Delivering sustainable growth

Corporate & Institutional Banking
Investor Seminar
21 November 2017
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Seminar summary

**Webcast**

<table>
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<tr>
<th>Introduction</th>
<th>Bill Winters</th>
<th>Group Chief Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate &amp; Institutional Banking (CIB)</td>
<td>Simon Cooper</td>
<td>CEO, CIB</td>
</tr>
</tbody>
</table>

**Clients**
- Global Banking
- Focus: the Americas

**Product Groups**
- Transaction Banking
- Financial Markets
- Corporate Finance

**Balance Sheet Optimisation**
- Credit and Portfolio Management
Introduction
Bill Winters
Corporate & Institutional Banking at Standard Chartered

We have over 150 years’ experience in some of the world's most dynamic economies

Group Income by Client Segment

- CIB: 45%
- RB: 33%
- CB: 9%

CIB Operating Income (H1’17) $3.2bn +2% YoY
CIB Underlying Profit Before Tax (H1’17) $648m +171% YoY
CIB Loans and Advances to Customers (30.06.17) $126bn -1% YoY
Corporate & Institutional Banking
Simon Cooper
What you will hear today

• Our differentiation

• Our progress securing the foundations and improving the business

• Our revised approach to capital allocation

• Our plan to deliver sustainably higher returns
We are uniquely positioned to facilitate trade, capital and investment flows in and for our footprint.

Our clients and products

<table>
<thead>
<tr>
<th>Clients</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Corporates</td>
<td>57%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>43%</td>
</tr>
<tr>
<td>Transaction Banking</td>
<td>39%</td>
</tr>
<tr>
<td>Financial Markets</td>
<td>37%</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>20%</td>
</tr>
<tr>
<td>Lending</td>
<td>4%</td>
</tr>
</tbody>
</table>

Our differentiation

Well positioned to capture opportunities from key corridors

Only a few truly global banks can facilitate trade, capital and investment flows in and for our footprint. Our difference is:

- We have a strong and deep local presence across Asia, Africa and the Middle East
- We have long standing client relationships, and have expertise in the products they want, where they want them
- We are entirely focused on this strategy and so can deliver a clear value proposition
We have taken significant actions to improve the business

**What needed fixing**
- “Take and hold” mentality
- Uncoordinated client strategy
- Primacy of top-line growth
- Over-reliance on financing
- Imbalanced and isolated Financial Markets
- Risk concentration

**Actions so far**
- New team in place to continue transformation
- Completely overhauled client priority and coverage model
- Redesigned capital allocation; increased velocity of balance sheet
- Improved quality of asset book
- Self-funding investment in systems and e-channels
- Rigour on conduct and control: new frontline scorecards

**Good progress… more to do**

<table>
<thead>
<tr>
<th>Risk-adjusted revenue¹ ($bn, HoH %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 16</td>
</tr>
<tr>
<td>2.7</td>
</tr>
</tbody>
</table>

1. Total income less total impairment (excludes Principal Finance and restructuring portfolio across all time periods)
We have rebased income on more secure foundations

**Income ($bn)**

- **2014**: 8.6
  - **Business exits**
    - Restated to reflect the current client segmentation of the Bank
    - Includes Principal Finance and Equities
  - **De-risking**
    - Includes the impact of the liquidation portfolio reported as restructuring since 2015
  - **Unprofitable transactions exited**
    - Includes the impact of lower commodity prices and margin compression

- **2016**: 6.5
  - **Others**
    - Deliberate actions to secure foundations

1. Includes the impact of the liquidation portfolio reported as restructuring since 2015
2. Includes the impact of lower commodity prices and margin compression
We are allocating capital differently

Analytics

- Client level MI – risk / return / liquidity
- Credit migration
- Forward looking portfolio views
- Commitment tracking

Relationship economics

Pillar 2 economics

Risk

IFRS 9

BoE stress test

Risk distribution

Risk-weighted assets optimisation

Thematic risk reduction

Regulatory changes

Tax

Client decision framework
We are confident we can deliver sustainably higher returns

1. We are in economies that are growing
2. We have differentiated positions of strength
3. We see substantial opportunities with new and existing clients
4. We have launched a number of new growth initiatives
5. We are focused on higher quality income growth
6. We are adapting to tailwinds and headwinds

