

# Consumer Banking

**Steve Bertamini**

Group Executive Director, Consumer Banking

**Leading the way**  
in Asia, Africa and the Middle East



# Forward looking statements

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Standard Chartered undertakes no obligation to revise or update any forward looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.

# Agenda for the morning

**09:00 – 10:00 Consumer Banking  
overview and strategy**

**Steve Bertamini**

10:00 – 10:30 Consumer Banking  
financial performance

Andrew Bester

10:30 – 10:45 Tea & coffee break

10:45 – 11:05 Consumer Banking Risk

Peter Knott

11:05 – 11:25 SME Banking

Murali Natrajan

11:25 – 11:45 Lending & Consumer  
Transaction Banking

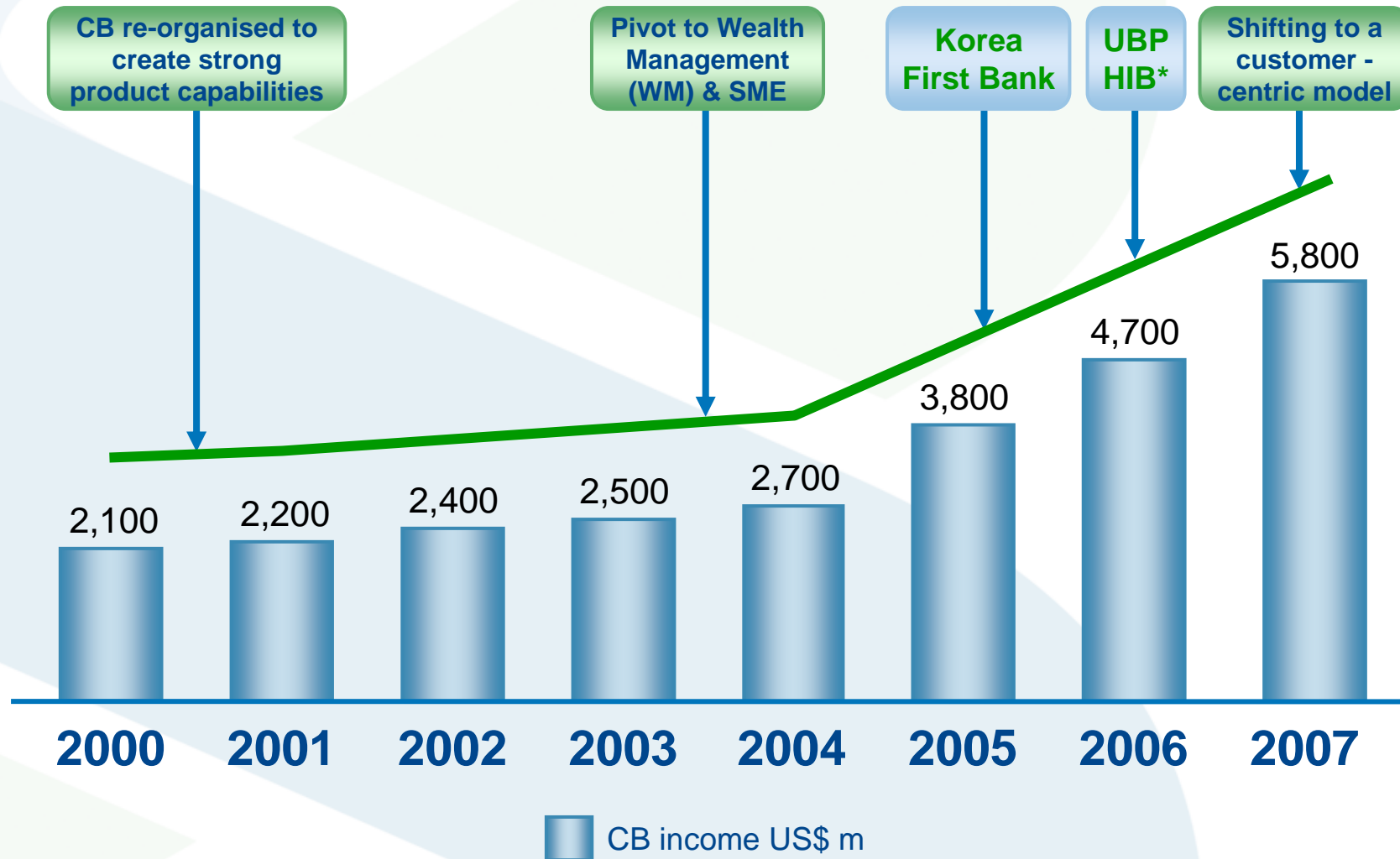
Janardhan Cadambi

11:45 – 12:05 Recap and Q&As

12:05 – 12:20 Group photo shoot

12:20 – 13:00 Lunch with the Consumer  
Banking Management Team

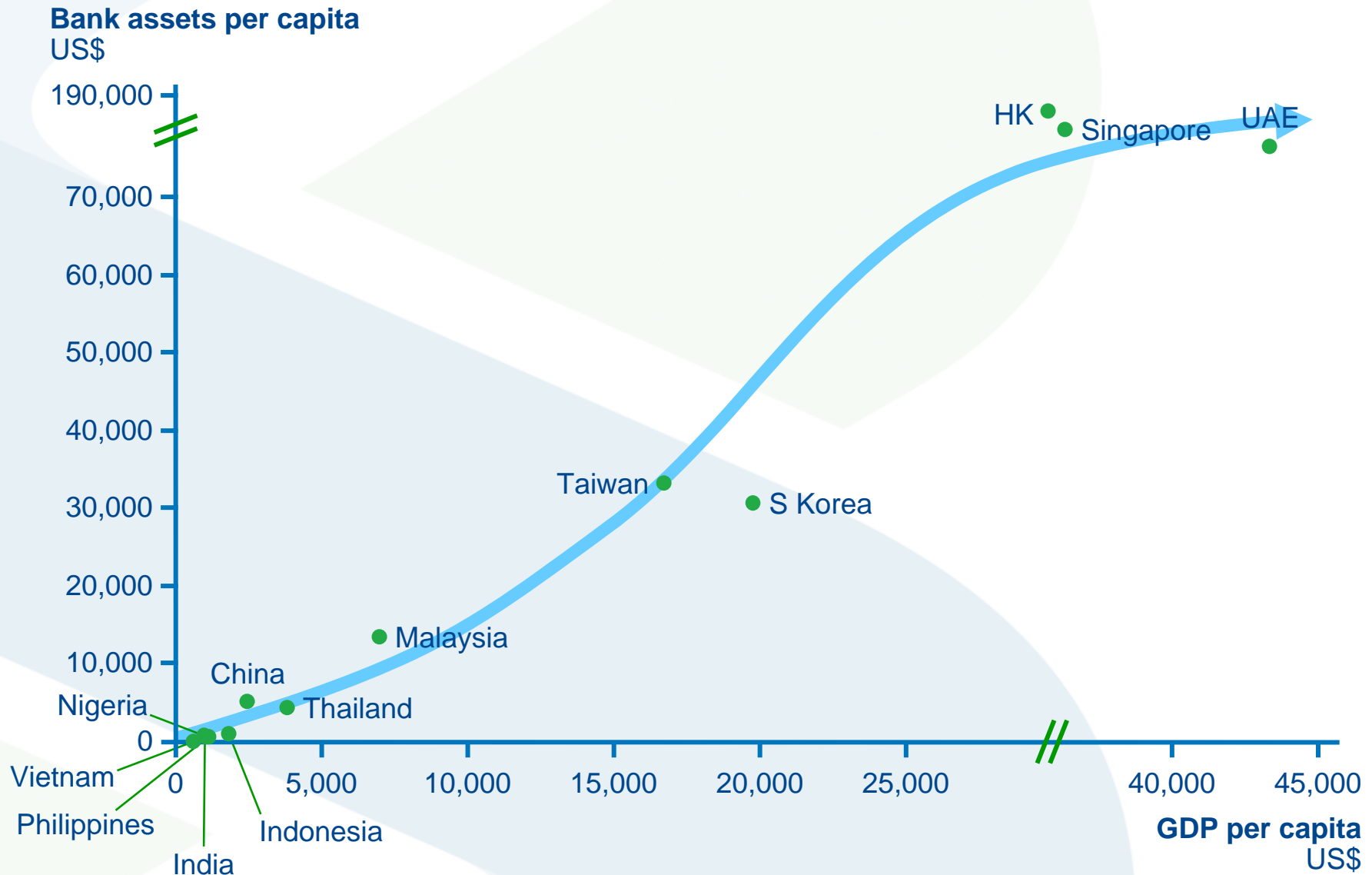
# An overview of CB's journey



\*UBP – Union Bank of Pakistan; HIB – Hsinchu International Bank

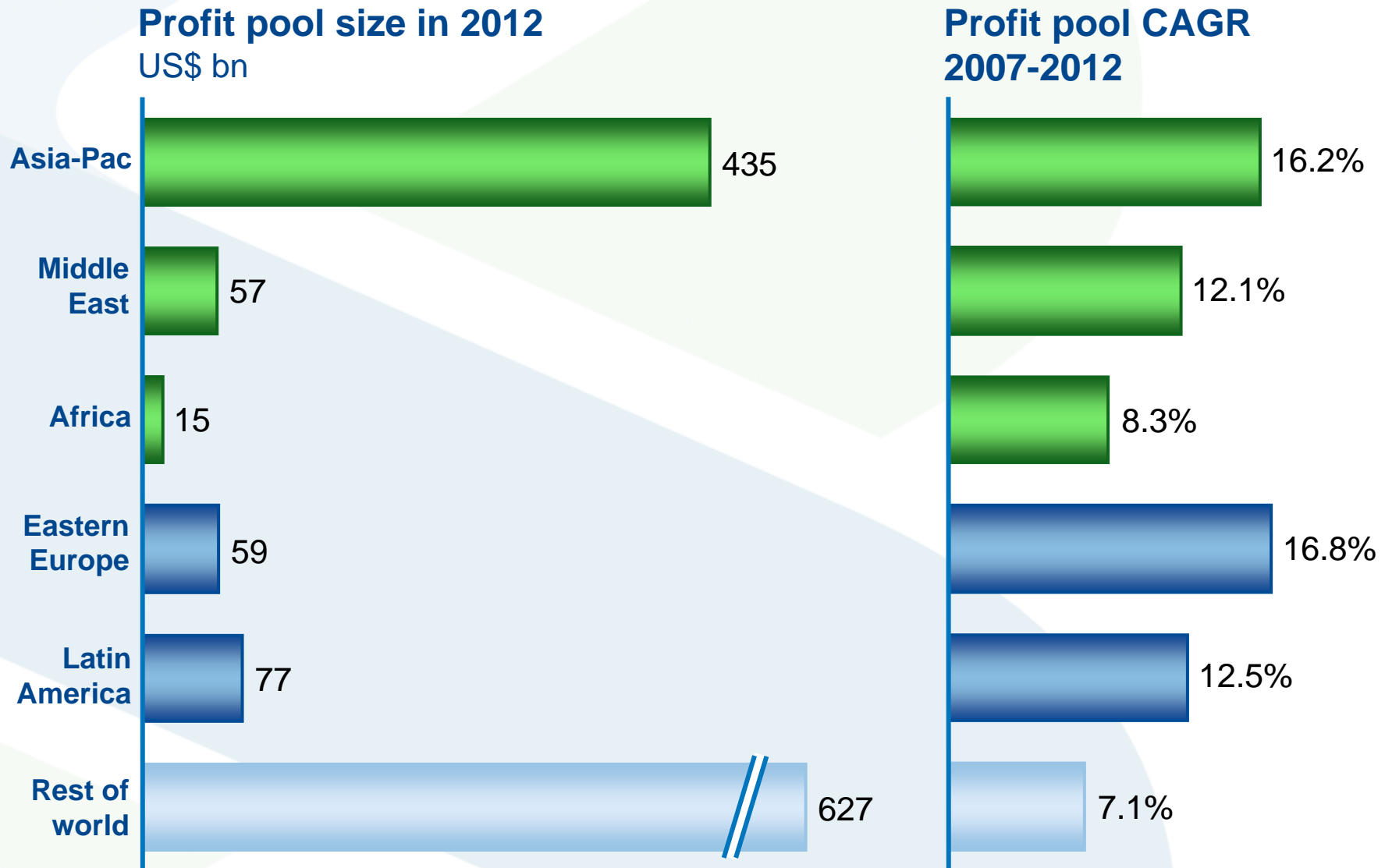
- Great franchise in attractive markets, with a strong book
- Accelerating shift to a customer centric model
- Standardising operating models to leverage global scale
- Driving execution using new performance management framework

# Attractive markets with significant headroom for growth...



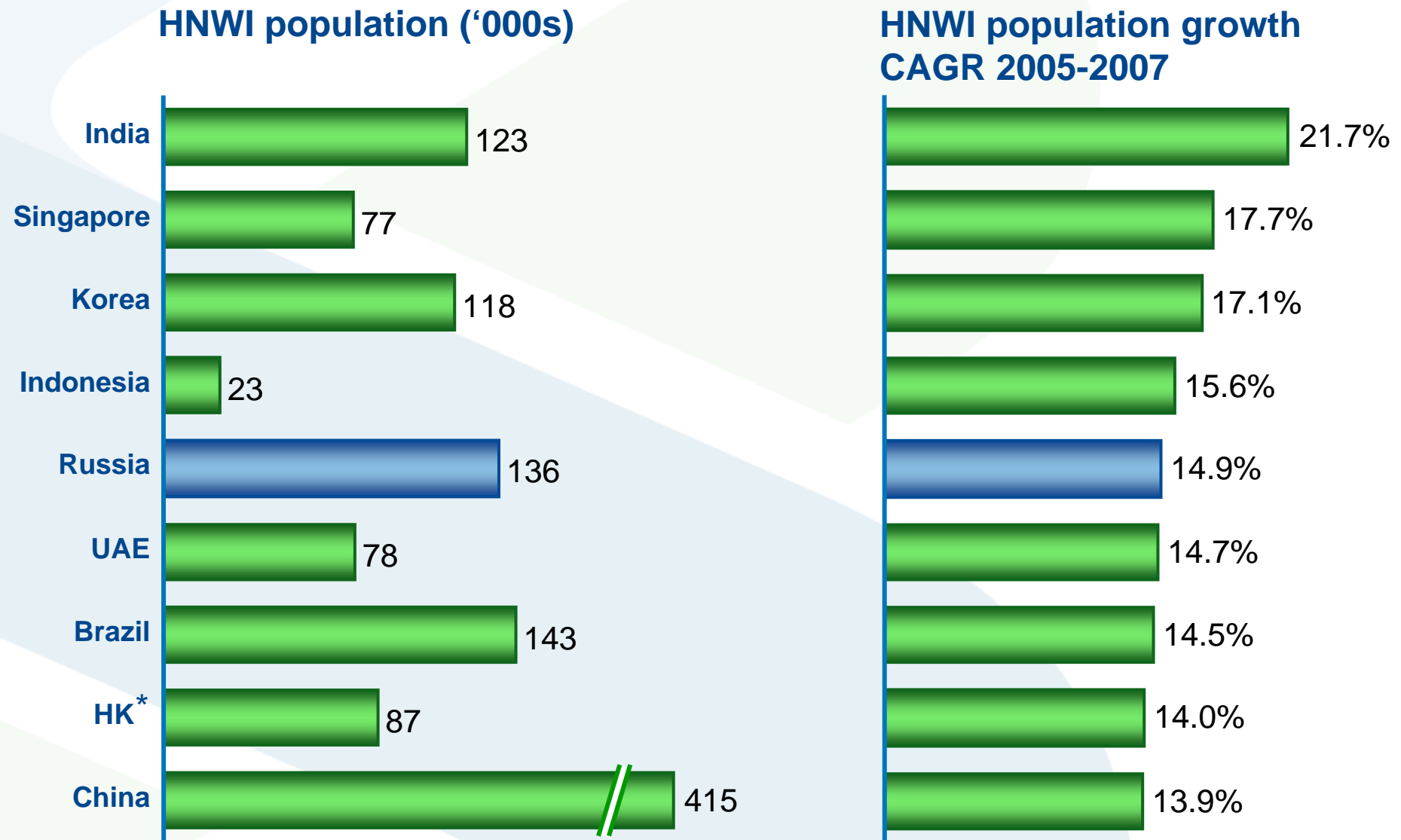
Source: McKinsey

# ...with some of the fastest growing profit pools in the world...



Source: McKinsey Global Profit Pools (July 2008)

