

Leading the way in Asia, Africa and the Middle East

Mike Rees

Group Executive Director and CEO
Wholesale Banking

Key messages

- We continue to believe in the potential of our markets and our competitive advantage but we are facing headwinds
- Fundamental strategy is unchanged and is the foundation for everything we do
- Deep long term client relationships remain at the heart of that strategy
- We are sharpening our focus to achieve our long term potential

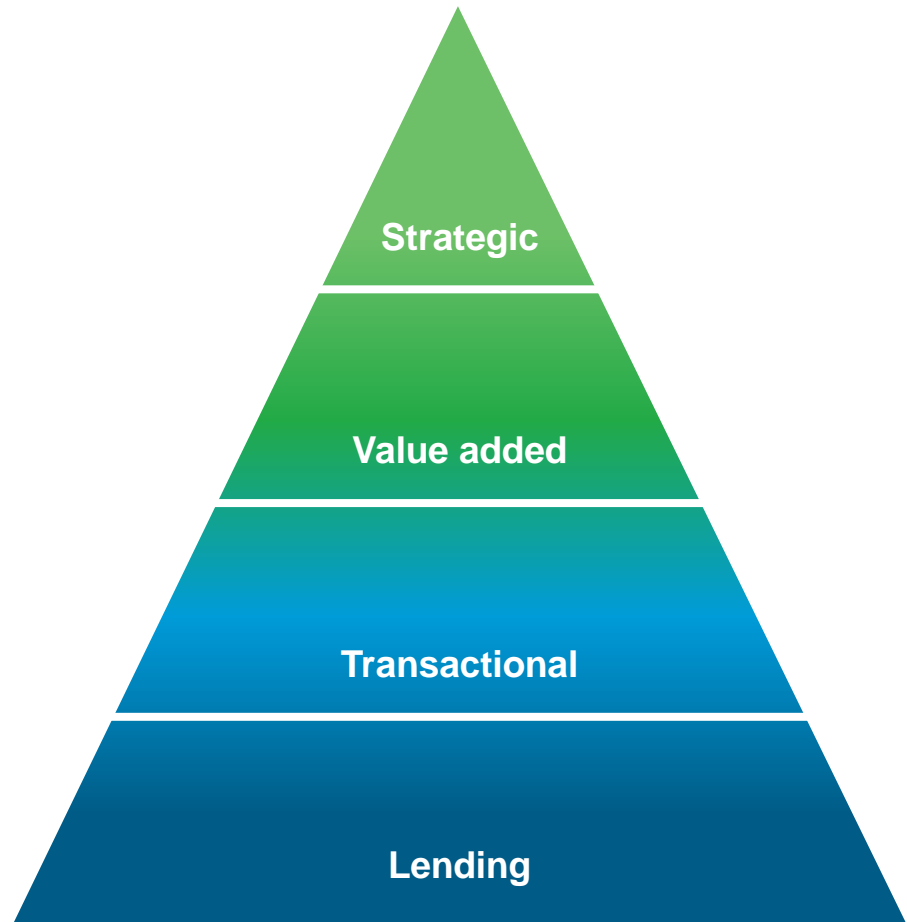
What we have said in the past...

Our strategy

- Deep 'core bank' client relationships
- International network, local scale
- Balance sheet management

Key enablers




- Infrastructure
- Values and culture
- Collective ambition



Our product suite has been built to support our clients' needs

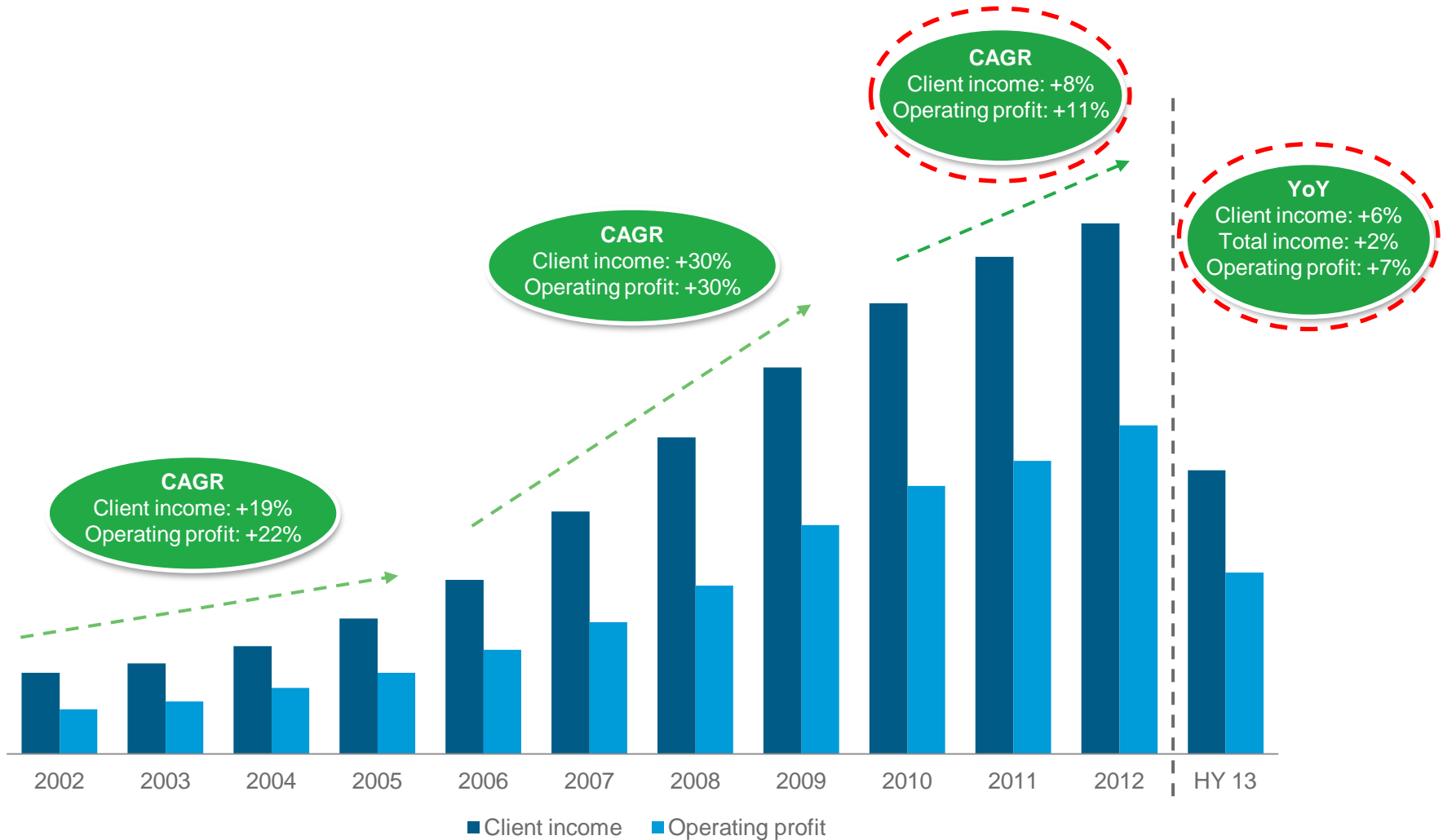
SCB product capabilities within footprint

	2002	2006	2010	2013
Trade Finance	Developed	Developed	Developed	Developed
Cash Management	Developing	Developing	Developed	Developed
FX	Developed	Developed	Developed	Developed
Capital Markets	Nascent	Developing	Developed	Developed
Corporate Finance	Nascent	Nascent	Developing	Developed
Commodities	Nascent	Nascent	Developing	Developed
Equities	Nascent	Nascent	Nascent	Developing

 Nascent  Developing  Developed

- We remain a core commercial bank focused on Cash, Trade and FX
- We have developed a complete and diverse product suite combined with a unique footprint
- We have invested in capability and scalable infrastructure
- The opportunity is now to fully deploy our capability to clients

