Bank of America Merrill Lynch
19th Annual Banking & Insurance CEO Conference

01 October 2014

Here for good
Forward looking statement

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Peter Sands
Group Chief Executive
## H1 2014 performance summary

### Income

<table>
<thead>
<tr>
<th></th>
<th>US$m</th>
<th>YoY %&lt;sup&gt;1&lt;/sup&gt;</th>
<th>HoH %&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>US$ 9.3bn</td>
<td>(5)</td>
<td>4</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>US$ 3.3bn</td>
<td>(20)</td>
<td>14</td>
</tr>
<tr>
<td>Normalised earnings</td>
<td>US$ 2.4bn</td>
<td>(20)</td>
<td>18</td>
</tr>
<tr>
<td>Normalised return on equity</td>
<td>10.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Equity Tier 1 ratio*</td>
<td>10.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normalised EPS</td>
<td>96.5c</td>
<td>(21)</td>
<td></td>
</tr>
<tr>
<td>Dividend per share</td>
<td>28.8c</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

### Profit before tax

- **Income drag from FM & Korea**: US$ 582m
- **Korea (ex. Financial Markets)**: US$ 170m
- **China commodities**: US$ 175m
- **Strategic investments**: US$ 71m

### Note

Income excludes Own Credit Adjustments (OCA); Other impairment excludes impairment of goodwill in respect of Korea; EPS: Earnings Per Share; FM: Financial Markets

<sup>1</sup> Better / (Worse); * On a B3 end point basis
## Group performance

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Client income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,751</td>
<td>8,920</td>
<td>9,269</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Own account income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,648</td>
<td>8,224</td>
<td>8,373</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(5,034)</td>
<td>(5,159)</td>
<td>(5,083)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Working profit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,717</td>
<td>3,761</td>
<td>4,186</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Loan impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(730)</td>
<td>(887)</td>
<td>(846)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Other impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td>nm</td>
</tr>
<tr>
<td></td>
<td>(11)</td>
<td>(118)</td>
<td>(185)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit from associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>112</td>
<td>114</td>
<td>113</td>
<td>1</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,088</td>
<td>2,870</td>
<td>3,268</td>
<td>(20)</td>
</tr>
</tbody>
</table>

*Note: Income excludes Own Credit Adjustments (OCA); Other impairment excludes goodwill impairment in respect of Korea; nm = not meaningful*
Group balance sheet

- Customer loans up 3% since year end
- Supported client growth and financing needs
- Continued to de-risk Retail unsecured
- Customer deposit funded franchise
- CASA up 4% since year end (54% of total)
- A/D ratio of 78.1%

**Total customer loans and advances**

- Americas 4%
- Africa 3%
- MENAP 6%
- ASEAN 28%
- South Asia 5%
- North East Asia 10%
- Greater China 30%
- Europe 14%

**Liquidity ratios %**

<table>
<thead>
<tr>
<th></th>
<th>FY 12</th>
<th>HY 13</th>
<th>FY 13</th>
<th>HY 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid asset ratio</td>
<td>74%</td>
<td>77%</td>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td>A/D ratio</td>
<td>31%</td>
<td>28%</td>
<td>30%</td>
<td>31%</td>
</tr>
</tbody>
</table>

CASA = Current Account and Savings Accounts; A/D ratio = Advances to Deposit ratio
## Risk and Impairment

### US$m

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate and Institutional</strong></td>
<td>(197)</td>
<td>(291)</td>
<td>(266)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Commercial clients</strong></td>
<td>(43)</td>
<td>(114)</td>
<td>(100)</td>
<td>(133)</td>
</tr>
<tr>
<td><strong>Private Banking clients</strong></td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>nm</td>
</tr>
<tr>
<td><strong>Retail clients</strong></td>
<td>(482)</td>
<td>(482)</td>
<td>(480)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Loan impairment</strong></td>
<td>(730)</td>
<td>(887)</td>
<td>(846)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Other impairment&lt;sup&gt;1&lt;/sup&gt;</strong></td>
<td>(11)</td>
<td>(118)</td>
<td>(185)</td>
<td>nm</td>
</tr>
<tr>
<td><strong>Total impairment</strong></td>
<td>(741)</td>
<td>(1,005)</td>
<td>(1,031)</td>
<td>(39)</td>
</tr>
</tbody>
</table>

1) Excludes US$ 1bn of Korea goodwill in H1 2013

- Small number of impaired accounts
- Portfolio highly diversified
- Well collateralised and short tenor
- Broadly stable loss rates

### Strategic investments

- China commodities: (US$m) (175)
- Strategic investments: (US$m) (71)
Capital - Basel III

