Asia Strategy

Jaspal Bindra

Here for good
### Day 2 agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>08.30 – 09.30</td>
<td>Guest speaker</td>
<td>Norman Chan, HKMA</td>
</tr>
<tr>
<td>09.30 – 10.00</td>
<td><strong>Asia strategy</strong></td>
<td>Jaspal Bindra</td>
</tr>
<tr>
<td>10.00 – 10.15</td>
<td>Tea &amp; coffee break</td>
<td></td>
</tr>
<tr>
<td>10.30 – 11.00</td>
<td>Korea</td>
<td>Ajay Kanwal, Gregg Powell</td>
</tr>
<tr>
<td>11.00 – 11.45</td>
<td>Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>11.45 – 12.45</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>12.45 – 13.10</td>
<td><strong>Greater China overview</strong></td>
<td>Ben Hung</td>
</tr>
<tr>
<td>13:10 – 13:50</td>
<td><strong>Hong Kong</strong></td>
<td>May Tan, Jamie Ling</td>
</tr>
<tr>
<td>13:50 – 14:30</td>
<td><strong>China</strong></td>
<td>Jerry Zhang, Yee Mann Hau, Xie Wen</td>
</tr>
<tr>
<td>14:30 – 15:00</td>
<td>Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>15.00 – 15.15</td>
<td>Tea &amp; coffee break</td>
<td></td>
</tr>
<tr>
<td>15.15 – 15.55</td>
<td><strong>Offshore RMB deep dive</strong></td>
<td>Gene Kim</td>
</tr>
<tr>
<td>15.55 – 16.00</td>
<td><strong>Wrap-up</strong></td>
<td>Jaspal Bindra</td>
</tr>
<tr>
<td>16:30 – 17:30</td>
<td>Grand opening of Forum</td>
<td>Officiated by John Tsang, HKSAR</td>
</tr>
<tr>
<td>19:00 – 22:30</td>
<td>Race night and dinner</td>
<td></td>
</tr>
</tbody>
</table>
What will you hear on Day 2

- Where we are today in each of our key regions in Asia
- Opportunities and challenges
- How are we competitively positioned
- How client segment / product priorities are executed on the ground
- How we are positioning to return to sustainable, profitable growth
2014 performance in Asia

Income growth by regions

<table>
<thead>
<tr>
<th>Region</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North East Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASEAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

H1 14 Asia income (US$6.4bn)

Income

H1 13 | H2 13 | H1 14 | YoY% | HoH% |
--- | --- | --- | --- | --- |
6,780 | 6,108 | 6,373 | (6) | 4 |
(3,463) | (3,393) | (3,435) | 1 | (1) |
| | | | | |
Working profit

H1 13 | H2 13 | H1 14 | YoY% | HoH% |
--- | --- | --- | --- | --- |
3,317 | 2,715 | 2,938 | (11) | 8 |
| | | | | |
Total impairment

H1 13 | H2 13 | H1 14 | YoY% | HoH% |
--- | --- | --- | --- | --- |
(621) | (790) | (795) | (28) | (1) |
| | | | | |
Associates

H1 13 | H2 13 | H1 14 | YoY% | HoH% |
--- | --- | --- | --- | --- |
111 | 113 | 113 | 2 | 0 |
| | | | | |
Operating profit

H1 13 | H2 13 | H1 14 | YoY% | HoH% |
--- | --- | --- | --- | --- |
2,807 | 2,038 | 2,256 | (20) | 11 |
Reflecting headwinds

- Increased regulatory complexities and requirements
- Increased competition – local, regional and international
- Emerging market sentiment
- Record low interest rates
- Margin compression from abundance of liquidity
- Slowdown in global trade growth
- De-risking Personal Loans portfolio
- Muted balance sheet growth
- Talent
Asia macro overview

Real GDP growth (%)

Asia remains exciting

- Resilient growth, well above US/Europe
- Emerging affluent middle class
- Favourable demographics in growth markets
- Deepening financial markets
- Changing trade patterns

But near term uncertainties

- China’s economy in transition
- Oil price movements
- Global monetary policy
- Changing political landscape
- Regulatory uncertainty

Source: IMF, October 2014
Notes: GDP – Gross Domestic Product; 1) Composed of 5 countries: Indonesia, Malaysia, Philippines, Thailand and Vietnam
### Regional overview

<table>
<thead>
<tr>
<th></th>
<th>Greater China</th>
<th>North East Asia</th>
<th>ASEAN</th>
<th>South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff</strong>*</td>
<td>~19,000</td>
<td>~5,900</td>
<td>~22,000</td>
<td>~22,000</td>
</tr>
<tr>
<td><strong>Outlets</strong></td>
<td>276</td>
<td>314</td>
<td>134</td>
<td>172</td>
</tr>
<tr>
<td><strong>H1 14 income (US$bn)</strong></td>
<td>2.8</td>
<td>0.7</td>
<td>1.9</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>H1 14 profits (US$bn)</strong></td>
<td>1.2</td>
<td>(0.1)</td>
<td>0.7</td>
<td>0.5</td>
</tr>
</tbody>
</table>

* Including all subsidiaries
Strategic priorities and actions

Priority #1: Sustain Greater China momentum
- Intensify network collaboration to capitalise on Greater China opportunities
- Strengthen market leadership in RMB
- Capture opportunities from China’s reform agenda

Priority #2: Position as the leading international bank for Korea
- Continue to grow capabilities to service Korean corporates overseas
- Re-shape domestic business to desired scale; exit non-core business