Higher RoRWA

7. We are investing to become simpler, faster and better
   - Funding our investments out of organic cost savings

8. We will reduce the proportion of low returning client assets
   - Focusing on clients with potential for sustainable returns
We are in economies that are growing

<table>
<thead>
<tr>
<th>Region</th>
<th>2016-2022 real GDP CAGR (%)</th>
<th>2016-2022 trade CAGR (%)</th>
<th>2016-2020 wholesale payments volume CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>3.1</td>
<td>4.0</td>
<td>5.4</td>
</tr>
<tr>
<td>Europe</td>
<td>2.2</td>
<td>4.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Asia, Africa and the Middle East</td>
<td>4.8</td>
<td>4.0</td>
<td>9.2</td>
</tr>
</tbody>
</table>

Source: IMF, World Payments Report
We have differentiated positions of strength (1/2)

We have leading market positions where our clients need expertise

Debt Capital Markets
#3 in Asia ex-Japan G3 currency bond issuances

<table>
<thead>
<tr>
<th>Volume ($bn)</th>
<th>Global Peer A</th>
<th>Global Peer B</th>
<th>SCB</th>
<th>Regional Peer D</th>
<th>Global Peer E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.1</td>
<td>17.2</td>
<td>15.7</td>
<td>15.0</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Financial Markets (FICC)
8% market share in Asia ex-Japan, Australia and New Zealand

Trade Finance
Leader in Global Trade

#2
- In Asia
- Strength greatest where we are most relevant

#3
- Globally
- Ability to serve clients worldwide

Cross-border US dollar clearing
Third largest non-US bank

#3
- #3 non-US bank for US dollar clearing
- c.6% market share

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1. Bloomberg, Jan-Nov 2017
2. Source: Oliver Wyman Transaction Banking benchmarking study 2016
3. Based on Clearing House Interbank Payment System information
We have differentiated positions of strength (2/2)

Products where we have a Top 5 market share drive 75% of our income

Income by market share in our footprint\(^1\) (%)

1. Source: Dealogic, CHIPS, Oliver Wyman Transaction Banking benchmarking study 2016, Coalition, Bloomberg
We see substantial opportunities with new and existing clients. We are improving the share of wallet from targeted clients.

### Revenue multiplier

<table>
<thead>
<tr>
<th>Number of products or countries</th>
<th>Distribution of number of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=5</td>
<td>&lt;=5</td>
</tr>
<tr>
<td>6-10</td>
<td>6-10</td>
</tr>
<tr>
<td>&gt;=11</td>
<td>&gt;=11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of products</th>
<th>1.0x</th>
<th>4.0x</th>
<th>18.0x</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of countries</td>
<td>11%</td>
<td>31%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Change in client distribution in the past 2 years (percentage points):

-10% +8% +2%
We have launched a number of new growth initiatives

<table>
<thead>
<tr>
<th>OECD MNCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Revitalised Global Subsidiaries team to deliver our network to multinational corporates</td>
</tr>
<tr>
<td>• 80 of our target “New 90” clients have already been on-boarded this year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Global investment flows</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We are helping global investors access the China Interbank Bond Market (25 clients on-boarded)</td>
</tr>
<tr>
<td>• We have expanded our emerging markets sales and trading teams in New York and London</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ecosystem</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We are building risk and data analytic capabilities to better connect clients and suppliers / buyers</td>
</tr>
<tr>
<td>• We have on-boarded 44 ‘hubs’ (MNCs) and &gt;1,300 ‘spokes’ (buyers or suppliers of MNC’s)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>China opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One Belt One Road, RMB and other China opening initiatives have generated &gt;$600m in revenue¹</td>
</tr>
<tr>
<td>• We have 55 China desks located in key financial centers and markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We already contribute more than $1bn direct and indirect revenue to the rest of the Group¹</td>
</tr>
<tr>
<td>• Over 50% of new-to-bank clients for Commercial Banking come via the Ecosystem² initiative</td>
</tr>
</tbody>
</table>

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¹. For the year ended 31 December 2016
². Ecosystem: Clients’ network of buyers/ suppliers, end-customers, service providers
We are focused on higher quality income growth