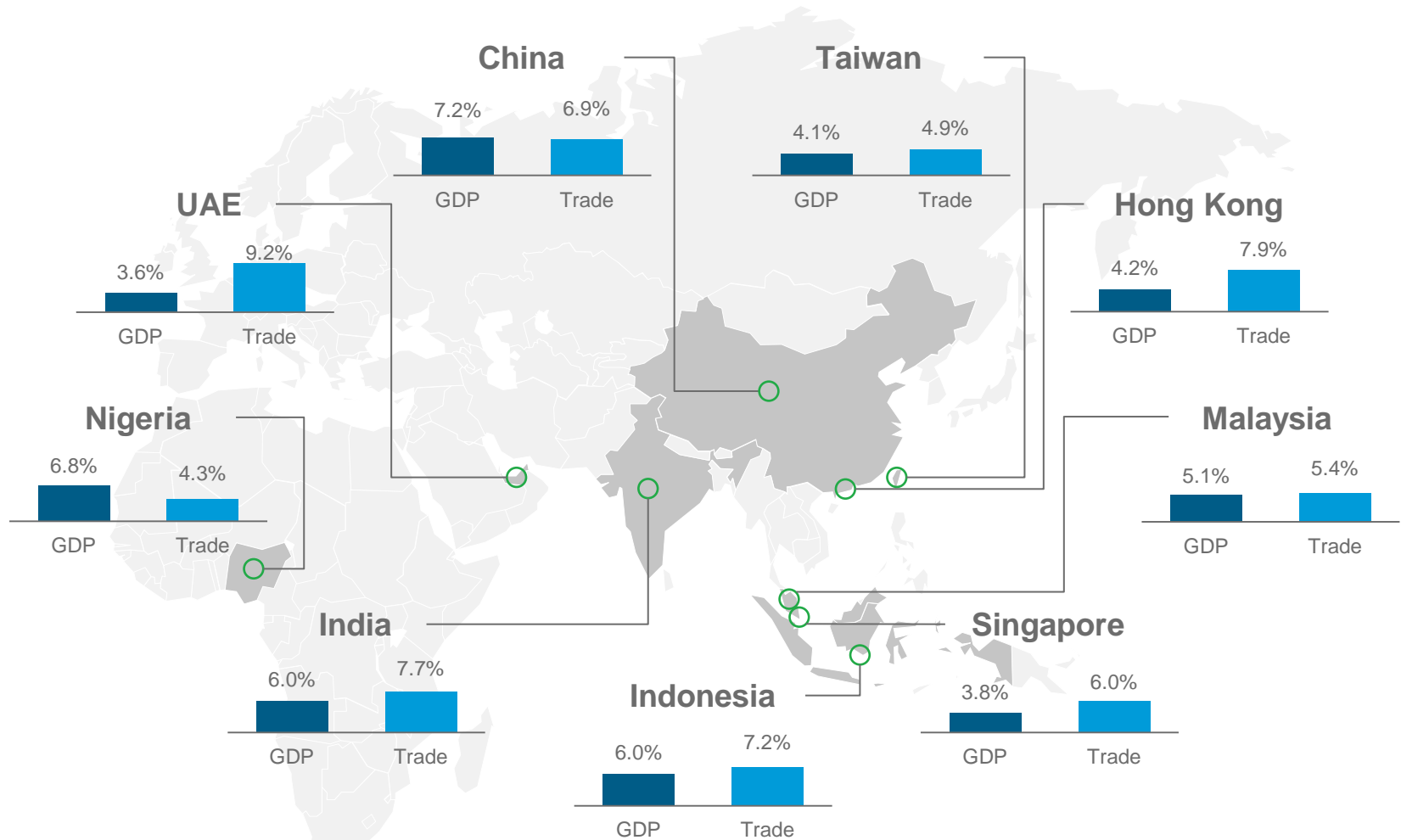
Financial performance



Note: Excludes settlement with US authorities in 2012 and Own Credit Adjustment

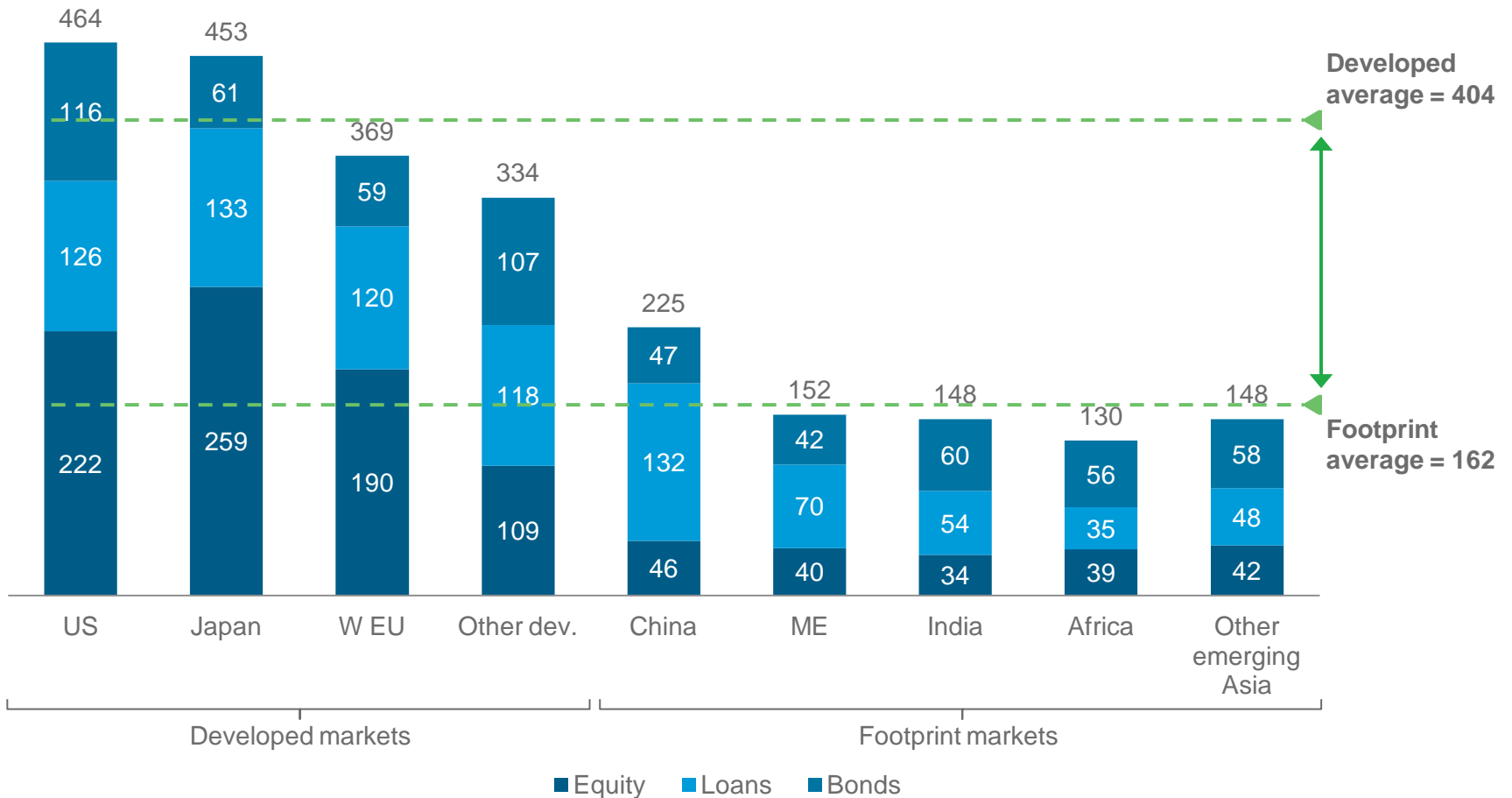
Potential for growth in our markets...

2012 – 2018 forecast GDP and trade growth (CAGR%)



...enhanced by the potential for financial deepening

Financial depth in key Global markets*



Source: McKinsey Global Institute

* Financial depth refers to total financial assets/GDP. Financial assets includes the value of equity market cap, corporate & government bonds and loans

Leading the way with our clients for and in Asia, Africa and the Middle East

Our Brand Promise

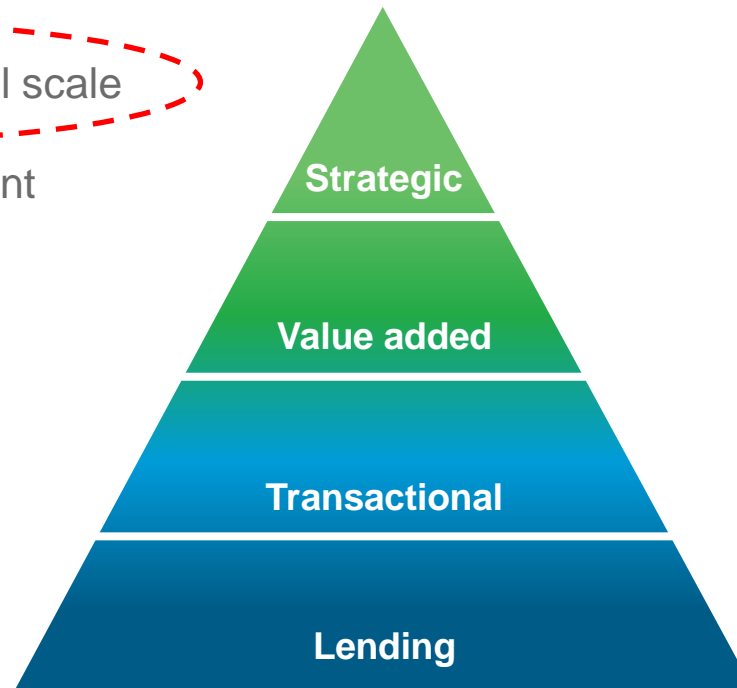
Here for good

Wholesale Banking strategy

- Deep 'core bank' client relationships
- International network, local scale
- Balance sheet management