Common Equity Tier 1 (CET1) %

- CET1 B3 (transitional) 31 Dec 13: 10.9%
- Model changes: 0.4%
- Foreseeable dividend: 0.2%
- CET1 30 Jun B3 post one-offs: 10.3%
- Profit: 0.7%
- RWA Efficiencies: 0.3%
- Asset Growth*: 0.3%
- Credit migration: 0.2%
- Dividend: 0.2%
- Other: 0.1%
- CET1 B3 (transitional) 30 Jun 14: 10.5%
- Net AFS gains: 0.2%
- CET1 B3 (end-point) 30 Jun 14: 10.7%

Risk weighted assets (RWA) US$bn

- RWA B3 31 Dec 13: 331.3
- Model changes: 11.7
- RWA 30 Jun B3 post one-offs: 343.0
- RWA Efficiencies: (8.8)
- Asset Growth*: 9.4
- Credit migration: 6.3
- Other: 1.7
- RWA B3 30 Jun 14: 351.6

- Well capitalised with CET 1 ratio of 10.7%
- Capital accretive ex model and foreseeable dividend changes
- Assertive RWA management
- Leverage ratio 4.8%

Note: Asset growth net of $5.2bn RWA redeployment in H1 2014; AFS: Available for sale securities
Financial Markets

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange</td>
<td>835</td>
<td>578</td>
<td>636</td>
<td>(24)</td>
</tr>
<tr>
<td>Rates</td>
<td>552</td>
<td>365</td>
<td>371</td>
<td>(33)</td>
</tr>
<tr>
<td>Commodities and Equities</td>
<td>288</td>
<td>219</td>
<td>262</td>
<td>(9)</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>283</td>
<td>275</td>
<td>284</td>
<td>0</td>
</tr>
<tr>
<td>Credit and Other</td>
<td>254</td>
<td>207</td>
<td>227</td>
<td>(11)</td>
</tr>
<tr>
<td>Total Financial Markets</td>
<td>2,212</td>
<td>1,644</td>
<td>1,780</td>
<td>(20)</td>
</tr>
</tbody>
</table>

- Client driven business
- Regulatory changes and low volatility environment
- Strong volume growth, gaining market share
- Strong returns

**Notional volume increase % YoY**

**Cash FX**

- FY 13: 21
- HY 14: 24

**FX Options**

- FY 13: 37
- HY 14: 45

**Income composition**

- Corporates: 59%
- Financial Institutions: 41%
- Non-Banks: 56%
- Banks: 44%

Note: FX = Foreign Exchange
Korea

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>898</td>
<td>669</td>
<td>(26)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(549)</td>
<td>(587)</td>
<td>(7)</td>
</tr>
<tr>
<td>Working profit</td>
<td>349</td>
<td>82</td>
<td>(76)</td>
</tr>
<tr>
<td>Total impairment</td>
<td>(212)</td>
<td>(209)</td>
<td>1</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>137</td>
<td>(127)</td>
<td>(193)</td>
</tr>
</tbody>
</table>

**Strengthening offshore client support**
- 2013 year end – 18 desks in 11 markets
- H1 14 - added 3 desks in Hong Kong, Thailand & Vietnam
- H2 14 – to add 3 desks in US, UK and South Africa

**Actions taken in H1 2014**
- Reshaping the business
  - Headcount down 9% YoY (~590)
  - Branches down 47 YoY to 314
- Sold Consumer Finance and Savings Bank
- De-risking Retail unsecured
Growth in our markets


<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth</th>
<th>Banking pool growth</th>
<th>Trade Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3.5%</td>
<td>(0.3)%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1.2%</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>8.3%</td>
<td>14.3%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>5.3%</td>
<td>4.3%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>4.3%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>4.2%</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>4.5%</td>
<td>8.9%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4.8%</td>
<td>8.0%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4.8%</td>
<td>11.2%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4.8%</td>
<td>10.8%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4.9%</td>
<td>8.7%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IMF, WTO, McKinsey Global Banking Pools (Based on July 29 2014 version)

1. Real GDP, Trade and Banking Revenue Pool growths are based on weighted average of SCB’s top 12 markets (weighted as per SCB’s 2013 RWAs).
2. Banking revenue pool excludes ‘Mergers & Acquisitions’ and ‘Discretionary Pension Distribution’ related revenues.
3. Trade growth based on USD value of total merchandise trade (Imports + Exports).
Our aspirations

**Relationships**
- Build trusted relationships with the people, companies and institutions shaping our markets’ future

**Investment**
- Play a leading role in facilitating investment and deepening financial markets in our economies

**Trade**
- Become the undisputed leader in commercial payment and financing for and in Asia, Africa and the Middle East

**Wealth**
- Be recognised as a leader in growing and protecting our clients’ wealth

**Relevant scale**
- Establish sufficient scale, balance sheet and franchise strength to be relevant and influential in our key markets
Corporate and Institutional Clients

- Around 60% of Group income
- 87% client income
- Building deeper relationships
- Focusing on cross border, network business

Note: Significant majority of RWA efficiencies are from the Corporate and Institutional client segment
Market position

