5	
<b>Trading Profit</b>	<b>388</b>	<b>63%</b>	<b>456</b>	<b>18%</b>	<b>497</b>	<b>9%</b>	<b>615</b>	<b>24%</b>	<b>750</b>	<b>22%</b>	<b>880</b>	<b>17%</b>	<b>1,033</b>	<b>17%</b>
Cost/Income	44%		46%		46%		43%		41%		40%		39%	
<b>AMERICAS, UK &amp; OTHER</b>														
<b>Total Revenues</b>	<b>1,375</b>	<b>36%</b>	<b>1,386</b>	<b>1%</b>	<b>1,619</b>	<b>17%</b>	<b>2,023</b>	<b>25%</b>	<b>2,135</b>	<b>6%</b>	<b>2,263</b>	<b>6%</b>	<b>2,399</b>	<b>6%</b>
Operating Costs	-990	4%	-1,087	10%	-1,058	-3%	-1,013	-4%	-1,040	3%	-1,092	5%	-1,147	5%
<b>Pre-Provision Profit</b>	<b>385</b>	<b>542%</b>	<b>299</b>	<b>-22%</b>	<b>561</b>	<b>88%</b>	<b>1,010</b>	<b>80%</b>	<b>1,095</b>	<b>8%</b>	<b>1,171</b>	<b>7%</b>	<b>1,252</b>	<b>7%</b>
Bad Debts	-50	150%	-19	-62%	1	NM	-22	NM	-10	-55%	-11	6%	-11	6%
Other	-79		-26		-8		-653		-10		-10		-10	
<b>Trading Profit</b>	<b>256</b>	<b>-310%</b>	<b>254</b>	<b>-1%</b>	<b>554</b>	<b>118%</b>	<b>335</b>	<b>-40%</b>	<b>1,075</b>	<b>221%</b>	<b>1,150</b>	<b>NM</b>	<b>1,231</b>	<b>NM</b>
Cost/Income	72%		78%		65%		50%		49%		48%		48%	
<b>Group WB Revenues by Product</b>														
Lending and portfolio management	849	54%	868	2%	841	-3%	891	6%	965	8%	1,042	8%	1,126	8%
Transaction banking	2,537	-5%	2,770	9%	3,247	17%	3,671	13%	3,594	-2%	3,755	4%	4,131	10%
-Trade	1,289	0%	1,467	14%	1,595	9%	1,940	22%	1,851	-5%	1,934	4%	2,128	10%
-Cash Management and Custody	1,248	0%	1,303	4%	1,652	27%	1,731	5%	1,743	1%	1,821	5%	2,003	10%
Global markets	5,905	38%	6,341	7%	6,758	7%	7,217	7%	8,197	14%	9,165	12%	10,021	9%
- Financial markets	3,311	40%	3,303	0%	3,688	12%	3,663	-1%	3,979	9%	4,428	11%	4,870	10%
FX	1,349	13%	1,200	-11%	1,434	20%	1,282	-11%	1,400	9%	1,540	10%	1,694	10%
Rates	879	18%	837	-5%	893	7%	966	8%	1,050	9%	1,155	10%	1,271	10%
Commodities and Equities	389	176%	411	6%	603	47%	521	-14%	515	-1%	567	10%	623	10%
Capital markets	409	75%	541	32%	548	1%	591	8%	674	14%	775	15%	852	10%
Credit and other	285	494%	314	10%	210	-33%	303	44%	340	12%	391	15%	431	10%
- ALM	963	6%	912	-5%	921	1%	849	-8%	810	-5%	867	7%	919	6%
- Corporate finance	1,294	74%	1,710	32%	1,873	10%	2,222	19%	2,800	26%	3,220	15%	3,542	10%
- Principal finance	337	33%	416	23%	276	-34%	483	75%	608	26%	651	7%	690	6%

Source: Company, Citi Research

## Company Focus

## Standard Chartered PLC (STAN.L)

- We update our target price for STAN.L to GBP19.00 with this note

- Company Update
- Target Price Change
- Estimate Change

<b>Buy</b>	<b>1</b>
Price (11 Apr 13)	£16.53
Target price	£19.00
from £20.00	
Expected share price return	14.9%
Expected dividend yield	3.8%
<b>Expected total return</b>	<b>18.7%</b>
Market Cap	£39,968M
	US\$61,276M

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



## Company Focus

## Standard Chartered Plc (2888.HK)

- We update our target price for 2888.HK to HKD 226 with this note.