Key enablers

- Infrastructure
- Values and culture
- Collective ambition



The way we do business

Deep client relationships; a trusted advisor

International perspective, local knowledge

Unwavering focus on the fundamentals of banking

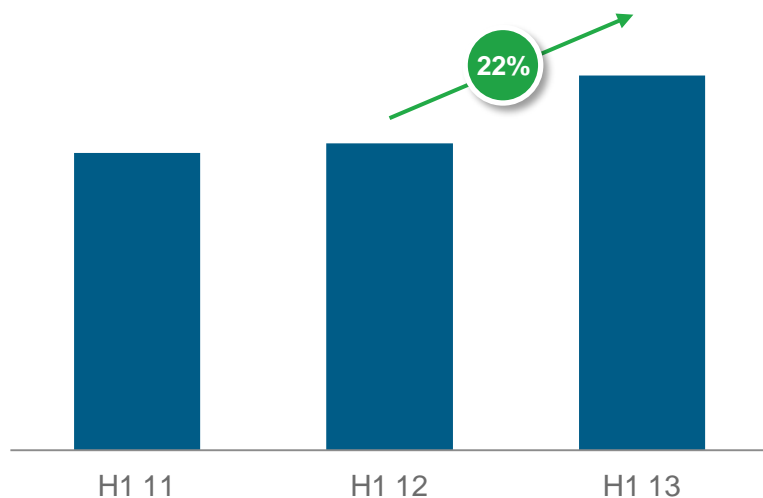
A force for good; doing the right thing

Collective aspiration; shared passion

We have seen continued success in key client initiatives

Next 500 clients H1 2011 – H1 2013

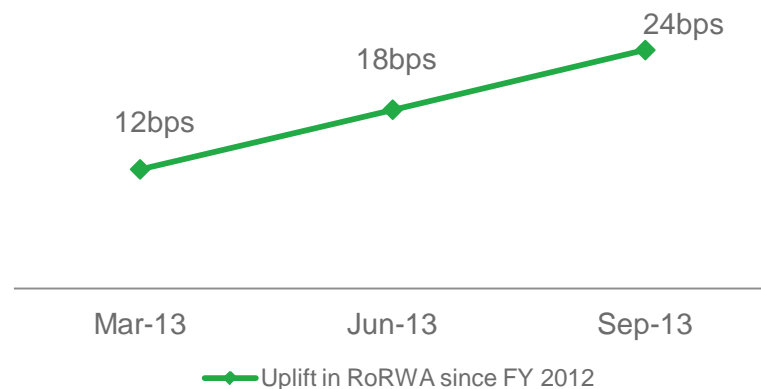
Continued income growth



- Deeper relationships by product and geography
- Growth driven by value added and strategic product groups

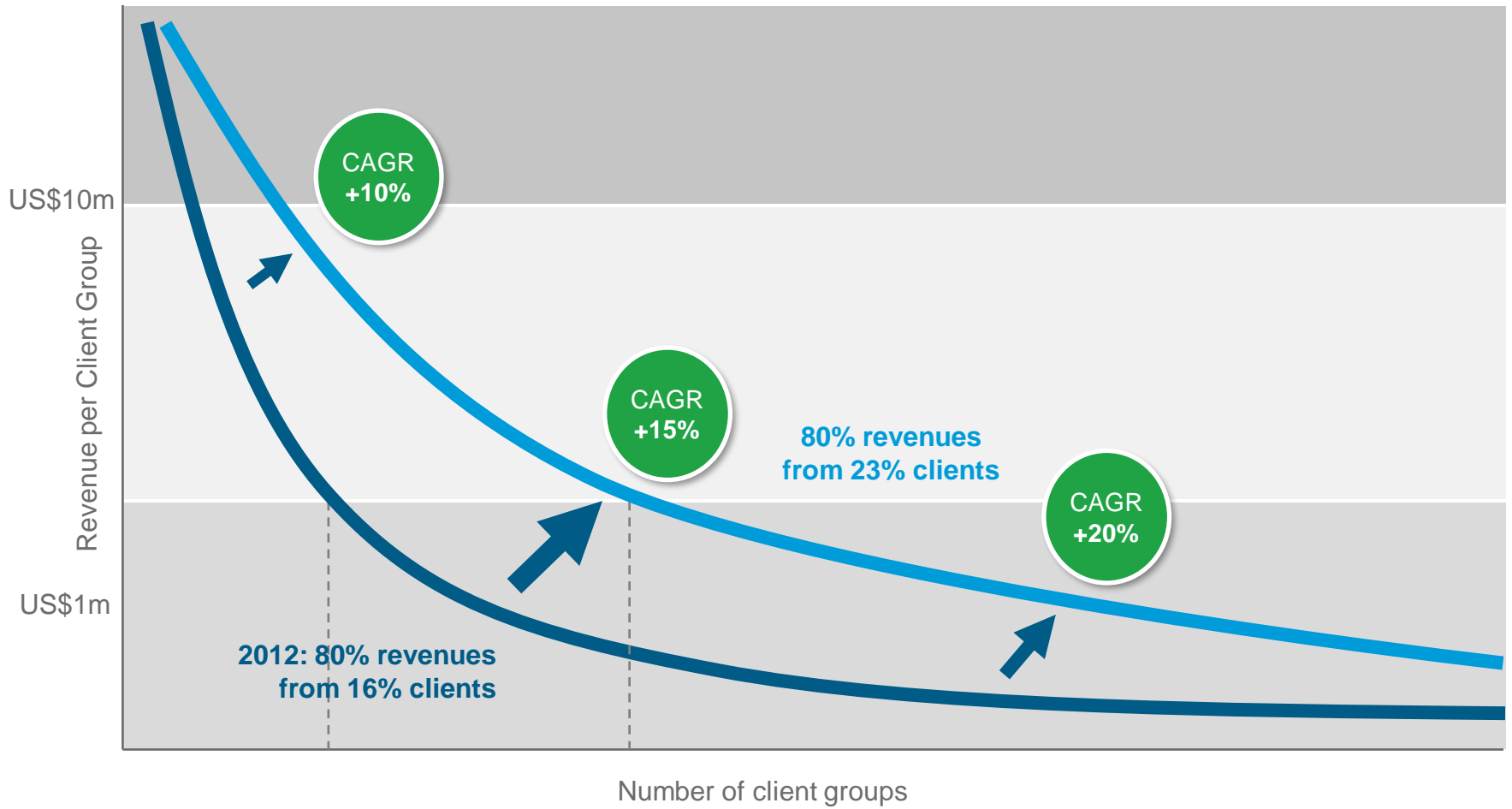
Managing suboptimal returns FY 2012 – Q3 2013

Reinvesting RWAs to drive returns



- Returns improved by income growth
- Income growth supported by release of RWAs within sub-optimal group

We can do more to deepen client relationships

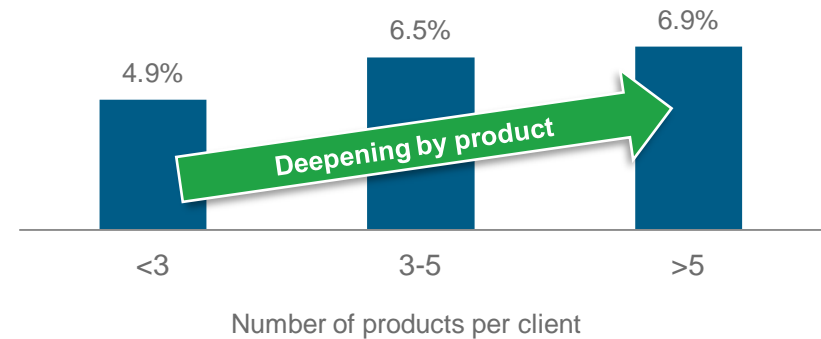


Sharpening our focus with clients

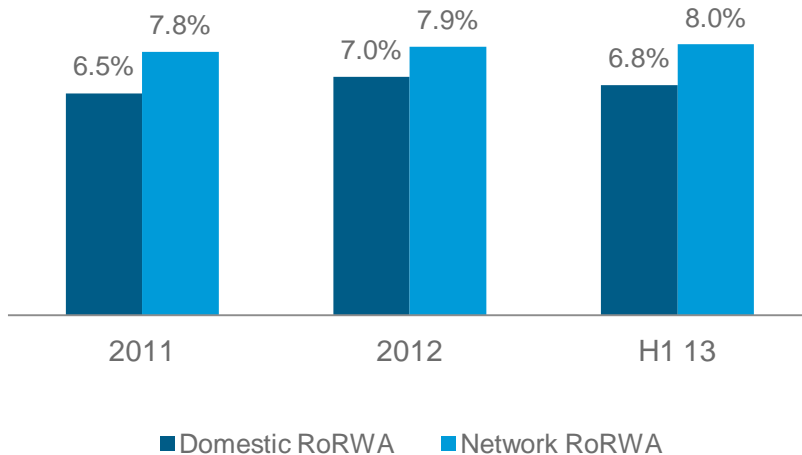
- Deepening and broadening of client relationships
- Continued management of sub-optimal client returns
- Improved resource allocation

Improving client returns

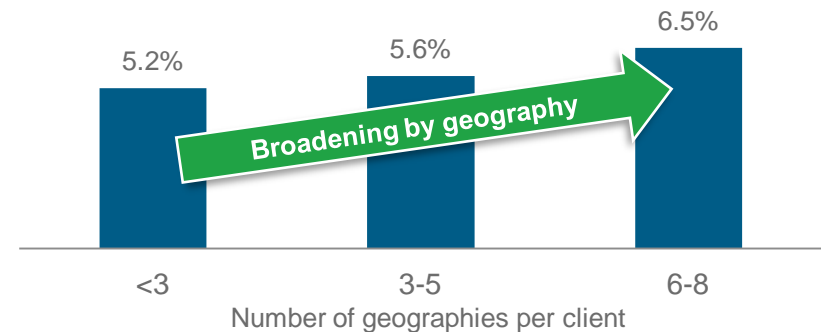
RoRWA uplift from product depth



Higher returns from network income



RoRWA uplift from geographic breadth

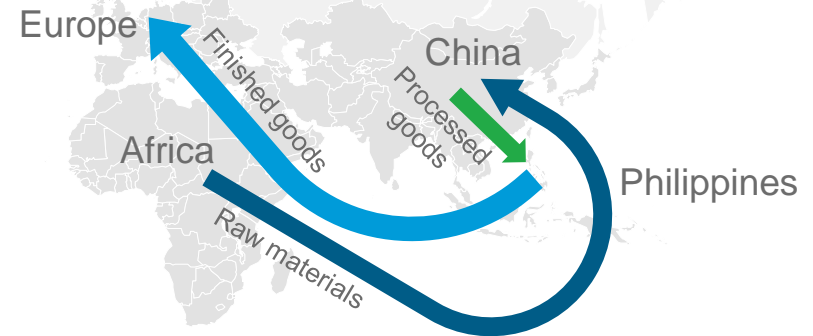


Note: Figures based on clients with credit relationship. RoRWA figures for geographical cross sell based on average for Global Corporate clients

