Ratio Analysis of Standard Chartered Bank

Standard Chartered Bank is a leading international banking group committed to building a sustainable business over the long-term. They operate in some of the world's most dynamic markets and have been working for over 150 years.

Date: 25/02/2015
Company: Standard Chartered Bank
Submitted By: Jannatul Ferdous, BRAC University

Internship Report

On

Ratio Analysis

Of

Standard Chartered Bank

Submitted To:

Sohana Wadud Ahmad
Lecturer, BRAC Business School
BRAC University

Submitted By

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February 25th, 2015

To

Ms. Sohana Wadud Ahmad

Lecturer

BRAC University

Mohakhali, Dhaka

Subject: Submission of Internship Report

Dear Madam,

With due respect, I would like to notify you that I have completed my Internship at Standard Chartered Bank and also completed my report on **"Ratio Analysis of Standard Chartered Bank."** This particular report enables me to get an insight of the performance of SCB and how they create value for their stake holders. I have analyzed some ratios and data to judge the performance of SCB.

Finally, I would like to express my gratitude for your supportive thoughts and kind consideration in making this report. At each stage, I have given my best efforts in preparing this report. Without any doubt, this experience enriches my knowledge in a greater degree. It would be very kind of you for examine my report work and give me further suggestions and enhanced my clarification due to future prospects.

Regards

Jannatul Ferdous

11104096

Acknowledgment

This internship report is an accumulation of many people's endeavor. But at the beginning I would like to convey my sincere appreciation to the almighty Allah for giving me the strength & the ability to finish the task within the planned time. Then I like to express my sincere gratitude to everyone who contributed towards preparing & making this study successfully. Major contribution was received from the officers of Standard Chartered Bank as from the Cash Management Operation department's PMI Unit..

First of all I would like to express my Sincere & immense gratitude to my internship supervisor Mrs. Sohana Wadud Ahmed, Lecturer of BRAC Business School, BRAC University. I am deeply indebted to her whole hearted supervision to me during the Internship Period. Her valuable suggestion & guideline helped me a lot to prepare the report in a well-organized manner.

I would also like to thank the authority of Standard Chartered Bank for giving me the opportunity to do my internship in their well renowned bank. The experience & knowledge gained in Standard Chartered Bank helped me to understand different elements related to my study. I would like to give thanks to:

- Mr. Aparup Barua , Internship Supervisor, Senior Manager PMI.
- Salahuddin Ahmad, Manager.
- Md.Tareq Hasan, Asst. Manager.
- Mustafa Reza Pahlovi, Officer.
- Mohammad Noor Hossain, Officer.

I am also grateful to each & every employees of these departments for their cordial acceptance. They have been very helpful in showing me the work process and provided relevant information for my report whenever I approached.

It was a great opportunity to do internship in Standard Chartered Bank Limited. The experience I have gathered will be a privilege for my future career planning.

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CHAPTER- ONE

SCB at a glance

1.1 STANDARD CHARTERED BANK; AN OVERVIEW:

Standard Chartered Bank (SCB) PLC is a multinational bank and a financial service group which is incorporated in the UK with its Headquarters at 1 Alderman buries Square, London. By serving the world for 150 years, it now spans in the developed and emerging economies of the world. The group operations are mainly concentrated in Asia, Africa and the Middle East and its operation is segmented under six regions: LTK, Europe, Middle East, South Asia, South East Asia and the USA. SCB plays an invigorating role in linking the world economic trend with different services under the big umbrella of retail banking, corporate banking, private banking, SME banking and SAADIQ Islamic banking. Globally, the SCB group owns an array of key resources that includes; a network of 600 offices in more than 50 countries; a staff of about 89,000 of 115 diverse nationalities helps to energize creativity and innovation, supporting the development of exciting new services and products for the worldwide customers. At the global level, SCB operates with some key strategies that are quite unique to other banks such as; to build and grow strong businesses in Middle East, South Asia and Far East Asia. There vision for work, here in this regions is, building unique position and image among the target customer segment and being responsive to the needs and serve the needs better than the competitors.

Presently at this time of age Standard Chartered bank is at the centre of one of the greatest challenges of time; their concentration is on how to generate enough growth and jobs for 7 billion people, and counting. With their firm footprint in Asia, Africa and the Middle East, they are trying to meet the challenges by enabling trade and investment to flow to, from and within some of the fastest-growing markets of the world.

Over the last decade, SCB has continuously served their clients and customers, shareholders and communities. From 2002 to 2012, they have increased their lending from $57 billion to $289 billion, increased the corporate tax contribution almost five fold and tripled their staff to over 89,000.

In Bangladesh Standard Chartered Bank has started their operation in Chittagong, 1947. In the year of 2000, it acquired ANZ Grind Lays bank for $1.34 billons. Now the bank serves with the consumer banking and wholesale banking, managing 26 branches all over the country.

1.2 HISTORY OF STANDARD CHARTERED BANK IN BRIEF:

SCB has a history of more than 150 years. The name Standard Chartered has came from two distinct original banks. The portions “STANDARD” and “Chartered” stems from the “Chartered Bank” of India, Australia and China; the rest came from the “Standard Bank” of British South Africa.

Chartered bank was established in 1853 by a Royal Charter granted by Queen Victoria of England. The main person behind the Chartered Bank was a Scot, James Wilson. He kind of foresaw the advantages of financing the growing trade links with the areas in the East, where no other financial institution was present that time widely.

1.3 VISION OF SCB:

Vision of SCB is to focus on getting the basics of banking right making sure that they're financially stable with strong governance, so that they can create value for their shareholders and society in the long run. So, their brand promise is to be the right partner.

1.4 MISSION OF SCB

Mission of SCB is to run the operations well; standing by their clients and investing in local communities by providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver excellence in banking , so they can be a powerful force for good.

1.5 OBJECTIVE OF SCB

SCB's objective and brand promise is "Here for good", and is the essence of who they actually are. It's about sticking by their clients through good times and bad, and always trying to do the right thing.

1.6 BRAN PROMISE OF SCB:

Standard Chartered Bank's brand promise is **"Here for good"**, that underpins everything they do.

1.7 VALUES OF SCB

As SCB strives to be the world's best international bank, it's important to them that they conduct their business to the highest standards and are guided by their core values. To do so they act in an open, innovative and collaborative manner to advance the best interests of our clients. SCB has five stated core values:

- Courageous
- Responsive
- International
- Creative
- Trustworthy

1.8 PRIORITIES

Standard Chartered Bank uses their business model to make a difference in three ways:

- By contributing to sustainable economic growth; providing finance efficiently and responsibly, they contribute to sustainable economic growth and job creation. They are committed to supporting the clients and customers; helping businesses to set up, expand and trade across borders.

- Being a responsible company they want to deliver long-term value for shareholders and society. This means having the right culture, structures and processes in place to ensure that they practice strong governance, serve the clients and customers well and provide a great workplace for their people.

- Investing in communities; their sustainability as a business is closely intertwined with the health and prosperity of the communities where they operate. Through the employee volunteering and community investment programs they work with partners to deliver programs that promote positive social and economic outcomes for people in their wide markets.

1.8 EXPANSION OF STANDARD CHARTERED BANK:

- **Expansion in Africa and Asia:**

The Standard Bank opened for business in Port Elizabeth, South Africa, in 1863. It followed a policy of expansion and soon amalgamated with several other banks including the Commercial Bank of Port Elizabeth, the Coles berg Bank and the British Kaffarian Bank. The Standard Bank was prominent in the financing and development of the diamond fields of Kimberly in 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885.

- **Standard Chartered in the 1990s**

Within the period of apparent retrenchment during the First and Second World War Standard Chartered Bank expanded its network, re-opening in Vietnam in 1990, Cambodia and Iran in 1992, Tanzania in 1993 and Myanmar in 1995. Standard Chartered now has an office in every country in the Asia Pacific Region with the exception of North Korea.
In 1998 Standard Chartered concluded the purchase of a controlling interest in Banco Exterior de Los Andes (Extebandes), an Andean Region bank involved primarily in trade finance.

- **Standard Chartered in Middle East & South Asia;**

The MESA region performed well in year 2002. The region accounts for approximately 11% of the group's revenues. The integration of Grind Lays was successfully completed and the group is now one of the leading international banks in each of its chosen markets in the region. The contribution of the Group's business in the United Arab Emirates reflects the businesses. Standard Chartered now holds leadership positions in most of its key product segments in the UAE. The average number of employees in the Middle East and other South Asia region in 2002 was 2995.

- **Standard Chartered in Hong Kong:**

Hong Kong remains the Group's largest market, generating one third of the Group's revenue. They have a network of 74 branches. Standard Chartered has been transacting business in Hong Kong since 1858 and they issue bank notes there. In 2002, Standard Chartered became the first FTSE 100 Company to launch a new dual primary listing in Hong Kong.

- **Standard Chartered in Singapore:**

Standard Chartered has been doing business in Singapore for 144 years and has 20 branches and offices, the largest branch network among foreign banks. The business in Singapore accounts for approximately 11% of the Group's revenues. Standard Chartered has Qualifying Full Bank Status, which has enabled expansion of the distribution network. In 2002, Asian banker magazine named Standard Chartered the 'Best Retail Bank in Singapore'.

- **Standard Chartered in Malaysia:**

Standard Chartered is the oldest bank in Malaysia, where there is a network of 29 branches. The group continues to expand its Shared Service Center that was opened in 2001 and carries out operations and processing activity. The Centre in Kuala Lumpur has contributed significantly to improvements in the Group's processing and service efficiency.

- **Standard Chartered in Africa:**

Standard Chartered continues to be one of the leading banks in sub Saharan Africa. The group offers consumer banking and wholesale banking services in 13 African countries with a network of 149 branches and offices. Standard Chartered recently launched operations in the Ivory Coast and re-entered Nigeria. The average number of employees in 2002 was 5009.

- **Standard Chartered in United Kingdom and the United States of America:**

Businesses in the United Kingdom and the Americas provide services to leading multinationals and major financial institutions, which trade or invest in Asia, Africa, the Middle East and Latin America. In 2003, the businesses in the Americans were extensively restructured to improve efficiency for future growth. The Group also operates a growing off shore banking business based in Jersey. The average number of employee in the United Kingdom and America in 2002 was 2098.

- **Standard Chartered in India Region:**

Standard Chartered is the largest international bank in India and, following successful completion of the integration of Grind Lays, have a combined customer base of 2.4 million in Consumer Banking and over 1200 corporate customers in Wholesale Banking. The shared service centre in Chennai continues to develop rapidly as more services and processes are migrated from other countries. The average number of employees in the India region in 2002 was 5251.

- **The Acquisition of ANZ Grind Lays by Standard Chartered:**

The main idea behind acquisition and merger is making an investment and usually involves more than mere cash. When two separate legal entities merge every organization aspect of both companies is expected to change be it internal or external. Such management decision is taken for a variety of reasons but the ultimate aim is to add up to shareholder's wealth. For banks operating in the consumer and wholesale banking sector, earning depends largely on the interest margin as well as the service charges.

- **Standard Chartered Bank in Bangladesh**

The Chartered Bank started operating in Bangladesh in 1947, opening a branch in Chittagong. The branch was opened mainly to facilitate the post-war reestablishment and expansion of South and Southeast Asia. The Chartered Bank opened another branch in Dhaka in 1966, where it is still headquartered. After the merger of the Chartered Bank with the Standard Bank in 1969, the Standard Chartered Bank took up a program of expansion. It increasingly invested in people; technology and premises as its business grew in relation to the country's economy. In 1993, there was an organizational re-structuring, which led to a substantial expansion of the Bank’s business. Today the bank has in total four branches in Dhaka apart from the Chittagong branch, including an offshore branch at the Savar Export Processing Zone.

STANDARD CHARTERED INTERNATIONAL NETWORK

1.9 BUSINESS OPERATIONS OF STANDARD CHARTERED BANK; IN BANGLADESH:

The IBG of Standard Chartered Bank offers a wide variety of products and services to the banks and financial institutions. It has global links with leading banking institutions and agency arrangements through its network of offices in 40 countries.

The Bank offers a full range of clearing, payment collection and import-export handling services. The bank offers foreign missions, voluntary organizations, consultants, airlines, shipping lines, and their personnel the following financial services:

- Current accounts in both Taka and other major foreign currencies
- Convertible Taka accounts (these funds are freely convertible to major international currencies)
- Local and foreign currency remittances etc.