Increasing the proportion of network income
Network income\(^{1}\) to total income (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>H1 16</th>
<th>H2 16</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network income</td>
<td>58%</td>
<td>54%</td>
<td>55%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Optimising the funding mix
Net operating account balances\(^{2}\) to total liabilities (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>H1 16</th>
<th>H2 16</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating account balances</td>
<td>39%</td>
<td>43%</td>
<td>44%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Reducing reliance on financing products
Non-financing income\(^{3}\) to total income (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>H1 16</th>
<th>H2 16</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-financing income</td>
<td>42%</td>
<td>40%</td>
<td>43%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Shifting to higher credit grade clients
Distribution of CIB performing loans (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade</td>
<td>59%</td>
<td>53%</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Non Investment Grade</td>
<td>41%</td>
<td>47%</td>
<td>52%</td>
<td>54%</td>
</tr>
</tbody>
</table>

1. Network income: Income generated outside of client groups’ global head office excluding Principal Finance and Leasing
2. Net operating account balances: High quality liabilities that are sticky and receive favorable regulatory treatment
3. Non-financing income: Income generated from non-financing products excluding Principal Finance and Leasing
We are adapting to tailwinds and headwinds

**Potential tailwinds**
- Rising and synchronising interest rates
- Transformational technology improving capability and efficiency
- Recovery in global trade

**Potential headwinds**
- Asset margin compression
- Fintech disintermediation
- Regulatory capital and political uncertainty
7 We are investing to become simpler, faster and better

- We are investing to become simpler, faster and better
- We have been funding this investment out of organic cost efficiencies and will continue that approach
- Inflation is running at around 3% and we intend to grow expenses below this rate
- This will drive positive income-cost growth jaws over the medium term
We will reduce the proportion of low returning client assets

### Client risk-weighted asset optimisation ($bn)

<table>
<thead>
<tr>
<th>Optimisation target</th>
<th>Optimised up-tiered</th>
<th>Optimised reduced</th>
<th>Exited / transferred</th>
<th>Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>c.40</td>
<td>c.10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Our approach going forward

- We have optimised three-quarters of the low returning RWAs identified in November 2015
- This was more than offset by conscious client actions, market pressures, credit migration and model changes
- Around 17% of total CIB RWA is currently generating an income RoRWA of less than 3%
- Instead of setting a gross target we intend to reduce this net proportion over the medium-term
- This will create capacity for redeployment into higher returning opportunities
We are confident we can deliver sustainably higher returns

We are in economies that are growing

We have differentiated positions of strength

We see substantial opportunities with new and existing clients

We have launched a number of new growth initiatives

We are focused on higher quality income growth

We are investing to become simpler, faster and better

We will reduce the proportion of low returning client assets

We are adapting to tailwinds and headwinds

Targeting in the medium term:

- CIB income CAGR of 5-7%
- CIB expenses growth below the rate of inflation
- A declining proportion of low returning client risk-weighted assets
Scorecard: focus on higher quality growth and efficiency

<table>
<thead>
<tr>
<th>1</th>
<th>Growth</th>
<th></th>
</tr>
</thead>
</table>
| | Clients | • Prioritise growth and new client acquisition:  
  ▪ OECD clients and consumption-led industries who truly value our network  
  ▪ Investors and Financial Institutions |
| | Products | • Strengthen leadership in cash, trade, rates and FX  
  • Deliver ‘trusted’ advice on clients’ working capital, financing, hedging and investment needs |
| 2 | Quality |  |
| | Balance sheet and funding | • Manage balance sheet for returns with a focus on driving balance sheet velocity  
  • Improve funding quality |
| | Risk and control | • Strengthen the first line ownership of risk  
  • Reduce profit volatility, i.e. sustainable risk-adjusted revenues |
| 3 | Efficiency |  |
| | Client experience and efficiency | • Innovate and digitise to improve client experience and efficiency  
  • Empower people to improve processes to become ruthlessly efficient |
| | People, culture and conduct | • Deliver on talent diversity and conduct agenda  
  • Empower people to deliver ‘changes’ and embed behavioral changes |
Summary

1. Growth trends in our economies remain strong and are highly relevant to our equity story
   • 85% of the Group’s income is generated in Asia, Africa and the Middle East
   • Regional connectivity is increasing

2. Our strategy is focused sharply on capturing the opportunities
   • We are delivering products where we have clear competitive strengths...
   • ... to existing and new clients...
   • ... that have increasingly sophisticated financial services needs

3. We have clear priorities to improve our returns
   • We will grow the top line sustainably
   • We will allocate capital and utilise the balance sheet more effectively
   • We will drive further efficiencies to create capacity to invest in the business and client service delivery

4. We are behaving differently
   • We have a clear focus on the basics of banking, and are executing with more discipline
   • We have already made tangible progress... more to do
Clients
Global Banking
What do we do in Global Banking?