Priority #3: Position for greater ASEAN integration
- Accelerate inter and intra regional collaboration; Leverage AEC* 2015
- Leverage Singapore as regional financial hub
- Scale up priority markets of Indonesia, Malaysia

Priority #4: Leverage our leading South Asia position
- Focus on trade and investment corridors
- Position for economic recovery and increased FDI in India

Priority #5: Strategically drive people agenda, improve bench and address attrition
- Focus on capacity and capability building
- Improve efficiency and productivity

Note: AEC – ASEAN Economic Community
2014 performance has been disappointing, including Asia

Reflecting primarily cyclical and internal challenges

We remain confident of our markets and our competitive positioning

We have sharpened our focus – leveraging our strengths, mitigating our weaknesses

We are taking action to return to sustainable, profitable growth
Key messages

- Korea is a significant economy with steady growth
- The banking market has become challenged
- 2014 performance has been disappointing
- We are driving our refreshed strategy to
  - Reshape the Korea franchise with strong execution
  - Play to our strengths i.e. network, wealth
- Remains challenging but we are taking action
Korea

- 13th largest GDP in the world
- 8th largest exporter in the world
- China is no.1 trading partner with a trade volume of US$189bn
- Rich population with per capita GDP of US$26k
- 2nd highest smart phone penetration
- 3rd highest wireless broadband subscription

**GDP of $1.3tr as of 2013**

Source: Korea National Statistics office; Korea International Trade Association
Korea – Competitive landscape

Peer performance – H1 2014

<table>
<thead>
<tr>
<th></th>
<th>Standard Chartered</th>
<th>Other banks in Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (US$bn)</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>2.5</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>PBT (US$bn)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Assets (US$bn)</td>
<td>58</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>264</td>
<td>249</td>
</tr>
<tr>
<td></td>
<td>243</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>FTE (’000)</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

Source: FSS, six months KIFRS basis, main banking entity only

2013 Banking sector ROE and PBR forecasts

Source: Company, Bloomberg, FactSet, Standard Chartered Research estimates, PBR: Price to Book ratio
Korea – H1 14 results

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>H1 14 vs H1 13 (%)</th>
<th>H1 14 vs H2 13 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income¹</td>
<td>898</td>
<td>665</td>
<td>669</td>
<td>(26)</td>
<td>1</td>
</tr>
<tr>
<td>Expenses</td>
<td>(549)</td>
<td>(571)</td>
<td>(587)</td>
<td>(7)</td>
<td>(3)</td>
</tr>
<tr>
<td>Operating profit before impairment</td>
<td>349</td>
<td>94</td>
<td>82</td>
<td>(77)</td>
<td>(13)</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(193)</td>
<td>(234)</td>
<td>(209)</td>
<td>(8)</td>
<td>11</td>
</tr>
<tr>
<td>Other impairment²</td>
<td>(19)</td>
<td>(10)</td>
<td>-</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax¹</td>
<td>137</td>
<td>(150)</td>
<td>(127)</td>
<td>nm</td>
<td>16</td>
</tr>
</tbody>
</table>

¹ Excluding OCA adjustment; ² Excluding goodwill impairment of $1bn H1 2013
Reshaping Korea

**What didn’t go well**

- Loan Impairment led by PDRS\(^1\) filings
- Financial Markets income performance
- Regulatory issue
- Productivity
- Capital efficiency

**What did go well**

- Disciplined headcount management
- Progress on corporate restructuring
- RMB thought leadership
- Branch network optimisation
- Network business

1) PDRS: Personal Debt Rehabilitation Scheme
Our refreshed strategy

1. Sharpen our focus
   - Exit off-strategy businesses
   - De-risk the unsecured books
   - Productivity initiatives
     - Tight headcount management
     - Sales productivity
     - Optimize property
   - Reshape balance sheet

2. Play to our strengths
   - Drive network income
   - One Bank
     - Employee Banking
     - Supply Chain Finance
   - Build Wealth Management
   - Form strategic alliances
   - Rebuild Financial Markets
   - Build RMB business
### Corporate and Institutional Clients

#### Segment overview
- Focused on cross border, network income
- Financial Markets, market leadership on multiple fronts

#### Strategic priorities
- Continue to build out the Global Corporates and Local Corporates segments
- Diversify Financial Markets product offering and client base
- RMB as a key differentiator
- Invest into network opportunities; expand into new corridors e.g. UK, and continuously build the Korea desk network

#### US$m

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>305</td>
<td>180</td>
<td>(41 )</td>
</tr>
<tr>
<td>Expenses</td>
<td>(123)</td>
<td>(127)</td>
<td>(3)</td>
</tr>
<tr>
<td>Working profit</td>
<td>182</td>
<td>53</td>
<td>(71)</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(17)</td>
<td>(2)</td>
<td>nm</td>
</tr>
<tr>
<td>Other impairment</td>
<td>(19)</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>146</td>
<td>51</td>
<td>(65)</td>
</tr>
</tbody>
</table>

---

**Note:**
- YoY%: Year-over-Year percentage change.
- nm: Not meaningful due to the nature of the impairment figures.

---

**Source:** Standard Chartered
Korea – Network business 2014

Asia is core corridor (~70%) with contribution from MENA/EU/Americas

- Network business predominantly driven by GC (61%). LC stepping up its contribution
- Healthy product mix in network (CF: 31%, FM 22%, TB: 36%, Lending: 11%)
- Field Account Managers (FAM)
- Deployment of Korean FAM and products into network has been a key enabler