SCB Bangladesh has two main functional areas to perform its business.

Those are:

A. Business
B. Support

SCB Bangladesh can be divided into the following business areas

- Consumer banking
- Wholesale banking
- Treasury
- Institutional banking
- Custodial service

In our country, corporate banking division has historically contributed more to revenue and profits compared to customer banking division.

The support division of SCB Bangladesh contains the following departments:

- Operations
- Finance, administration and risk management
- Information technology
- Human resources
- Legal and compliance
- External affairs
- Management

Products and Services of the Bank:

Standard Chartered Bank has highly qualified professional staff members who have the capability to manage and meet all the requirements of the bank. Every account is assigned to an Account Manager who personally takes care of it and is available for discussion and inquiries, whether one writes, telephones or calls. The services of the Bank are personalized and backed by advanced computerization.

1.9.1 Consumer Banking

Superior retail banking services comprising a wide range of deposit and loan products are offered by the Standard Chartered Bank to its individual customers. The Consumer Banking division constantly faces challenges and meets them by developing new products and services to fulfill the specific requirements of local TU Bank offers a 24-hour service in Bangladesh through its Moneylink ATM network and Phone-link Phone Banking services.

1.9.2 Corporate Banking Group:

Standard Chartered bank offers its local customers a wide varity of financial services. All the accounts of corporate clients, that mainly comprise top local and multinational companies operating in Bangladesh, are assigned a RM or Relationship Manager; who maintains regular and close contact to serve the needs.

The expertise of the financial institution and treasury division is available whenever its needed. The unique off shore banking unit (OBU) in Savar offers a full range of facilities to overseas investors, and recently that Savar Branch have expanded many of its activities.

The offerings to the customer:

- Project finance
- Investment consultancy
- Syndicated loan
- Bonds and guarantees
- Local and international treasury products

1.9.3 Cash Management Operations:

Standard Chartered is highly recognized as a leading cash management supplier across the emerging markets. Their Cash Management Services cover local and cross border payments, collections, information management, account services and liquidity management for both corporate and institutional customers.

Operations:

- Manage the availability of client’s funds efficiently
- Monitor and control the movement of funds

- Settle payments to client's suppliers in a timely and cost-effective manner.
- Capture every investment opportunity to increase income
- Investigating the source of the funds

1.9.4 Trade finance:

Standard Chartered possesses 140 years of experience in Trade Finance. The bank has presence in over 40 countries, in addition to our extensive network of overseas banking partners and correspondents. The bank obtained ISO9002 accreditation for its quality service. Dedicated trade and payment systems are in place to make sure that every transaction, even across different currencies, will be professionally executed.

1.9.5 Custody and clearing services:

Standard Chartered Bank's Custody and Clearing Services' combination of local market expertise, with the security offered by being an integral part of one of the world's leading international banks has garnered an impressive client base which includes leading North American, European and Asian institutions.

1.9.6 Electronic banking:

Standard Chartered offers the client a comprehensive range of Cash Management services. Whether it is a financial institution, a multi-national corporation or a domestic company, Electronic Banking application has the capability to support full range of Cash Management reporting and transaction initiation needs. It provides the secure, reliable and effective link between the client and client's accounts anywhere across the Standard Chartered network.

1.9.7 Lending:

Provides working Capital Loan to help the client meet their financial obligations and operate effectively, the bank offers assistance in the form of working capital loans, overdrafts, term loans (including real estate loans and other secured debt), backstops and revolvers.

Two types of lending facility are provided to client at present:

- **Loan Structure and Syndication:** this facility helps borrowers to meet substantial financing needs by enabling them to reach the banks most interested in lending to their particular industry, geographic location and structure through syndicated debt offerings.

1.9.8 The Treasury division

The treasury division of the Standard Chartered Bank has a centralized dealing room in Dhaka and consists of the following two areas:

- **Structured finance:** Standard Chartered provides Commodity, Structured Trade and Export Finance global group service. Many financial institutions have been retreating from these markets. Standard Chartered Bank stands out as the only bank which is committed to financing Commodity and Export Credit Agency supported trade flows.

Features:

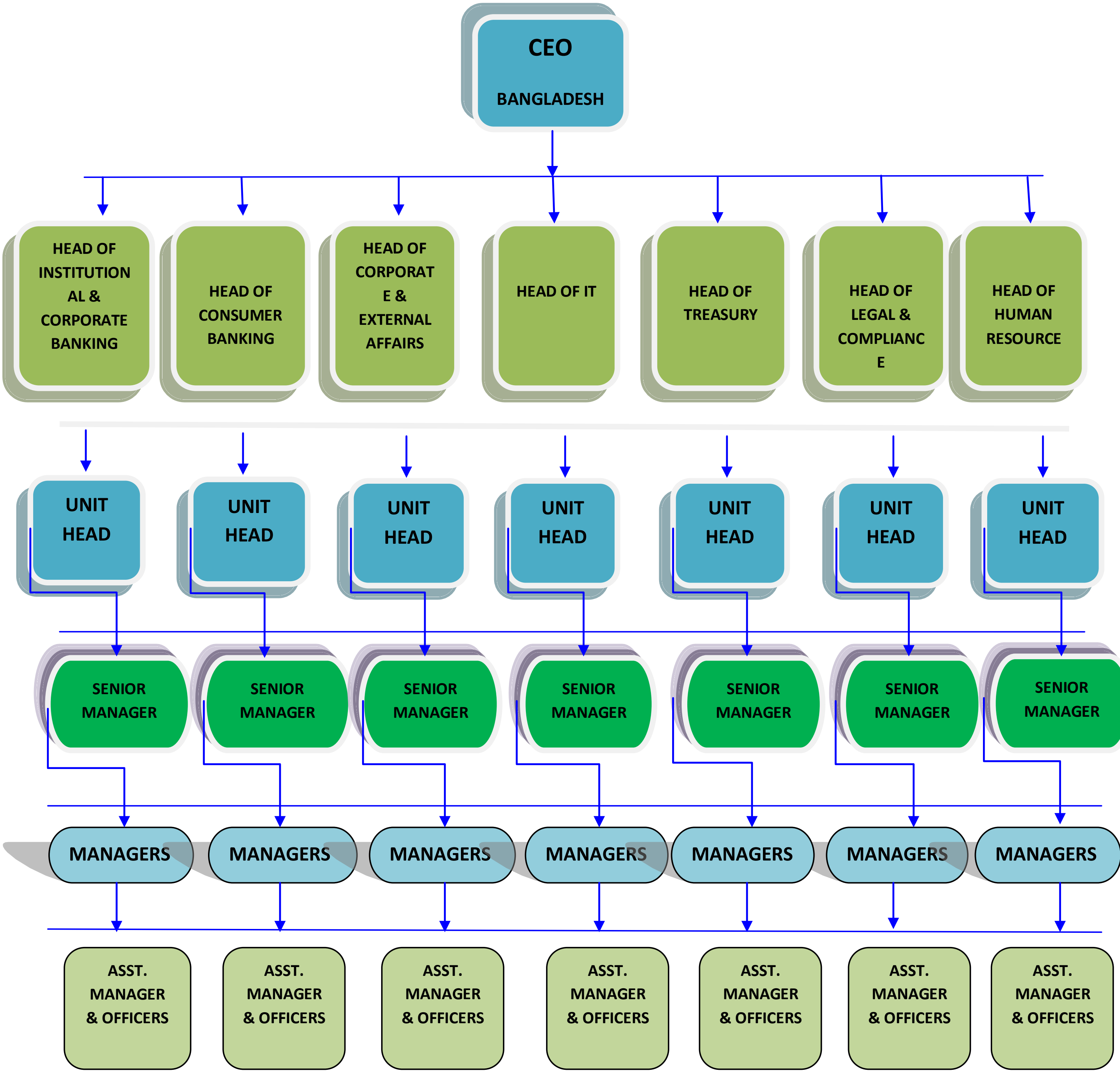
  - Access to long establish expertise in Commodity Finance and willingness to accept the credit risks associated with approved counterparties.
  - Access to structuring skills for emerging markets medium term financing and to country limit availability for many countries in Asia, India, Middle East, Africa and Latin America.
  - Presence on the ground in many emerging markets which facilitates transactions through local knowledge and the provision of local commercial banking infrastructure.
  - Track record and capability for global arranging, underwriting and syndication in the whole area of Structured Finance.

- **Foreign Exchange:** The Reuters monitors placed in the Treasury Division give continuous updates on exchange rate movements as well as ready access to market information. The Foreign Exchange service includes:

Foreign exchange contracts for the same day value, next day value or spot transactions

  - Forward Contracts: Foreign exchange contracts to hedge exchange risks.
  - Cross Currency Contracts: The customers can trade a wide range of currencies.

1.10 ORGANOGRAM OF SCB BANGLADESH:



Bank is conservative by nature and activities. Since it is a financial institution, conservativeness is important here. SCB follows top down approach in communication. The hierarchical ladder of the chain of command is given in the above mentioned organ gram.

CHAPTER- TWO

Job Responsibilities at SCB

2.1 NATURE OF THE JOB PERFORMED:

My internship at Standard Chartered Bank started on November 12th, 2014 and ended on February 12th, 2015. During this 3 months of period, I was assigned at the Standard Chartered Bank Head Office and was appointed to the Project, MIS and Investigation team, while working there I gathered valuable knowledge and experience. I have learned several things from the fellow mates and colleagues and seniors as well. I learned how to be responsible for your own work, being committed to the organization, open to learn new things, work-life balance, and work ethics in the organization, being regular and punctual and how to communicate and handle different types of customer.

In Standard Chartered Bank, my main specific task was related to reporting foreign direct investment (FDI) returns and related rationalized input template (RIT) for Bangladesh Bank. For this task at first I had to check client's financial statements, relevant encashment papers & documents that have been attached with the company's FI-1 form (A Foreign Investment related form of client's financial information). It was also important to check that those papers were signed by any authorized person of the client's company or not. At the same time my task was to find out the similarities between given financial statements & documents information with the FI-1 form's information that has been given by the client's company.

For the purpose of RIT input, after getting proper financial information from the client I had put that information in rationalized input template (which is a standardized non-executable file type used by computer designed file as a pre-formatted example on which to base other files.)

The template of FI-1 form is provided by the Bangladesh Bank. The task is easy to understand but for this it is mandatory to study their circular about FDI returns & related RIT and to follow their guidelines. Being a student of finance it was very easy for me to understand but had to clear and properly understand all the terms and follow as far mentioned in the Bangladesh Bank's circular and guidelines.

On the other hand, client sometimes provides misleading information so after checking the template report, to ask for clarification and to ask to put down the information in right way even if required I had to contact with the clients.

Another task for me was to make a full copy of client's submitted papers like FI-1 form, financial statements, company documents, encashment papers etc for both Standard Chartered Bank and Bangladesh Bank. Because for the purpose of the bank, the main copy of the clients papers is required to have in Standard Chartered Bank as a proved file. And the photocopy files are required submitting in Bangladesh Bank for further checking. So I had to make copies of the reports.

Apart from working in Project and MIS division I had also worked with the investigation team; there my tasks was;

- Swift massage sorting and reconciliation
- Delivery of the swifts to the other units
- Manual voucher reconciliation
- NOSTRO recon
- Amendment message releasing and delivery
- Photocopy of other messages and delivery
- Paid ITT finding through system
- Client query handling and visit

2.2 CRITICAL OBSERVATIONS AND RECOMMENDATIONS

It was very good experience working in Standard Chartered Bank. The supervisors, seniors and colleagues are very helpful and supportive every time I wanted to learn something new. While working there I have noticed some critical aspects of their work, which are:

- No work has ever left pending for the next working day, unless it is absolutely necessary.
- The work processes could be more prompt and faster if they use upgraded software and operating systems.
- Performances are continuously appreciated by the seniors that eventually motivate the employees to work well further.
- There is always a rush of customer throughout the day so as a result sometimes the sequence of work among the employees varies a lot.
- The supporting staffs should do their own staffs rather taking continuous help from their colleagues because it hampers the work of others.
- They should maintain proper schedule of work and meet the deadlines, for this they should take necessary measures to make the clients understand.