**Target clients**
- Global MNCs
- Large footprint corporates
- Banks
- Public Sector & Development Organisations
- Insurance & Investors
- Financial & Strategic Investors

**Shift in our coverage model since 2015**

<table>
<thead>
<tr>
<th>Old model</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product-led</td>
<td>RM at the centre</td>
</tr>
<tr>
<td>Multiple approvals</td>
<td>RCAF / GCAF¹</td>
</tr>
</tbody>
</table>

**Aligned client focus and improved ownership of risk**

1. RCAF: Regional Capital Allocation Forum; GCAF: Global Capital Allocation Forum
Why do clients choose us?

Why did we win this mandate?

- We have the broadest One Belt One Road (OBOR) coverage
  - Key partner for client’s rapid expansion along OBOR
  - Main bank in 16 countries outside China
- Strong cross-border cash management capabilities allowed us to offer multi-market solution
  - Sole mandate serving client’s global treasury center in Hong Kong
  - In-country operating accounts

How did we execute this differently?

- Shifted focus from getting large one-off transactions to capturing holistic flow businesses
  - Comprehensive product suite – across six product classes with a focus on international flow business
Why do clients choose us?

**Private Equity investors**

- American Private Equity
- North Asian Private Equity
- Corporate Finance (CF)
- Transaction Banking
- Financial Markets
- FSIG

**Corresponding Products**

- Commercial Banking (CB)
- Global Institutional & Private Banking Investors
- Extensive distribution reach
- Transaction Banking Cash Management and other services
- Financial Markets High-yield DCM & hedging
- Strategic relationship with PE firms
- Fixed Telecom Operator

**Why did we win this mandate?**

- Emerging markets footprint expertise and opportunities for global investors
  - Structured and financed acquisition of a leading enterprise-focused fixed telecom operator in Hong Kong
  - Originated based on strong relationship with North Asian and U.S. private equity investors
- Seamless collaboration among FSIG, CF and CB in origination and execution of the acquisition
- Follow-on refinancing via high-yield bond placed with global institutional and private banking investors

**What are we doing differently?**

- FSIG was established for stronger and more coordinated global coverage
- Now our value-add is beyond just vanilla financing business
- FSIG and CB collaborate to originate proprietary deals for our investor clients

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1. FSIG: Financial and Strategic Investor Group
How are we going to improve our Global Banking business?

1. Growth
   - Clients
     - Focus around distinct client segments where our network differentiates us
       - OECD MNCs who operate actively in Asia, Africa and the Middle East
       - Institutions who invest in footprint assets (e.g. RMB)
     - Focus on Top 100, Next 100 and New 90 priority clients
     - Shifting to consumption-led industries where we are competitively advantaged
     - Client service teams and collaboration with Retail, Commercial and Private Banking

2. Quality
   - Balance sheet and funding
     - Driving better capital allocation based on client return
     - Increase proportion of OPAC liabilities
   - Risk and control
     - Embed balanced scorecards - first line accountability

3. Efficiency
   - Client experience and efficiency
     - Active measurement of client satisfaction
     - Implement new client management and credit analysis
     - Digitise on-boarding activities to reduce turnaround times
   - People, culture and conduct
     - Empower local and regional teams
Clients
Focus: Americas
What do we do in the Americas?

17% of income is originated from clients with headquarters in the Americas (only 37% of this income is booked domestically)

- Major origination center with a diverse client base covering Corporates and Financial Institutions
- Strong credit quality with an investment grade portfolio
- US dollar clearing as a strategic product: 3rd largest non-US bank by volume
- Leading market share in Latin America for payments, trade and debt capital markets
- Focused on where we can add value by delivering our network; not competing for domestic US business
Why do clients choose us in the Americas?

Multinational medical devices and pharma company in the US

Why did we win this mandate?

- Coordinated RMs at client HQ and clients’ international locations
  - Client serviced locally in c.10 markets
- Local capabilities and network in Africa and the Middle East
  - Main cash bank in Nigeria
  - Lead bank in the Middle East and Pakistan
- Leading emerging markets FX solutions
  - Client’s top 2 tri-party repo bank
  - Client’s top 5 bank for FX flow business

How did we execute this differently?

