

\$1bn buyback from Standard Chartered, but profits disappoint City

Standard Chartered, the Asian focussed City bank, that has often flattered to deceive disappointed City analysts today with lacklustre returns.

But it boosted guidance for the near future and unveiled a \$1 billion share buyback that should calm any investor nerves.

The shares up are 35% this year, partly driven by chatter that a foreign suitor would make a bid of perhaps £25 billion. First Abu Dhabi Bank was clearly in the frame and weighing its options, but says it has backed away, at least for now.

Bill Winters, the CEO for eight years, is under some pressure to show that his turnaround of the business is bearing fruit.

Profits for the year did jump 15% to \$4.8 billion, but the final quarter disappointed. Profits were just \$123 million in the last three months, dramatically lower than analyst estimates of £571 million.

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Standard Chartered also set aside \$838 million for bad debts. That was higher than expected.

The annual report shows Winters saw his pay rise from £4.7 million to £5.3 billion for the year, while CFO Andy Halford also did well, up by £400,000 to £3.4 million.

Winters said: "We continue to make significant progress against the five strategic actions outlined last year, and we remain confident in the delivery of our financial targets. We are upgrading our expectations, and are now targeting a return on tangible equity approaching 10% in 2023, to exceed 11% in 2024, and to continue to grow thereafter".

Gary Greenwood at Shore Capital said: Although the results were disappointing, the outlook is upbeat with management noting that the pace of economic recovery in its markets is encouraging following the recent opening up of China. This, combined with further benefits of rising interest rates, means management is optimistic about the period ahead."

Standard has 85,000 staff worldwide and a strong presence in the City, though that is not where it makes its money.

Richard Hunter, Head of Markets at interactive investor, said: "Standard Chartered is nearing a return to its previous status, when as something of a darling in the UK banking sector, prospects of global growth drove investor interest. Indeed, its attraction of late culminated in the rumoured bid from First Abu Dhabi Bank. Despite FAB denying any intention to formalise an approach, speculation remains that this particular story may have further to run."

However, the crux of the investment case does not centre around bid speculation, rather the potential for growth in Asian economies and China in particular. Indeed, China has represented a blessing and a curse in the period of this report, although Standard is of the opinion that the worse

could be over.”