Korea network income

- Corporates
- Financial Institutions
## Commercial Clients

### Segment overview
- Newly established on 1 April 2014
- Around 4,400 clients
- Legacy lending book being managed

### Strategic priorities
- Upgrade the skill set of our Relationship Managers and increase overall numbers
- Move away from plain vanilla lending and reduce Commercial Real Estate
- Position relationship as the main trade/FX bank rather than main lending bank
- Move focus to onboard export-focused companies

<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>50</td>
<td>33</td>
<td>(34)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(44)</td>
<td>(41)</td>
<td>7</td>
</tr>
<tr>
<td>Working profit</td>
<td>6</td>
<td>(8)</td>
<td>nm</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(8)</td>
<td>(22)</td>
<td>nm</td>
</tr>
<tr>
<td>Other impairment</td>
<td>nm</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(2)</td>
<td>(30)</td>
<td>nm</td>
</tr>
</tbody>
</table>
Retail 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>533</td>
<td>456</td>
<td>(14)</td>
</tr>
<tr>
<td></td>
<td>(372)</td>
<td>(419)</td>
<td>(13)</td>
</tr>
<tr>
<td>Expenses</td>
<td>161</td>
<td>37</td>
<td>(77)</td>
</tr>
<tr>
<td></td>
<td>(168)</td>
<td>(185)</td>
<td>(10)</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>-</td>
<td>-</td>
<td>nm</td>
</tr>
<tr>
<td>Other impairment</td>
<td>-</td>
<td>-</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(7)</td>
<td>(148)</td>
<td>nm</td>
</tr>
</tbody>
</table>

Segment overview
- 301 branches and 2,499 ATMs
- Around 4m clients; 2.5m digital banking clients
- Largest Retail Clients infrastructure for Group

Strategic priorities
- Accelerate existing High Value Segment strategy through realigning resources and strengthening Customer Value Proposition
- Continue to grow personal clients leveraging employee banking and alliances
- Build superior digital support tools for frontline and customers
Mobility Platform

Mobility Platform results
Total no of retail products sold (Jul–Aug 2014)

- Staff without platform
- 1st group with mobility platform
- 2nd group with mobility platform

1. Identify needs
   Start conversation with key financial needs based on the customer’s life stage

   - Age 25–30: Wedding
   - Age 30–40: Education
   - Age 40–50: Home
   - Age 50–: Retirement
   - Others

2. Consults with Statistics and Simulation

3. Offer bundle based on needs
   Make offers based on conversation

   - Check Card
   - CASA
   - TD
   - Credit Card
   - Mortgage
   - Unsecured Loan

4. Customer sign off
- AD ratio improved to 83% in H1 2014 from 118% in 2009
- Strong capital position

Note: Korea financials as of June 2014
Personal Debt Rehabilitation Scheme

PDRS filing trend (Market and SCBK)

Market filings trend

Standard Chartered filings trend
Key messages

- Korea is a significant economy with steady growth
- The banking market has become challenged
- 2014 performance has been disappointing
- We are driving our refreshed strategy to
  - Reshape the Korea franchise with strong execution
  - Play to our strengths i.e. network, wealth
- Remains challenging but we are taking action
Key messages

- Exciting region with growing proportion of world GDP
- Positive progress on Greater China strategy, more to achieve
- Notwithstanding near term challenges, China’s liberalisation presents favourable opportunities
- Regional alignment on capabilities, people and priorities key to seizing opportunities
# Greater China overview

<table>
<thead>
<tr>
<th>Market</th>
<th>Hong Kong</th>
<th>China</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (m)</td>
<td>7</td>
<td>1,361</td>
<td>23</td>
</tr>
<tr>
<td>GDP(^1) (US$bn)</td>
<td>274</td>
<td>9,469</td>
<td>489</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>37,955</td>
<td>6,959</td>
<td>20,925</td>
</tr>
<tr>
<td>FDI(^2)/ODI(^3) (US$bn)</td>
<td>77/92</td>
<td>124/101</td>
<td>4/14</td>
</tr>
<tr>
<td>Trade (US$bn)</td>
<td>803</td>
<td>3,924</td>
<td>670</td>
</tr>
<tr>
<td>% of foreign banks(^4) (total assets)</td>
<td></td>
<td><img src="chart.png" alt="93%" /></td>
<td><img src="chart.png" alt="2%" /></td>
</tr>
</tbody>
</table>

**Standard Chartered**

<table>
<thead>
<tr>
<th></th>
<th>2013 PBT (US$m)</th>
<th>Outlet</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,920</td>
<td>84</td>
<td>~7,000</td>
</tr>
<tr>
<td></td>
<td>273</td>
<td>104</td>
<td>~7,100</td>
</tr>
<tr>
<td></td>
<td>138</td>
<td>88</td>
<td>~3,800</td>
</tr>
</tbody>
</table>

Source: IMF, UNCTAD, CBRC, FSC

*Info as of 2013: 1) Gross Domestic Product; 2) Foreign Direct Investment; 3) Overseas Direct Investment; 4) Includes foreign-owned and mainland-owned banks*
### Macro economic overview

**Q2 2014 (5-year average)**

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong</th>
<th>China</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP growth</strong></td>
<td>1.8% (2.7%)</td>
<td>7.5% (8.9%)</td>
<td>3.7% (3.3%)</td>
</tr>
<tr>
<td><strong>Trade growth</strong></td>
<td>4.8% (6.5%)</td>
<td>3.3% (12.1%)</td>
<td>3.3% (6.6%)</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>3.1% (3.9%)</td>
<td>4.1% (4.1%)</td>
<td>4.0% (4.8%)</td>
</tr>
<tr>
<td><strong>Inflation rate</strong></td>
<td>3.6% (3.3%)</td>
<td>2.2% (2.6%)</td>
<td>1.6% (0.8%)</td>
</tr>
</tbody>
</table>