- Used deep on-the-ground presence and local knowledge in Africa and the Middle East as a competitive differentiator
- Leveraged strong counterparty rating to rapidly grow tri-party and FX businesses

Transaction Banking (TB)
- Partner for cash and trade advisory businesses in the Middle East, Pakistan and Africa

Financial Markets (FM)
- FX flow business exceeding $3bn notional per year
- Key provider of ‘triparty’ repos

Lending (L)
- Participant in the client’s $10bn revolving credit facility
Why do clients choose us in the Americas?

Global life insurance and financial services provider in Canada

Why did we win this mandate?

- **Expertise in Asian DCM and access to a large and diverse investor base**
  - Client’s first choice lead arranger for debt capital issuance in Asia

- **Ability to provide a broad array of emerging markets FXRC instruments**
  - Client serviced in 13 markets
  - Diverse partnership across products

- **Retail distribution network for investment products**
  - Distribution arm for the client’s wealth management products in Hong Kong

How did we execute this differently?

- **Transaction Banking (TB)**
  - Standby Letters of Credit in place for the client’s reinsurance subsidiary
  - Cash and custody partner in Hong Kong and South East Asia

- **Financial Markets (FM)**
  - Joint lead manager for SGD and Formosa issuances
  - FX Options, Rates and Credit across US, Hong Kong, Indonesia and Singapore
Product Groups
Transaction Banking
What do we do in Transaction Banking?

### Clients
- **Corporates and Institutions**: 77%
  - International corporates, banks, investors, insurers, etc.
- **Commercial**: 22%
  - Local corporates, SMEs, High net worth individuals
- **Retail**: 1%
  - Individual consumers

### Products
- **Cash**: 54%
  - Payments, collections, account services, treasury advisory, liquidity management, clearing
- **Trade**: 37%
  - Documentary trade, open account trade, FI trade
- **Securities Services**: 9%
  - Custody and clearing, fund services

### Role of Transaction Banking
1. **Foundation of client relationships - provides ‘stickier’, flow-based annuity business**
2. **Platform for cross-sell deepens relationships, especially FM**
3. **Source of stable funding for the Bank**
4. **Rich source of client and ecosystem data**

1. Ecosystem: Clients’ network of buyers/suppliers, end-customers, service providers
Why do clients choose us in Transaction Banking?

Banking the ecosystem success stories

300+ spokes

American Conglomerate

20+ spokes

Chinese Telecom

What differentiates us?

- Overall client franchise across Business / Commercial Banking and CIB, with TB as core product platform
- Asia, Africa and the Middle East network from MNCs to SMEs (scale in local markets)
- Market leader in cash, trade and FX – volume and capabilities

Why is ecosystem banking important?

- In order to grow, our clients need a sustainable ecosystem (network of buyers and suppliers)
- We support their ecosystem with financing if required, but mainly by lowering working capital by making payments and processes digital and more efficient
- Data around our clients’ ecosystem ultimately brings transparency and insights on their business

Standard Chartered will benefit from stickier business, a better understanding of the risk profiles of buyers / suppliers and collecting and analysing data behind every client transaction

1. Spokes: Suppliers to and buyers from our clients

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### How are we going to improve our Transaction Banking business?

| **1. Growth** | **Clients** | • We will bank more of the ecosystems of our clients  
| | | • We will increase the focus on Securities Services for investors and insurance clients |
| | **Products** | • We are building an open banking platform  
| | | • We are innovating alongside and in partnership with clients and Fintechs |
| **2. Quality** | **Balance sheet and funding** | • We will attract more high quality OPAC liabilities  
| | | • We are strengthening our trade asset distribution capabilities |
| | **Risk and control** | • We are employing real-time analytics for better risk decisions  
| | | • Our Correspondent Banking Academy initiative will drive competitive differentiation |
| **3. Efficiency** | **Client experience and efficiency** | • We are investing to enhance our clients’ digital experience (S2B NextGen)¹  
| | | • We are re-engineering our operations to be more automated and standardised |
| | **People, culture and conduct** | • We are fostering a culture of innovation e.g. SC Innovate  
| | | • We are driving our conduct and diversity initiatives |