2.3 LIMITATIONS OF MY WORK:

- If I go specific then while working on FI-1 reporting, I found out that there are no proper guidelines given from SCB except the guidelines of Bangladesh Bank to their clients about how to fill up the forms
- There is lack of electronic equipment's like computers
- There is limited scope where you can imply your knowledge, thoughts and innovations
- It is a chain of work where if one breaks the other eventually collapses
- The customers not that much supportive as they are a little bit of denial to except or understand the importance of FI-1 reporting, as a result they often provide wrong or misleading information

CHAPTER- THREE

Details of the Project

3.1 OBJECTIVES OF THE REPORT:

The objectives of the report can be divided in to two parts;

1. General objective
2. Specific objective

General objective:

The report is prepared to primarily to full fill the Bachelor of Business Administration (BBA) degree requirement under the faculty of BRAC Business School, BRAC University.

Specific objective:

If I go specific then the reports entails the following aspects:

- To provide an overview of Standard Chartered Bank
- To focus on the services, products, work environment provided to the employees or customers at SCB
- To understand the functions of SCB
- To determine the profitability, cost ratio, credit performance, liquidity etc.
- To identify the financial performance of SCB
- To determine the market position of SCB
- To identify the competitive market or environment of SCB

3.2 DATA COLLECTION METHODOLOGY

As I have been working there for three months, it was some extent to hassle free to collect the financial information from the MIS and Finance department.

There are two types data have been used here to conduct the analysis:

1. **Primary data:**

   The primary sources are:

   - Interview with the employees of SCB
   - Conversations and discussion with the seniors and finance department

2. **Secondary data:**

   Secondary sources are:

   - Annual report of SCB
   - Internet browsing
   - Various other reports related to the performance of SCB

3.3 LIMITATIONS OF THE STUDY:

While doing the report there I have found some limitations which debilitate the accuracy of my outcome of the report:

- It was difficult to get information out of the bank as they are very much strict to it
- Few researches over the financial analysis was given on the very same organization are given online so that's make it tough to analyze
- Load of work pressure was also a barrier in preparing the report
- Although the officers of Standard Chartered Bank was helpful enough, they did not have enough time to provide, as they remain busy with their assigned works
- Due to lack of experience there might be some mistakes in the report, though maximum effort has been given to avoid mistakes
- Lastly I was appointed to the cash management operations where the dealings of work was all related to operations rather than finance and finance related works so I get a lesser chance to gather information from my working unit.

3.4 SCOPE OF LEARNING:

The department I was assigned was Cash Management Operations under the Project, MIS and Investigations Unit. My first job was to collecting, checking and to fill up the RIT template of FI-1 reporting to report Bangladesh Bank. There was a lot of scope to learn from there, like how the customers are assisted or communicated, how finish the checking and data entry within a time frame as there was a deadline stated by Bangladesh Bank. I learned how to communicate with the clients and handle them. Apart from all this I learned how to work balancing time and handle work load. From this 3 months period I also have learn how to prioritize work and make a work life balance.

Here from everyone and from unit of CMO I have learnt something as when you will explore the place and meet the people working there you will eventually know that there is something new to learn from every place in every single minute.

3.5 FINANCIAL PERFORMANCE MEASURE:

A tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis. **(Investopedia)**

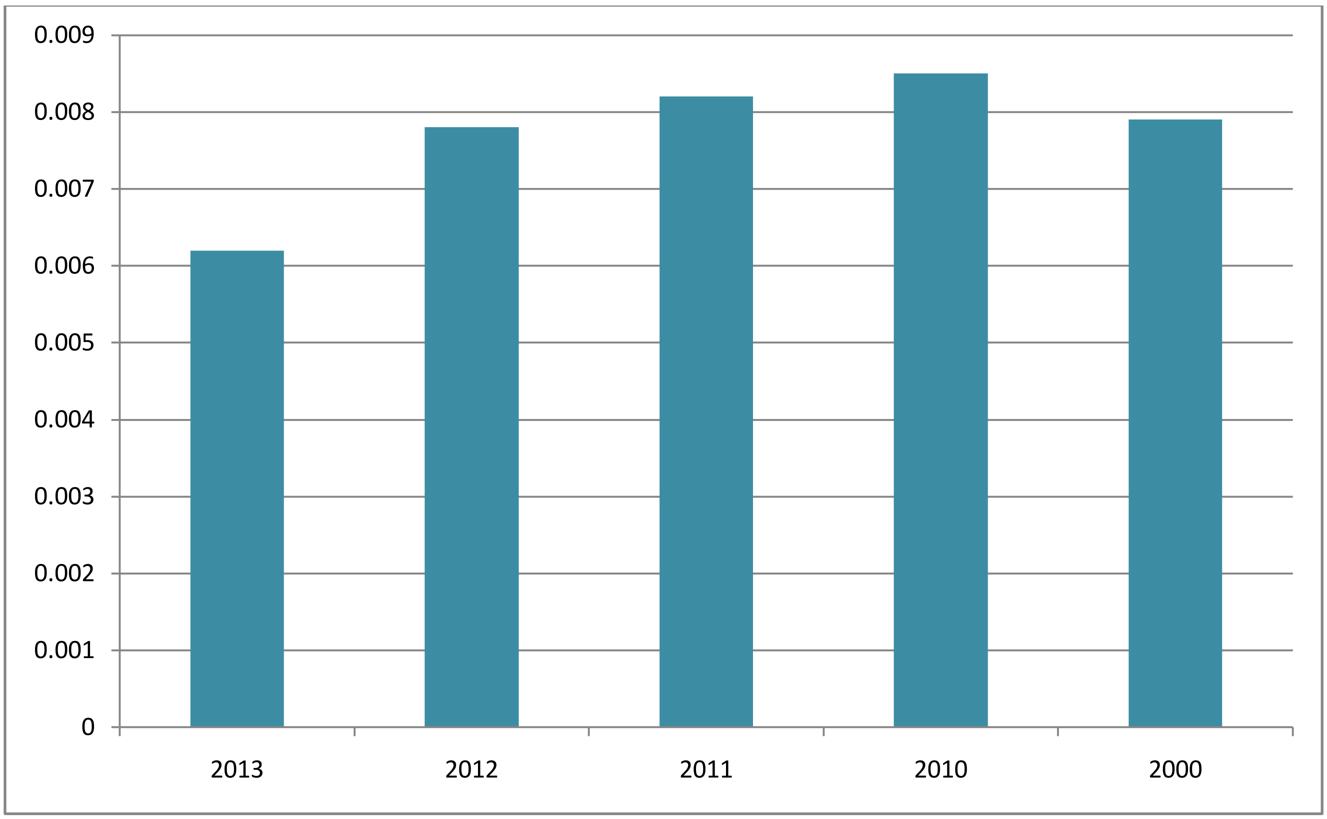
To do an analysis, the following ratios and values have been calculated:

ROA, ROE, Net Interest Income, cost to income ratio, deposit run off ratio, net interest I\income as a % of TRGA, net non interest income as a % of TRGA net loans to asset ratio, net loans to deposit and borrowings, Earnings per Share, price earnings ratio, interest sensitive gap, relative interest sensitive gap, interest sensitivity ratio, investment maturity strategy, liquidity indicators and Tier 1 or Core Capital,

[Please see Appendix I for the calculations]

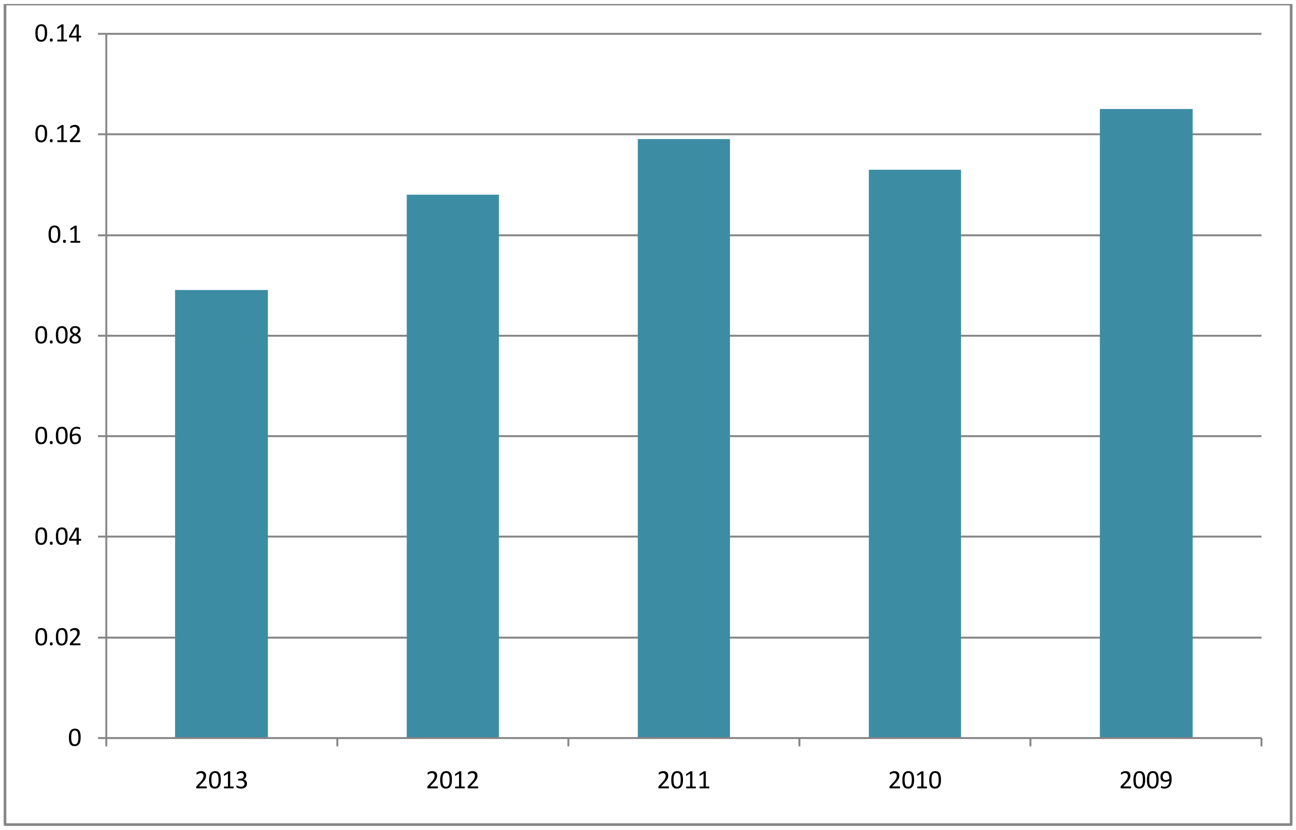
3.6 ANALYSIS:

1. Return on Assets (ROA):



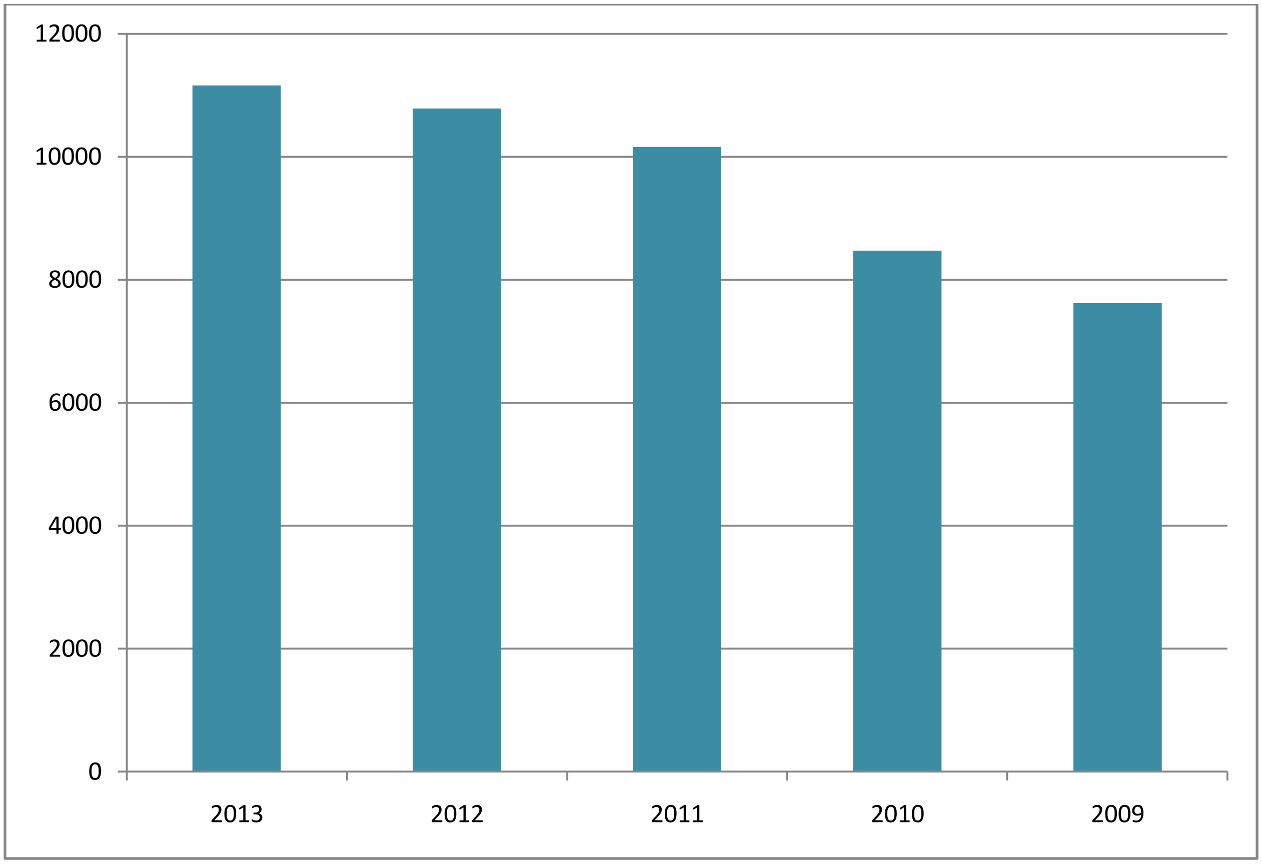
It shows how capable the management of the bank has been in converting the institution's assets into net earnings, as it calculates how much a bank earns using 1 unit of assets. Here the return on asset has a fluctuating trend. It varies between .0062 to 0.0085 between the years of 2013 to 2009 and being its highest in 2010.

2. Return on Equity (ROE):



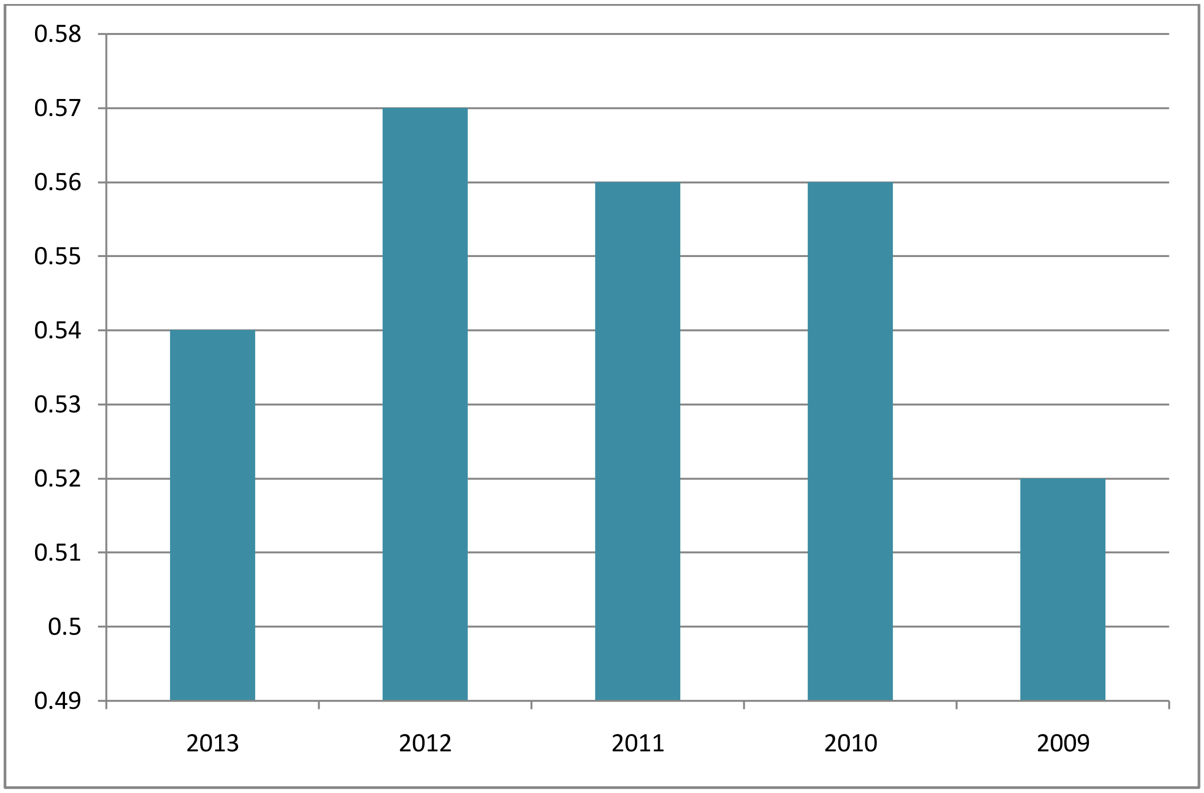
The trend shows that SCB had a fair return on equity ratio in 2009 to 2011 but it was not enough as it started to fall from 2012 and it is least at 2013 with 8.9% where as it was 12.5% in 2009. The reason could be the shortage of profits and as a result net income had gone down. Another reason could be the effect on ROE due to the new instruction of Bangladesh Bank to limit the Credit Deposit Ratio within 85%. So the banks have to take deposit in higher competitive rates.

3. Net Interest income:



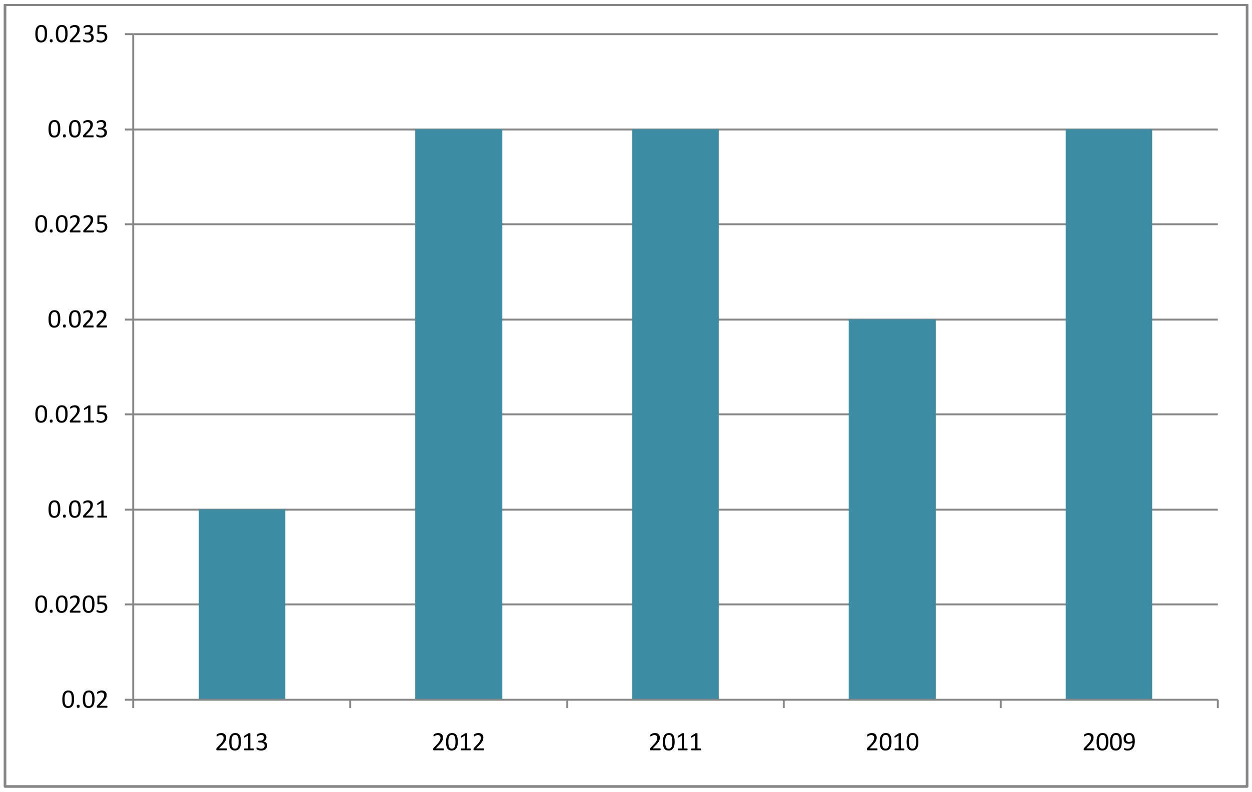
When a bank's assets and liabilities do not re-price at the same time, the result is a change in net interest income**.** And the net interest income of banks is more sensitive to changes in interest rates than others. Here SCB's net interest income shows an increasing trend from 2009 to 2013. The higher the ratio is the better for the company because the trend shows a high amount of net interest income which is based on SCB's smooth operation on the focused investments and service.

4. **Cost to Income Ratio:**



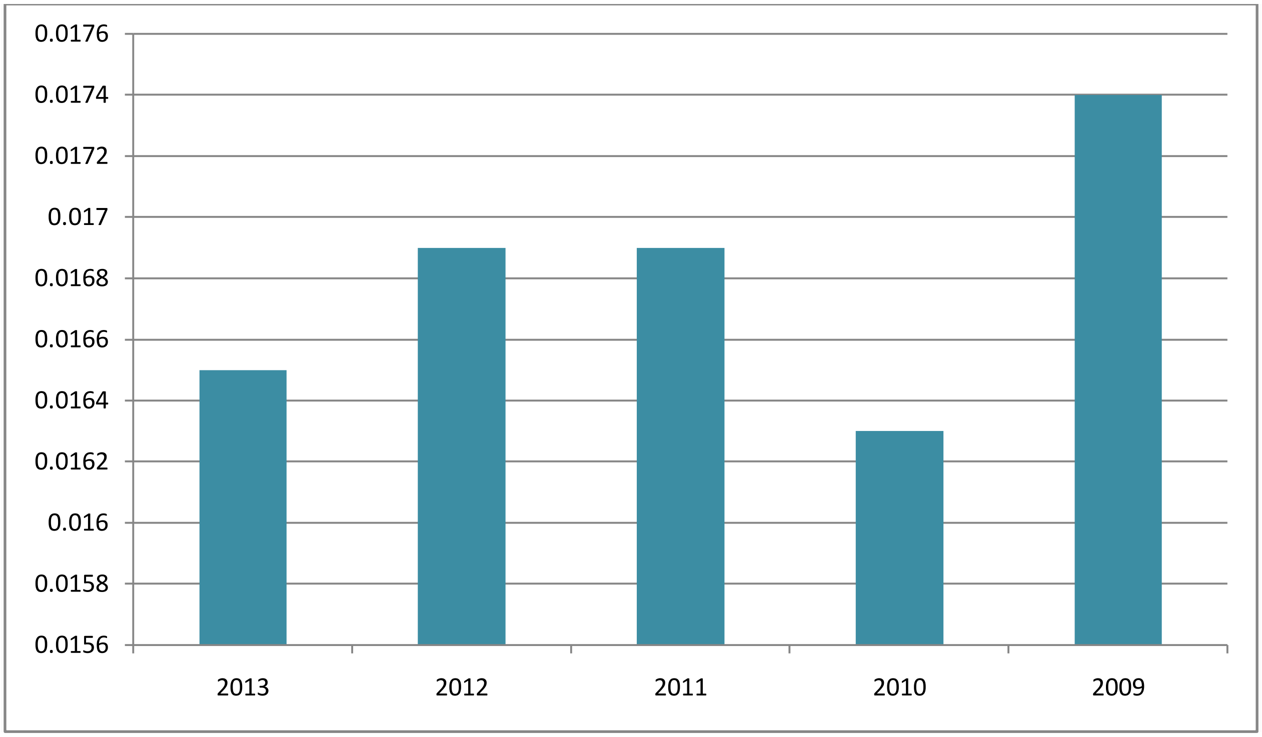
Cost to income ratio is only affected by banks cost but also by the variations in income. For any given level of cost relative to a bank's assets, a reduction in income will cause cost to ratio to increase. Here we can see that the least cost to ratio of SCB was in 2009 and then it increased during 2010 to 2012 and in 2012 it was highest in last five years then again it reduced to a great extent in 2013. It might be a reason of ineffectuality in generating income by the bank or it could be a reflection of change in the competitive conditions reducing the margins available to banks. But this downturn can also be defined from the insight of economic downturn during 2010-2012 that has reduced the opportunities of banks to undertake profitable business from which to earn interest and fees. But it again started to go downwards in 2013 which is good.