- Noticeable step change in China’s pace of reform since new leadership
- Near term economic moderation traded off for longer term sustainable growth
- Plethora of liberalisation measures changing regional banking landscape
Income and profit trend

2003–2013 CAGR
Income: +13%
Profit: +17%

YoY growth
Income: +5%
Profit: (6)%

Note: Figures exclude own credit adjustment
## Financial performance

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY (%)</th>
<th>HoH (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>2,659</td>
<td>2,539</td>
<td>2,785</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td><strong>Hong Kong</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,929</td>
<td>1,796</td>
<td>1,992</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>448</td>
<td>486</td>
<td>515</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td><strong>Taiwan</strong></td>
<td></td>
<td></td>
<td></td>
<td>(1)</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>282</td>
<td>257</td>
<td>278</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>(1,384)</td>
<td>(1,388)</td>
<td>(1,410)</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Working profit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,275</td>
<td>1,151</td>
<td>1,375</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Total Impairment</td>
<td>(121)</td>
<td>(120)</td>
<td>(307)</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Profit from associates &amp; joint ventures</td>
<td>73</td>
<td>73</td>
<td>84</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1,227</td>
<td>1,104</td>
<td>1,152</td>
<td>(6)</td>
<td>4</td>
</tr>
</tbody>
</table>

*Note: Operating income excludes own credit adjustment*
• Conservative and disciplined balance sheet
• RMB changing dynamics
• China’s opening up giving rise to optimisation opportunities
• Interest rate rise a benefit
Strategy alignment with China’s reform development

Development of economic zones/financial hubs

- Tianjin FTZ
- Kunshan
- Shanghai FTZ
- Qianhai
- GD-HK-MO FTZ

Financial reforms
- Liberalise interest rates
- Encourage greater 2-way flow of funds
- Testing of free trade zones
- Capital account opening

Trends and implications
- RMB as G4 currency
- Flow of mainland wealth
- Regional treasury centre
- Growth in asset management/private wealth

1) Guangdong-Hong Kong-Macau Free Trade Zone
Strategic priorities

- Drive regional collaboration to capture network opportunities
- Capture mainland wealth
- Strengthen market leadership in RMB
- Drive discipline in balance sheet and risk management
- Build talent bench

Near term actions

- Containment on higher risk areas
- Stay invested but create capacity through cost discipline
- Position for policy relaxations through intensified connectivity
- Capture and deliver reorganisation benefits
Case in point – Shanghai-Hong Kong Stock Connect

- Major step in capital account liberalisation
- Crucial bridge between global investors and 1.3 billion mainland savers
- One-bank strategy to capture opportunities
Taiwan

Strategic priorities

- Grow client franchise in particular high net worth segments and commercial clients
- Optimise balance sheet
- Capture growing China-Taiwan economic linkages

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY (%)</th>
<th>HoH (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>282</td>
<td>257</td>
<td>278</td>
<td>(1)</td>
<td>8</td>
</tr>
<tr>
<td>Expenses</td>
<td>175</td>
<td>178</td>
<td>173</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Working profit</td>
<td>107</td>
<td>79</td>
<td>105</td>
<td>(2)</td>
<td>33</td>
</tr>
<tr>
<td>Impairments</td>
<td>(28)</td>
<td>(20)</td>
<td>(14)</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>79</td>
<td>59</td>
<td>91</td>
<td>15</td>
<td>54</td>
</tr>
</tbody>
</table>
Key messages

- Exciting region with growing proportion of world GDP
- Positive progress on Greater China strategy, more to achieve
- Notwithstanding near term challenges, China’s liberalisation presents favourable opportunities
- Regional alignment on capabilities, people and priorities key to seizing opportunities
Key messages

- Well established franchise
- Resilient and diversified income base
- Balance sheet and network collaboration a competitive advantage
- China slowdown creates near term challenges but long term prospects remain intact
- Greater China opportunities and collaboration underpin future growth
Our Hong Kong franchise

**Deep rooted franchise**
- 155 years of history – Oldest note issuing bank
- Rotating Chairman bank of HKAB
- Diversified income streams
- Robust balance sheet
- Deep embedded client relationships
- Market share gain since crisis

**Track record of client focus**

**Consistent delivery – Unbroken record of income growth (US$m)**

**Diversified product mix**

- Own Account
- Transaction Banking
- Wealth Management
- Lending
- FM Sales (ex Cap Mkts)
- Corporate Finance
- Capital Markets
- Deposits
- Mortgages
- Unsecured Lending
- Corporate and Institutional Clients
- Private Banking Clients
- Commercial Clients
- Retail Clients

Note: H1 14 income
HKAB: Hong Kong Association of Banks
Macro overview

Near term challenges
- Slowing China
- Political environment
- Low interest rate environment

Resilient fundamentals
- Unemployment at 16 year low
- Property price stable, low LTV – robust underlying demand
- Well positioned to benefit from further China liberalisation
- US recovery to benefit exports

Note: Data up to June 2014
Gaining market share

PBT growth of 10 key commercial banks since 2003

Source: Annual reports of ten key commercial banks in Hong Kong
Opportunities

1. RMB internationalisation
2. Mainland investment and wealth flow
3. Greater China collaboration
Strategic priorities

- Deliver financial performance – sustain momentum
- Strengthen resilience of franchise
- Intensify network collaboration to capture Greater China opportunities
- Drive market leadership in RMB business
- Drive balance sheet and capital efficiency
- Disciplined risk management
## Corporate and Institutional Clients