1. SCB’s next generation transaction banking digital platform
How are we measuring progress in Transaction Banking?

**Cash: Increasing OPAC\(^1\) mix**
OPAC liabilities to total liabilities (%)

- 2016: 44%
- H1 17: 47%

**Trade: 7 consecutive quarters of growth**
Trade assets and contingents ($bn)

- Jun ’13: 94
- Feb ’16: 103
- Jan ’17: 111
- Jun ’17:

**Securities Services: Strong AuM growth**
YoY growth in AuM (%)

- 2016:
- H1 17: 26%

**Strong revenue growth**
Correspondent Banking revenue growth (%)

- 2016: -10%
- H1 17: 18%

**1300+ spokes from 44 programmes**
Banking the Ecosystem (# of programmes)

- 2016: 38
- YTD Sept’17: 44
- 2016:
- H1 17: 1,300+

**51% of new-to-bank Commercial Banking clients come via the Ecosystem**

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1. OPAC: net operating account balances
Product Groups
Financial Markets
What do we do in Financial Markets?

Macro products are the largest contributor to Financial Markets income

- FX & FX Options
- Rates & Money Markets
- Credit
- Capital Structuring & Distribution Group
- Commodities and Others

- Facilitate clients’ risk management needs in FX, Rates, Credit and Commodities, specialising in EM
- Significant financing franchise to meet clients’ needs, while giving investors access to our footprint
- Access to tailored channels i.e. e-commerce (S2BX and SCALE), Voice, Aggregator Engines, etc.
- Raise liquidity for the Group via money market, structured note issuance and corporate term deposits
- External: Regulatory changes require significant investment in technology, and low market volatility continues to be a drag
- Internal: Complexity of regions, segments and products is both an opportunity and a challenge for cross selling
Why do clients choose us in Financial Markets?

**Large and diverse client base**

- Example: OECD Corporate
  - Client increasingly sells products in EM economies
  - Client’s FX flow converted into US dollars by SCB
  - Leveraging SCB’s local knowledge, ability to execute and service
  - Provide daily insight into markets from trading
  - Regular contact with research
  - Transact via an e-network and voice channel
  - Support companies in client’s ecosystem

**Technology to manage, transform and distribute risk**

- Example: Asia Financial Institution
  - Provide client access to credit exposure with EM names that cannot be accessed without a license
  - Source the underlying risk and provide client a leveraged return
  - Counterparty credit risk managed via US dollar Credit Support Annex
  - Client wants access to specific illiquid sectors; we originate assets with clients who require funding and then distribute this credit risk to the client
  - Connecting origination via reverse enquiry is a direct result of the originate-to-distribute model

**Franchise rather than risk driven business**
How are we going to improve our Financial Markets business?

**Growth**

- **Clients**
  - We are focusing on Top 100, Next 100 and New 90 client initiatives
  - We will target OECD investor clients with a 24-hour service in world class products
  - We are coordinating sales efforts globally, mapping sales force more tightly to client demand

- **Products**
  - We are investing in infrastructure to support TB, Retail, Private and Commercial Banking
  - We are expanding our credit offering, providing access to flow and structured solutions
  - We will continue to invest to innovate, e.g. trader free FX market making and hedging

**Quality**

- **Balance sheet and funding**
  - Our Capital Structuring and Distribution Group will improve balance sheet velocity

- **Risk and control**
  - We have launched specific programmes to improve sales and pricing discipline
  - We are implementing MiFID II and margin reform plans with other regulatory programmes

**Efficiency**

- **Client experience and efficiency**
  - We are driving E-initiation and growing FX Volumes while delivering more value-added advice
  - We are improving price making consistency and client experience globally

- **People, culture and conduct**
  - We have installed a new Head of FM conduct who is enhancing monitoring tools
How are we measuring progress in Financial Markets?

We have strong positions in FICC with room to regain share
FICC market share in Asia ex Japan & Australia¹ (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>13%</td>
<td>11%</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

We are shifting away from mono-product relationships
Cross-sell

51% of FM clients deal 2+ products

Target improved cross-selling

We have potential to improve FM productivity
Revenue per head² ($m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>H1 17³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.0</td>
<td>2.0</td>
<td>1.9</td>
<td>2.1</td>
<td>1.8</td>
</tr>
</tbody>
</table>

We are growing FX volume
FX volumes ($bn) and margins (bps)⁴

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>YTD Q3 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.7</td>
<td>4,466</td>
<td>5,367</td>
<td>5,830</td>
<td>4,992</td>
</tr>
</tbody>
</table>

1. Based on Coalition Analytics Report (2017). Fixed Income, Currencies and Commodities include EM FX, G10 FX, Credit, EM and G10 Rates, Commodities and Money Markets
2. Based on internal MI. Total FM revenue divided by FM headcount (excluding International Graduates)
3. H1 2017 FM revenue annualised to arrive at FM revenue per head
4. Based on internal MI
Product Groups
Corporate Finance
What do we do in Corporate Finance?