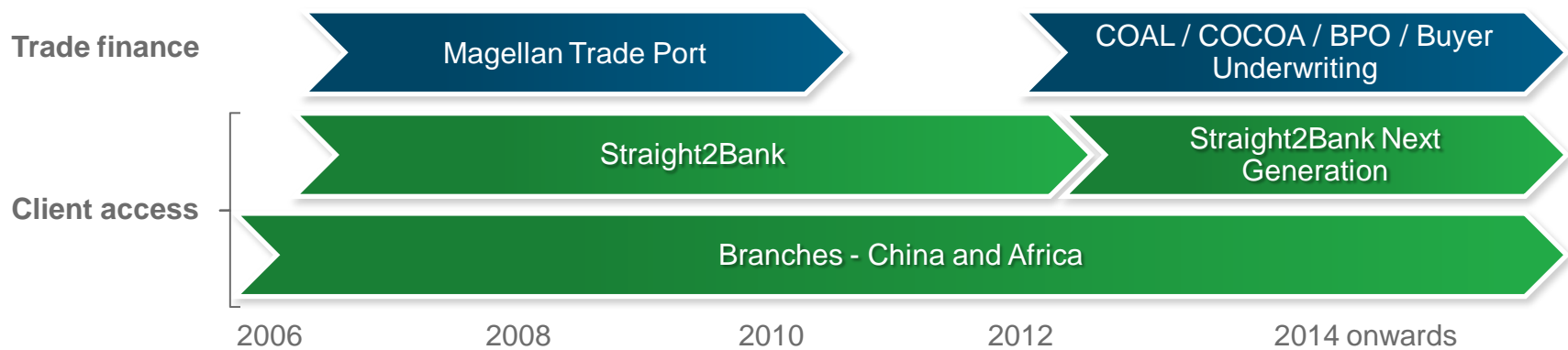
Intermediating global trade to capture the full commercial payments opportunity

- We are a leading trade finance provider for our footprint
- Our footprint is at the centre of the global manufacturing-supply chain
- We have made significant investment in our systems
- Trade Finance drives higher returns from overall client relationships

Our footprint is at the centre of the global manufacturing-supply chain



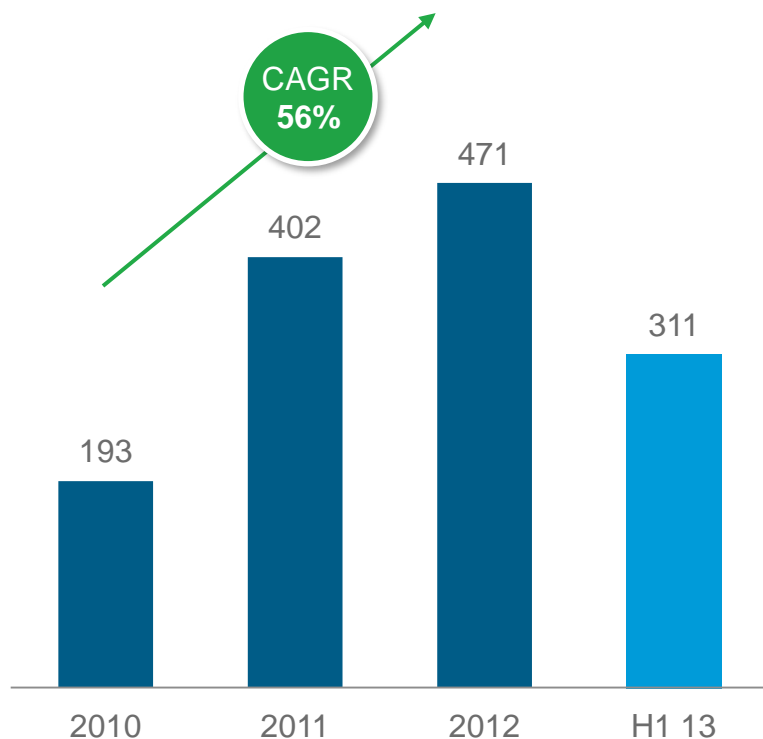
Key investments



We are market leaders in the offshore RMB market with a strong competitive advantage

RMB is already a significant part of our business

Wholesale Banking
RMB client income (US\$m)



Market leading offshore RMB position

- Leading share in offshore RMB deposits
- >10% market share in offshore RMB bond issuance
- >20% market share in offshore cross border third party RMB clearing
- >10% share of offshore traded RMB FX and rates turnover

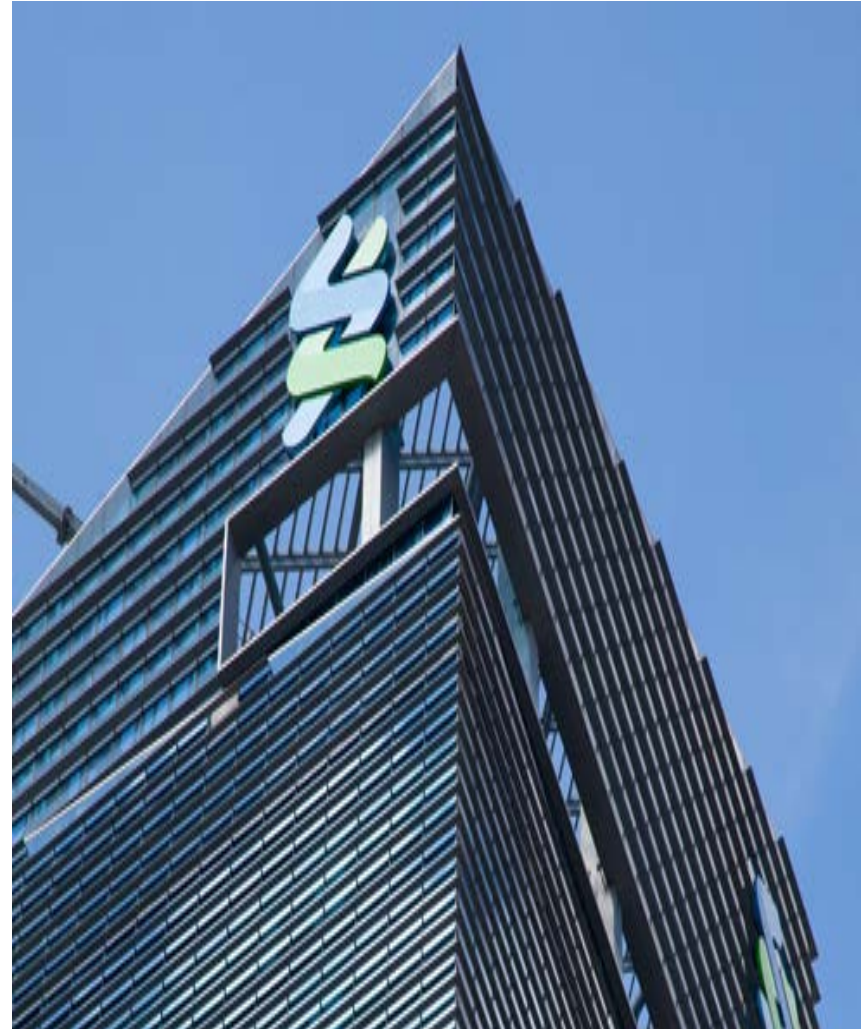
Technology and innovation

- Continue to upgrade our electronic client interfaces, e.g. Straight2Bank
- Step up investment in Straight-Through-Processing and automation
- Learning to create more value from our data