### 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>926</td>
<td>952</td>
<td>3</td>
</tr>
<tr>
<td>Expenses</td>
<td>(366)</td>
<td>(376)</td>
<td>(3)</td>
</tr>
<tr>
<td>Working profit</td>
<td>560</td>
<td>576</td>
<td>3</td>
</tr>
<tr>
<td>Total impairments</td>
<td>(3)</td>
<td>(153)</td>
<td>na</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>557</td>
<td>423</td>
<td>(24)</td>
</tr>
</tbody>
</table>

### Achievements

- US$1bn of PBT in 2013 – 15% of Group PBT
- Well diversified client franchise
- Deep client relationships
  - “US$1m income” accounts doubled in 5 years
  - Strategic solutions grew at 49% CAGR in 5 years
- Top 2 banks for RMB solutions

### Key priorities

- Deepen client relationships – leverage untapped cross selling opportunities from client ecosystem
- Further penetrate China client wallet
- Intensify network collaboration
- Strengthen RMB leadership across all products
- Redeploy RWA to improve profitability
## Retail Clients

### Achievements
- 23% of Group Retail Clients income in 2013
- Well executed high value (Priority and Business segments) strategy – around 50% of income
- Well positioned for mainland wealth – Two-thirds of new Priority Banking clients from China
- Strong distribution capability – 79 strategic branches, third party wealth mgmt product
- Significant digital penetration – 40% digitally active

### Key priorities
- Acquire and deepen relationships with High Value Segment
- Capture strategic regional opportunities
- Focus on meeting wealth management needs
- Become digital main bank

<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>686</td>
<td>756</td>
<td>10</td>
</tr>
<tr>
<td>Expenses</td>
<td>(323)</td>
<td>(342)</td>
<td>(6)</td>
</tr>
<tr>
<td>Working profit</td>
<td>363</td>
<td>414</td>
<td>14</td>
</tr>
<tr>
<td>Total impairments</td>
<td>(68)</td>
<td>(73)</td>
<td>(7)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>295</td>
<td>341</td>
<td>16</td>
</tr>
</tbody>
</table>
## Commercial 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>259</td>
<td>214</td>
<td>(17)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(90)</td>
<td>(95)</td>
<td>(6)</td>
</tr>
<tr>
<td>Working profit</td>
<td>169</td>
<td>119</td>
<td>(30)</td>
</tr>
<tr>
<td>Total impairments</td>
<td>(1)</td>
<td>(32)</td>
<td>na</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>168</td>
<td>87</td>
<td>(48)</td>
</tr>
</tbody>
</table>

### Achievements
- 31% of Group Commercial Clients income in 2013
- Strong income growth in past 5 years
- Designated Greater China solution team
- Up tier client relationships and differentiate with strategic solutions, including RMB solutions
- Important source of deposits

### Key priorities
- Leverage One Bank collaboration across segments and geographies
- Generate Middle Market and Medium Enterprise business synergy
- Build RMB leadership across all products
- Drive strategic business and new clients on-boarding
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>58</td>
<td>70</td>
<td>21</td>
</tr>
<tr>
<td>Expenses</td>
<td>(47)</td>
<td>(53)</td>
<td>(13)</td>
</tr>
<tr>
<td>Working profit</td>
<td>11</td>
<td>17</td>
<td>55</td>
</tr>
<tr>
<td>Total impairments</td>
<td>-</td>
<td>-</td>
<td>na</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>11</td>
<td>17</td>
<td>55</td>
</tr>
</tbody>
</table>

**Achievements**

- Established clear value propositions across segments – HNW, UHNW
- Increase senior client coverage; improved revenue per relationship manager
- Early success in tapping internal client base
- Opened iconic “Forum” to capture wealth flow in the region

**Key priorities**

- Drive internal referrals
- Diversify products
- Improve relationship manager hiring and productivity
- Enhance platform and system

*HNW: High Net Worth - UHNW: Ultra High Net Worth*
Hong Kong – Historical performance

Consistently delivering strong income and earnings growth (US$m)

- Income
- Profit before tax

CAGR +14%
CAGR +11%
+3%
-16%

989 1,062 1,103 1,551 1,660 1,920 1,031 1,025 868
2,255 2,370 2,500 3,049 3,348 3,725 1,920 1,992

2008 2009 2010 2011 2012 2013 H1 13 H1 14

Income YoY
Headline profit YoY

Excluding commodity provision
A more moderate income growth, on the back of a reforming China

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY%</th>
<th>HoH%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income¹</td>
<td>1,929</td>
<td>1,796</td>
<td>1,992</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Expenses</td>
<td>(826)</td>
<td>(840)</td>
<td>(866)</td>
<td>(5)</td>
<td>(3)</td>
</tr>
<tr>
<td>Working profit</td>
<td>1,103</td>
<td>956</td>
<td>1,126</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Total impairment</td>
<td>(72)</td>
<td>(67)</td>
<td>(258)</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Profit before tax¹</td>
<td>1,031</td>
<td>889</td>
<td>868</td>
<td>(16)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

¹ Excluding OCA adjustment
Well established franchise

Leverage our network, capturing Greater China opportunities

Product income (H1 14)

Segment client income (H1 14)
Balance sheet is in good shape

Customer loans (US$bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>28</td>
<td>30</td>
<td>43</td>
<td>50</td>
<td>53</td>
<td>59</td>
<td>64</td>
</tr>
</tbody>
</table>