5. Net interest Margin:



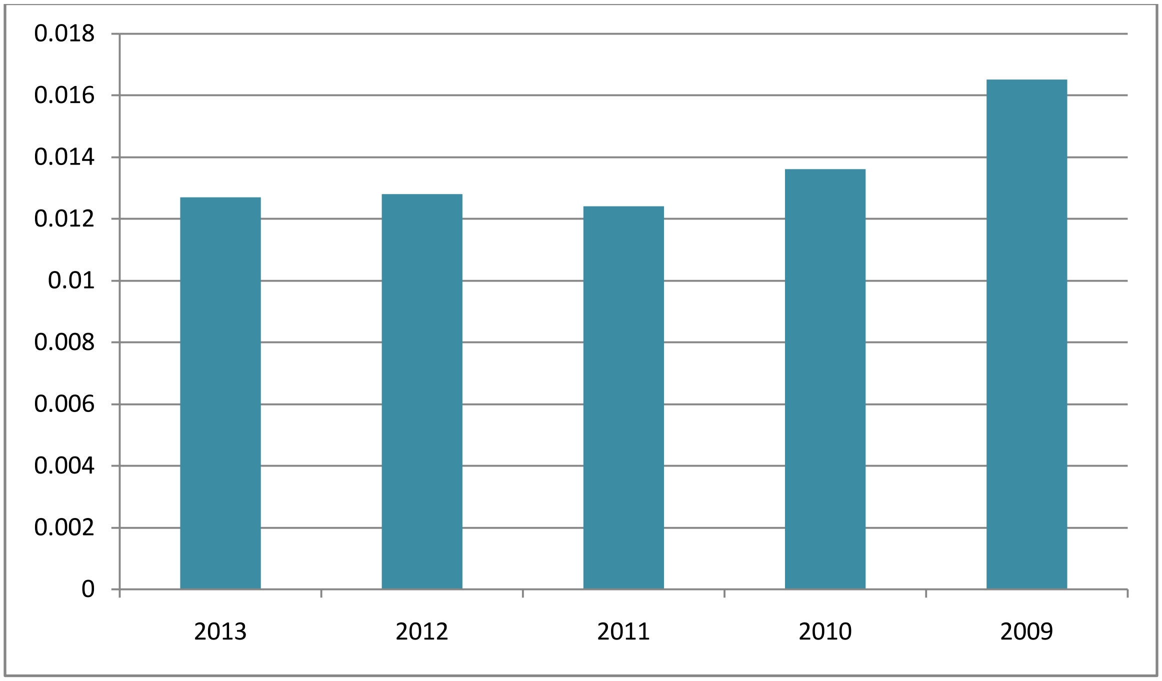
The net interest margin is used to track the profitability of bank's investing and lending activities over a time period. SCB's net interest margin declined from 2.30% in 2009 to 2.10% in 2013. Also the yields on its assets that generate interest income declined from 3.9% to 3.4% over this period, it increased its reliance on low-cost deposits and short-term debt, and reduced its use of higher-cost long-term debt, lowering its funding costs more than the interest income on its loans and investments.

6. Net Interest Income as % of Total Revenue Generating Assets:



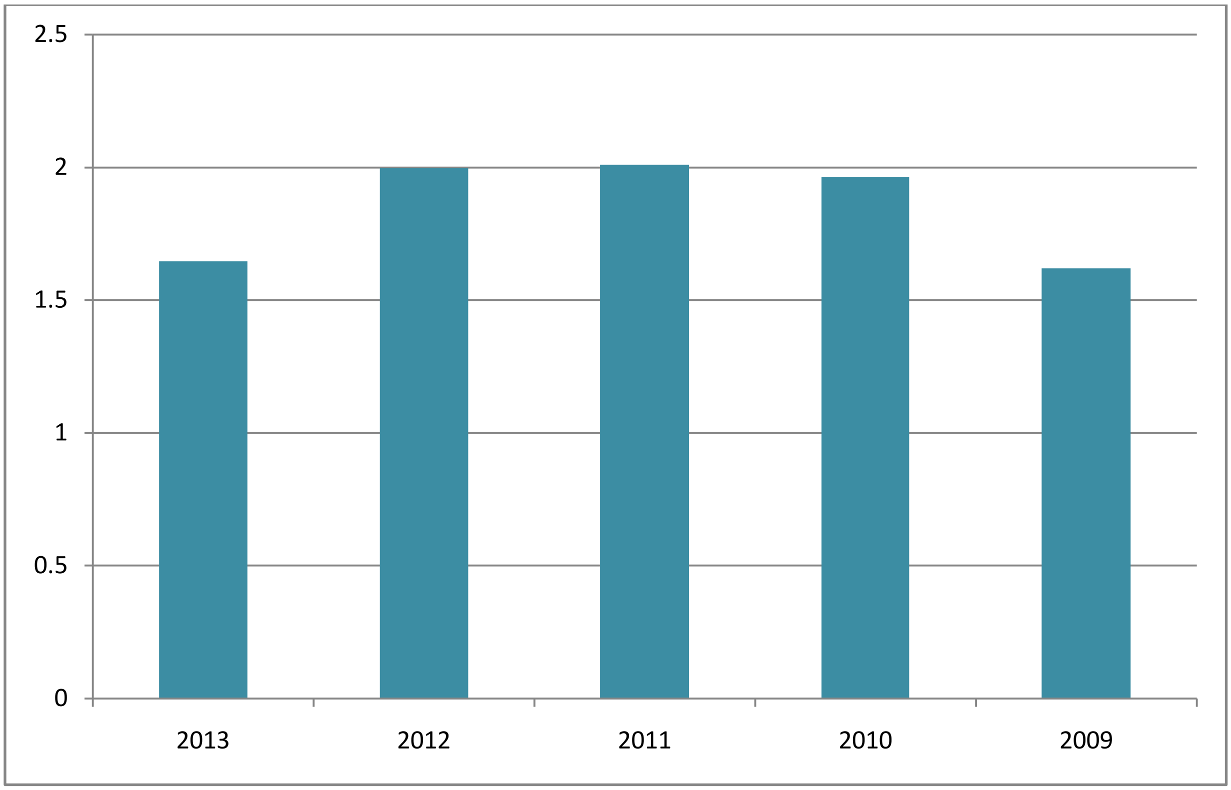
Net interest income as % of TRGA shows how a bank's net interest income is increasing by utilizing its revenue generating assets. This particular ratio also shows a fall on the 2010 than again it rose in 2011 and became stable in 2012 as well but there is a slight fall in 2013 from 1.69% to 1.65% rate which happened probably because of the slow pace in the economic growth of the year.

7. Net Non Interest Income as % of Total Revenue Generating Assets



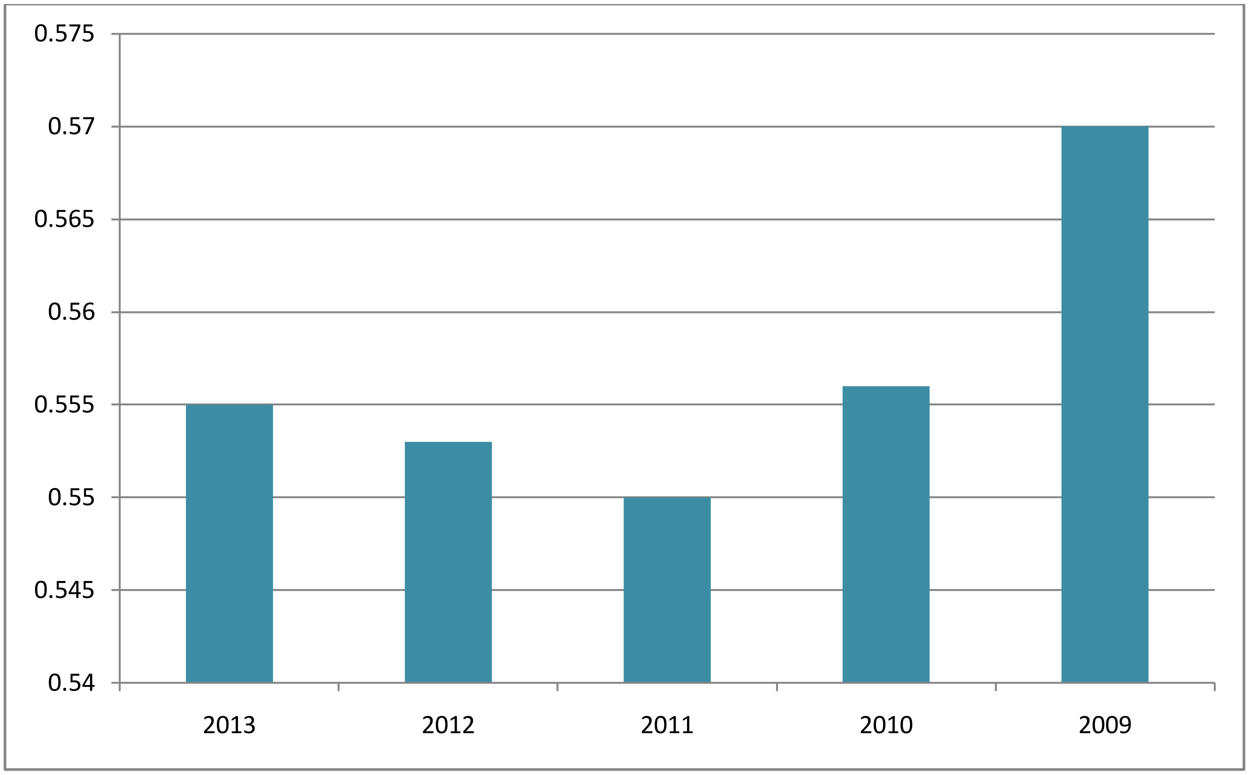
Net non interest income as % of TRGA shows here the fluctuating trend over 5 years. The highest amount of NNII as % of TRGA is in the year of 2009 which explains that SCB's main earning revenue sources were non operating income on that particular year, which has both positive and negative sides, because non operating income is not the main source of income of a company. But from the year of 2010 to 2013 the trend has become somewhat stable between 1.36% to 1.27%.

8. Earnings per share:



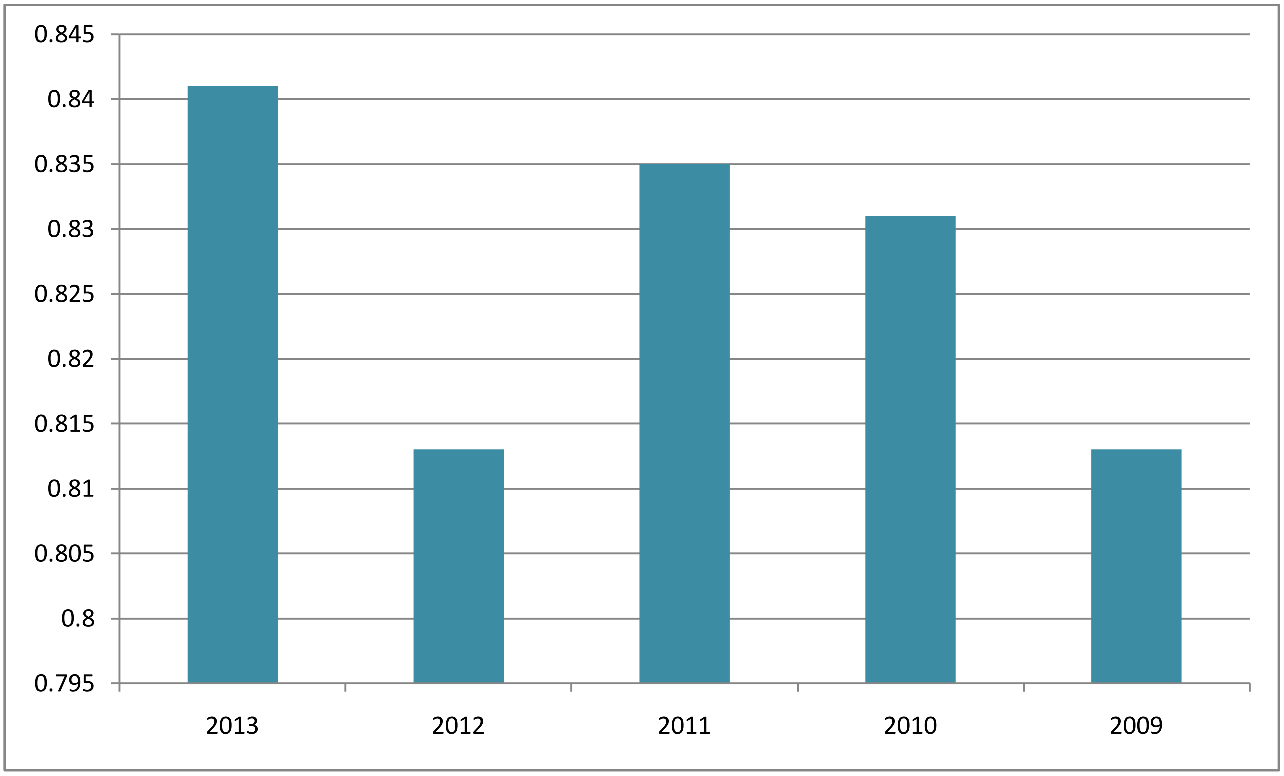
Earnings per share show a fluctuating trend in the graph. In 2009, the EPS was 161.8c, but due to major changes in the business operations, the EPS raised to196.3c in 2010 and 200.1c in 2011 again in 2013 there is a decline in the EPS of SCB.

