



Standard Chartered – winning for clients in Asia, Africa and the Middle East

Standard Chartered delivered an impressive set of results for 2009 even as its competitors across the world continued to suffer the fallout of the financial crisis. Group head of financial markets, Lenny Feder, talks about the successes of the year and the outlook for the UK bank

Even Standard Chartered's group chief executive, Peter Sands, calls its business strategy 'boring' amid exciting markets. Standard Chartered has operated in the Asian markets for 150 years, gaining a solid reputation for being a conservative and safe bank across its consumer and wholesale banking businesses. But, in a new world order of uncertainty and risk-aversion, it is this boring strategy that has allowed Standard Chartered to reap the rewards. Staying quietly focused in the world's fastest-growing markets in Asia, Africa and the Middle East even as others were wavering, Standard Chartered was able to attract clients away from its competitors and continue to build on its businesses. Its success can be seen in its results for 2009.

Operating income for the bank in 2009 increased 9% to \$15.18 billion compared to 2008, and pre-tax profit rose 13% to \$5.15 billion from a year ago. Standard Chartered's wholesale banking business was up even more, reflecting the bank's success in growing this part of its business. Operating income from wholesale banking was up 24% to \$9.29 billion in 2009 from a year ago, and operating profit rose 36% to \$4.08 billion.

Group head of financial markets, Lenny Feder, attributes the strong results to the bank's ability to focus on client needs. Demonstrating its obsessive focus on its clients, Standard Chartered continued trading and underwriting deals even as global markets were in turmoil. "When the market crashed, a lot of banks turned off their screens and stopped quoting, but we never did that," says Feder. "We didn't run from the chaos of the crisis, whether it was providing liquidity in the markets or underwriting deals for clients. We were not distracted. A lot of people at other banks were worried about their own jobs during the height of the crisis and not about their clients. Luckily, we had a stable footing that allowed us to stay focused on our clients. Our traders stayed focused on managing risk."

Standard Chartered now has more than 20,000 clients in Asia. The bank derives about 90% of its income from Asia, Africa and the Middle East. A large proportion of its overall income derives from clients in Asia compared to that of its competitors. Indeed, awards and rankings show that Standard Chartered is well regarded in the region. In *Asia Risk's* 2009 annual awards, Standard Chartered won the *Energy/Commodity Derivatives House of the Year* for the second year running. In *Asia Risk's* 2009 corporate end-user survey, published in June, Standard Chartered was ranked number one for

all derivations in Asia. Such accolades show how well the market views Standard Chartered and signify that the bank has been successful in its strategy.

"We proactively took the crisis as an opportunity to reinforce the strength of our reputation with our clients and our staff," says Feder. "By staying open for business and standing by our clients, we have further elevated our standing in the market, whether it is in league tables, awards or simply through more people wanting to come and work with us."

Total operating income for Standard Chartered's global markets business – which includes financial markets, asset and liability management, corporate finance and principal finance – was up 38% to \$5.91 billion from 2008. 2009 was a particularly good year for Feder and the financial markets and asset and liability management businesses he runs. Under Feder's stewardship, the bank saw an increase in market share in liability hedging across rates, foreign exchange and commodities. Indeed, operating income for financial markets – which include foreign exchange, interest rates, commodities, equities, debt and syndications – rose 40% to \$3.31 billion in 2009 from 2008.

Standard Chartered emerging stronger from the recent global financial crisis is testament to its solid liquidity and balance sheet, which are essential to any financial institution in the event of shocks to the system. Having been at the centre of the storm during the 1997/98 Asian financial crisis, Standard Chartered was no stranger to the recent market turmoil. The bank has what it calls a 'relentless focus on liquidity'. In 2009, it generated \$3.2 billion in organic capital. It also kept its eye on core Tier-I capital, with the Tier-I ratio rising to 8.9% in 2009, from 7.5% a year ago. Its total capital ratio was at 16.5%, up from 15.6% in 2008. Such strong capital position provides a safeguard for clients in a volatile global market.

Apart from financial prudence, Feder says the key to thriving in a crisis is to listen to clients and keep things simple. "2009 wasn't a year for new products," Feder says. "It was a year of addressing the fundamental needs of our clients and providing real value. We already had the product capability but, more importantly, how to ensure these were delivered in the best format for our clients, whether this was onshore or offshore, an Islamic product or a note."



Lenny Feder

Standard Chartered was able to help its clients take advantage of the low interest rate environment to obtain cheap financing through simple swaps and options. Clients were also able to hedge on currency pegs in some regions by selling options and cross-currency swaps. In commodities, where Standard Chartered is bulking up its business, the bank was able to provide simple hedging solutions for clients that have paid off as the global economy starts to recover.

In China and India, Feder says the bank's commodities business still has a lot of space for growth. Standard Chartered doubled the number of its commodities derivatives trades and the number of customers in 2009. The number of transactions grew from just 8,000 per month in 2008 to around 20,000 per month in 2009. Given its footprint across Asia, Africa and the Middle East, the bank is a natural choice for clients who want and need local knowledge to hedge and to manage risk.

"In Asia, there's still more room to grow with clients in terms of their ability to manage market risk," Feder says. "In the past, the markets didn't allow companies to risk-manage their commodity exposures so it wasn't part of the dialogue you'd have, but this is changing. This also applies on the currency side. And, for clients outside the US, this is such a bigger deal. Currency exposure is a daily concern for international businesses versus the US, which has such a large domestic, dollar-only model.

With the global outlook improving, Standard Chartered is also poised to build on its equities business following the acquisition of Cazenove Asia in February 2009. After the acquisition in the second half of 2009, Standard Chartered closed 15 equity capital markets deals.

But, Feder says, the potential for growth is still huge, as Cazenove was strong only in the equities markets in Singapore and Hong Kong. With its integration into the Standard Chartered footprint, Feder is planning to expand the equities business into active markets like India and South Korea. Given Standard Chartered's franchise

across the region, this is more than likely. To prepare for this growth, the bank is hiring in its equities business across all of its locations.

"Our focus on equities is Hong Kong, Singapore, India and Korea," says Feder. "Those are the markets that we are focused on right now. We also have sales offices in New York and London. We're adding head count in research; we're adding sales traders and support functions."

Across its footprint, Standard Chartered is looking forward to a busy year. In China, it has become one of only three foreign banks to have gained approval to be a market-maker for the interbank bond market. It is already a qualified government bond underwriter in the country. In India, Standard Chartered is preparing for a Mumbai listing to raise as much as \$750 million as it expands its presence there.

A key challenge Standard Chartered faces is whether it can add staff as quickly as its businesses need. "We're growing massively," says Feder. "We're developing a lot of our own talent. It's just how quickly we can grow our talent to get out there and service all the needs of our clients. We don't lack opportunities, our challenge is to prioritise our opportunities... We have an aspiration to be the undisputed top bank in all our markets. We're already number one by most metrics, but we want to be number one by a long shot."



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