+16% 5year CAGR

Customer deposits (US$bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>62</td>
<td>68</td>
<td>74</td>
<td>86</td>
<td>98</td>
<td>105</td>
<td>103</td>
</tr>
<tr>
<td>CASA</td>
<td>31</td>
<td>46</td>
<td>49</td>
<td>53</td>
<td>63</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>Time deposits</td>
<td>31</td>
<td>22</td>
<td>25</td>
<td>33</td>
<td>35</td>
<td>39</td>
<td>36</td>
</tr>
</tbody>
</table>

+11% 5year CAGR

AD ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Chartered Hong Kong</td>
<td>45%</td>
<td>44%</td>
<td>58%</td>
<td>58%</td>
<td>54%</td>
<td>55%</td>
<td>62%</td>
</tr>
<tr>
<td>Market</td>
<td>54%</td>
<td>52%</td>
<td>62%</td>
<td>67%</td>
<td>67%</td>
<td>70%</td>
<td>74%</td>
</tr>
</tbody>
</table>

Source: Market - HKMA data
Discipline risk management

Retail clients
- 84% of portfolio secured
- Mortgage LTV 46%. Stable over time
- 92% of the unsecured portfolio categorised as low to very low risk
- CCPL as relationship product serving target customer segments

Corporate and Institutional and Commercial Clients
- Banks and Financial Institutions industry account for 55% of the portfolio. Of which, over 93% of EAD are investment grade clients
- No material risk concentration in industry within the Corporate portfolio
- Disciplined underwriting and continued stable market conditions contribute to good asset quality

Note: HK Financial Book with CG 1-11 as of Jun 2014
China exposure in Hong Kong

EAD breakdown by group domicile country

Hong Kong
China
Other International

China – Corporate and Financial Institutions

- Represent 34% of total Hong Kong credit exposure
  - 73% investment grade
  - 83% with tenor less than 1 year

- 59% of overall China exposures are to sovereign and financial institutions, predominantly top rated banks

- 41% of overall China exposures are to corporate, of which
  - 69% with tenor less than 1 year
  - 62% of tenor over 3 years is secured
  - No material concentration

- Remain vigilant for signs of credit weakness

Note: HK Financial Book with CG 1-11 as of Jun 2014
Key messages

- Well established franchise
- Resilient and diversified income base
- Balance sheet and network collaboration a competitive advantage
- China slowdown creates near term challenges but long term prospects remain intact
- Greater China opportunities and collaboration underpin future growth
Jerry Zhang

China

Jerry Zhang

Here for good
Key messages

- Resilient performance supported by continued investments
- Managed slowdown - China’s growth story intact
- Opportunities from further liberalisation/reforms
- Continue to drive network business
- Clear plan to tackle risks and challenges
Our China franchise

- Top tier foreign bank with continuous commitment since 1858
- Strong credit rating AA- (Standard & Poor)
- Market recognition as leading foreign bank for offshore RMB and cross border capabilities
- Strong balance sheet and liquidity management
- Comprehensive product suite

**Share of total banking assets**
(as at end 2013)

- Large commercial banks: 43%
- Joint-stock commercial banks: 18%
- Rural financial institutions and postal savings: 16%
- Other banking financial institutions: 21%
- Foreign banks: 2%
- Standard Chartered: 8%
- Key competitors: 26%
- Others: 66%

Source: China Banking Regulatory Commission Annual Report 2013

1) Number of locally incorporated foreign banks: 42; Number of branches of foreign banks: 92
Macro China picture / trends

- Economic growth moderates with long term growth prospects intact
- Government has the ability to stimulate, if needed
- Acceleration in financial reforms towards a more domestic consumption and market-led economy
- Risks arising from economic transformation and cyclical challenges

**GDP growth rate**

- 2007: 14.2%
- 2009: 9.2%
- 2011: 10.4%
- 2014: 9.3%
- 2016: 7.4%
- 2018: 7.0%
- 2020: (Projected)

**High speed rail tracks (km)**

- 2010: 5,000 km
- 2013: 15,000 km
- 2020: (Projected)

**Urban household income (RMB)**

- 2010: CAGR 7.0%
- 2013: CAGR 8.5%
- 2020: (Projected)

**Debt as % of GDP**

- Government
- Household
- Corporate

Historical performance

- Key contributor to the Group
- Network income up 25% from H1 13 to H1 14

US$m

CAGR 8%

CAGR 42%
Investing for growth

Key investment programmes

- Outlet network expansion at pace
- Launched credit card in June 2014
- Technology enhancement to improve productivity
- Regulatory and compliance enhancement
- Digitalisation

Cumulative number of product licenses
Strategic priorities

- Broaden portfolio exposure in growth industries
- Grow high net worth clients via enhancing wealth and digital transaction capabilities
- Connect China to our network with enhanced product capabilities
- Drive balance sheet momentum with discipline
- Stay alert and focused on asset quality management
- Accelerate our next generation of leaders and develop local talents
Corporate and Institutional clients

<table>
<thead>
<tr>
<th></th>
<th>H1 13</th>
<th>H1 14</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>289</td>
<td>375</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>(175)</td>
<td>(174)</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(175)</td>
<td>(174)</td>
<td></td>
</tr>
<tr>
<td><strong>Working profit</strong></td>
<td>114</td>
<td>201</td>
<td>76%</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(10)</td>
<td>(4)</td>
<td>60%</td>
</tr>
<tr>
<td>Other impairment</td>
<td>(11)</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>66</td>
<td>76</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>159</td>
<td>273</td>
<td>72%</td>
</tr>
</tbody>
</table>