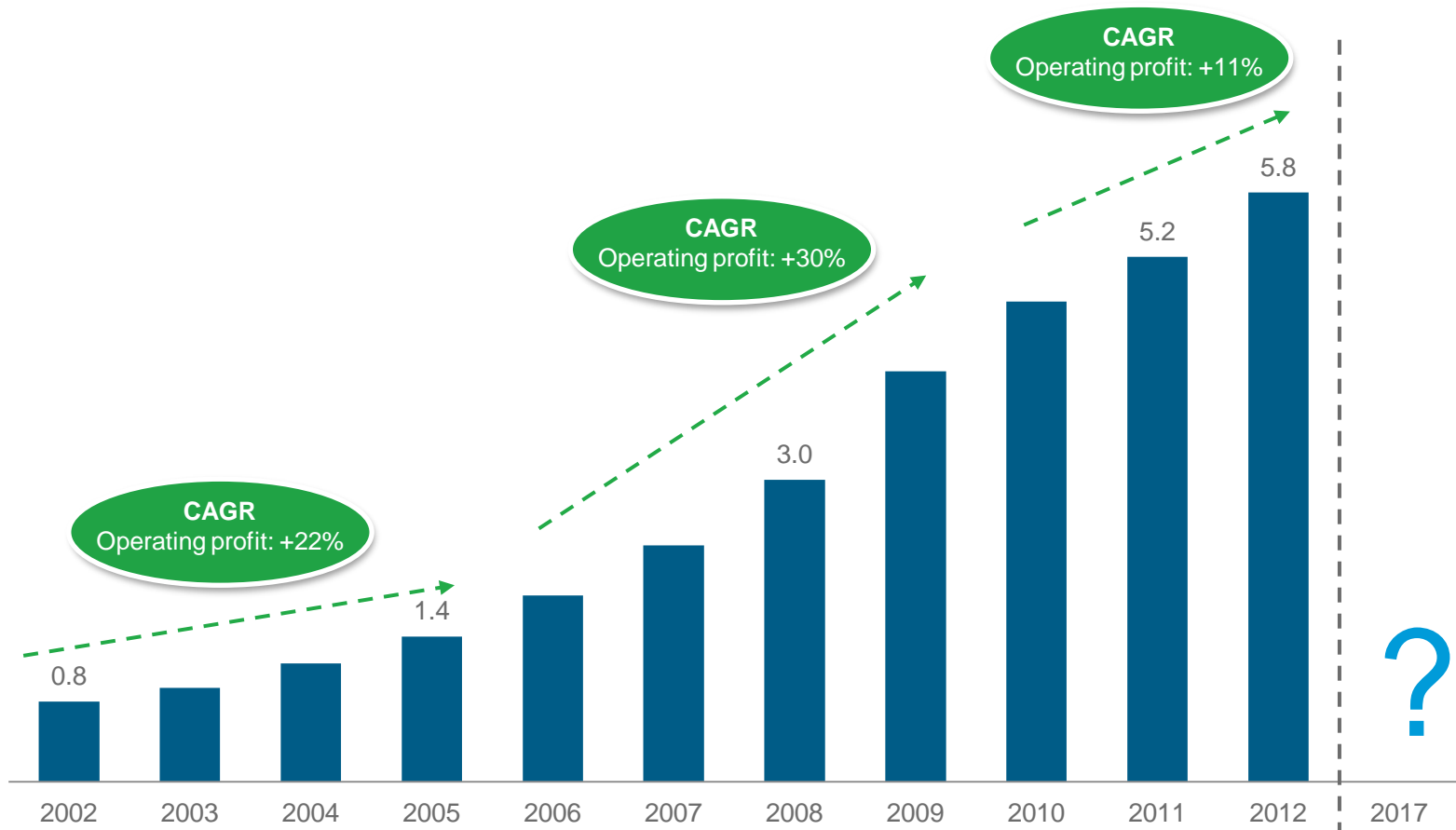


Challenging environment

- Client confidence
 - Volatility and uncertainty
- Political environment
- Regulation
 - Prudential regulation
 - Conduct of business
- Competition



Wholesale Banking operating profit (US\$bn)



Note: 2012 operating profit adjusted for US settlement

Leading the way in Asia, Africa and the Middle East

Saleem Razvi

CFO, Wholesale Banking

Key messages

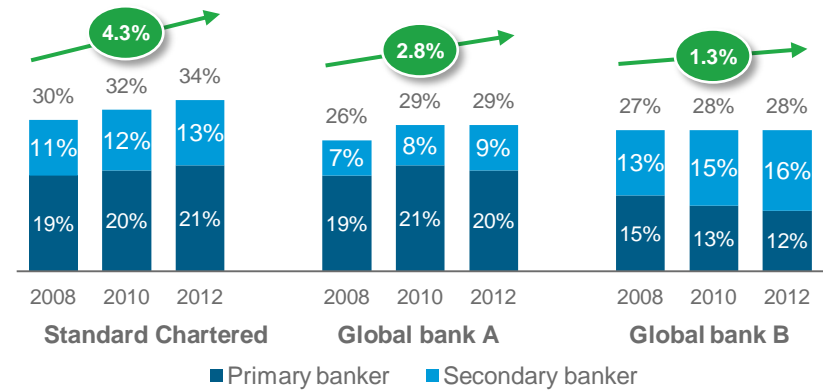
- Deep client relationships and diverse income streams are the foundations of our business
- We face headwinds but the underlying drivers of our performance remain strong underpinned by an unchanged strategy
- Our continued build of scalable platforms enables dynamic cost management and sustained investment
- We are driving returns through deeper client relationships and the scalability of our business

We continue to deepen client relationships

Client centric business

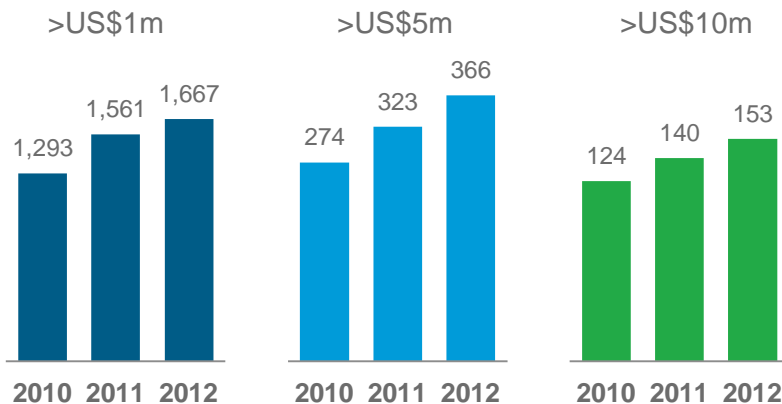
- Client focus lies at the heart of our strategy
- Increased share of primary and secondary banker status
- Cross border income accounts for a growing share of total client income
- Our focus on next 500 clients has delivered results