9. Net Loans to Total Asset Ratio:



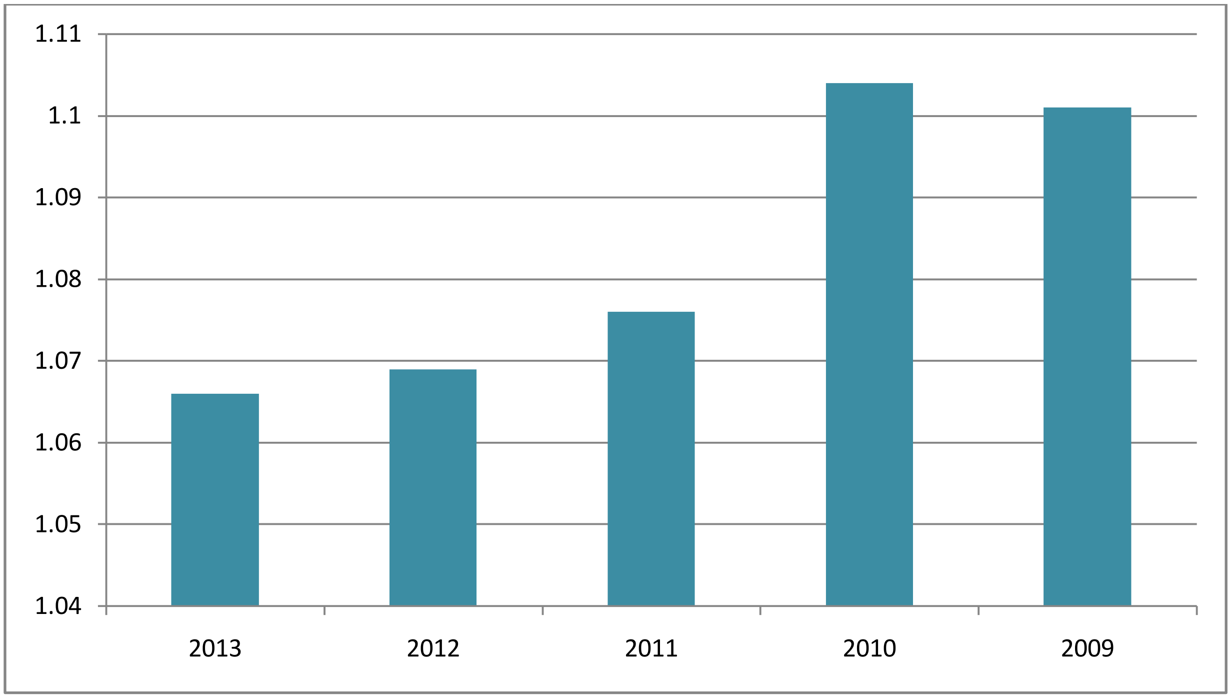
Net loans to total assets ratio measures the percentage of assets that is tied up in loans. The higher the ratio, the less liquid the bank is. From the chart we can see that SCB has slightly fluctuating NLTA ratios from 57% to 55.3%. The bank shows a higher percentage of NLTA in 2009 which has declined in past 4 years and in 2013 it has become 55.5%.

10. Net Loans to Deposit and Borrowings:



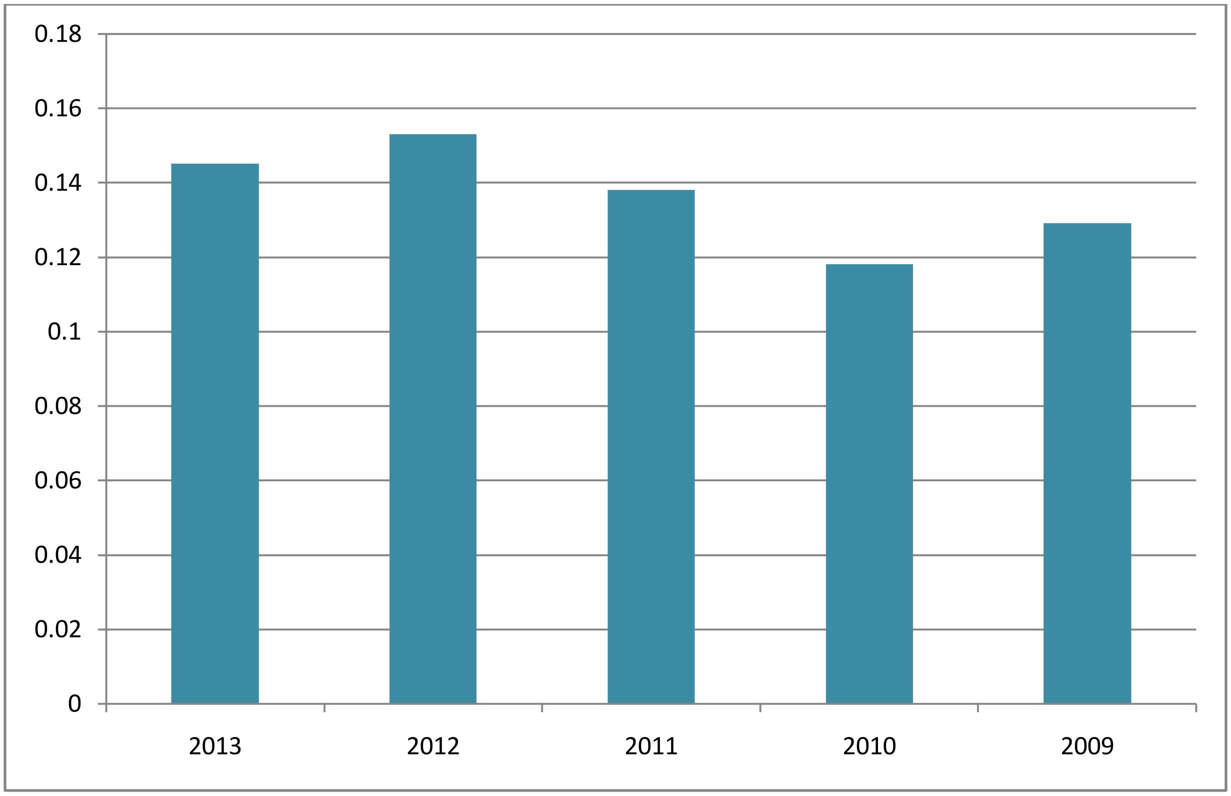
This ratio indicates the percentage of the total deposits locked into non-liquid assets. A high figure denotes lower liquidity. Here we can see that in 2013 the ratio is much higher than the previous 5 years that indicates lower liquidity of the bank due to the fact that deposits are locked by non liquid assets and are less liquid.

11.Interest Sensitivity Ratio:



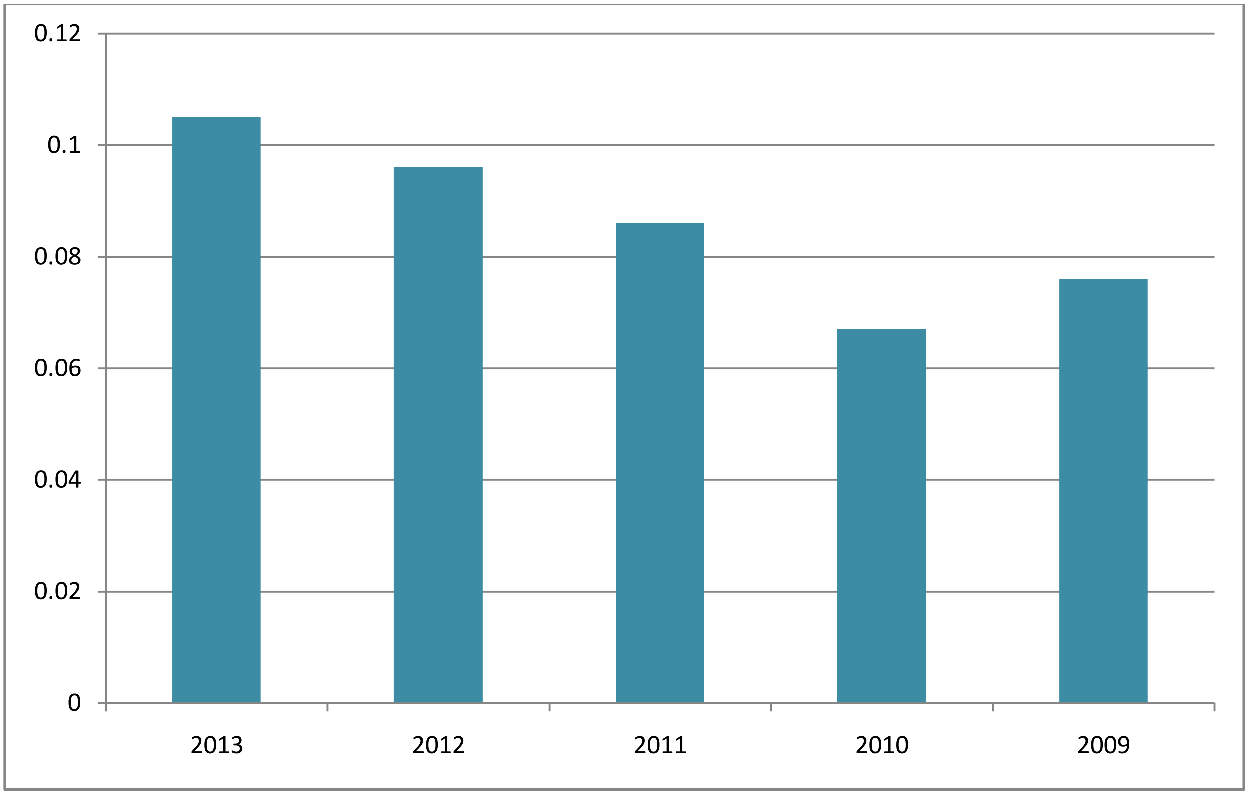
Indicates the degree of change in the price of an asset (such as securities, bonds, notes) in response to the fluctuations in the market interest rates. This graph shows that the bank has fluctuating interest sensitivity ratio from year 2009-2013 but spread is comparatively less. Interest rate sensitivity also denotes that the longer the maturity of the asset, the more sensitive the asset will be to changes in interest rates. Changes in interest rates are watched closely by bond and fixed income traders, as the resulting price fluctuations will affect the overall yield of the bank securities.

12.Cash Position Indicator:



The graph shows that there is a fluctuating trend of the cash position indicator. In 2012 the ratio to cash and deposit to total asset was the highest in the 5 years where as in 2010 had the lowest. In 2011, 2012 and 2013, it is gradually increasing which means the liquidity position of SCB is increasing over the years.

13.Liquid Securities Indicator:



The ratio of short-term securities to total asset was the highest in 2013. This increase was due to a high amount of investment in the short term portfolio. As investments was low in 2010 ratio fell down significantly but started to rise slowly since 2011 onwards.