# ...well positioned in 8 of the 9 fastest growing Private Banking markets in the world...

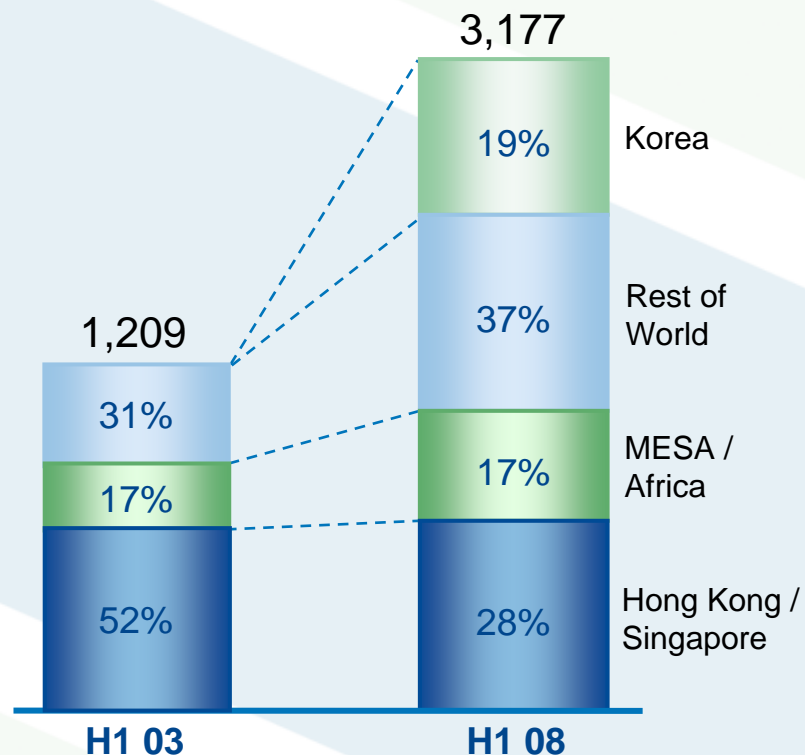


Source: CapGemML World Wealth Report 2006, 2007 & 2008; \*2006 HNWI figures and 04-06 CAGR

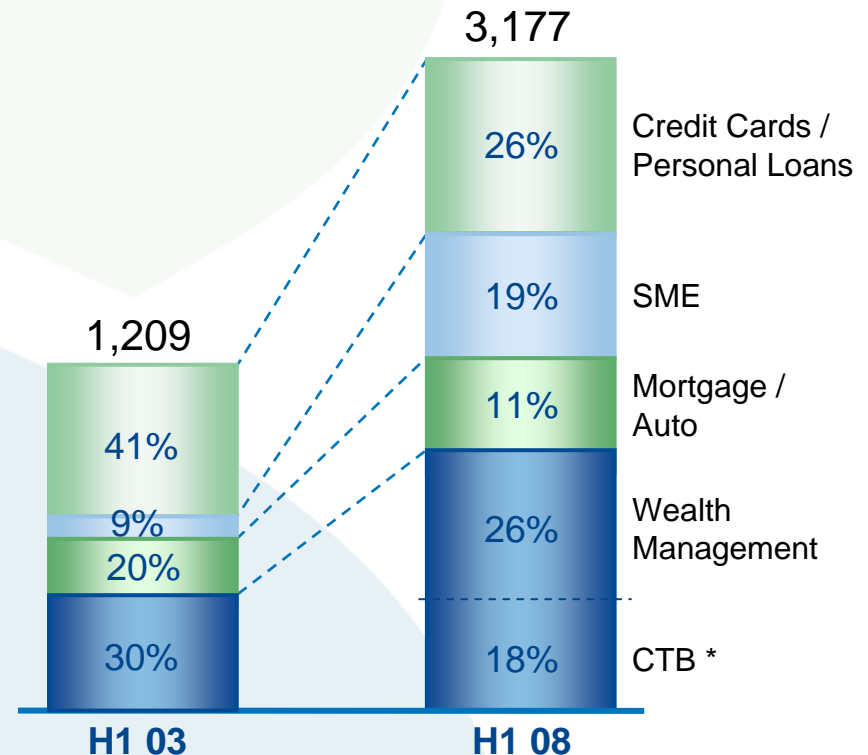


# ...with an increasingly diversified geography and product portfolio...

**Income mix by geography**  
US\$ m



**Income mix by product**  
US\$ m



\* CTB – Consumer Transaction Banking

## ...and a strong book with proven risk management capabilities

US\$ m	H1 07	H1 08	YOY %
Individual impairment provision	(398)	(407)	1
Portfolio impairment provision	26	6	(77)
<b>Total loan impairment</b>	<b>(372)</b>	<b>(401)</b>	<b>6</b>

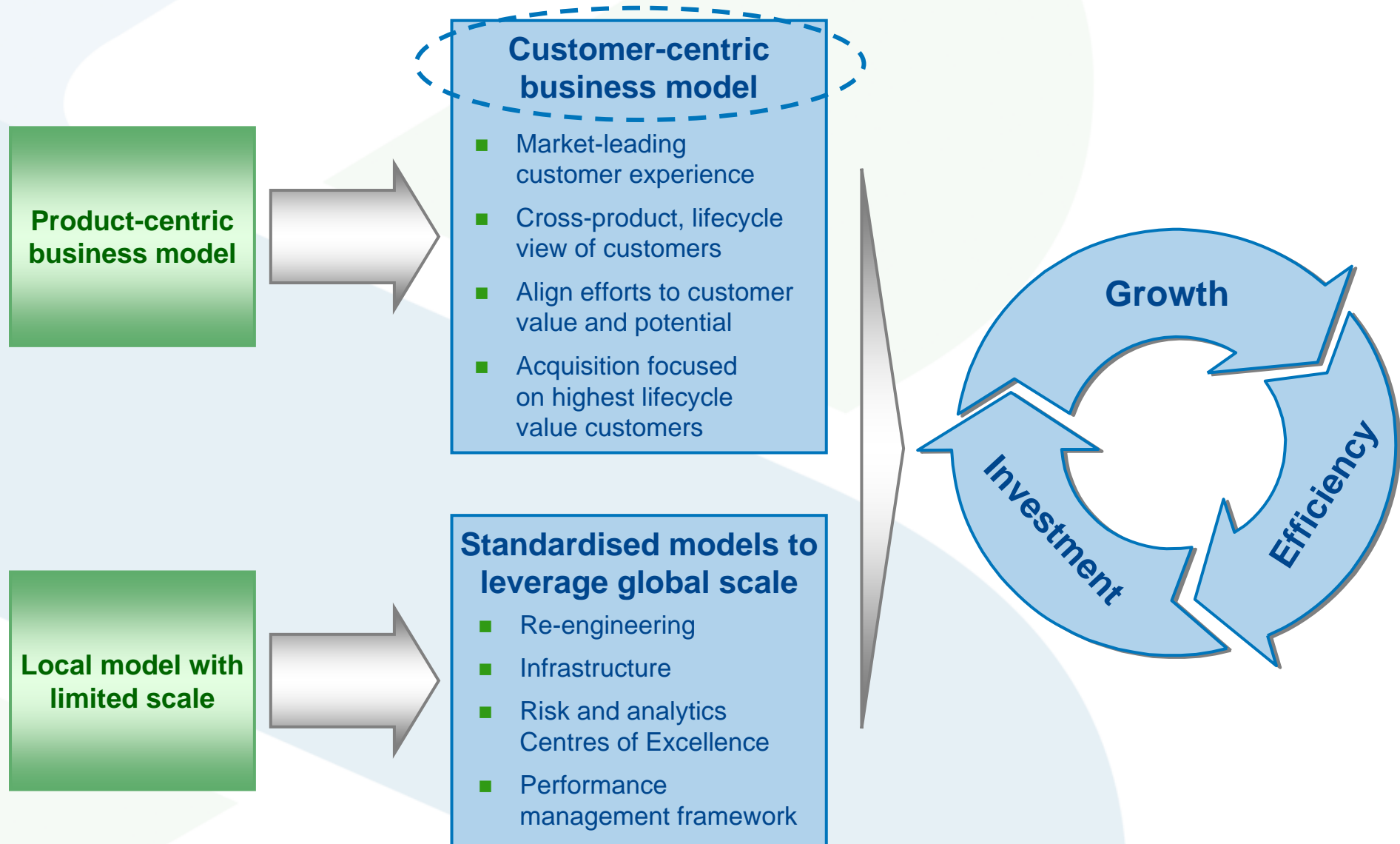
- Loan impairment as a % of average Net Receivables maintained under 1%
- Strong credit performance from large markets
- Stabilisation in portfolios under stress including Taiwan and Thailand

\* Above numbers are ex-AEB

## Top-5 position in target markets / segments

- Customer-centric
- Standardised model
- Superior risk and analytical capability
- Performance culture

# Accelerating business model transformation to drive customer-centricity and scale benefits



# Shifting Priority Banking to drive greater focus on the affluent segment opportunity...

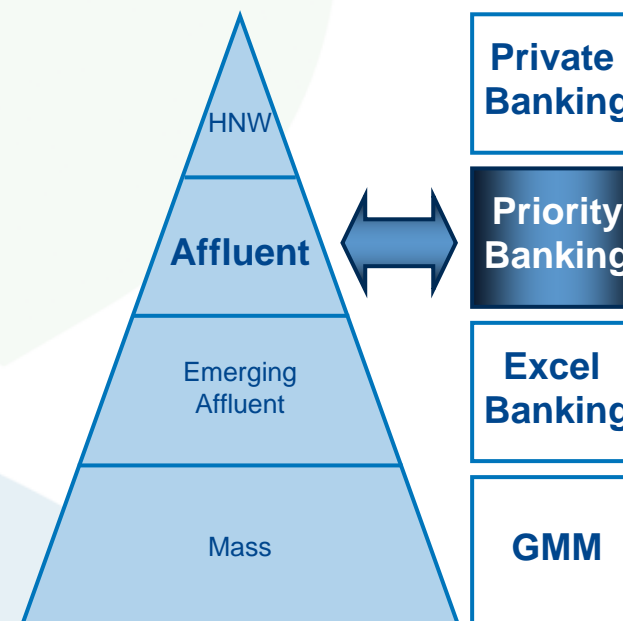
## Strengthening Priority Banking from a broadly defined concept ...

Income Contribution %	Country A	Country B	Country C
Investment & Insurance	57%	17%	29%
Deposits	41%	79%	34%
Lending	2%	4%	37%

Core Ratios	Country D	Country E	Country F
Client to RM <sup>1</sup> ratio (index)	1X	2X	4.5X
New sales income to RM cost <sup>1,2</sup>	4-6X	3-5X	10-12X

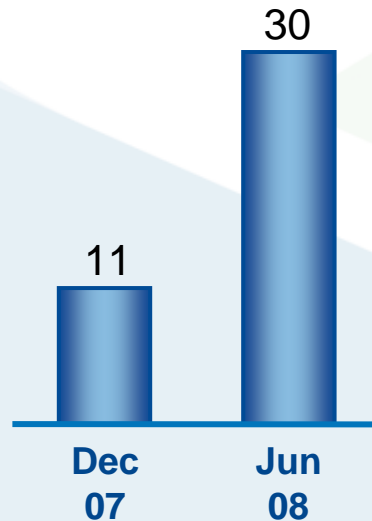
## ... to a highly differentiated and global model



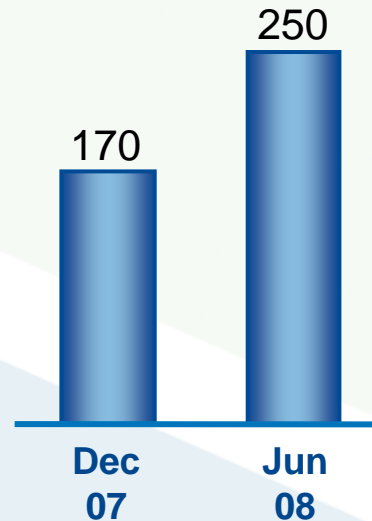
- Enhanced segmentation
- New value propositions
- RM / customer referral models
- Standardised metrics and performance management

# ...While continuing to drive customer-centricity in Private Banking

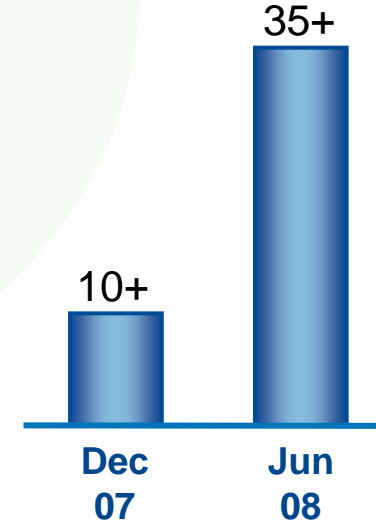
Number of offices



Number of RMs



AUM (US\$bn)

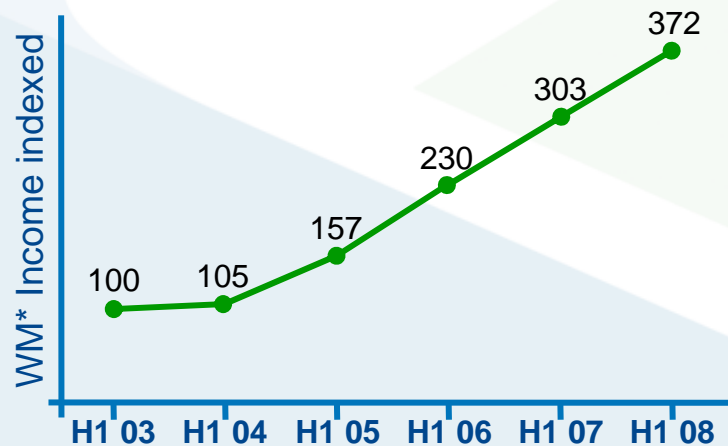


## Value proposition

- Segment specific targeting & value proposition (e.g., Korea, Australia, NRI)
- Structured approach to RM / Priority client migration
- Broad product suite; high advisory capabilities
- Leverage Wholesale Banking across geographies and businesses

# ...and repositioning Wealth Management to address changing landscape

WM has grown significantly over the last few years...



... However, the industry now faces multiple challenges

- Customer portfolios in the red
- Loss of customer confidence
- Regulatory / customer action
- 3rd party sales model in question

- We are responding by going “back to the basics”
- Portfolio / asset allocation approach
- Refreshing segment propositions
- Traditional Time Deposits and simpler products
- In-house product manufacturing
- Strengthening sales processes and up-skilling frontline

\* WM (including CTB); Source: Management results

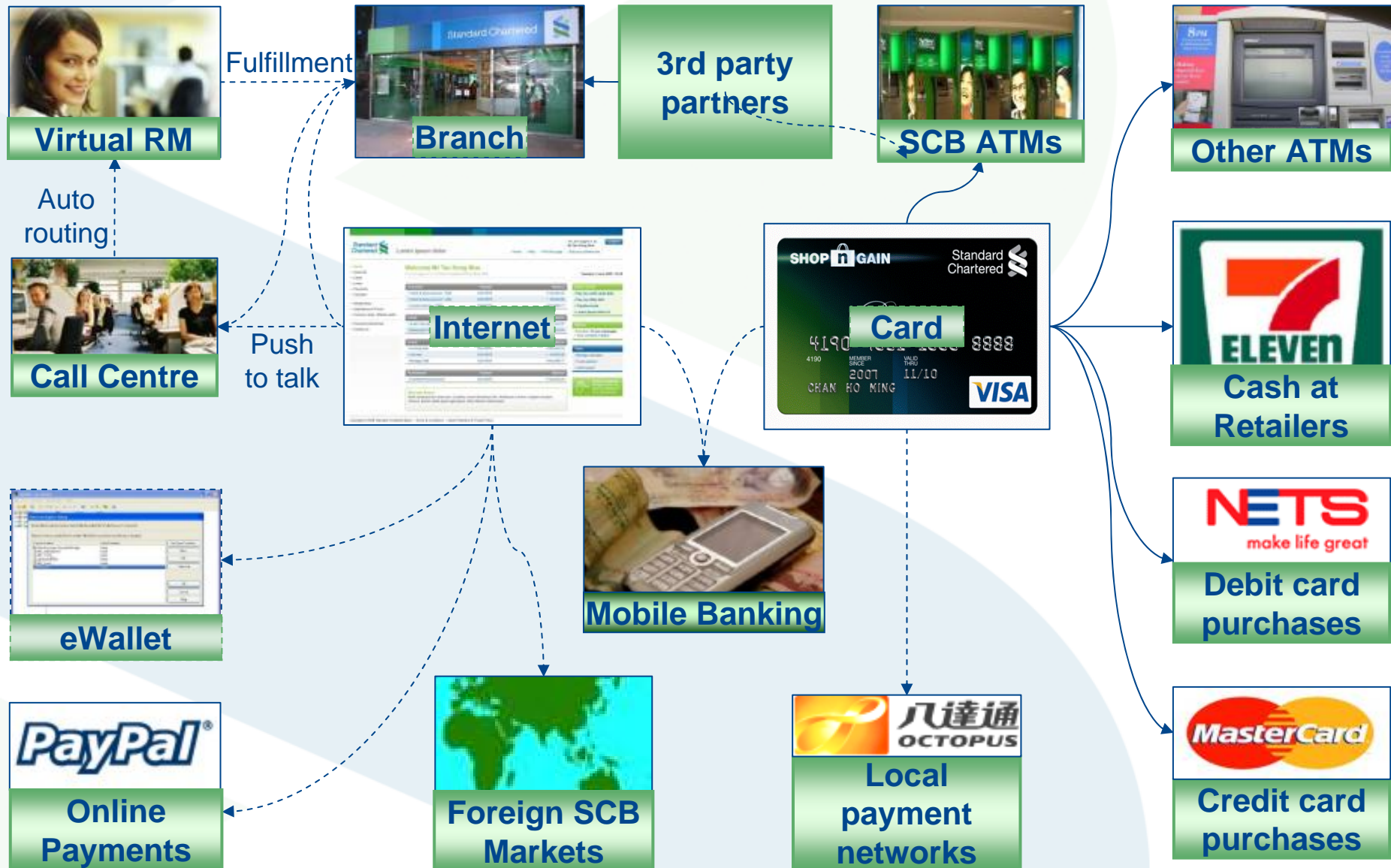
# Expanding distribution and transactional capabilities...