- Company Update
- Target Price Change

<b>Buy</b>	<b>1</b>
Price (11 Apr 13)	HK\$197.70
Target price	HK\$226.00
<i>from HK\$235.00</i>	
Expected share price return	14.3%
Expected dividend yield	3.8%
<b>Expected total return</b>	<b>18.1%</b>
Market Cap	HK\$478,025M
	US\$61,578M

### Price Performance (RIC: 2888.HK, BB: 2888 HK)



## 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. Unlike other UK/European listed banks, SC is unusual as it offers gearing on growing emerging markets without the dilution of mature markets. 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 2012 accounting for 80% of revenues and 85% of PBT.

### Investment strategy

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

**Strong Growth Profile:** Most SC key markets are enjoying rapid growth. We forecast a revenue CAGR of c8% for SC from 2011 to 2014.

**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. End 2012, SC's group LDR was 75%. We forecast 2013 deposit growth of 11%, similar to client loan growth of 10%. However, lendable deposit ratios are tighter in some markets due to reserve requirements (eg India, China, Indonesia).

**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.

### Valuation

Our Standard Chartered (SCB) target price is £19.00. We primarily value Standard Chartered using a two-stage dividend discount model (DDM), although we also use secondary methods, including a peer group SOTP, and reference to historical valuation multiples to verify our target price. Our DDM derived target price of £19.00 is based on our 2015E RoE as the terminal RoE, and assigning a 10.3% regional weighted cost of equity and 4% average long-term growth rate.

### Risks

Risks to the share price reaching our target price could come, in our view, from the following:

**Economic Risks and Growth Risks:** SC has grown its balance sheet rapidly in recent years, WB loans in particular have grown quickly. While we do not have any evidence of poor underwriting standards, we need to be watchful when any bank grows its balance sheet so rapidly. We have an upbeat economic forecast for SC's key markets in 2013-14 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 (75%, 2012) 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 have underperformed the broader European equity market when \$ short rates increase faster than long rates and the yield curve flattens (bear flattening). 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. Unlike other UK/European listed banks, SC is unusual as it offers gearing on growing emerging markets without the dilution of mature markets. 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 2012 accounting for 80% of revenues and 85% of PBT.

### Investment strategy

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

**Strong Growth Profile:** Most SC key markets are enjoying rapid growth. We forecast a revenue CAGR of c8% for SC from 2011 to 2014.

**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. End 2012, SC's group LDR was 75%. We forecast 2013 deposit growth of 11%, similar to client loan growth of 10%. However, lendable deposit ratios are tighter in some markets due to reserve requirements (eg India, China, Indonesia).

**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.

## Valuation

Our Standard Chartered (SCB) target price of HKD 226. We primarily value Standard Chartered using a two-stage dividend discount model (DDM), although we also use secondary methods, including a peer group SOTP, and reference to historical valuation multiples to verify our target price. Our DDM derived target price of HKD 226 is based on our 2015E RoE as the terminal RoE, and assigning a 10.3% regional weighted cost of equity and 4% average long-term growth rate.

## Risks

**Economic Risks and Growth Risks:** SC has grown its balance sheet rapidly in recent years. While we do not have any evidence of poor underwriting standards, we need to be watchful when any bank grows its balance sheet so rapidly. We have an upbeat economic forecast for SC's key markets in 2013-14 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 (75%, 2012) 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 have underperformed the broader European equity market when \$ short rates increase faster than long rates and the yield curve flattens (bear flattening). 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.