Conclusion and Recommendation:

By observing and analyzing the overall performance and profitability of Standard Chartered Bank Limited, it can be said that net interest income shows an increasing trend over the five years, which is good for the bank and shows smooth operation of the investments and that the expenses are controlled.

A decreasing ROA indicates less profitability. As ROA is derived from net income and assets, so to improve the return on assets, they can increase net Income without acquiring new assets or improve the effectiveness of existing assets. As the more SCB generates in fees, the more it may concentrate on activities that carry high fixed costs. The degree to which SCB is able to leverage its fixed costs also affects its efficiency ratio; that is, the more scalable it would be, the more efficient it would become. .

In year after year they are trying to improve themselves by establishing a sound capital base. They are trying to make their products and services more lucrative to their customers. And they are rewarding their shareholder's by enhancing their wealth and attracting more investors by their bank performance.

They follow a front-end load maturity strategy where more than 80% of the investments are short and medium term investments which say that SCB prefers higher liquidity to higher profitability. But that is something that they might face trouble with as shown by the analysis of liquidity indicators. The Cash Position Indicator shows fluctuation in the graph and in 2011, 2012 and 2013; it is gradually decreasing which means the liquidity position of the bank is unstable over the years. This problem can be solved by finding out ways to lower the costs of overhead like advertising, professional costs and rent. However, since the bank is well capitalized with sound investments, this after all might not be a major problem for a bank that operates for 150 years with excellence and expertise.

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Appendix I

These are the tools useful in valuation because it helps the financial analyst gauge returns and risks. So, here are the calculations for SCB:

- **ROA (RETURN ON ASSETS) = NET INCOME/TOTAL ASSETS (AMOUNTS IN MILLIONS)**

2013

ROA= 4200/674380

=0.0062

2012

ROA= 4985/631208

=0.0078

2011

ROA= 4933/599070

=0.0082

2010

ROA= 4414/516542

=0.0085

2009

ROA= 3477/436653

=0.0079

- **ROE (RETURNS ON EQUITY)= NET INCOME/ TOTAL EQUITY**

<u>2013</u>

ROE= 4200/4684

1= 0.089

<u>2012</u>

ROE= 4985/46055

=0.108

<u>2011</u>

ROE= 4933/41375

= 0.119

<u>2010</u>

ROE= 4414/38865

=0.113

<u>2009</u>

ROE= 3477/27920

=0.125

- **NET INTEREST INCOME= TOTAL INT INCOME-TOTAL INT EXPENSE**

2013

Net interest income = 17593-6437

= 11156

2012

Net interest income= 17827-7046

= 10781

2011

Net interest income= 16584-6431

=10153

2010

Net interest income= 13500-5030

=8470

2009

Net interest income= 12926-5303

= 7623

- **COST TO INCOME RATIO= OPERATING EXPENSES/OPERATING INCOME**

2013

Cost to Income Ratio= 10193/18777

= 0.5428

2012

Cost to Income Ratio= 10896/19071

= 0.5713

2011

Cost to Income Ratio= 9917/17637

= 0.5622

2010

Cost to Income Ratio= 9023/16062

= 0.5617

2009

Cost to Income Ratio= 7952/15184

= 0.5237

- **NET INTEREST MARGIN=(INTEREST INCOME-INTEREST EXPENSE)/ AVG TOTAL ASSET**

<u>2013</u>

Net interest margin= 17593-6437/521287

= 0.021

<u>2012</u>

Net interest margin= 18258-7248/488178

= 0.023

<u>2011</u>

Net interest margin= 16584-6431/441892

= 0.023

<u>2010</u>

Net interest margin= 13500-5030/383359

=0.022

<u>2009</u>

Net interest margin= 12926-5303/328688

=0.023

- **NET INTEREST INCOME AS % OF TRGA= NET INTEREST INCOME/ TRGA**

2013

Net interest income as % of TRGA= 11156/674380

= 0.0165

2012

Net interest income as % of TRGA= 10781/636508

= 0.0169

2011

Net interest income as % of TRGA= 10153/599070

= 0.0169

2010

Net interest income as % of TRGA= 8470/516542

= 0.0163

2009

Net interest income as % of TRGA= 7623/436653

= 0.0174

- **NET NON INTEREST INCOME AS % OF TRGA= NET NON INTEREST INCOME/TRGA**

2013

Net non interest income as % of TRGA= (18777-10193)/674380

= 0.0127

2012

Net non interest income as % of TRGA = (19071-10896)/636508

= 0.0128

2011

Net non interest income as % of TRGA = (17367-9917)/599070

= 0.0124

2010

Net non interest income as % of TRGA = (16062-9023)/516542

= 0.0136

2009

Net non interest income as % of TRGA = (15184-7952)/436653

= 0.0165

- **NLTA (NET LOANS TO TOTAL ASSET RATIO)= NET LOANS/ TOTAL ASSETS**

2013

Net loans to total asset ratio= (83702+290708)/674380

= 0.555

2012

Net loans to total asset ratio= (68381+283885)/636518

= 0.553

2011

Net loans to total asset ratio= (65981+263765)/599070

= 0.550

2010

Net loans to total asset ratio= (52058+240358)/516542

= 0.566

2009

Net loans to total asset ratio= (50885+198292)/436653

= 0.570

- **NLDST (NET LOANS TO DEPOSIT AND BORROWINGS)= NET LOANS/TOTAL DEPOSITS AND SHORT TERM BORROWINGS**

<u>2013</u>

Net loans to deposit and borrowings= (83702+290708)/444980

= 0.841

<u>2012</u>

Net loans to deposit and borrowings= (68381+283885)/432915

= 0.813

<u>2011</u>

Net loans to deposit and borrowings= 65981+263765)/394714

= 0.835

<u>2010</u>

Net loans to deposit and borrowings= (52058+240358)/351482

= 0.831

<u>2009</u>

Net loans to deposit and borrowings= (50885+198292)/306435

= 0.813

- **INTEREST SENSITIVITY RATIO= INTEREST SENSITIVE ASSETS/INTEREST SENSITIVE LIABILITIES**

<u>2013</u>

Interest sensitivity ratio= 521287/488593

= 1.066

<u>2012</u>

Interest sensitivity ratio= 488178/461480

=1.05

<u>2011</u>

Interest sensitivity ratio= 441892/410602

=1.076

<u>2010</u>

Interest sensitivity ratio= 383359/347058

= 1.104

<u>2009</u>

Interest sensitivity ratio= 328688/298365

= 1.101

- **CASH POSITION INDICATOR = (CASH + DEPOSIT)/ TOTAL ASSET**

<u>2013</u>

Cash composition indicator= (54534+ 43517)/674380

= 0.145

<u>2012</u>

Cash composition indicator= (61043+36477)/636518

= 0.1532

<u>2011</u>

Cash composition indicator= (47364+35296)/599070

= 0.1379

<u>2010</u>

Cash composition indicator= (32724+28551)/516542

=0.118

<u>2009</u>

Cash composition indicator= (18131+38461)/436653

=0.129

- **LIQUID SECURITIES INDICATOR = SHORT TERM SECURITY/ TOTAL ASSET**

2013

Liquid securities indicator= 71412/674380

= 0.105

2012

Liquid securities indicator= 61240/636518

= 0.096

2011

Liquid securities indicator= 51573/599070

= 0.086

2010

Liquid securities indicator= 34691/516542

= 0.067

2009

Liquid securities indicator= 33259/436653

= 0.076

Appendix II

Financial statements of past five years (2009-2013)

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 $million	2008 $million
Interest income	3	**12,926**	16,378
Interest expense	4	**(5,303)**	(8,991)
Net interest income		**7,623**	7,387
Fees and commission income	5	**3,824**	3,420
Fees and commission expense	5	**(454)**	(479)
Net trading income	6	**2,890**	2,405
Other operating income	7	**1,301**	1,235
Non-interest income		**7,561**	6,581
Operating income		**15,184**	13,968
Staff costs	8	**(4,912)**	(4,737)
Premises costs	8	**(698)**	(738)
General administrative expenses	8	**(1,822)**	(1,711)
Depreciation and amortisation	9	**(520)**	(425)
Operating expenses		**(7,952)**	(7,611)
Operating profit before impairment losses and taxation		**7,232**	6,357
Impairment losses on loans and advances and other credit risk provisions	20	**(2,000)**	(1,321)
Other impairment	10	**(102)**	(469)
Profit from associates		**21**	1
Profit before taxation		**5,151**	4,568
Taxation	11	**(1,674)**	(1,224)
Profit for the year		**3,477**	3,344
Profit attributable to:			
Minority interests	38	**97**	103
Parent company shareholders		**3,380**	3,241
Profit for the year		**3,477**	3,344
Earnings per share:			
Basic earnings per ordinary share (cents)	13	**167.9**	192.1
Diluted earnings per ordinary share (cents)	13	**165.3**	191.1

1 Amounts have been restated as explained in note 50.
The notes on pages 119 to 196 form an integral part of these financial statements.

Consolidated balance sheet

As at **31 December 2009**

	Notes	2009 $million	2008 $million
Assets			
Cash and balances at central banks	14, 41	**18,131**	24,161
Financial assets held at fair value through profit or loss	14, 15	**22,446**	15,425
Derivative financial instruments	14, 16	**38,193**	69,657
Loans and advances to banks	14, 17, 20	**50,885**	46,583
Loans and advances to customers	14, 18, 20	**198,292**	174,178
Investment securities	14, 22	**75,728**	69,342
Other assets	14, 23	**17,201**	20,374
Current tax assets		**203**	764
Prepayments and accrued income		**3,241**	3,466
Interests in associates	24	**514**	511
Goodwill and intangible assets	26	**6,620**	6,361
Property, plant and equipment	27	**4,103**	3,586
Deferred tax assets	28	**1,096**	660
Total assets		**436,653**	435,068
Liabilities			
Deposits by banks	14, 29	**38,461**	31,909
Customer accounts	14, 30	**251,244**	234,008
Financial liabilities held at fair value through profit or loss	14, 15	**14,505**	15,478
Derivative financial instruments	14, 16	**36,584**	67,775
Debt securities in issue	14, 31	**29,272**	23,447
Other liabilities	14, 33	**16,139**	17,363
Current tax liabilities		**802**	512
Accruals and deferred income		**4,113**	4,132
Subordinated liabilities and other borrowed funds	14, 34	**16,730**	16,986
Deferred tax liabilities	28	**193**	176
Provisions for liabilities and charges	35	**184**	140
Retirement benefit obligations	36	**506**	447
Total liabilities		**408,733**	412,373
Equity			
Share capital	37	**1,013**	948
Reserves		**26,327**	21,192
Total parent company shareholders' equity		**27,340**	22,140
Minority interests	38	**580**	555
Total equity		**27,920**	22,695
Total equity and liabilities		**436,653**	435,068

The notes on pages 119 to 196 form an integral part of these financial statements.
These financial statements were approved by the Board of directors and authorised for issue on 3 March 2010 and signed on its behalf by:

Supplementary financial information

2009	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Grossyield %
Assets				
Cash and balances at central banks	**8,629**	**7,145**	**6**	**0.1**
Gross loans and advances to banks	**2,945**	**47,172**	**755**	**1.6**
Gross loans and advances to customers	**260**	**192,638**	**9,427**	**4.9**
Impairment provisions against loans and advances to banks and customers	**(193)**	**(1,810)**	**–**	**–**
Investment securities	**3,650**	**83,543**	**2,738**	**3.3**
Property, plant and equipment and intangible assets	**3,551**	**–**	**–**	**–**
Prepayments, accrued income and other assets	**122,165**	**–**	**–**	**–**
Total average assets	**141,007**	**328,688**	**12,926**	**3.9**