	2003	Sep 2008
Outlets	450	>1,500
ATMs	1,000	>4,800
POS terminals	8,290	>45,000
Internet banking registered users	290k	>2,700k*
Number of customers	>7,000k	>14,000k

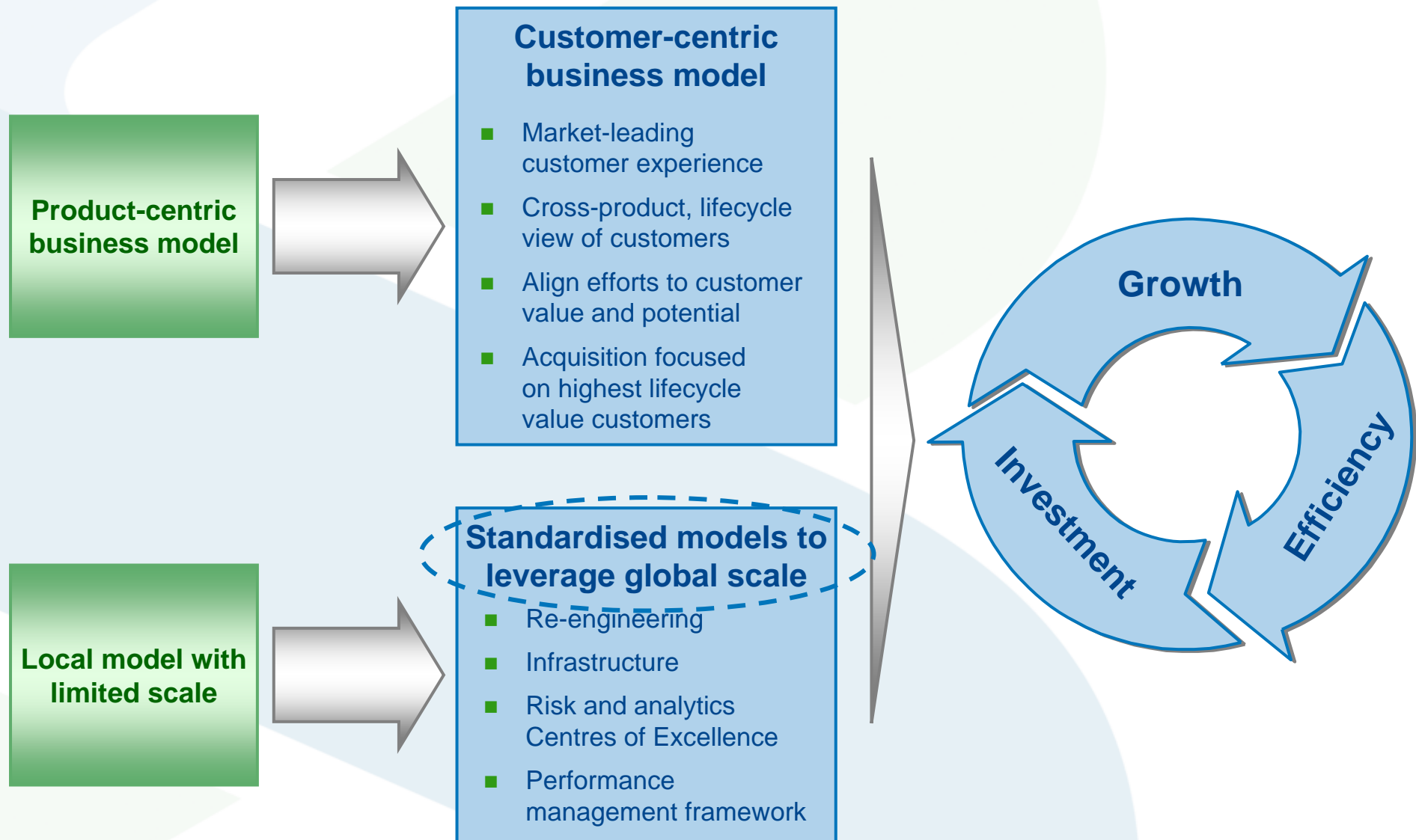
\* As of H1 08



# ...And building an interconnected set of transaction points to complement branch & ATM network



# Accelerating business model transformation to drive customer-centricity and scale benefits



# Focusing on re-engineering initiatives to drive scale benefits from standardisation and simplification...

## Four key programs in full steam ...

### Contact center optimisation

- Optimise and consolidate resources / infrastructure
- Build platforms to support future growth

### New acct Opening

- Enable multiple products in 1 simplified and standard acct opening / fulfilment process
- Drive cross-selling and product bundling

### Cross-Border Biz

- Establish standard operating model, process, and infrastructure
- Capitalise on international footprint

### Branch Optimisation

- Maximise branch effectiveness and efficiency – locations, profitability, services...

# Integrating risk and marketing analytics capability to create centres of excellence

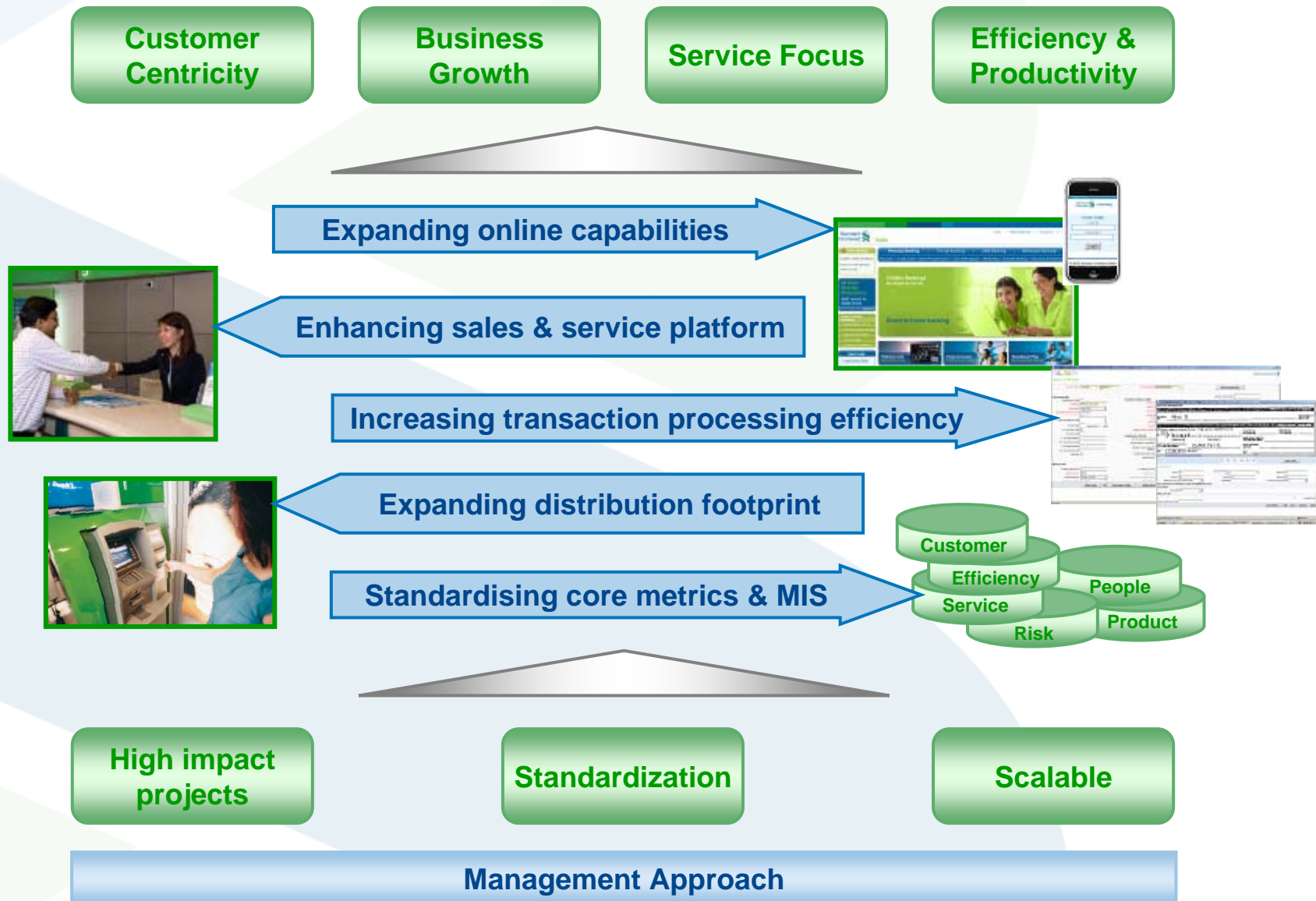
## Strengthen analytics capabilities...

- Centralised analytics Centre of Excellence
- Leverage scorecard & risk models, business intelligence
- Create a dynamic multi-dimensional view of our business (products, segments and geographies)

## ... to drive competitive advantage

- Lifecycle view of customers
- Developing winning propositions
- Cross-sell & event triggers
- New to bank
- Reduce attrition
- Risk-based pricing

# Standardising and upgrading systems



# Driving execution using new performance management framework

- Country dashboard
- RISK appetite & DEFCON process
- 8 X 10 metrics
- Building leadership pipeline & enhanced training
- Revised investment approach

- Great franchise in attractive markets, with a strong book
- Accelerating shift to a customer centric model
- Standardising operating models to leverage global scale
- Driving execution using new performance management framework

## Q & A

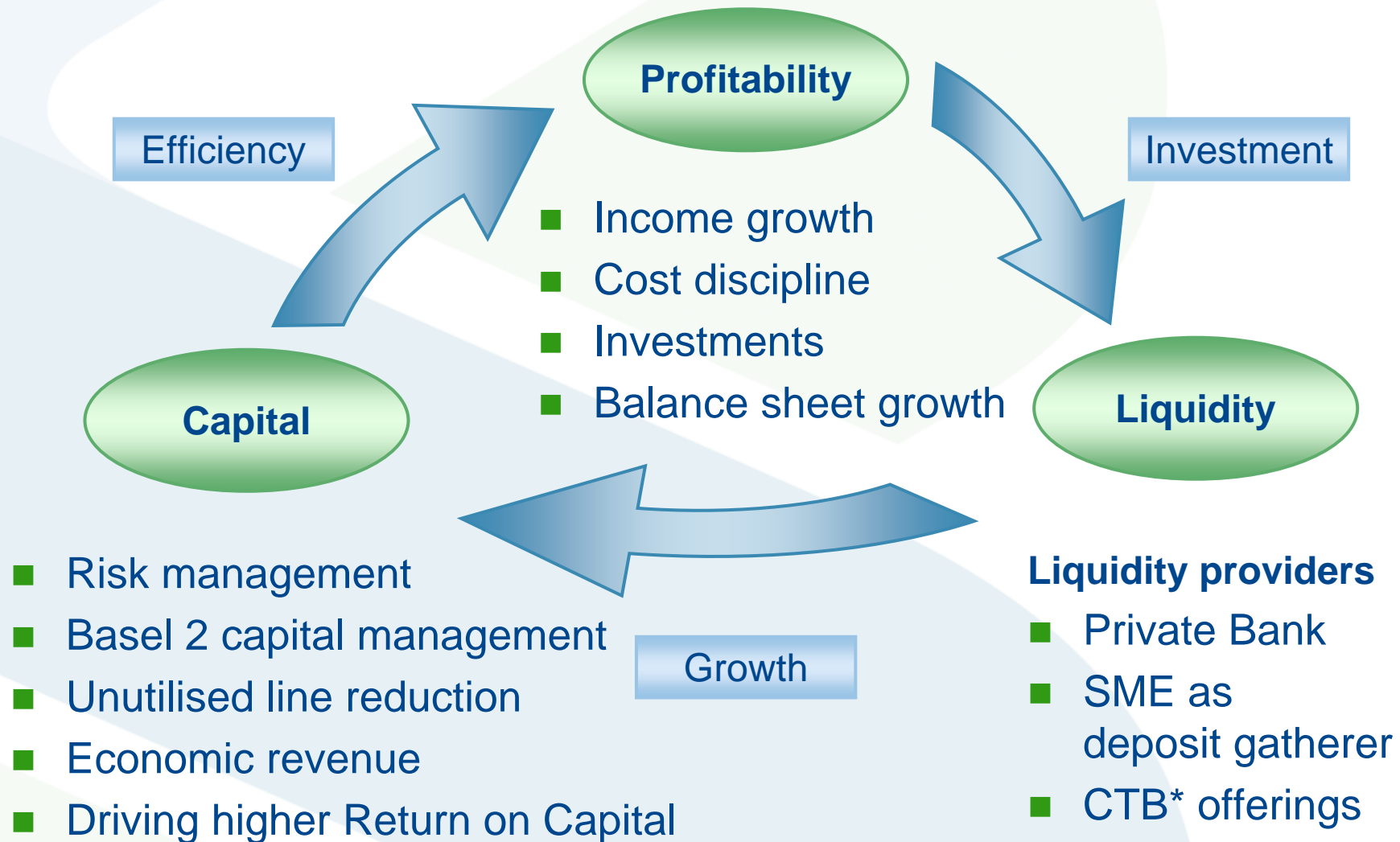


# Consumer Banking

**Andrew Bester**  
Chief Financial Officer



- Adjusting to the changing market dynamics
- Increasing business scale, breadth and balance
- Disciplined investment and cost management
- Prudent liquidity and capital management