Asian transaction banking market penetration

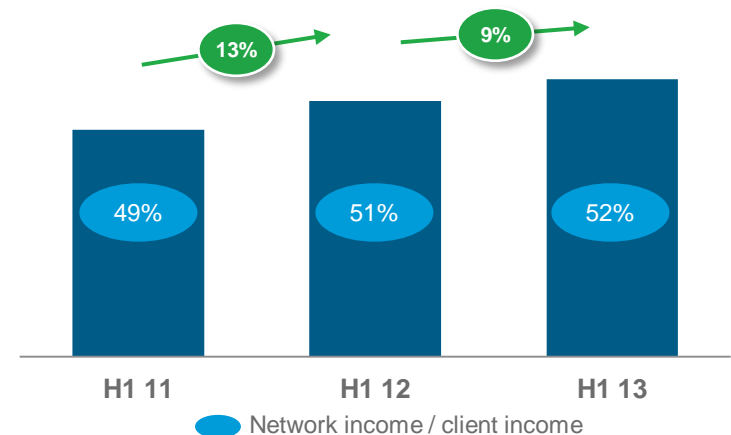


Source: East & Partners Asian Institutional Transaction Banking survey

Clients per income category

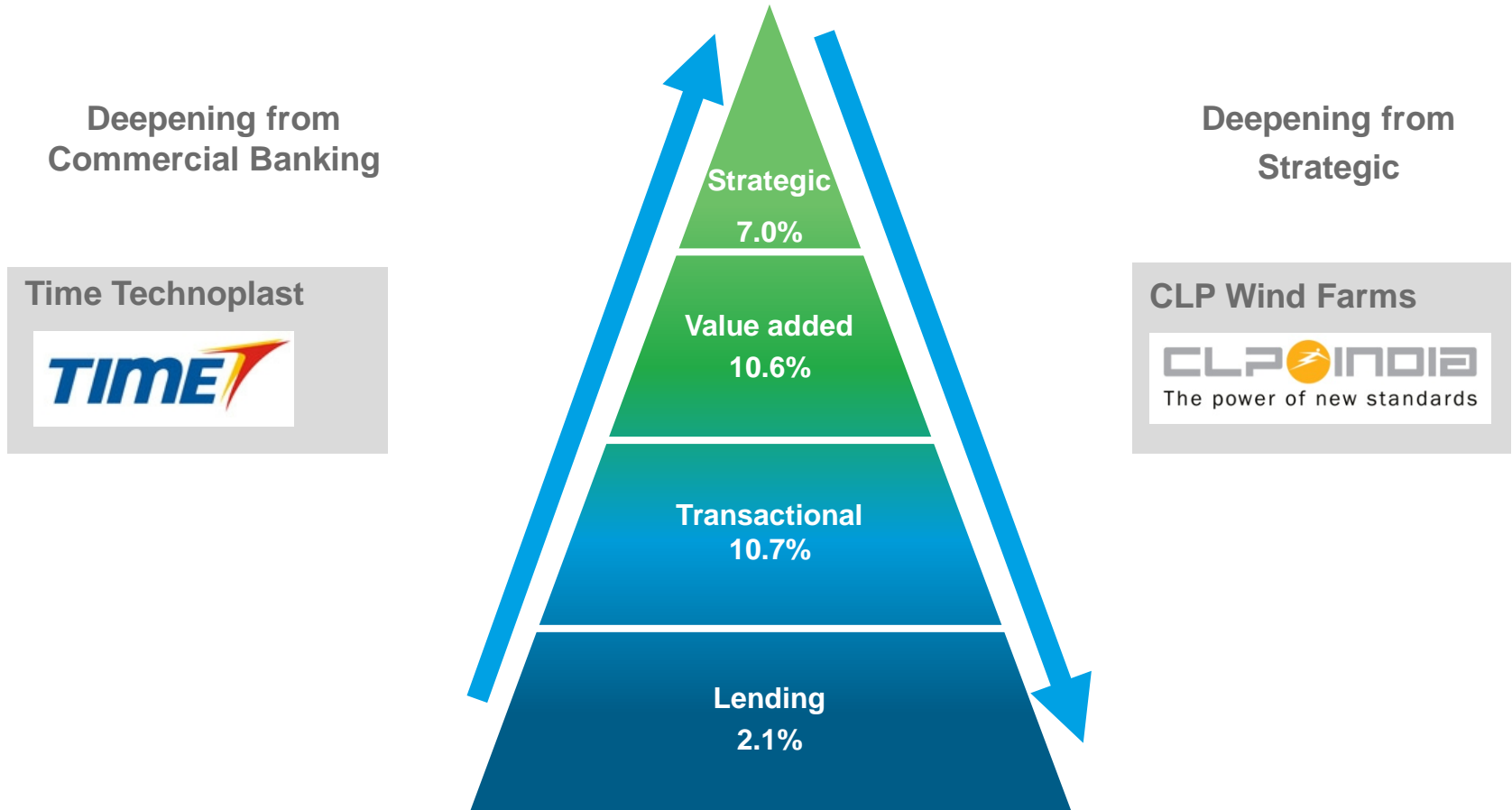


Network income



Our fully developed product suite is a key enabler for deeper client relationships

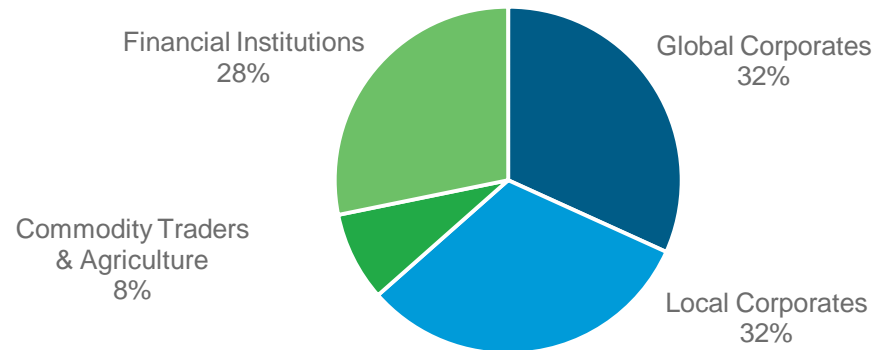
Product RoRWA*



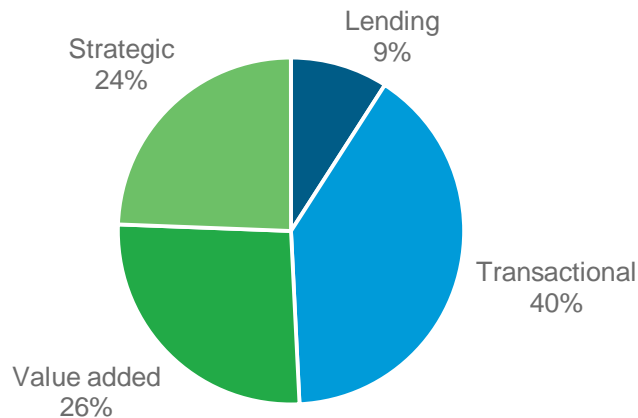
* Return on risk weighted assets (RoRWA) defined as client income / average client RWAs

Our income streams remain well diversified

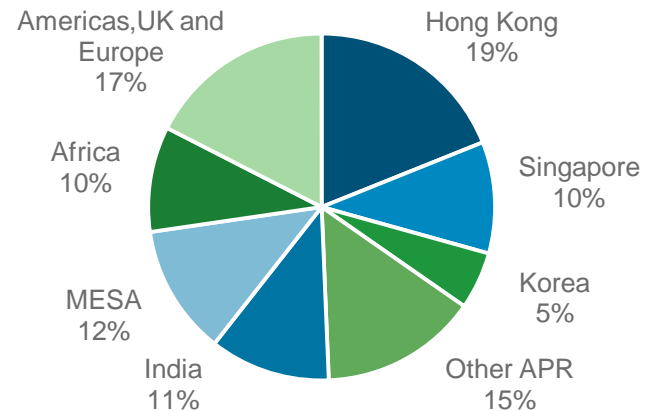
Income by client segment



Income by product group



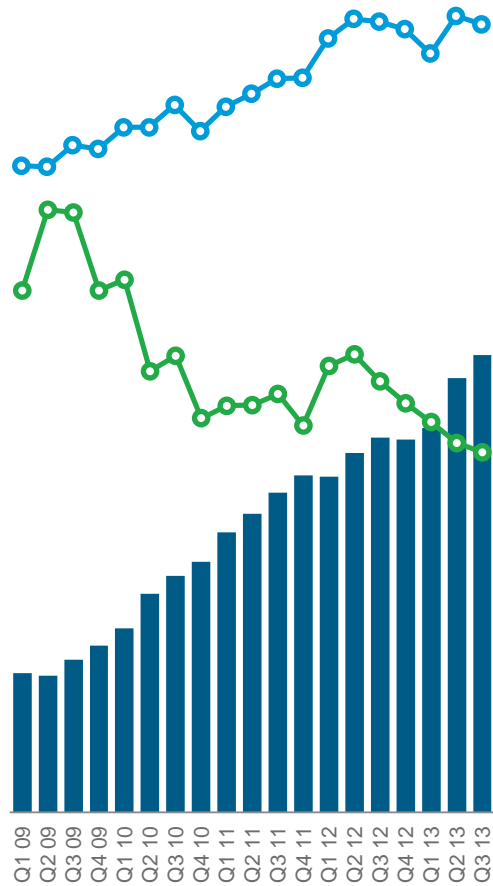
Income by geography



Note: All figures based on H1 2013 and exclude Own Credit Adjustment.

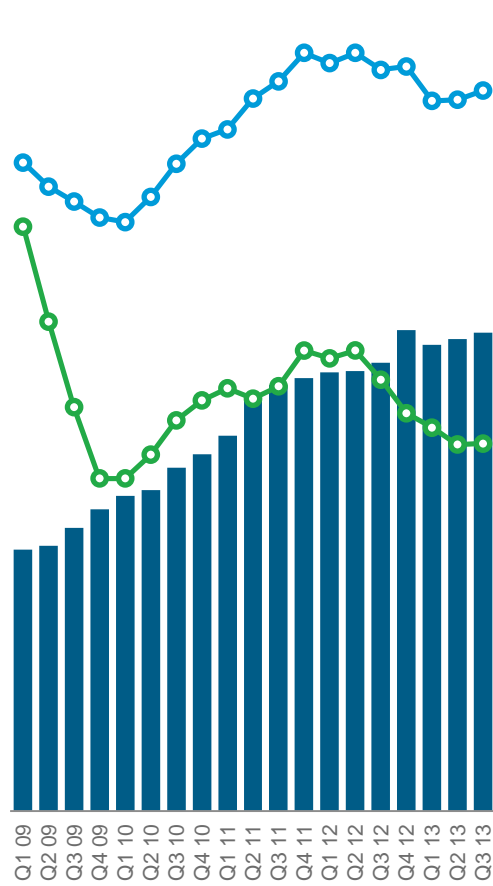
Commercial Banking pricing compression has been offset by continued volume growth

Trade finance



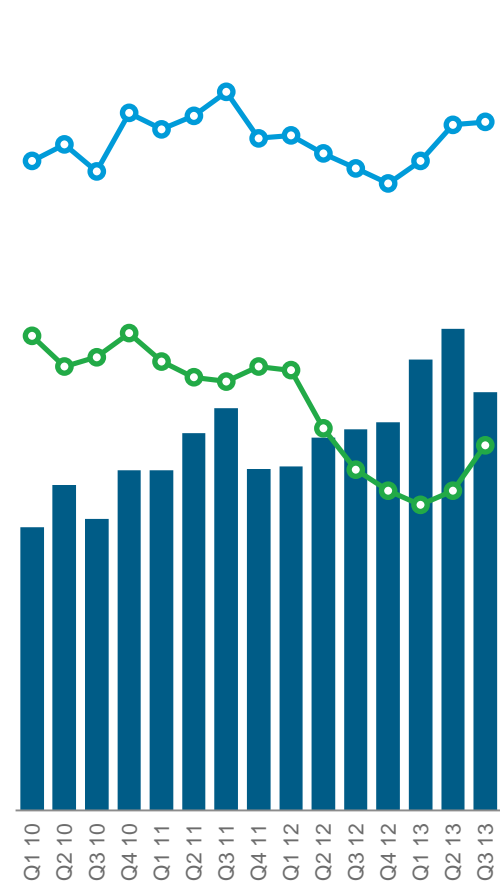
- Trade asset balances (US\$bn)
- Trade NIMs (%)
- Trade income (US\$m)

Cash management



- Cash liability balances (US\$bn)
- Cash NIMs (%)
- Cash income (US\$m)