**Progress made**
- Strengthened overall country CIC management resources
- Built RMB leadership position
- Optimised use of capital - enhanced RoRWA
- De-risking: Exposure to industries with over-capacity

**Strategic priorities**
- Concentrate on developing network revenue.
- Build sustainable and differentiated client portfolio
- Deepen local franchise - build scale and capability
- Capture RMB internationalisation opportunities
- Expand and up-tier talent pool
- Optimise use of capital
Retail 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>138</td>
<td>133</td>
<td>(4)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(171)</td>
<td>(166)</td>
<td>3</td>
</tr>
<tr>
<td>Working profit</td>
<td>(33)</td>
<td>(33)</td>
<td>-</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(13)</td>
<td>(14)</td>
<td>(8)</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>7</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Operating profit</td>
<td>(39)</td>
<td>(39)</td>
<td>-</td>
</tr>
</tbody>
</table>

Progress made

- Present in 24 cities across China with healthily growing client base
- Launched credit card in June
- Investment in digitalisation and infrastructure
- Sound risk control with stable balance sheet momentum
- Successfully executed cost saving strategy

Strategic priorities

- Grow high value segment clients who value our network advantages and footprint
- Sharpened focus on building core city scale
- Become digital main bank and invest in core product capabilities
- Ensure quality asset growth
Key messages

- Resilient performance with steady client income growth and diversified product mix
- Liquid and diverse balance sheet
- Robust portfolio credit management with increased vigilance in a more challenging credit environment
## Financial performance

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 13</th>
<th>H2 13</th>
<th>H1 14</th>
<th>YoY%</th>
<th>HoH%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>448</td>
<td>486</td>
<td>515</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Client income</td>
<td>435</td>
<td>432</td>
<td>441</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(383)</td>
<td>(370)</td>
<td>(371)</td>
<td>3</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Working profit</strong></td>
<td>65</td>
<td>116</td>
<td>144</td>
<td>122</td>
<td>24</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>(21)</td>
<td>(33)</td>
<td>(35)</td>
<td>(67)</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Profit from associates</strong></td>
<td>73</td>
<td>73</td>
<td>84</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>117</td>
<td>156</td>
<td>193</td>
<td>65</td>
<td>24</td>
</tr>
</tbody>
</table>
Diversified product income mix

**H1 14 income by product**

- Retail products
- ALM
- Wealth Management
- Corporate Finance
- Financial Markets (excl ALM)
- Lending and Portfolio Management
- Transaction Banking
- Commercial Clients
- Corporate & Institutional Clients
- Retail Clients
- Others

**H1 14 income by segment**

- Retail products
- ALM
- Wealth Management
- Corporate Finance
- Financial Markets (excl ALM)
- Lending and Portfolio Management
- Transaction Banking
- Commercial Clients
- Corporate & Institutional Clients
- Retail Clients
- Others
Liquid and diverse balance sheet

**Advances to deposits (AD) ratio trend**

- **China Banking Industry AD ratio**
- **Standard Chartered AD Ratio**

**Deposit structure (US$bn)**

- **H1 13**
  - 20.3
  - 23%
  - 47%
  - 47%

- **H2 13**
  - 22.0
  - 22%
  - 47%
  - 42%

- **H1 14**
  - 23.0
  - 18%
  - 42%
  - 42%
Key messages

- Economic reforms being long term benefits, but also near term challenges
- Portfolio remains short tenored, diversified, and well collateralised
- Stepped up vigilance and positioning
Near term challenges

- Risks arising from economic slowdown and reforms
- Downward pressure in industries with overcapacity
- Increasing risk from fraud and shocks from anti-corruption campaigns
- Rising industry-wide NPLs to dampen sentiments
China exposure overview

**CCR China exposure by segment**
- CIC - Commodity Trading and Agriculture
- Retail Clients
- CIC - Global Corporate
- CIC - Local Corporate
- CIC - Financial Institutions

**CCR China FI exposure**
- Sovereign
- NBFI
- Banks - Non-BASISS bank
- Banks - BASISS Bank

**CCR China CIC exposure by product**

**CCR China CIC exposure by booking countries**

*Note: CCR: Country of Credit Responsibility; BASISS: Banks of Systemic Importance with Sovereign Support; NBFI: Non Bank Financial Institutions*
China corporate portfolio

By credit grade

Collateralisation ratio (%)

Industry concentration

Tenor profile
China commodity portfolio

- China commodity portfolio
  - 95% < 1 year duration
  - 50% Investment grade
  - 48% to Energy (mainly SOE oil majors)

- De-risking Metals and Mining

- Addressing Qingdao warehouse fraud
  - Significant reduction in collateral backed financing in China since June 2014
  - All goods in China warehouses inspected with NO issue
  - Tightened collateral standards

Note: SOE: State Owned Enterprises
Proactive and vigilant risk management

Reshaping industry distribution
- Scaling down industries with over-capacity
- Banking with the New China Economy

Tightened new name criteria & approval conditions

Proactive portfolio reviews and stress test

Credit Monitoring and Vigilance
- Effective Early Alert (EA) process
- Enhanced fraud detection & promoter screening process
CEO’s closing remarks

- Resilient performance supported by continued Investments
- Managed slowdown - China’s growth story intact
- Opportunities from further liberalisation / reforms
- Continue to drive network business
- Clear plan to tackle risk and challenges
China Awards – 2014