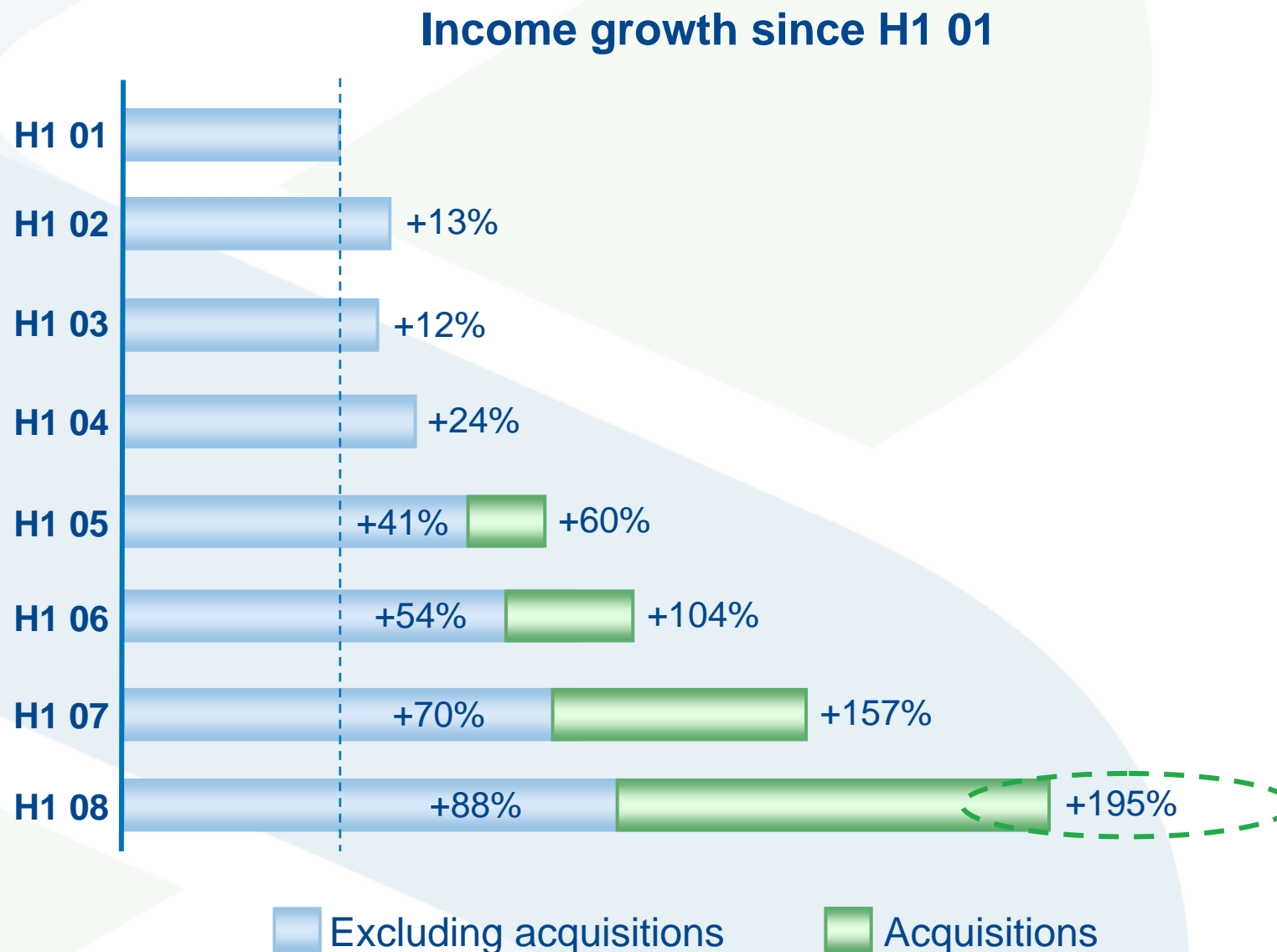
\* CTB – Consumer Transaction Banking

# Consumer Banking performance

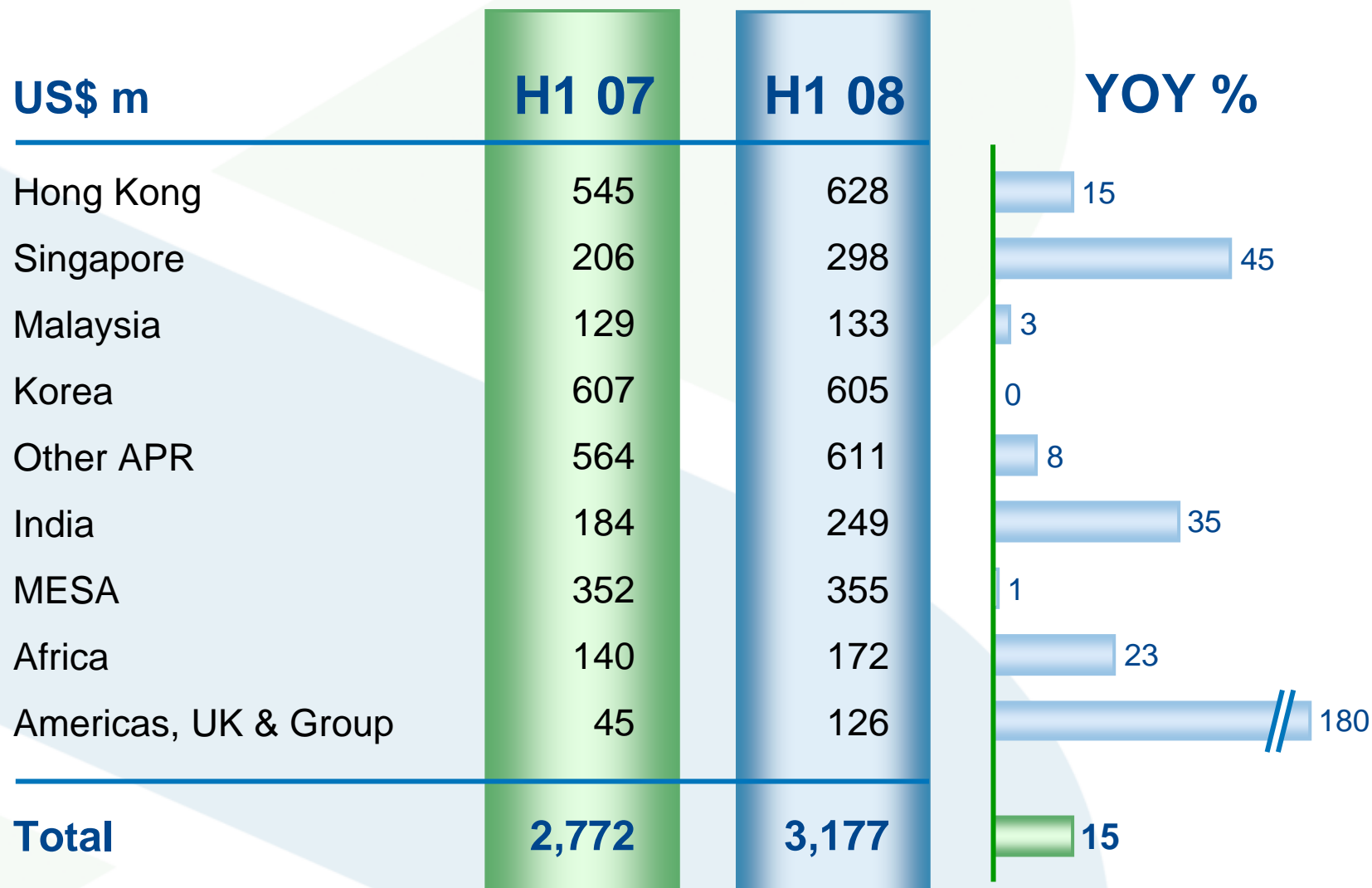
US\$m	H1 07	H1 08	YOY % Headline	YOY % Underlying*
Income	2,772	3,177	15	10
Expenses	(1,612)	(1,961)	22	12
Operating profit before provisions	1,160	1,216	5	7
Loan impairment	(372)	(412)	11	8
Other impairment	0	(2)		
<b>Operating profit</b>	<b>788</b>	<b>802</b>	<b>2</b>	<b>7</b>

\* Underlying numbers are ex-AEB

# Income nearly triples in 7 years



# Income growth



\* Above numbers include AEB

# What's going well?

- Deposit momentum
- Good asset quality
- Sustained margins
- Well managed cost base
- Product innovation

# Key focus areas

- Substituting Wealth Management
- Growth in big engines
- Asset momentum
- Cost / investment trade-off

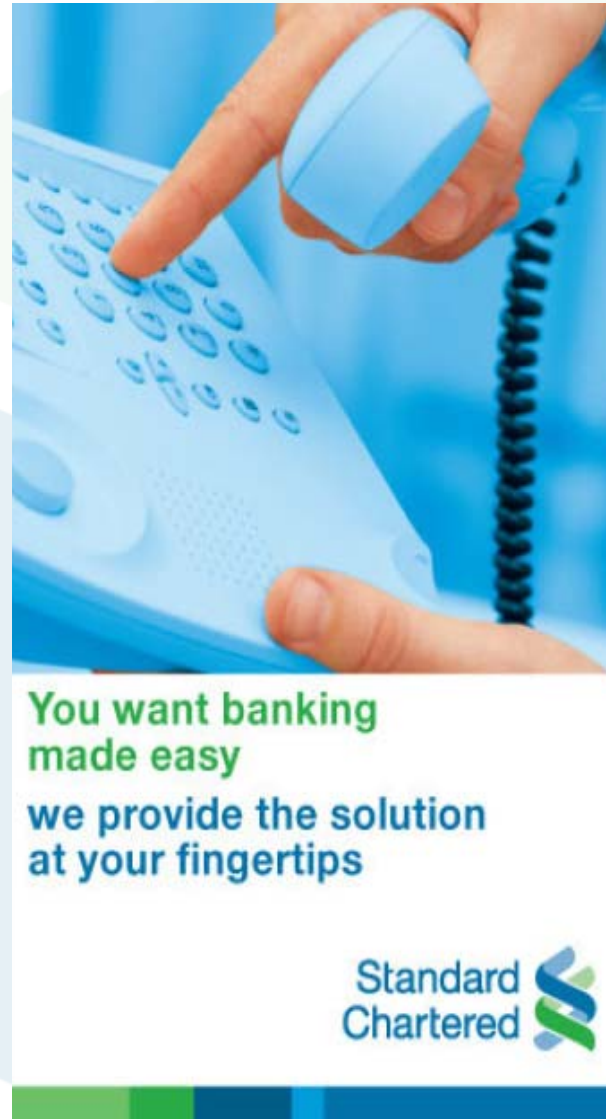


# Continued franchise investment

China Branches



India: Virtual Network

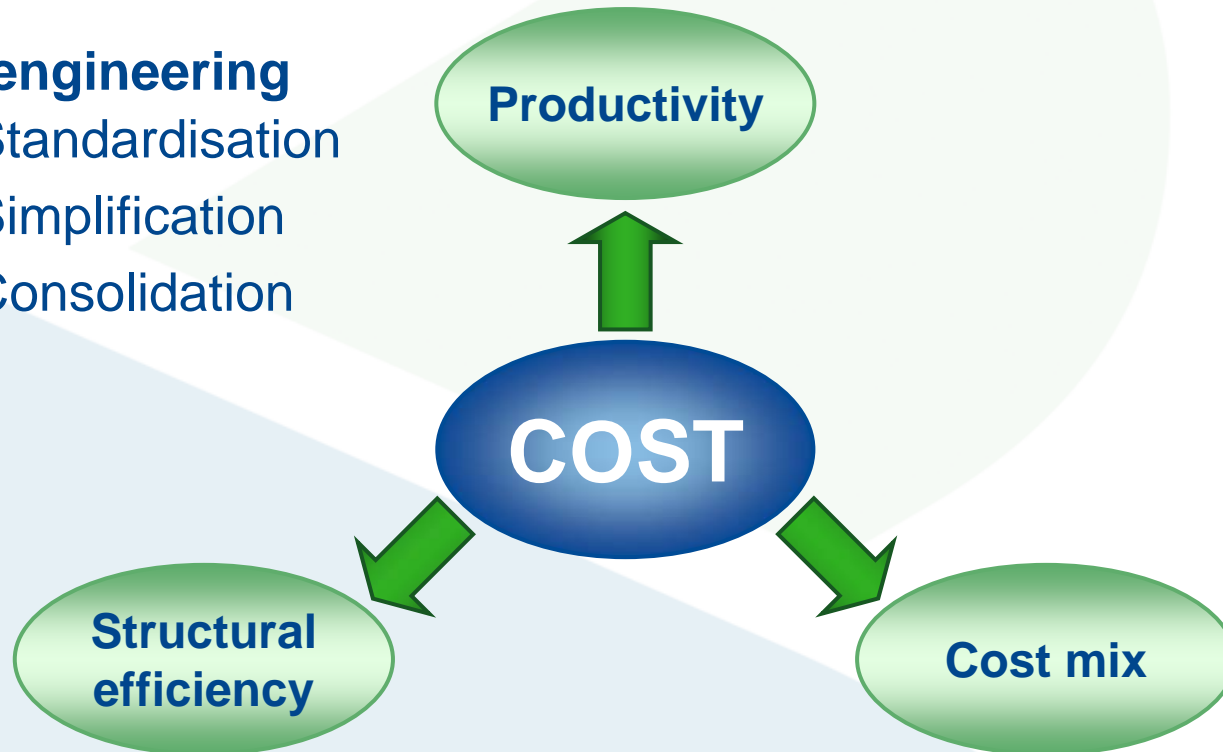


Private Banking



## Re-engineering

- Standardisation
- Simplification
- Consolidation



- Organisational alignment
- Talent upgrade
- Span of control
- RM productivity

- From back to front
- Focus on big engines
- Physical to virtual

**We are aggressively creating capacity to invest in People, Analytics and Systems.**

Standard Chartered

## Taiwan: Internet Banking

# 您享受悠閒的生活 我們提供零時差的銀行服務



## ATM 24小時全天候服務

- 存款 / 取款服務
- 轉帳服務
- 支票查詢
- 匯款 / 匯票
- 個人支票管理 / 匯票
- 查詢服務申請

## 網路銀行 遠程的線上服務

- 銀行服務
  - 銀行轉帳服務
  - 支票存款查詢
  - 支票存款開帳
  - 支票存款服務
  - 支票存款查詢
  - 支票存款 / 轉帳
  - 支票存款查詢
  - 支票存款開帳
  - 支票存款服務
  - 網上繳款 / 費
- 基金投資服務
  - 投資基金查詢
  - 投資基金開帳
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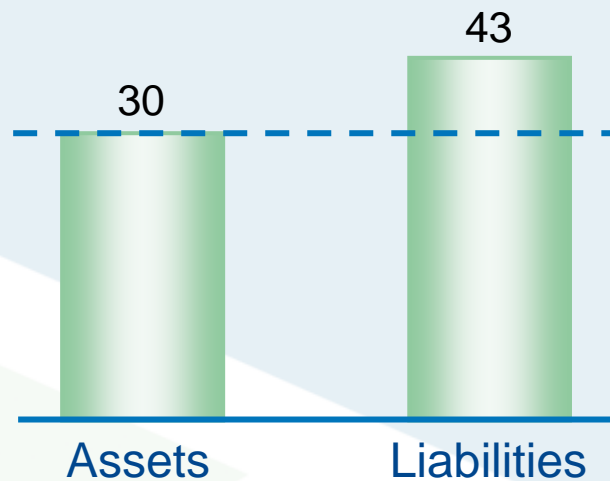
# Balance sheet strong liquidity management

Net surplus = US\$13 bn

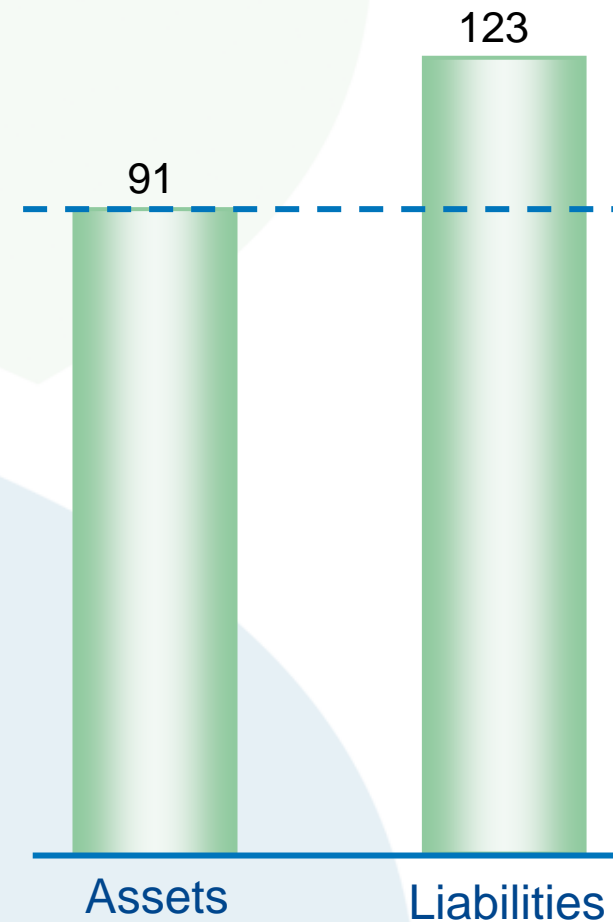
2.5 times

Net surplus = US\$32 bn

US\$ bn



**H1 03**



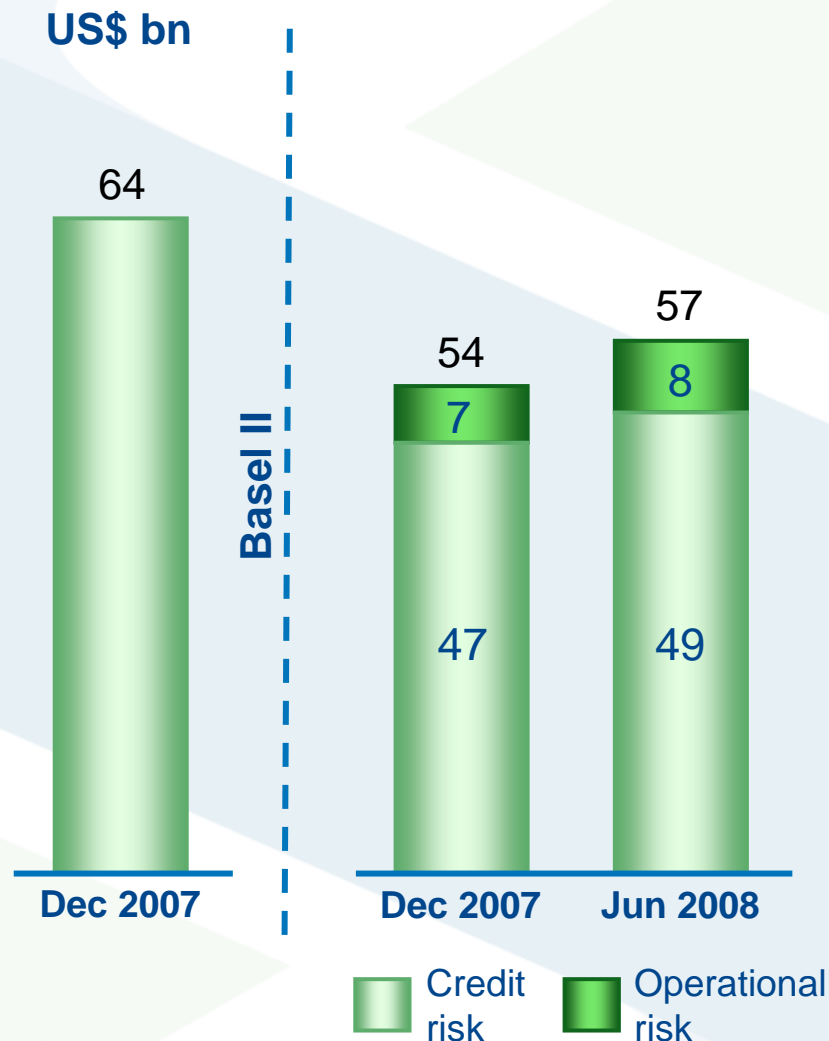
**H1 08**

Note: Above numbers include AEB

# Capital Management using Basel II for capital efficiency

## Risk Weighted Assets

US\$ bn



	H2 2007	H1 2008
CB RoARC*	29%	28%
CB RoRWA**	3.3%	2.9%

\* RoARC = Return on Allocated Risk Capital (annualised)