- **#1** Transaction Banker across Asia
- **#1** in Corporate Derivatives in Asia
- **#2** Project Finance House
- **#2** In Asia for FICC
- **Top 5** Syndicated Lead Arranger – Asia and Africa

Global market position and share (%)

- Trade: 6%
- US$ Clearing: 9%
- Offshore RMB: 10%

Source: Market research, CHIPS data; East & Partners Asian Institutional Transaction Banking Markets Program
### Commercial Clients

- 50,000 clients across 19 markets
- 90% of revenue from top 9 markets
- Deepening linkages between business owners and Private Banking

#### Income

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>812</td>
<td>616</td>
<td>(24)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(374)</td>
<td>(362)</td>
<td>3</td>
</tr>
<tr>
<td>Working profit</td>
<td>438</td>
<td>254</td>
<td>(42)</td>
</tr>
<tr>
<td>Total impairment</td>
<td>(29)</td>
<td>(100)</td>
<td>(245)</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>17</td>
<td>11</td>
<td>(35)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>426</td>
<td>165</td>
<td>(61)</td>
</tr>
</tbody>
</table>

#### Profit change

- Principal Finance: (107)
- Financial Markets: (51)
- Loan impairment: (57)

#### Income split by product

- Transaction Banking: 49%
- Financial Markets: 19%
- Wealth Mgt: 10%
- Corporate Finance: 2%
- Others: 20%
Private Banking Clients

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>301</td>
<td>314</td>
<td>4</td>
</tr>
<tr>
<td>Expenses</td>
<td>(213)</td>
<td>(227)</td>
<td>(7)</td>
</tr>
<tr>
<td>Working profit</td>
<td>88</td>
<td>87</td>
<td>(1)</td>
</tr>
<tr>
<td>Total impairment</td>
<td>(8)</td>
<td>(16)</td>
<td>(100)</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>1</td>
<td>-</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>81</td>
<td>71</td>
<td>(12)</td>
</tr>
</tbody>
</table>

**Significant market growth opportunity**

**Aspiration to double AUM by 2020**

**Investing to better serve client needs**

**Rationalising sub-scale booking centres**
(e.g. Geneva)

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**Private Banking income growth in key centres**

- **UAE**
  - PdB Income: +17%

- **Singapore**
  - PdB Income: +11%

- **Hong Kong**
  - PdB Income: +21%

Note: nm = not meaningful; 1) H1 14 on H1 13
Retail Clients

### Income (US$m)
- **H1 2013**: 3,061
- **H1 2014**: 3,005
- YoY %: (2)

### Expenses (US$m)
- **H1 2013**: 1,947
- **H1 2014**: 1,948
- YoY %: 0

### Working profit (US$m)
- **H1 2013**: 1,114
- **H1 2014**: 1,057
- YoY %: (5)

### Total Impairment (US$m)
- **H1 2013**: (479)
- **H1 2014**: (480)
- YoY %: 0

### Profit from associates (US$m)
- **H1 2013**: 15
- **H1 2014**: 12
- YoY %: (20)

### Profit before tax (US$m)
- **H1 2013**: 650
- **H1 2014**: 589
- YoY %: (9)

#### Retail clients profit before tax ex. Korea (US$m)
- **H1 2013**: 657
- **H1 2014**: 737
- YoY %: +12%

#### Increasing focus on high value segment (US$m)
- **H1 2013**: 46% (Consumer Finance), 48% (Personal), 6% (High Value Segment)
- **H1 2014**: 48% (Consumer Finance), 46% (Personal), 6% (High Value Segment)
- YoY %: +2% (High Value Segment)

- **Strong growth in Hong Kong, Singapore and Africa**
- **Taking action in Korea, de-risking and reshaping**
  - Sale of Consumer Finance and Savings Bank
  - PDRS remains elevated
  - Greater emphasis on High Value Segment and Wealth
  - Exiting third party direct sales
“We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.”

**Execution in H1 2014 - Examples**

- Set out 5 strategic aspirations – relationships, investment, trade, wealth and relevant scale
- Implemented far-reaching reorganisation
  - Aligned the group to the strategic priorities
  - Broke down silos
  - Defined new segment strategies
- Reviewed businesses against the ‘5 tests’
  - Exiting subscale, non-strategic businesses
  - Reconfiguring businesses to align to the sharpened strategy
- Took decisive action to redeploy capital from low return relationships and businesses
- Stepped up ‘Raising the bar on conduct’ e.g.
  - Financial Crime Risk Mitigation Program
  - Customer Due Diligence remediation
  - Substantially increase resources
- Sharpened investment spend prioritisation and cost discipline
- Reallocating sales and marketing resources
  - Exited third party client sales
  - Shifted FM resources from structured / trading to sales / flow
- Defined integrated “roadmap” for implementation of strategy
Summary

- External environment remains challenging
- Momentum ahead of the second half last year
- Financial Markets remains uncertain
- Managing costs and risks tightly
- Continue to be:
  - Well capitalised
  - Highly liquid
  - Diverse