**Notes**



**Notes**

**Notes**

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

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

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

Analyst: Ronit Ghose



	Date	Rating	Target Price	Closing Price
1	2-Jul-10	1M	*20.23	15.52
2	16-Sep-10	1M	*21.68	18.38
3	12-Nov-10	1M	*22.50	18.94
4	21-Mar-11	1M	*22.00	16.22
5	23-Jun-11	1M	*20.00	15.34

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Oct-11	Stock rating system changed		
7	8-Oct-11	*1	20.00	13.27
8	12-Oct-11	1	*18.00	14.35
9	28-Nov-11	1	*17.50	13.40
10	2-Mar-12	1	*18.25	16.26

	Date	Rating	Target Price	Closing Price
11	1-Jan-13	1	*18.50	15.74
12	31-Jan-13	1	*19.20	16.78
13	27-Feb-13	1	*20.00	17.75

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-Feb-11	*ADD MP	-	16.70
2	11-May-11	*REM MP	-	15.88

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	1-Jul-11	*ADD MP	-	16.72
4	8-Feb-12	*REM MP	-	15.97

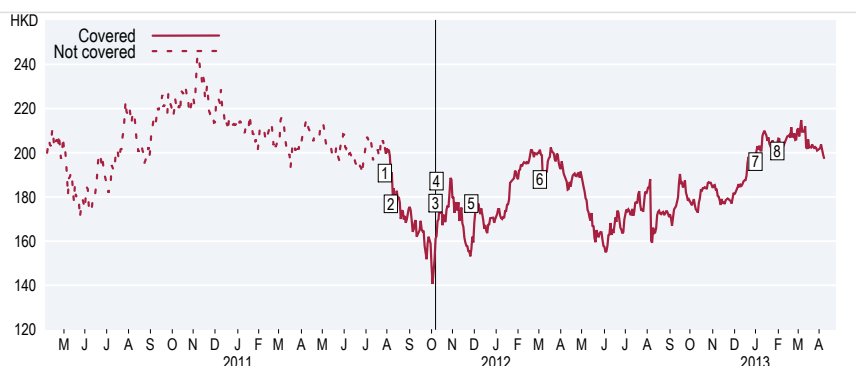
	Date	Rating	Target Price	Closing Price
5	15-Oct-12	*ADD MP	-	14.62

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		

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*1	254.00	161.10
5	28-Nov-11	1	*212.00	156.20
6	2-Mar-12	1	*226.00	201.40

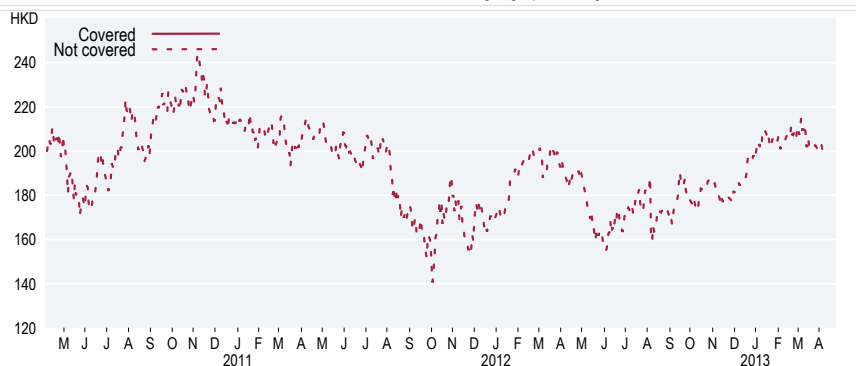
	Date	Rating	Target Price	Closing Price
7	1-Jan-13	1	*232.00	196.00
8	31-Jan-13	1	*235.00	204.40

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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Data current as of 31 Mar 2013

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% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
48%	39%	12%	7%	87%	7%
53%	49%	43%	65%	49%	51%

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