\*\* RoRWA = Return on Risk Weighted Assets (annualised)



- Adjusting to changing market dynamics
- Increasing business scale, breadth and balance
- Disciplined investment and cost management
- Prudent liquidity, diverse funding base and Capital Management

## Q & A

# Risk Management

**Peter Knott**

Chief Risk Officer, Consumer Banking

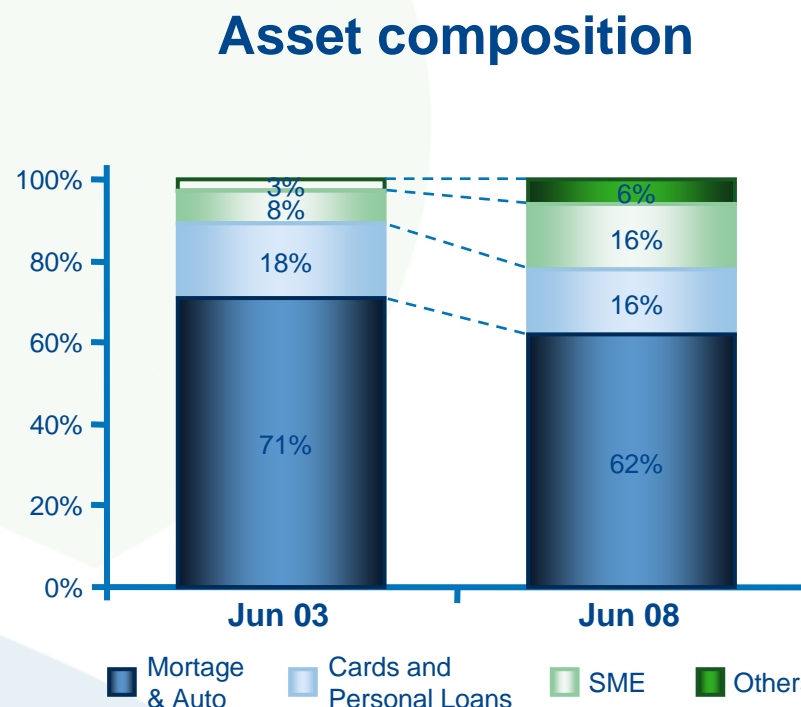
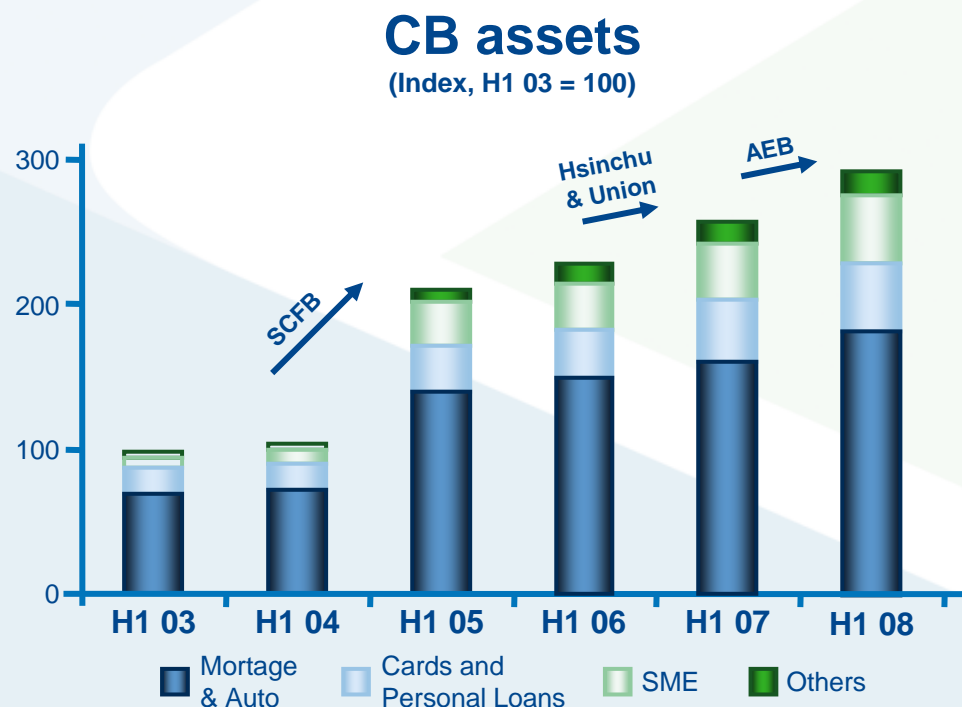




# Key messages

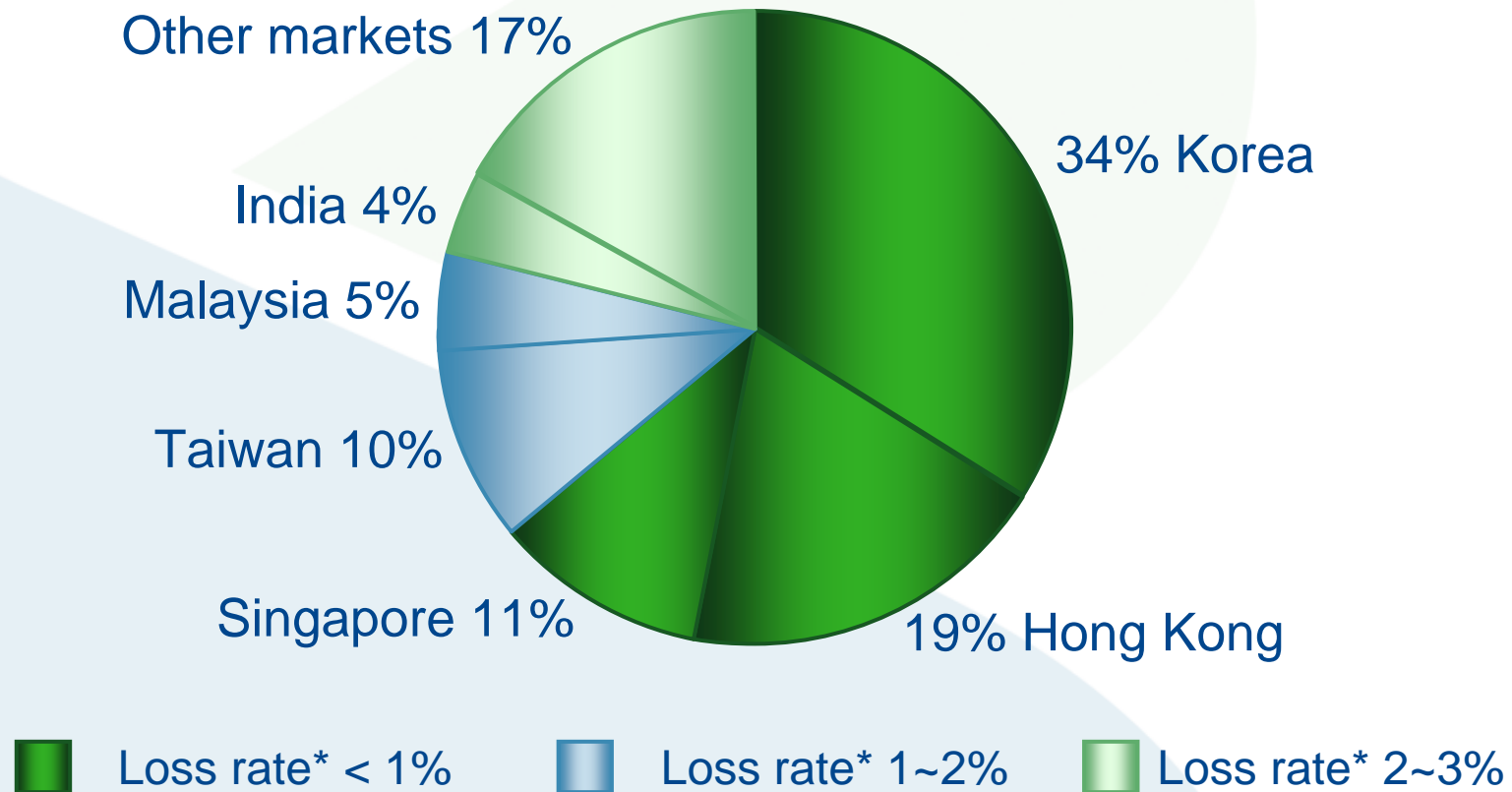
- Balanced and well-diversified portfolio
- Strong asset quality and loan impairment performance
- Continuous improvement in risk management capabilities

# Balanced asset growth



- Balanced asset growth through acquisitions and organic growth
- Portfolio is well diversified over products, segments and geographies
- Reliance on mortgage has been reduced with most growth in SME

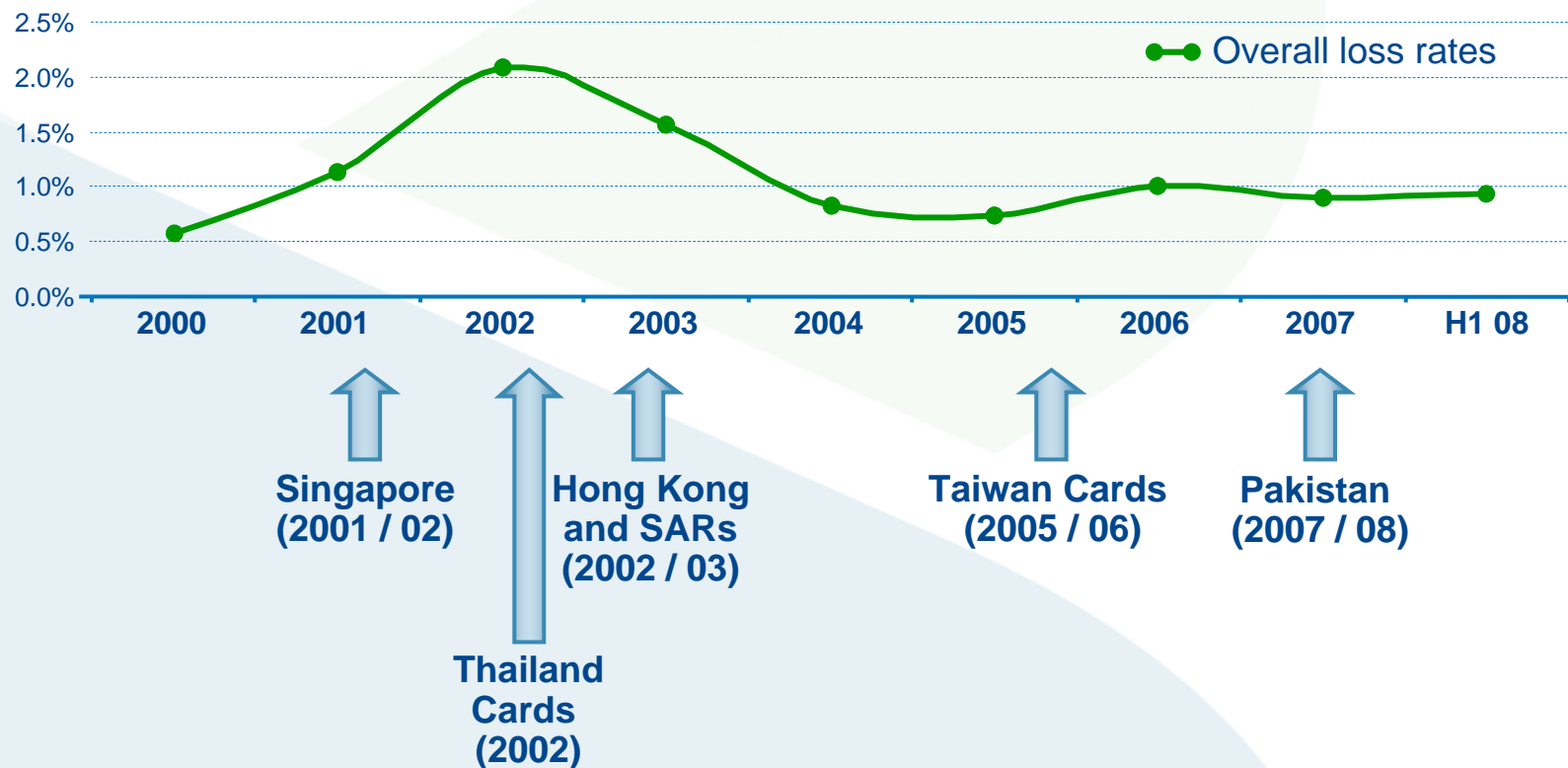
# Geographic asset distribution



■ Assets concentrated in the markets with the lowest loss rates

\* Annualised for 2008.