Cash FX



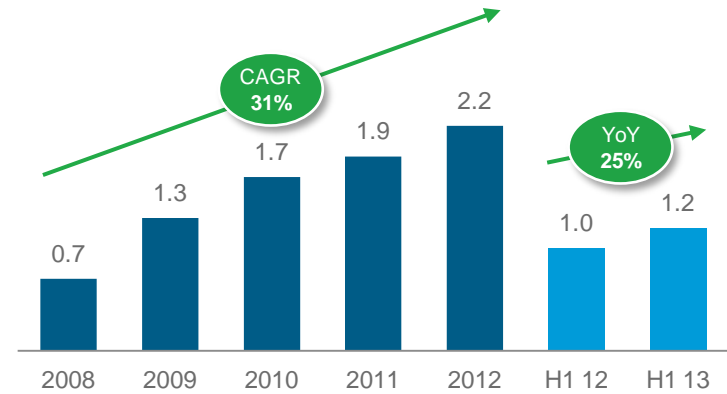
- Cash FX notionals (US\$trn)
- Cash FX spread (bps)
- Cash FX income (US\$m)

Corporate Finance income growth is sustainable

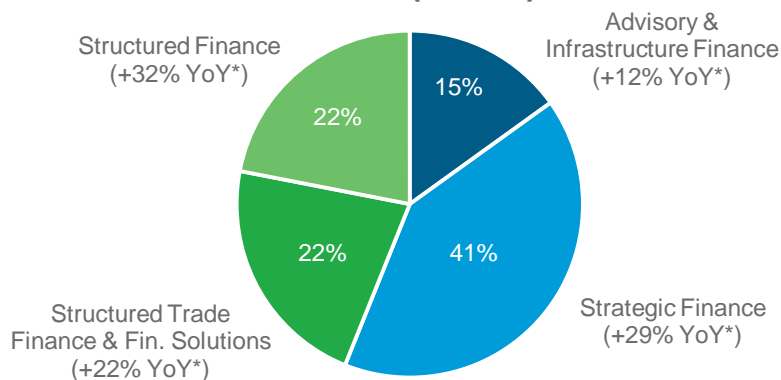
Corporate Finance

- Business is well diversified by product and size of transactions
- Income is based on sustainable annuity streams
- Corporate Finance is a catalyst for deepening client relationships
- Wholesale Banking asset tenor remains predominantly short term despite Corporate Finance growth

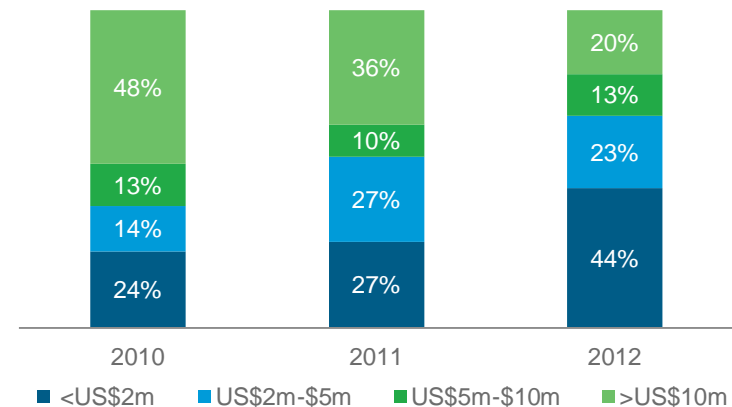
Corporate Finance income progression (US\$bn)



Corporate Finance H1 2013 income (US\$m)



Split of Corporate Finance fee income from new deals

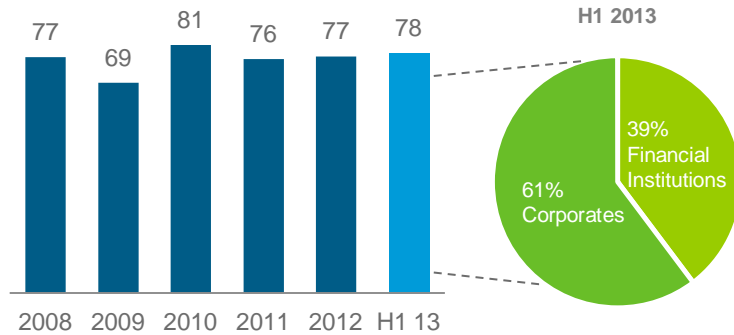


* YoY – growth in income from H1 2012 to H1 2013

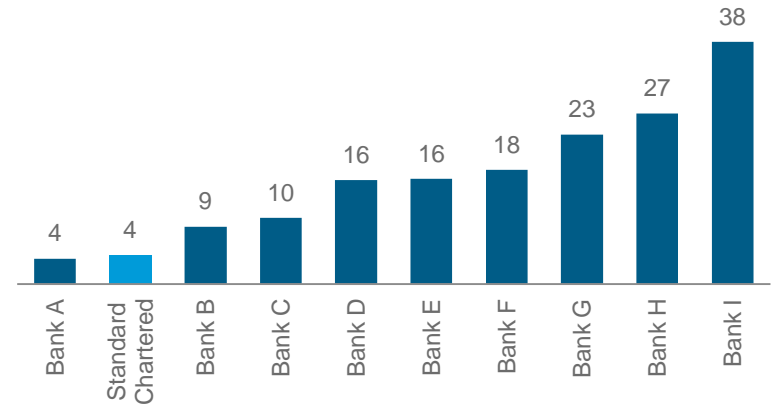
Our Financial Markets business is client focused with stable income streams

Client driven income streams

FM client income as % FM total income

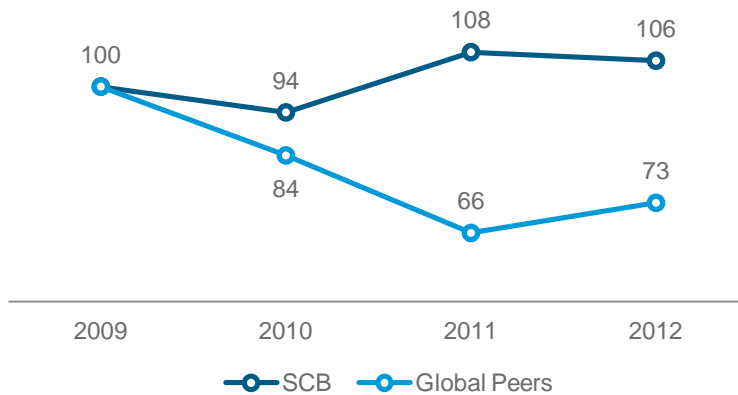


H1 2013 Trading assets / Total assets (%)



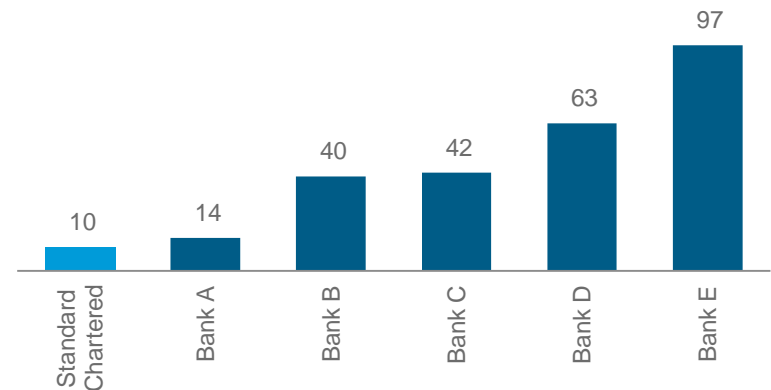
Source: Company disclosures

FX, rates, credit and commodities income



Source: Company disclosures

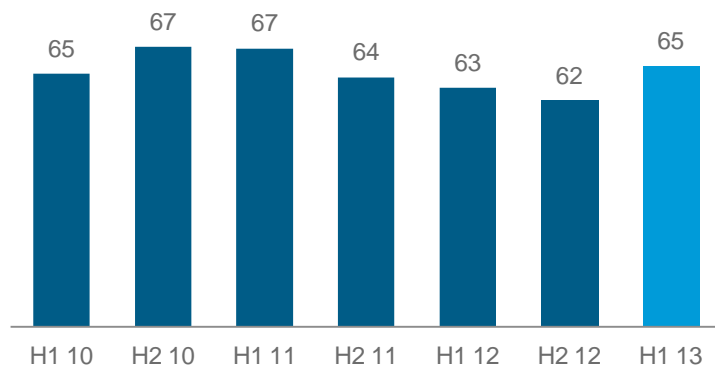
H1 2013 daily trading VaR (US\$m)



Source: Company disclosures

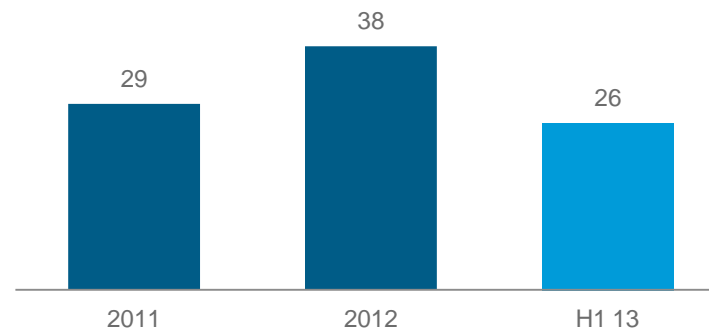
Our balance sheet flexibility is a key strength

Wholesale Banking Loans and Advances to customers with tenor less than 1 year (%)