Corporate Finance

- Portfolio of specialised financing and advisory businesses
- Footprint economies continue to see investment flows and require capital to grow
- Expansive client base leads to proprietary flow of original investment opportunities

Client

Relationship Manager

Origination, support and execution

Sector insights

Idea generation

Global Industry Group

Corporate Finance

- Specialised financing
  - Asset Backed (Shipping and Aviation)
  - Project and Export Finance
  - Leveraged Solutions

- Advisory services
  - M&A
  - Debt Advisory
  - Aviation
Why do clients choose us in Corporate Finance?

1. Refocus to support OECD client into our network
   - Strong oil and gas expertise
   - Africa know-how and local presence

2. Enhanced structuring and distribution capabilities
   - Sole adviser on a complex hybrid structure
   - Ability to draw and channel liquidity from European and Asian banks with limited hold position

3. Full banking capabilities to support clients beyond just the transaction
   - TB: Project accounts, escrows, multilateral Letter of Credit
   - FM: Hedging, in-country support

European client’s transformative energy project in Africa

1. ECAs: Export Credit Agencies
How are we going to improve our Corporate Finance business?

<table>
<thead>
<tr>
<th>Growth</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
</table>
| **Clients**     | We are aligning to our priority clients: Top 100, Next 100, New 90  
|                 | We are improving idea generation - combining product and industry expertise | | |
| **Products**    | We will build on our strong debt advisory capabilities (infrastructure and aviation)  
|                 | We are scaling up Export Credit Agency financing | | |
| **Balance sheet and funding** | We are sharpening our focus on distribution to increase capital velocity  
|                 | We are building a more sustainable and diversified business; material transformation already  
|                 | We will control costs and focus on reducing impairments to improve RoRWA | | |
| **Risk and control** | We are strengthening our operation risk framework to reflect increasing complexity of risks:  
|                 | End-to-end process entailing risk identification  
|                 | Embedding new controls and monitoring standards | | |
| **People, culture and conduct** | We aim to be an employer of choice  
|                 | We have clear KPIs to drive the right behaviours with refreshed score cards | | |
Balance sheet optimisation
Credit and Portfolio Management
What do we do in Credit and Portfolio Management?

**Mandate**
- Reinforce 1st line ownership of risk and origination discipline
- Reduce P&L volatility while improving returns
- Optimise liquidity and capital resources to support growth

**Improved returns**

**Credit and Portfolio Management**

**Liability optimisation**
- Cost of funds – improve proportion of quality liabilities
- Grow local currency liabilities to support Network and FI businesses

**Asset optimisation**
- Client returns framework
- Nuanced decision making through Regional / Global Capital Allocation Forum (RCAF / GCAF)

**Distribution**
- Risk driven - managing credit migration
- IFRS9 – Stage 2 migration
- Finalisation of Basel reforms uncertain

**Aligning behaviour**
How are we measuring balance sheet optimisation?

Distribution of exposure

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment grade</th>
<th>Non-investment grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>2015</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>2016</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>H1 17</td>
<td>46%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Risk-adjusted revenue\(^1\) ($bn, HoH %)

<table>
<thead>
<tr>
<th>Half Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 16</td>
<td>2.7</td>
<td>-5%</td>
<td>+8%</td>
<td></td>
</tr>
<tr>
<td>H2 16</td>
<td>2.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 17</td>
<td>2.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Loan impairments (bps)

- 2014: 40bps
- 2015: 171bps
- 2016: 115bps
- H1 17: 59bps

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1. Total income less total impairment (excludes Principal Finance and restructuring portfolio across all time periods)
2. 2014 restated to reflect the current client segmentation of the Bank
How do we allocate capital in CIB?