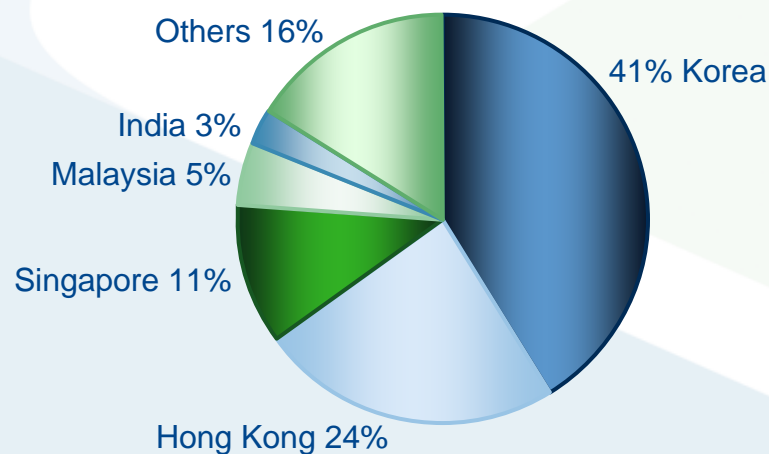
# Benefit of diversification



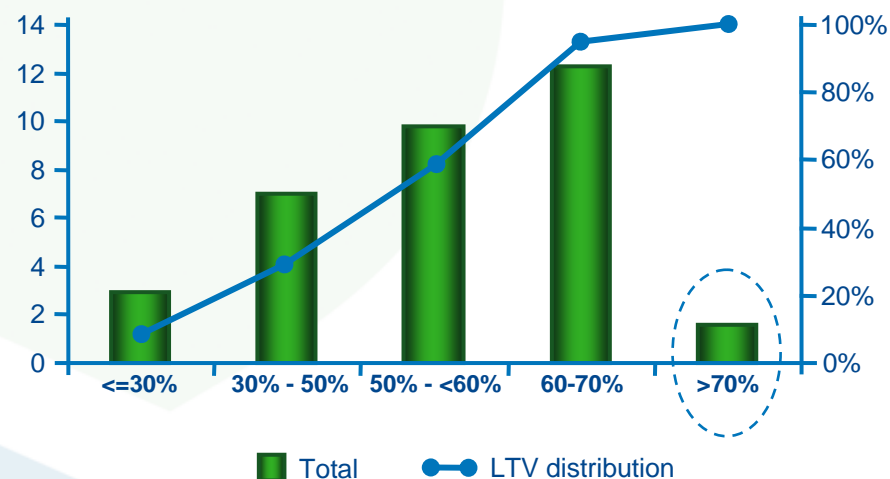
- Diversification has enabled a reduction in loss rates while maintaining risk adjusted returns

# Mortgage asset quality

## Portfolio distribution\*



## Loan to Value distribution\* HK & Korea

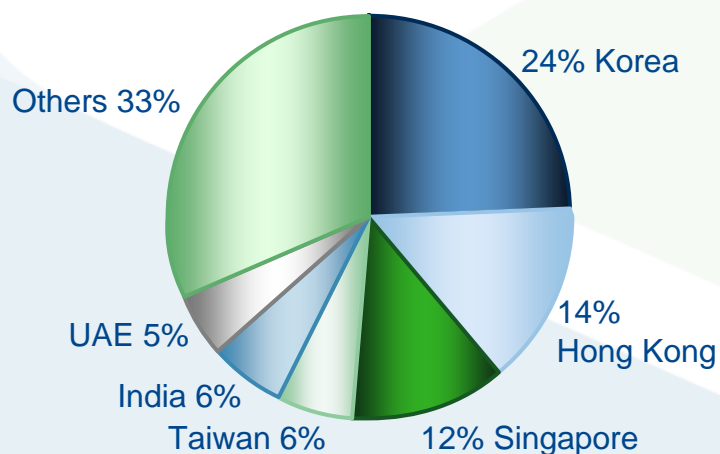


- Overall SCB mortgage portfolio Loan to Value is less than 50%
- Only 6% of the portfolio in HK & Korea has Loan to value above 70%
- The overall loss rate on the mortgage book is 3 basis points
- The portfolio generates acceptable returns even under stress conditions

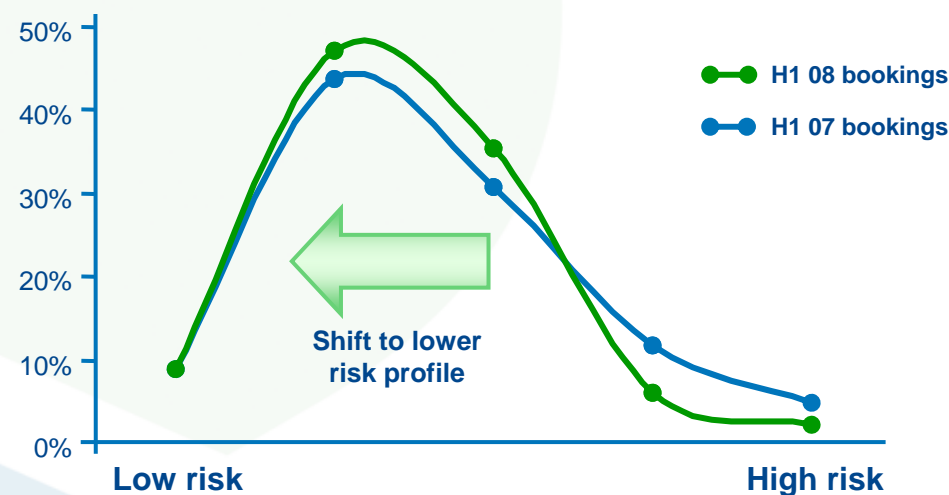
\* June 08

# Cards and Personal Loans asset quality

Portfolio distribution\*



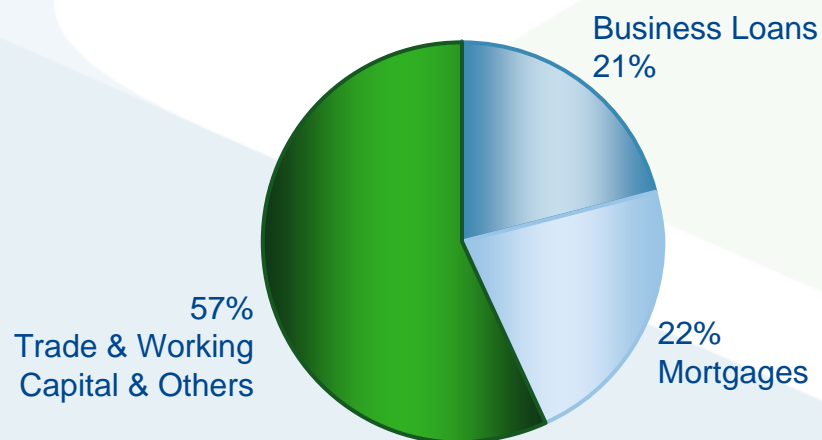
Credit quality – improvements\*



- Well-diversified book with overall loss rate of 4%
- Disciplined approach to improving new business quality through better targeting and implementation of risk-based pricing models
- Portfolio de-risking actively pursued through exposure management and origination policies

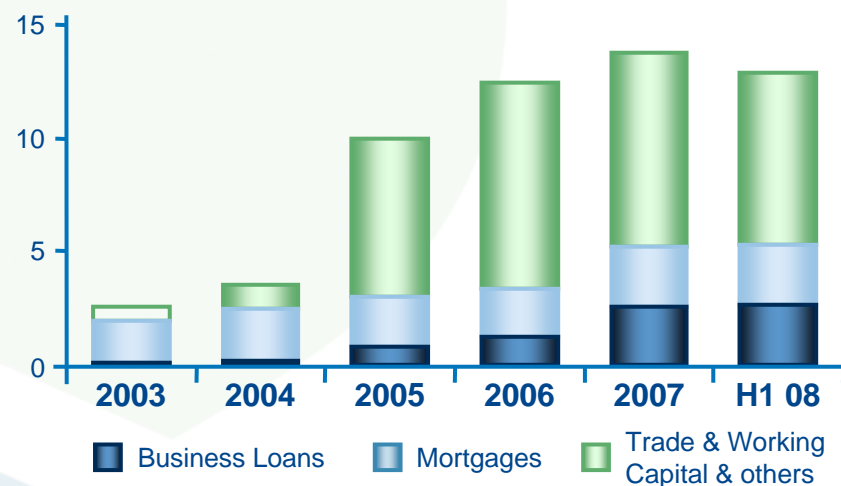
## Portfolio distribution

(June 08)



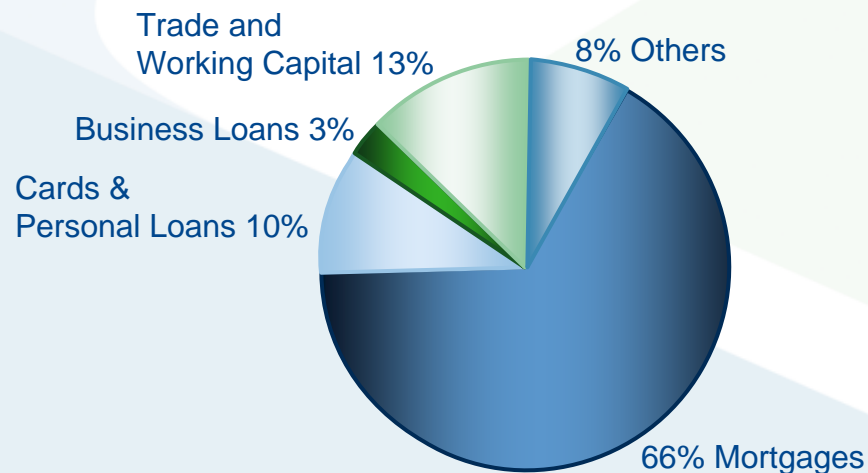
## SME growth trends

(US\$ bn)



- SME growth has been driven by geographical expansion
- Proactive de-risking measures have been taken
- Portfolios are performing within acceptable benchmarks

**Portfolio distribution**  
(June 08)



**New booking quality - revolving credit**



- Mortgage is the anchor product with a strong range of other asset products
- Portfolio quality improvements noted due to proactive measures taken in the last 12 months
- We continue to remain vigilant to changes in the external environment



# Risk management disciplines

## Risk Monitoring

- “Perfect Storm” framework
- Risk appetite / risk concentration management
- Stress testing
- Strong assurance function

## Underwriting

- Prudent underwriting policies
- Scoring models
- Credit bureau expertise
- Risk concentration limits
- Risk-based pricing capability

## Industry Leadership

- Leadership in industry credit initiatives: credit bureau, interbank debt restructuring
- Regular engagement with regulators on reforms consultation
- Active role in banking associations

## Portfolio Management

- Advanced risk segmentation
- Behavioural scoring models & Adaptive Control Systems
- Risk intervention capabilities
- Securitisation capability
- World-class collections capabilities

# Key messages

- Balanced and well diversified portfolio
- Strong asset quality and loan impairment performance
- Continuous improvement in risk management capabilities

## Q & A

# SME Banking

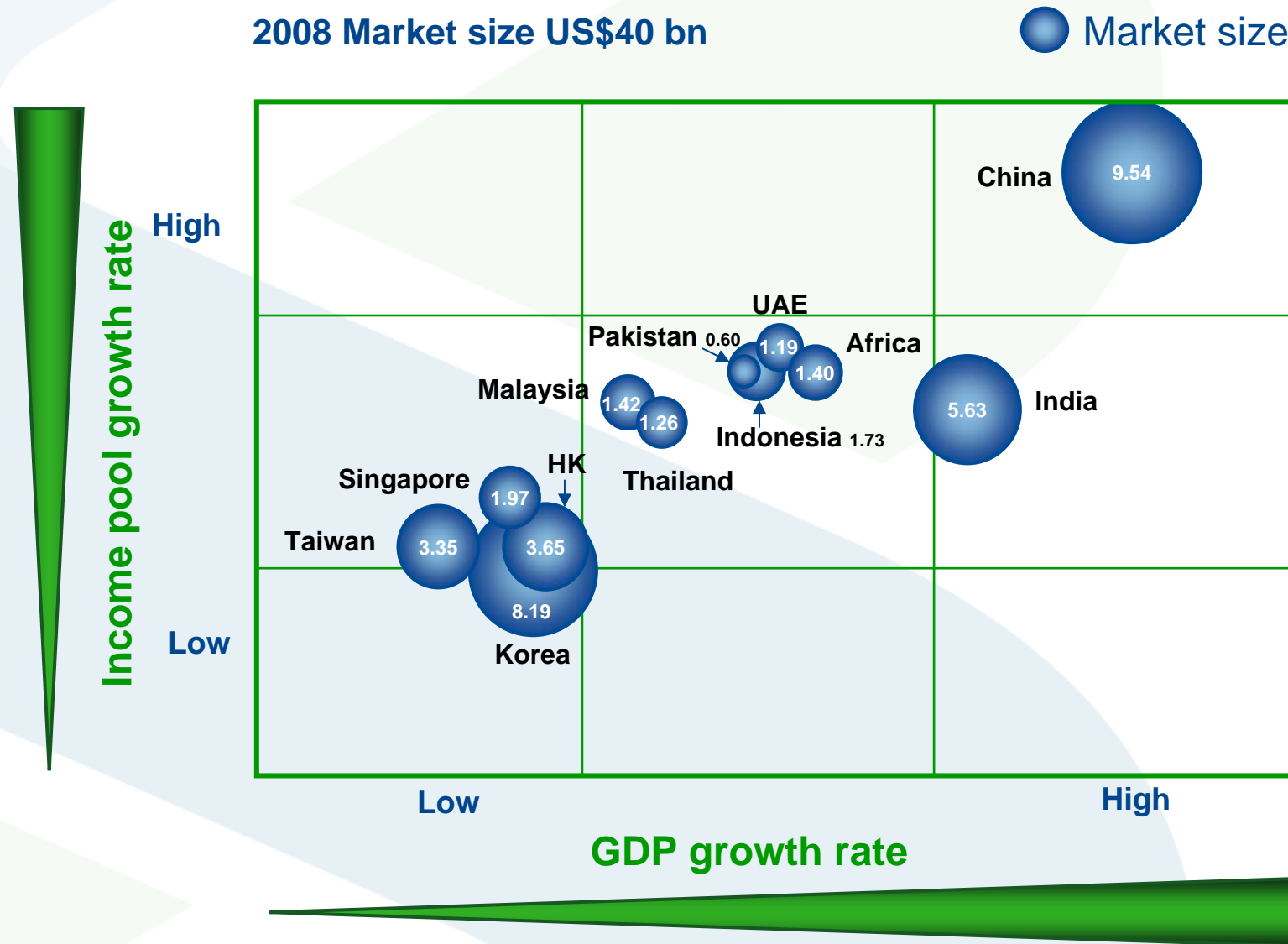
**Murali Natrajan**

Global Head, SME Banking



- Significant contributor to Consumer Banking
- Continue to perform despite challenging environment
  - Clear strategy and competitively advantaged business model
  - Strong and vigilant risk management
  - Diversified income streams (product / geography)
- Attractive opportunity, well positioned for future

# Large market potential, opportunity to grow...



Source: Synovate research & internal analysis

# SME business performance...

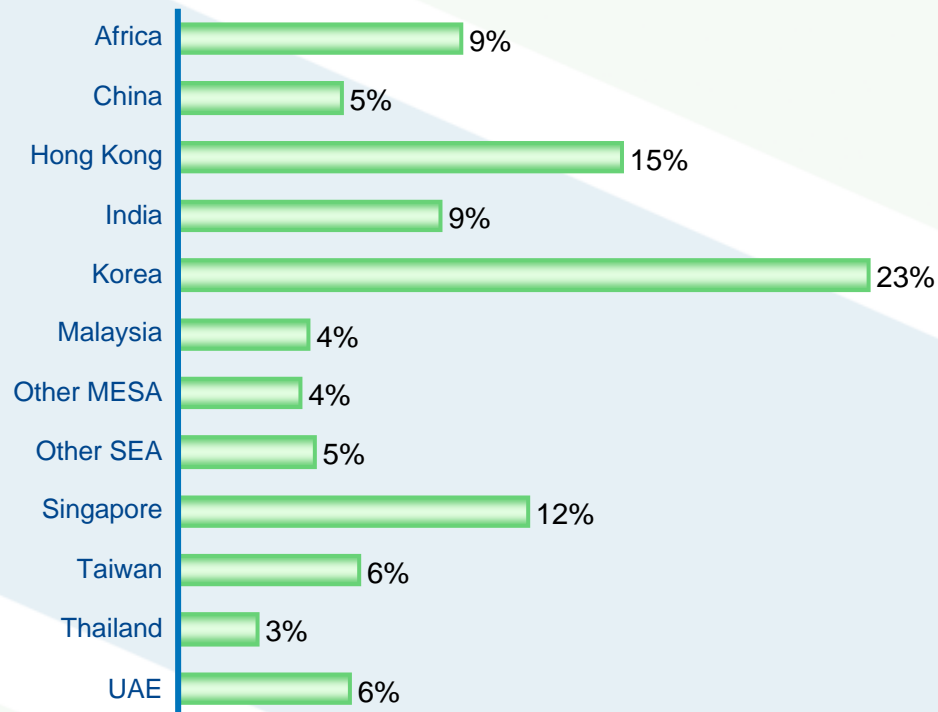


\* Excludes Union Bank and Hsinchu Bank

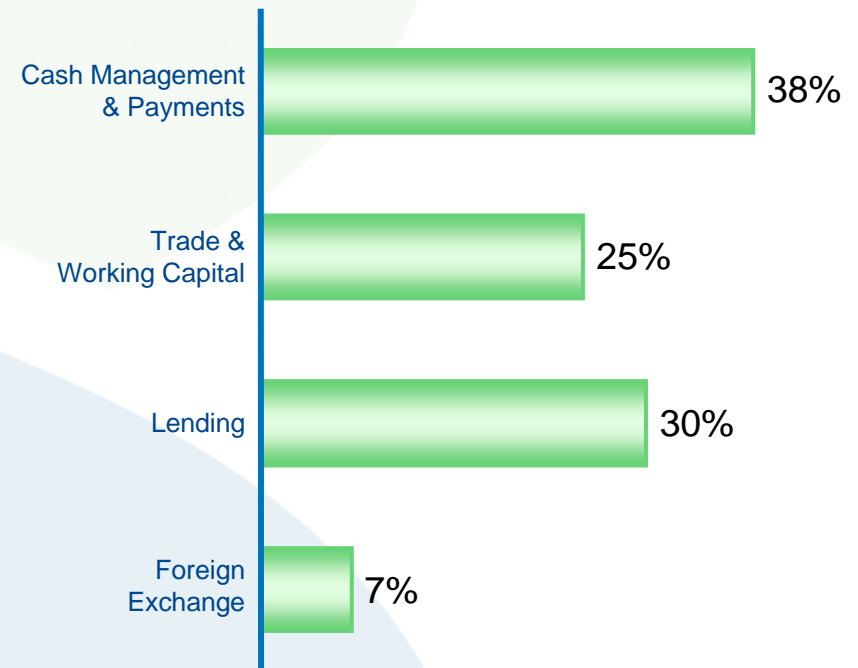
# Diversified geographies and products

## H1 2008 income contribution

### By geography



### By product

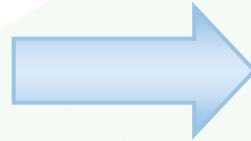


***Present in 27 countries and approx 550,000 customers and growing***



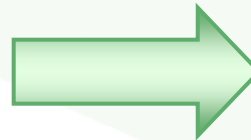
# Competitively advantaged business model...