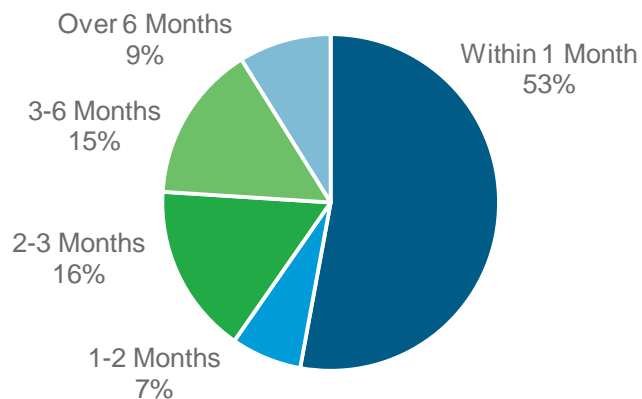


Continued distribution strength (%)

Hold level of total originated WB loans

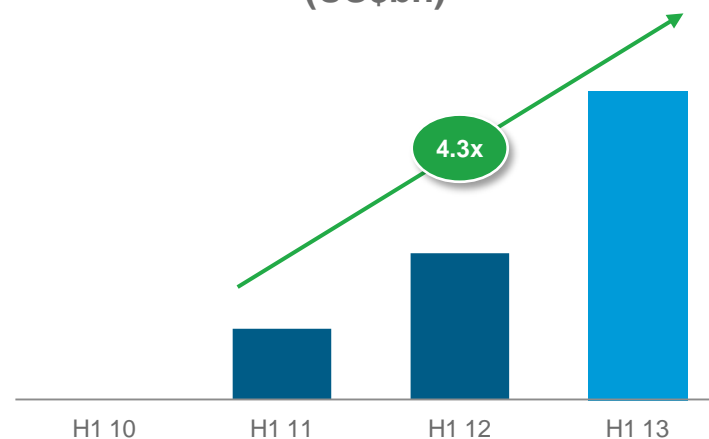


Trade Finance assets new book maturity breakdown



Note: Based on new trade finance assets added each month during Q2 2013

Corporate Finance secondary loan sales (US\$bn)



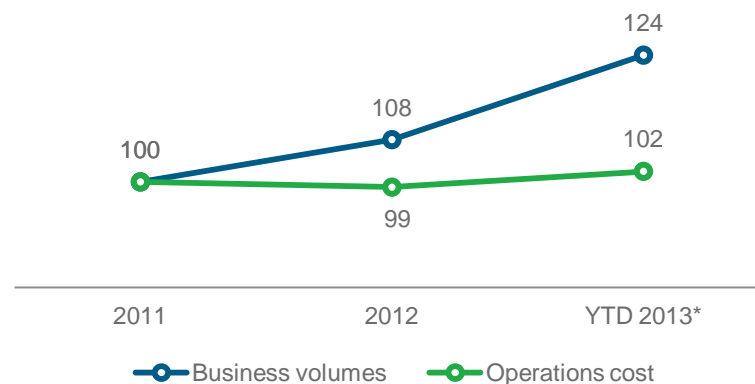
We continue to build scalable platforms...

Trade Finance indexed operations cost vs. volumes



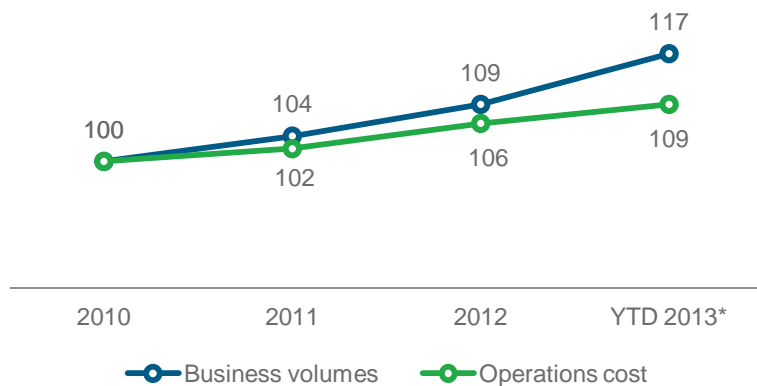
* YTD Sept 2013 annualised

Foreign Exchange indexed operations cost vs. volumes



* YTD Sept 2013 annualised

Cash Management indexed operations cost vs. volumes



* YTD Sept 2013 annualised

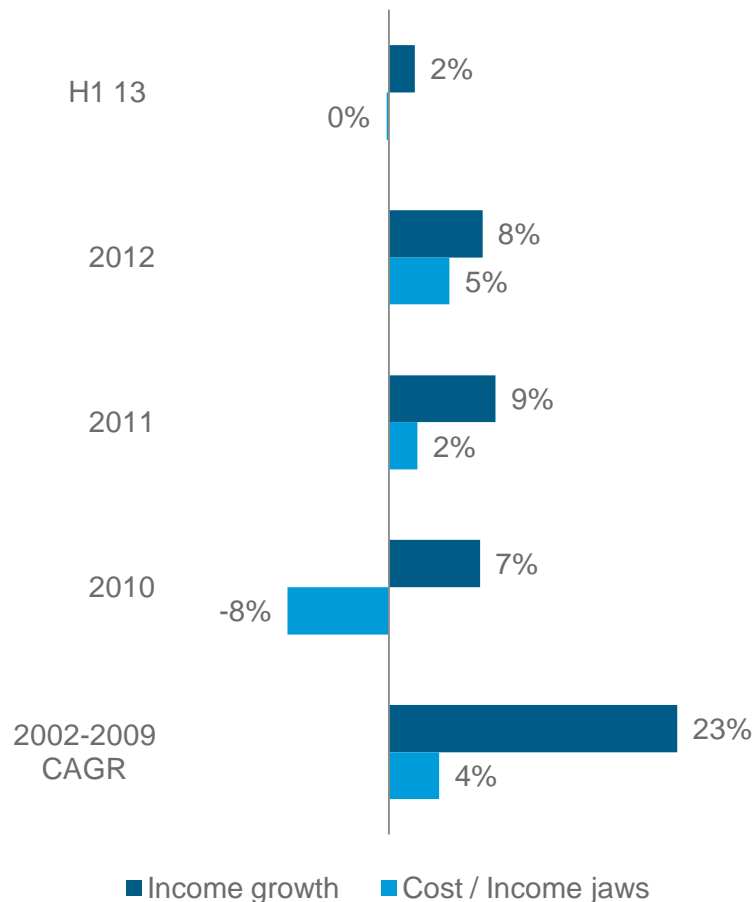
Corporate Finance indexed direct costs vs. new deal volumes



* H1 2013 annualised

...which underpin our ability to manage costs dynamically and sustain investment

Wholesale Banking expense jaws YoY%



Note: Figures exclude Own Credit Adjustments and US regulatory settlement

Strong expense discipline...

- Scalable platforms
- Organisational efficiency
- Automation
- Tactical measures

...supporting continued investment

- Geographies
- Infrastructure and systems
- Regulation and conduct of business
- Talent

Sharpening our focus on returns

Returns based on strong foundations...

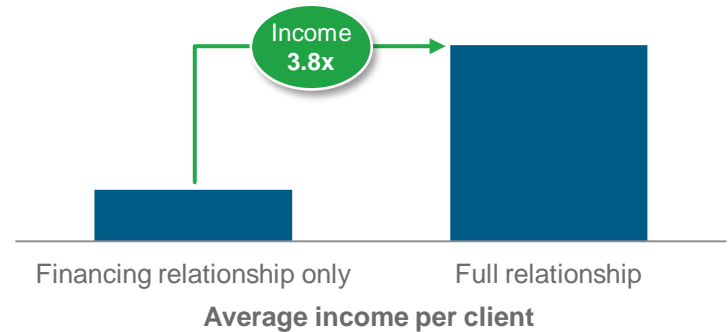
- Deepening client relationships
- Scalability and operating leverage

...and enhanced by specific initiatives

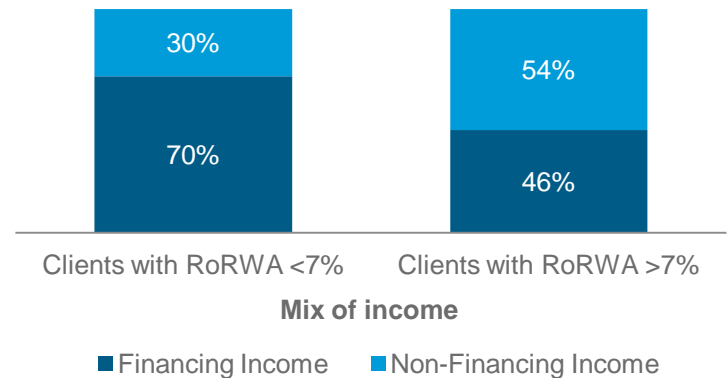
- Managing sub-optimal returning clients
- Driving funded distribution levels
- Managing unutilised limits
- Replacing simple overdraft facilities with appropriate trade finance lines
- Refining our focus on gathering and perfecting collateral

Deepening client relationships

Moving to full client relationships generates 3.8x more income



Mix of financing / non-financing income for WB clients



Key messages

- Deep client relationships and diverse income streams are the foundations of our business
- We face headwinds but the underlying drivers of our performance remain strong underpinned by an unchanged strategy
- Our continued build of scalable platforms enables dynamic cost management and sustained investment
- We are driving returns through deeper client relationships and the scalability of our business