Client decision framework

Analytics
- Client level MI – risk / return / liquidity
- Credit migration
- Forward looking portfolio views
- Commitment tracking

Regional and Global Capital Allocation Forums
- Pillar 2 economics
- Relationship economics
- Tax
- BoE stress test
- Risk
- IFRS 9

Distribution
- RWA optimisation
- Risk distribution
- Thematic risk reduction
- Regulatory changes
How are we changing behaviour?

Liability optimisation
- Incentivising quality liability generation
- Probability weighted pipeline
  - Optimising liquidity buffers
- Liability pricing framework
  - Reducing cost of funds through liability optimisation

Asset optimisation
- Balanced incentives across revenue, returns, NFI and LI
- Manage perennially low returning RWA
- Liability optimisation
  - Balanced incentives across revenue, returns, NFI and LI
  - Manage perennially low returning RWA

Distribution
- Managing credit migration through distribution
- CSDG – fee based scorecard
- Regional and Global Capital Allocation Forums
  - Application of client returns framework
  - Disciplined origination and conscious trade offs

CPM MI
- Transparency on client performance across revenue, return and liability contribution

Align scorecards
- Documentation discipline
  - Preserving flexibility in distribution channels

Regional and Global Capital Allocation Forums
- Disciplined origination and conscious trade offs

1. Credit & Portfolio Management - Management Information
<table>
<thead>
<tr>
<th>Acronym / term</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAME</td>
<td>Asia, Africa and the Middle East</td>
</tr>
<tr>
<td>BoE</td>
<td>Bank of England</td>
</tr>
<tr>
<td>Bond Connect</td>
<td>China-Hong Kong bond connect</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound annual growth rate</td>
</tr>
<tr>
<td>CB</td>
<td>Commercial Banking</td>
</tr>
<tr>
<td>CF</td>
<td>Corporate Finance</td>
</tr>
<tr>
<td>CIB</td>
<td>Corporate &amp; Institutional Banking</td>
</tr>
<tr>
<td>CIBM</td>
<td>China interbank bond market</td>
</tr>
<tr>
<td>CPM</td>
<td>Credit and Portfolio Management</td>
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<tr>
<td>CSA</td>
<td>Credit Support Annex</td>
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<tr>
<td>CSDG</td>
<td>Capital Structuring and Distribution Group</td>
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<td>CTD</td>
<td>Corporate Term Deposits</td>
</tr>
<tr>
<td>Ecosystem</td>
<td>Clients’ network of buyers/ suppliers, end-customers, service providers</td>
</tr>
<tr>
<td>EM</td>
<td>Emerging markets</td>
</tr>
<tr>
<td>FICC</td>
<td>Fixed Income, Currencies and Commodities</td>
</tr>
<tr>
<td>FSIG</td>
<td>Financial and Strategic Investor Group</td>
</tr>
<tr>
<td>FM</td>
<td>Financial Markets</td>
</tr>
<tr>
<td>FXO</td>
<td>FX Options</td>
</tr>
<tr>
<td>FXRC</td>
<td>Foreign Exchange, Rates and Credit</td>
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<td>Foreign Exchange, Rates and Credit</td>
</tr>
<tr>
<td>GCAF</td>
<td>Global Capital Allocation Forum</td>
</tr>
<tr>
<td>GCNA</td>
<td>Greater China &amp; North Asia</td>
</tr>
<tr>
<td>GSAM</td>
<td>Group Special Asset Management</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>MI</td>
<td>Management information</td>
</tr>
<tr>
<td>MiFID</td>
<td>Markets in Financial Instruments Directive</td>
</tr>
<tr>
<td>MNC</td>
<td>Multi-national Companies</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPAC</td>
<td>Operating accounts that are high quality and more sticky</td>
</tr>
<tr>
<td>PE</td>
<td>Private Equity</td>
</tr>
<tr>
<td>RCAF</td>
<td>Regional capital allocation forum</td>
</tr>
<tr>
<td>RM</td>
<td>Relationship manager</td>
</tr>
<tr>
<td>RMB</td>
<td>Renminbi</td>
</tr>
<tr>
<td>S2BX</td>
<td>Straight2Bank Exchange</td>
</tr>
<tr>
<td>RoRWA</td>
<td>Return on risk-weighted assets</td>
</tr>
<tr>
<td>SCALE</td>
<td>Standard Chartered Aggregation and Liquidity Engine</td>
</tr>
<tr>
<td>SME</td>
<td>Small-to-medium enterprise</td>
</tr>
</tbody>
</table>