**Two distinct segments**



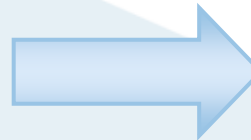
**Small Business (turnover < US\$10m) and Medium Enterprises (turnover > US\$10 m < US\$25 m)**

**Distinct business in Consumer Banking**



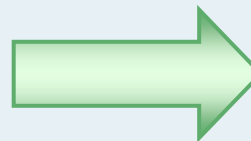
**Dedicated Business & Risk teams**

**Global common approach**



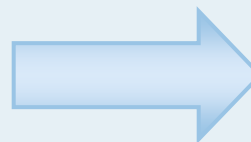
**Combined with local knowledge**

**Wholesale & Consumer Banking capabilities**



**Products, Systems, Risk and People**

**Global Footprint**



**Competitive differentiator**

# Tailored product propositions...



| SME Banking |  
Loan/Overdraft Against Property

**Your business  
needs funds**  
we'll unlock  
the potential of  
your property

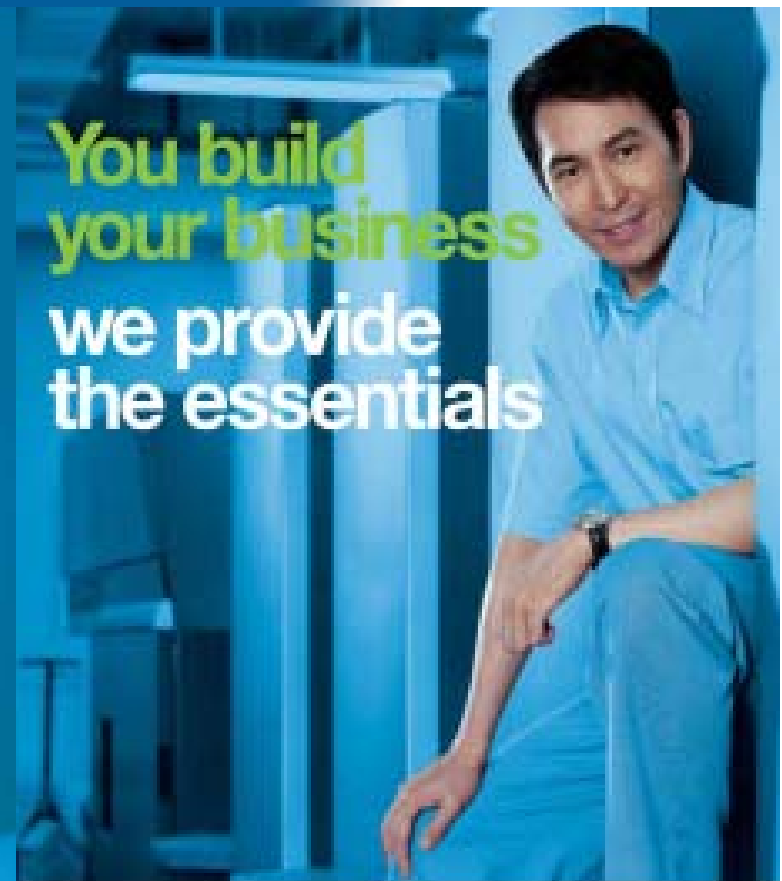
| SME Banking |  
中小企业理财 |

**You have  
specific SME  
business needs**  
we offer you  
tailored banking  
solutions

您有特定的  
中小企业商业需求  
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- Proactive steps taken to combat weakening environment
  - De-risked unsecured, increased secured lending
  - Raised eligibility criteria
  - Shifted new sales to better risk grades
  - Limited / exited exposure to stressed industries
  - Increased frequency of portfolio reviews
  - Focused on obtaining Operating Accounts
  - Improved risk-based pricing
  - Enhanced analytics capability
  
- Portfolio performing within acceptable benchmarks

# Key priorities going forward...

- Increase sales capacity and branch contribution.  
Focus on productivity
- Industry specialisation
- Cross border
- Relationship / account planning approach
- Straight through processing
- Continue to invest behind risk management

# Taking SMEs beyond borders...

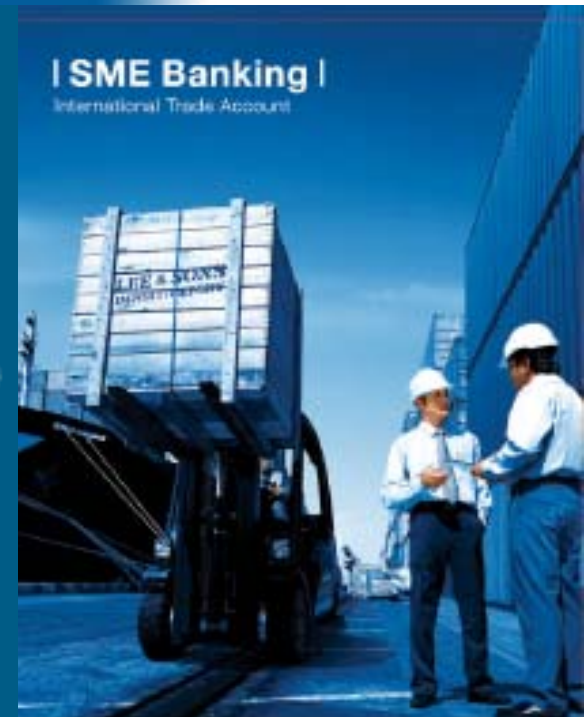


| Perbankan Perusahaan Kecil dan Sederhana |

Anda ingin  
mengembangkan  
perniagaan  
kami menyediakan  
sokongan antarabangsa

| Corporations |

You want more service  
and less complexity  
we'll take you  
straight there



| SME Banking |  
International Trade Account

You'd like to  
trade more  
we'll help lighten  
the load

## In summary...

- Consistent business performance and attractive growth opportunities
- Clear strategy and competitively advantaged business model with strong risk management
- Well positioned for future



## Q & A

# Lending & Consumer Transaction Banking (CTB)

**Janardhan Cadambi**

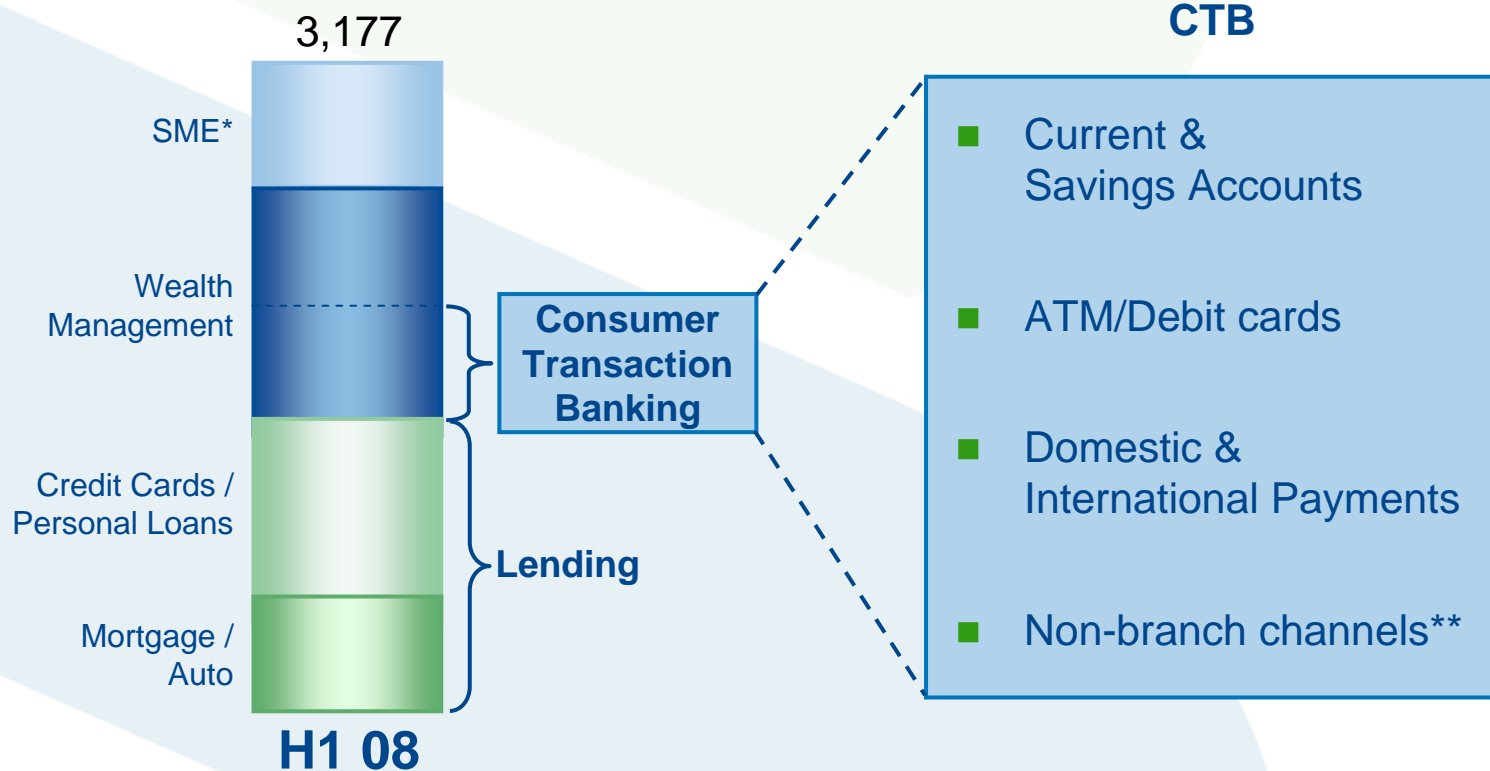
Global Product Head  
Lending & Consumer Transaction Banking





# What is Lending and Consumer Transaction Banking?

>50% of  
Consumer Banking income



\* SME Income is in current Financial Disclosure is distributed across Wealth Management, CCPL and M&A

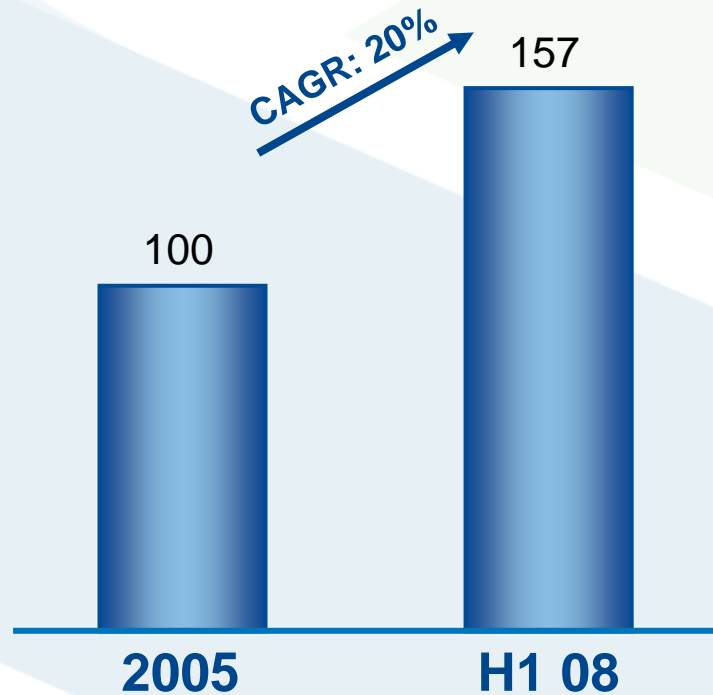
\*\* E-channels refer to ATM, Point of Sale (PoS), Internet, Mobile

- Well positioned to take advantage of the current situation
- Huge opportunity in existing customer base
- Investing in building core capabilities to drive future balance sheet growth

# Deposits: Increased emphasis on transactional propositions going forward

## Strong growth track record

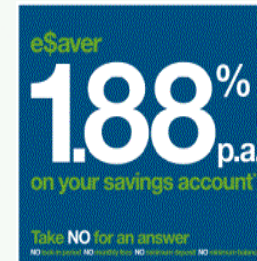
CASA growth (PE Liabilities)\*



- Over 12m CASA accounts
- 4.6m ATM / Debit Cards in issue
- 2.7m registered Internet users

\* Indexed to PE 2005

## Led by savings product innovation



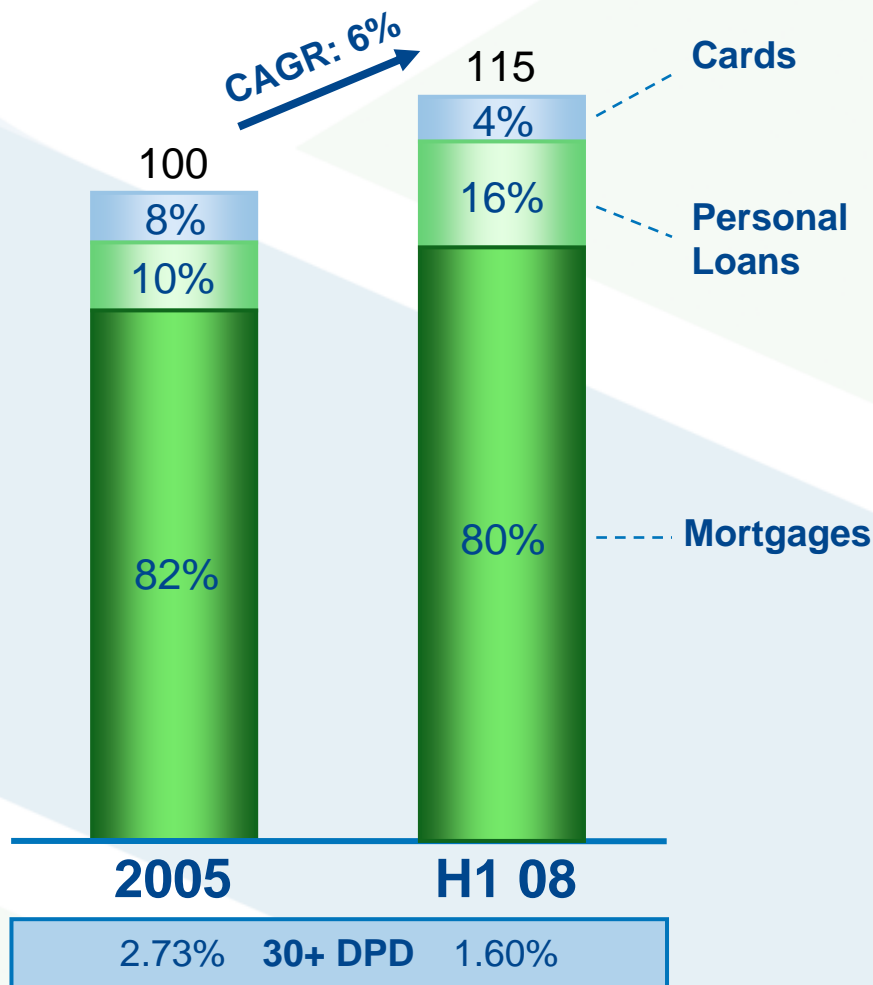
You want your interest to keep on increasing we offer you Marathon Savings Account



Drive new transactional propositions to capture greater share of customer CASA wallet