- Best Transaction Bank in China 2014
- Best in Treasury & Working Capital (MNCs/LLCs/Non-Bank FI) 2014
- Online Banking Initiative of the Year China 2014
- Best Wealth Management Services 2014
- Best Small Business Lending 2014
- Best in Cross-Border RMB (Shanghai) 2014
- Best CSR Case Study Award 2014
- HR Management Best Practices Award 2014
- Best FX Wealth management Product 2014
- Model Business in Innovation Award 2014
Q&A
Key messages

- RMB is mainstream, but still huge upside potential
- We have a leading market position in RMB
- One bank collaboration sharpens our focus
- China liberalisation presents further significant opportunities
- RMB is increasingly part of our DNA and we are
  - Deepening relationships, leveraging share of mind
  - Investing in RMB capabilities with regulatory change
  - Maintaining a strong liquid RMB balance sheet
RMB is mainstream…

**Offshore RMB deposits (CNH bn)**

**CNH bond issuance (US$bn)**

Source: HKMA, MAS, FSC and BOK

Source: Bloomberg as of 31 Oct 2014
Global share in trade/payments by currencies (%)

- **RMB in 2020**
  - RMB will be a G4 currency with US$, Euro and GBP
  - 28% of China’s US$10.8tr trade denominated in RMB
  - ‘Basically’ open capital account and free floating RMB
  - China’s GDP at US$21.8tr, while US’ GDP at US$23.3tr

Source: CEIC, WTO, SWIFT RMB Tracker, Standard Chartered Research, special report on the Super Cycle

Note: Trade under EUR excluding intra-EU trade
Our market leadership in RMB

“Double-digit” market share

Standard Chartered’s market share – CNH vs US$

- 6 times
- 2.5 times
- 10 times

Customer payments
Bond issuance
FX Trading

- 6 times
- 2.5 times
- 10 times

US$  CNH

Competitive advantages

- International and Greater China presence
- Depth of capabilities across our network
- Close engagement with regulators
- Leading foreign correspondent bank in China
- Leading trading bank in CNH FX market
- Strong liquid RMB balance sheet

Source: SWIFT Watch, Bloomberg, Euromoney survey, Standard Chartered estimate
Diversified RMB business

Resilient revenue despite RMB depreciation in Q2

Diversified RMB business with various RMB products and services offered

RMB revenue (US$m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 YT-Sep</th>
</tr>
</thead>
</table>

Financial Market
- FX options
- Rates
- Equities
- Credit
- Foreign Exchange
- Commodity Derivatives
- Money Market and ALM
- Capital Markets

Transaction Banking
- Cash Management
- Trade Finance and services
- Securities Services

Wealth
- Wealth and Investments

Retail
- Retail Deposits
Strategic priorities

- Be the first and best RMB solutions provider, continuing to deliver value to our clients
- Deepen client relationships by leveraging RMB leadership
- Maintain strong liquid RMB balance sheet to support our business growth
- Shape policies and stay ahead in RMB capabilities
First and best RMB solution provider for clients – enabling corporates to turn RMB internationalisation into competitive advantages

---

**Significance to Standard Chartered**

- Anchoring Standard Chartered as a RMB Go To Bank for relationship deepening
- Cross-selling opportunities to generate incremental revenue on FX, capital markets and cash
First and best RMB solution provider for clients – engaging investors, institutions and central banks to turn RMB into a competitive advantage

**Institutional client**
Optimising risk return by gaining exposure to RQFII\(^1\) mutual fund

**The Ministry of Finance (MOF) China**
6th CNH bond issued. Strong recognition of Standard Chartered from sovereign issuers

<table>
<thead>
<tr>
<th>China Onshore</th>
<th>Offshore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Market</td>
<td>RQFII</td>
</tr>
<tr>
<td>MOF</td>
<td>Dim Sum Bond</td>
</tr>
</tbody>
</table>

**Significance to Standard Chartered**
- Accessing Chinese markets for foreign investors
- RMB education and outreach for central banks/governments
- Full RMB financial markets services for financial institutions central banks
- Bespoke analysis, advisory, and strategic projects

\(^1\) Renminbi qualified foreign institutional investors
Strong liquid balance sheet with quality deposit base

- Strong deposit base
- One RMB balance sheet

Standard Chartered global offshore RMB balance sheet growth

1) The commercial surplus is defined as the amount of excess of the bank’s customer deposits over its customer loans and advances
China liberalisation presents opportunities for Standard Chartered

<table>
<thead>
<tr>
<th>Regional treasury centres</th>
<th>Integrating RMB as part of treasury management functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese corporates</td>
<td>Fund raising, financing, hedging and working capital support for business expansion overseas</td>
</tr>
<tr>
<td>Global/Chinese investors</td>
<td>New avenues for cross border investment, portfolio diversification</td>
</tr>
<tr>
<td>Central Banks/Sovereign</td>
<td>Evolving new offshore centres, RMB as part of reserve capital</td>
</tr>
<tr>
<td>Deepening of capital market</td>
<td>Increasing channels and quotas on a gradual basis</td>
</tr>
<tr>
<td>Commodity trading</td>
<td>Next wave of trade redenomination, starting from gold, followed by iron ore and copper</td>
</tr>
<tr>
<td>Onshore/Offshore Market Convergence</td>
<td>Expanding onshore access and leveraging international network</td>
</tr>
</tbody>
</table>
RMB is increasingly part of our DNA

- RMB is mainstream, but still huge upside potential
- We have a leading market position in RMB
- One bank collaboration sharpens our focus
- China liberalisation presents further significant opportunities

1) In 2012–2013, the “Best Renminbi Bank” award used to be called “Best Renminbi Trade Settlement Bank”