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 $million	2009 $million
Interest income	3	**13,500**	12,926
Interest expense	4	**(5,030)**	(5,303)
Net interest income		**8,470**	7,623
Fees and commission income	5	**4,556**	3,824
Fees and commission expense	5	**(318)**	(454)
Net trading income	6	**2,577**	2,890
Other operating income	7	**777**	1,301
Non-interest income		**7,592**	7,561
Operating income		**16,062**	15,184
Staff costs	8	**(5,765)**	(4,912)
Premises costs	8	**(800)**	(698)
General administrative expenses	8	**(1,899)**	(1,822)
Depreciation and amortisation	9	**(559)**	(520)
Operating expenses		**(9,023)**	(7,952)
Operating profit before impairment losses and taxation		**7,039**	7,232
Impairment losses on loans and advances and other credit risk provisions	10	**(883)**	(2,000)
Other impairment	11	**(76)**	(102)
Profit from associates		**42**	21
Profit before taxation		**6,122**	5,151
Taxation	12	**(1,708)**	(1,674)
Profit for the year		**4,414**	3,477
Profit attributable to:			
Non-controlling interests	37	**82**	97
Parent company shareholders		**4,332**	3,380
Profit for the year		**4,414**	3,477
Earnings per share:			
Basic earnings per ordinary share (cents)	14	**196.3**	161.81
Diluted earnings per ordinary share (cents)	14	**193.0**	159.31

Consolidated balance sheet
As at 31 December 2010

Standard Chartered Annual Report 2010 www.standardchartered.com

	Notes	2010 $million	2009 $million
Assets			
Cash and balances at central banks	15, 40	**32,724**	18,131
Financial assets held at fair value through profit or loss	15, 16	**27,021**	22,446
Derivative financial instruments	15, 17	**47,859**	38,193
Loans and advances to banks	15, 18	**52,058**	50,885
Loans and advances to customers	15, 19	**240,358**	198,292
Investment securities	15, 21	**75,796**	75,728
Other assets	15, 22	**25,356**	17,201
Current tax assets		**179**	203
Prepayments and accrued income		**2,127**	3,241
Interests in associates	23	**631**	514
Goodwill and intangible assets	25	**6,980**	6,620
Property, plant and equipment	26	**4,507**	4,103
Deferred tax assets	27	**946**	1,096
Total assets		**516,542**	436,653
Liabilities			
Deposits by banks	15, 28	**28,551**	38,461
Customer accounts	15, 29	**306,992**	251,244
Financial liabilities held at fair value through profit or loss	15, 16	**20,288**	14,505
Derivative financial instruments	15, 17	**47,133**	36,584
Debt securities in issue	15, 30	**31,381**	29,272
Other liabilities	15, 32	**21,094**	16,139
Current tax liabilities		**981**	802
Accruals and deferred income		**4,528**	4,113
Subordinated liabilities and other borrowed funds	15, 33	**15,939**	16,730
Deferred tax liabilities	27	**165**	193
Provisions for liabilities and charges	34	**315**	184
Retirement benefit obligations	35	**310**	506
Total liabilities		**477,677**	408,733
Equity			
Share capital	36	**1,174**	1,013
Reserves		**37,038**	26,327
Total parent company shareholders' equity		**38,212**	27,340
Non-controlling interests	37	**653**	580
Total equity		**38,865**	27,920
Total equity and liabilities		**516,542**	436,653

Consolidated income statement
For the year ended 31 December 2011

	Notes	2011 $million	2010 $million
Interest income	3	**16,584**	13,500
Interest expense	4	**(6,431)**	(5,030)
Net interest income		**10,153**	8,470
Fees and commission income	5	**4,466**	4,556
Fees and commission expense	5	**(420)**	(318)
Net trading income	6	**2,645**	2,577
Other operating income	7	**793**	777
Non-interest income		**7,484**	7,592
Operating income		**17,637**	16,062
Staff costs	8	**(6,630)**	(5,765)
Premises costs	8	**(862)**	(800)
General administrative expenses	8	**(1,804)**	(1,899)
Depreciation and amortisation	9	**(621)**	(559)
Operating expenses		**(9,917)**	(9,023)
Operating profit before impairment losses and taxation		**7,720**	7,039
Impairment losses on loans and advances and other credit risk provisions	10	**(908)**	(883)
Other impairment	11	**(111)**	(76)
Profit from associates		**74**	42
Profit before taxation		**6,775**	6,122
Taxation	12	**(1,842)**	(1,708)
Profit for the year		**4,933**	4,414
Profit attributable to:			
Non-controlling interests	36	**84**	82
Parent company shareholders		**4,849**	4,332
Profit for the year		**4,933**	4,414
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	14	**200.8**	196.3
Diluted earnings per ordinary share	14	**198.2**	193.0

The notes on pages 170 to 235 form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2011

	Notes	2011 $million	2010 $million
Assets			
Cash and balances at central banks	15, 39	**47,364**	32,724
Financial assets held at fair value through profit or loss	15, 16	**24,828**	27,021
Derivative financial instruments	15, 17	**67,933**	47,859
Loans and advances to banks	15, 18	**65,981**	52,058
Loans and advances to customers	15, 19	**263,765**	240,358
Investment securities	15, 21	**85,283**	75,796
Other assets	15, 22	**27,286**	25,356
Current tax assets		**232**	179
Prepayments and accrued income		**2,521**	2,127
Interests in associates	23	**903**	631
Goodwill and intangible assets	25	**7,061**	6,9981
Property, plant and equipment	26	**5,078**	4,507
Deferred tax assets	27	**835**	946
Total assets		**599,070**	516,560
Liabilities			
Deposits by banks	15, 28	**35,296**	28,551
Customer accounts	15, 29	**342,701**	306,992
Financial liabilities held at fair value through profit or loss	15, 16	**19,599**	20,288
Derivative financial instruments	15, 17	**65,926**	47,133
Debt securities in issue	15, 30	**47,140**	31,381
Other liabilities	15, 31	**23,834**	21,094
Current tax liabilities		**1,005**	981
Accruals and deferred income		**4,458**	4,528
Subordinated liabilities and other borrowed funds	15, 32	**16,717**	15,939
Deferred tax liabilities	27	**131**	1831
Provisions for liabilities and charges	33	**369**	315
Retirement benefit obligations	34	**519**	310
Total liabilities		**557,695**	477,695

Equity			
Share capital	35	**1,192**	1,174
Reserves		**39,522**	37,038
Total parent company shareholders' equity		**40,714**	38,212
Non-controlling interests	36	**661**	653
Total equity		**41,375**	38,865
Total equity and liabilities		**599,070**	516,560

1 Amounts have been restated.

See note 46

Consolidated income statement
For the year ended 31 December 2012

	Notes	2012 $million	2011 $million
Interest income	3	18,258	16,584
Interest expense	4	(7,248)	(6,431)
Net interest income		11,010	10,153
Fees and commission income	5	4,618	4,466
Fees and commission expense	5	(497)	(420)
Net trading income	6	2,748	2,645
Other operating income	7	1,192	793
Non-interest income		8,061	7,484
Operating income		19,071	17,637
Staff costs	8	(6,5 84)	(6,630)
Premises costs	8	(886)	(862)
General administrative expenses	8	(2,7 58)	(1,804)
Depreciation and amortisation	9	(668)	(621)
Operating expenses		(10,896)	(9,917)
Operating profit before impairment losses and taxation		8,175	7,720
Impairment losses on loans and advances and other credit risk provisions	10	(1,221)	(908)
Other impairment	11	(194)	(111)
Profit from associates		116	74
Profit before taxation		6,876	6,775
Taxation	12	(1,891)	(1,842)
Profit for the year		4,985	4,933
Profit attributable to:			
Non-controlling interests	36	98	84
Parent company shareholders		4,887	4,849
Profit for the year		4,985	4,933
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	14	199.7	200.8
Diluted earnings per ordinary share	14	197.7	198.2

The notes on pages 204 to 267 form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2012

	Notes	2012 $million	2011 $million
Assets			
Cash and balances at central banks	15, 39	61,043	47,364
Financial assets held at fair value through profit or loss	15, 16	27,084	24,828
Derivative financial instruments	15, 17	49,496	58,524
Loans and advances to banks	15, 18	68,381	65,981
Loans and advances to customers	15, 19	283,8 85	266,790
Investment securities	15, 21	99,413	85,283
Other assets	15, 22	28,81 8	27,286
Current tax assets		215	232
Prepayments and accrued income		2,581	2,521
Interests in associates	23	953	903
Goodwill and intangible assets	25	7,312	7,061
Property, plant and equipment	26	6,646	5,078
Deferred tax assets	27	691	835
Total assets		636,51 8	592,686
Liabilities			
Deposits by banks	15, 28	36,477	35,296
Customer accounts	15, 29	37 7,639	345,726
Financial liabilities held at fair value through profit or loss	15, 16	23, 064	19,599
Derivative financial instruments	15, 17	47,192	56,517
Debt securities in issue	15, 30	55,979	47,140
Other liabilities	15, 31	24, 504	23,834
Current tax liabilities		1,0 69	1,005
Accruals and deferred income		4, 860	4,458
Subordinated liabilities and other borrowed funds	15, 32	18,799	16,717
Deferred tax liabilities	27	161	131
Provisions for liabilities and charges	33	215	369
Retirement benefit obligations	34	504	519
Total liabilities		590, 463	551,311
Equity			
Share capital	35	1,207	1,192
Reserves		44, 155	39,522

Total parent company shareholders' equity		45, 362	40,714
Non-controlling interests	36	693	661
Total equity		46, 055	41,375
Total equity and liabilities		636,51 8	592,686

Consolidated income statement
For the year ended 31 December 2013

	Notes	2013 $million	20121 $million
Interest income	3	**17,593**	17,827
Interest expense	4	**(6,437)**	(7,046)
Net interest income		**11,156**	10,781
Fees and commission income	5	**4,581**	4,575
Fees and commission expense	5	**(480)**	(496)
Net trading income	6	**2,514**	2,739
Other operating income	7	**1,006**	1,184
Non-interest income		**7,621**	8,002
Operating income		**18,777**	18,783
Staff costs	8	**(6,570)**	(6,492)
Premises costs	8	**(877)**	(863)
General administrative expenses	8	**(2,032)**	(2,707)
Depreciation and amortisation	9	**(714)**	(660)
Operating expenses		**(10,193)**	(10,722)
Operating profit before impairment losses and taxation		**8,584**	8,061
Impairment losses on loans and advances and other credit risk provisions	10	**(1,617)**	(1,196)
Other impairment			
Goodwill impairment	11	**(1,000)**	–
Other	11	**(129)**	(196)
Profit from associates and joint ventures		**226**	182
Profit before taxation		**6,064**	6,851
Taxation	12	**(1,864)**	(1,866)
Profit for the year		**4,200**	4,985
Profit attributable to:			
Non-controlling interests	37	**110**	98
Parent company shareholders		**4,090**	4,887
Profit for the year		**4,200**	4,985
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	14	**164.4**	199.7
Diluted earnings per ordinary share	14	**163.0**	197.7

Consolidated balance sheet
As at 31 December 2013

	Notes	2013 $million	20121 $million
Assets			
Cash and balances at central banks	15, 40	**54,534**	60,537
Financial assets held at fair value through profit or loss	15, 16	**29,335**	27,076
Derivative financial instruments	15, 17	**61,802**	49,495
Loans and advances to banks	15, 18	**83,702**	67,797
Loans and advances to customers	15, 19	**290,708**	279,638
Investment securities	15, 21	**102,716**	99,225
Other assets	15, 22	**33,570**	28,548
Current tax assets		**234**	215
Prepayments and accrued income		**2,510**	2,552
Interests in associates and joint ventures	23	**1,767**	1,684
Goodwill and intangible assets	26	**6,070**	7,145
Property, plant and equipment	27	**6,903**	6,620
Deferred tax assets	28	**529**	676
Total assets		**674,380**	631,208
Liabilities			
Deposits by banks	15, 29	**43,517**	36,427
Customer accounts	15, 30	**381,066**	372,874
Financial liabilities held at fair value through profit or loss	15, 16	**23,030**	23,064
Derivative financial instruments	15, 17	**61,236**	47,192
Debt securities in issue	15, 31	**64,589**	55,979
Other liabilities	15, 32	**27,338**	24,285
Current tax liabilities		**1,050**	1,066
Accruals and deferred income		**4,668**	4,811
Subordinated liabilities and other borrowed funds	15, 33	**20,397**	18,588
Deferred tax liabilities	28	**176**	161
Provisions for liabilities and charges	34	**107**	215
Retirement benefit obligations	35	**365**	491
Total liabilities		**627,539**	585,153
Equity			
Share capital	36	**1,214**	1,207
Reserves		**45,032**	44,155
Total parent company shareholders' equity		**46,246**	45,362

Non-controlling interests	37	**595**	693
Total equity		**46,841**	46,055
Total equity and liabilities		**674,380**	631,208