# Lending: Healthy portfolio growth and focus on product and capability innovation

## Lending growth & mix\* (PE Assets)



## New growth areas

Continue to reposition towards Premium card segments

Needs-based loans

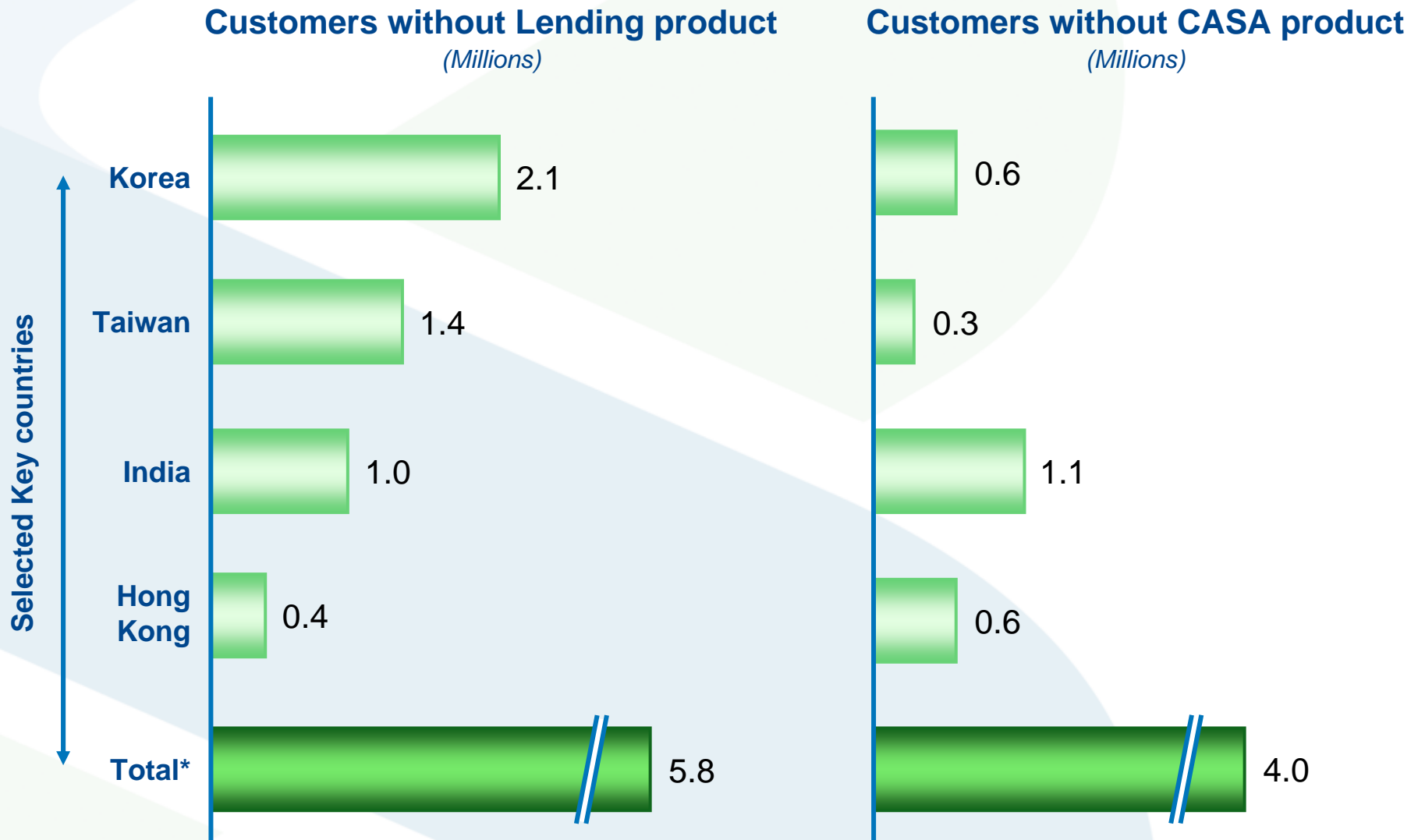
Premium mortgage products, i.e. Portable mortgages, X-border mortgages etc.

## Core lending capabilities

- Score-based lending
- Behaviour-based collections
- Instant / pre-approval

\* Index to PE 2005

# Huge opportunity in existing customer base



\* For Key 11 countries

# 4 key capability building blocks to be main bank to our customers

One form, one process, one relationship

Card as basis of relationship

Banking anytime, anywhere

Reward for entire relationship

# Anytime anywhere banking



**Significantly expanded  
banking footprint in 2008 ...**

(# of)	2007	Sep 2008
ATMs	4,260	>4,800
PoS	35,000	>45,000
I-banking (countries)	16	30
Mobile banking (countries)	6	24

**Grew 3<sup>rd</sup> party distribution  
channels through partnerships**

**... will continue to make substantial  
investments in non-branch channels**

- Focus on remote banking
- Key in superior execution & activation of customer base
- We have had early successes:
  - 27% growth in global active internet banking user base
  - Market-leading mobile banking services in India:  
Peer-to-Peer mobile payments with card less withdrawal
  - 400% growth in transaction volumes through PoS channel in Indonesia

# Reward for entire relationship

- Pan-bank rewards platform
- Earn rewards for both product balance & transaction relationship
- Rewards as an open “currency” to different redemption partners
- Redemption activated across all channels
- Flexibility to customise rewards according to multiple parameters



# Exploit through life-stage propositions



1. Graduates



2. Young Professionals



3. Wealth Builder



4. International

(Early)  
Examples



Hong Kong  
“Click a count”



Indonesia  
“Bebas” account

*Brokerage  
accounts <sup>(1)</sup>*

Taiwan  
India

*International  
account <sup>(2)</sup>*

UAE - India  
HK - China - Taiwan

- New customer growth
- Pipeline for future premium customers

- Complements our existing premium segments

(1) Early version, not definitive yet  
(2) In development

## In summary...

- We are well positioned to leverage our customer base for future balance sheet growth
- We continue to invest in building core capabilities to be a main bank to our customers
- In 2009, we will continue to focus on growing deposits significantly while we manage asset growth in the customer segments we understand

## Q & A

# Wholesale Banking

**Mike Rees**

CEO, Wholesale Banking



# Agenda for the afternoon

## 13:00 – 14:00 Wholesale Banking overview & strategy

Mike Rees

14:00 – 15:00 Wholesale Banking  
financial performance

Vivek Ahuja

15:00 – 15:25 Tea & coffee break

15:25 – 15:40 Local Corporates

Vis Shanker

15:40 – 16:00 Financial Markets

Lenny Feder

16:00 – 16:20 Corporate Finance

Sean Wallace

16:20 – 16:40 JSL Limited, Wholesale Banking  
client of SCB

Ratan Jindal

16:40 – 17:00 Recap and Q&As

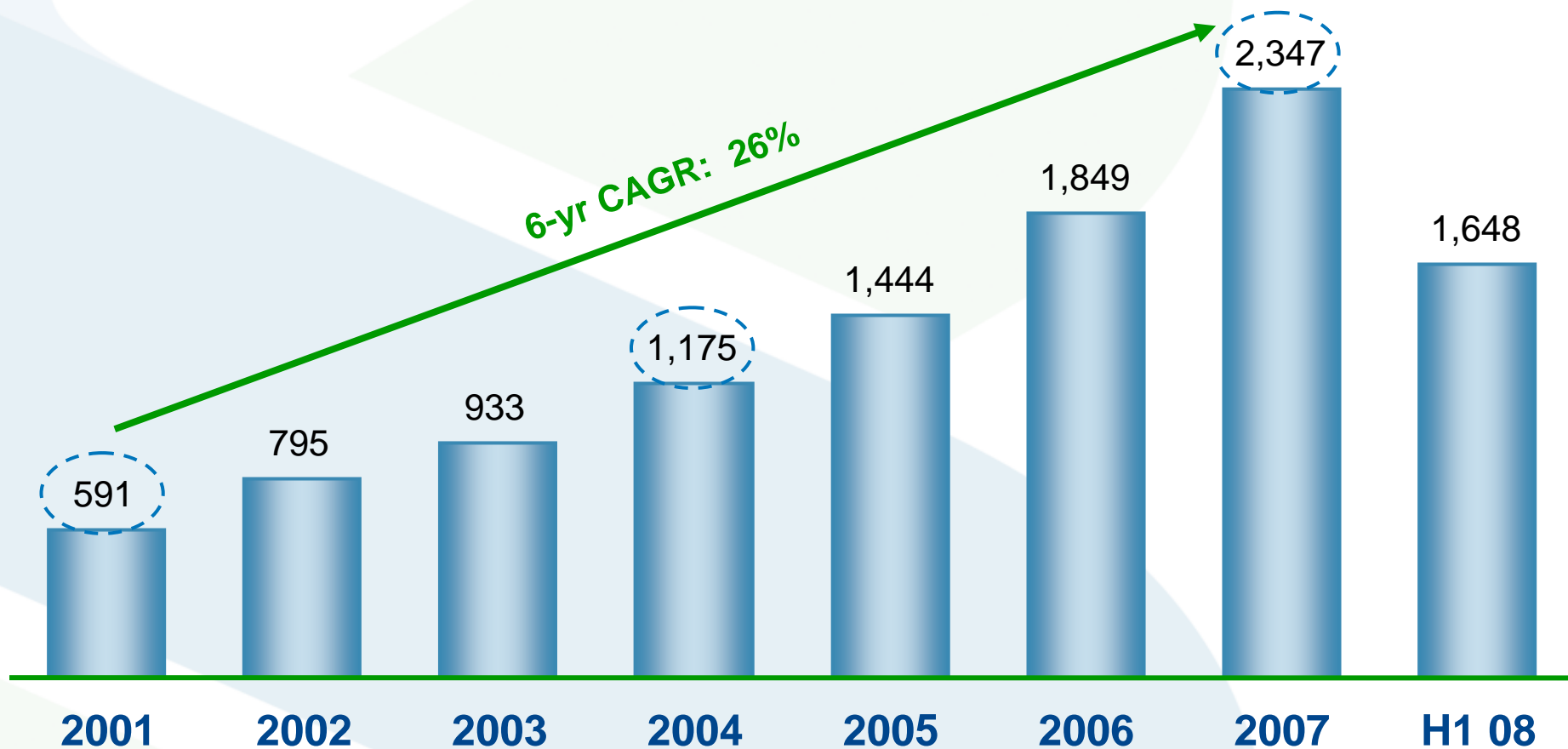
17:00 – 18:15 Drinks and canapés with the  
Wholesale Banking  
Management Team

- Consistent strategy
- Increasing “metabolic rate” of the business
- Lessons from turmoil: discipline and focus
- Strength of our values and culture

# Operating profit

## Wholesale Banking operating profit

US\$ m



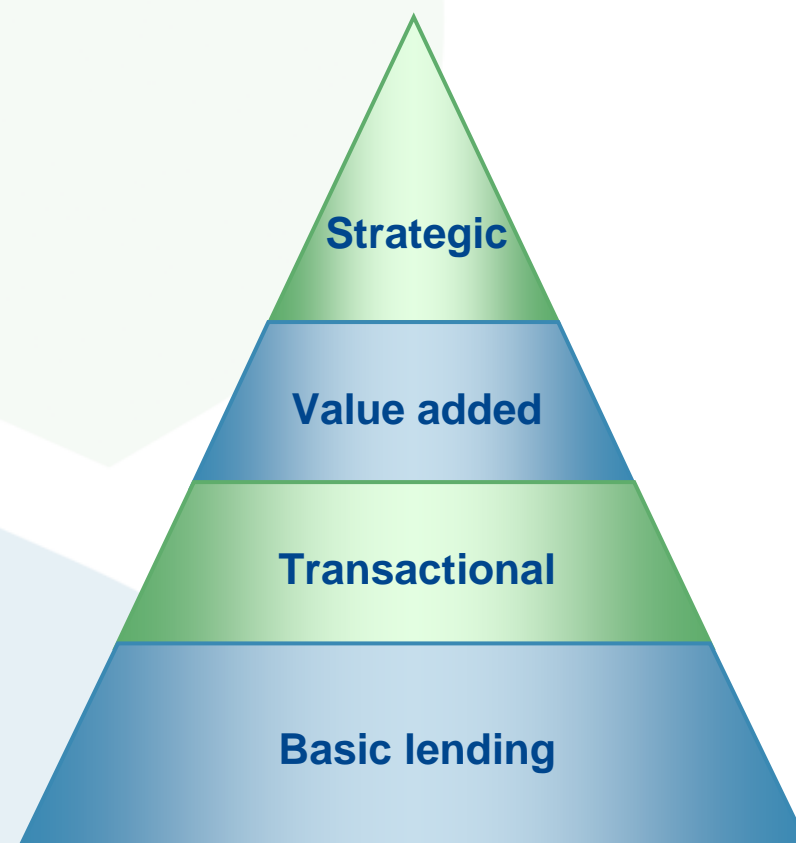
- Consistent strategy
- Increasing “metabolic rate” of the business
- Lessons from turmoil: discipline and focus
- Strength of our values and culture







- Deep 'core bank' client relationships
- Local scale and cross-border capabilities
- Origination and distribution

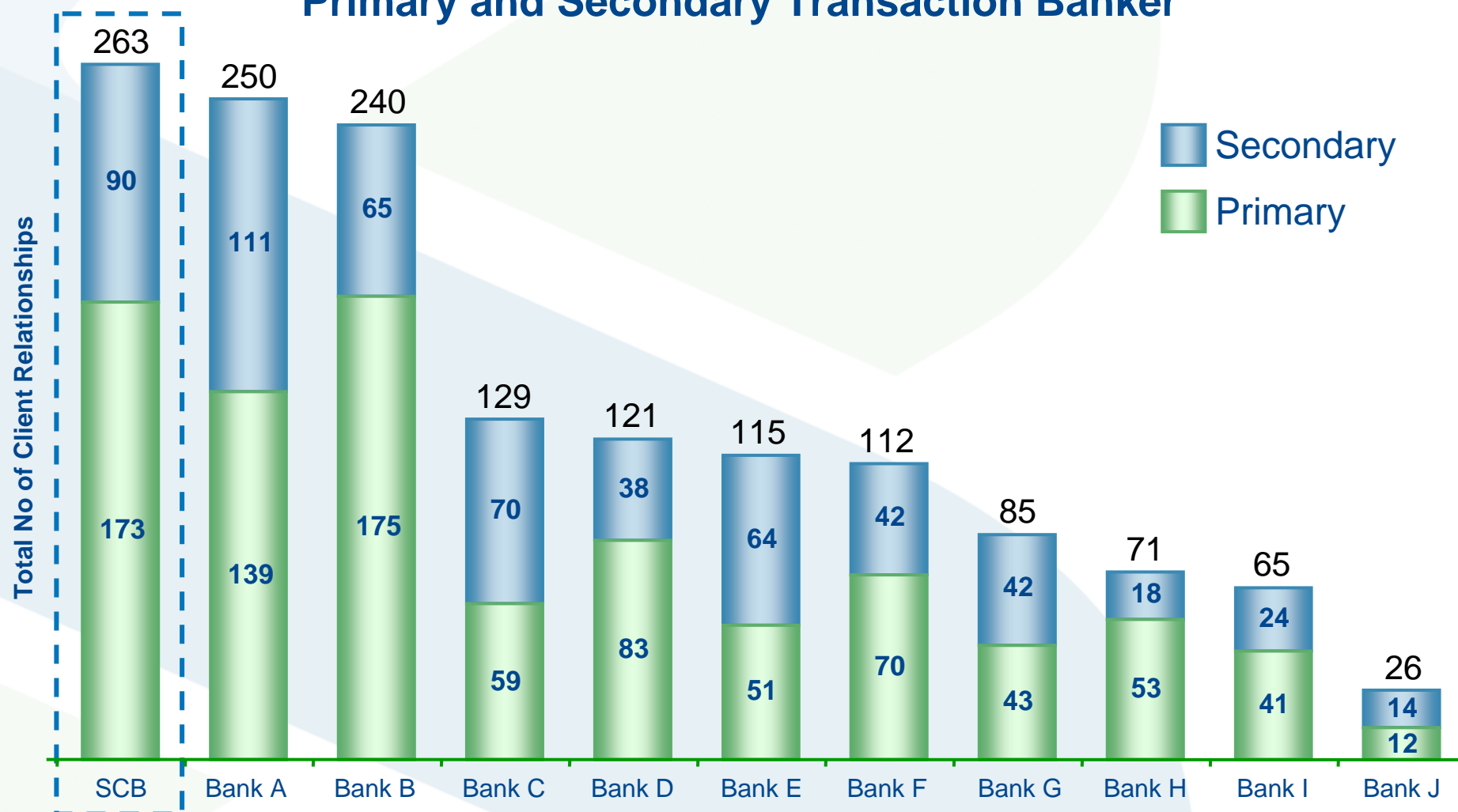


# Market share

%	2005	2006	2007
Hong Kong	7.5	7.9	9.6
Malaysia	6.4	6.5	7.0
UAE	6.6	6.6	6.5
Singapore	5.3	5.7	6.1
India	3.7	4.4	6.0
Pakistan	3.7	4.2	5.1
Indonesia	4.8	3.5	4.0
Korea	1.9	2.3	2.4
Taiwan	0.8	1.0	1.3
China	0.3	0.5	0.6

Source: Standard Chartered Bank estimates

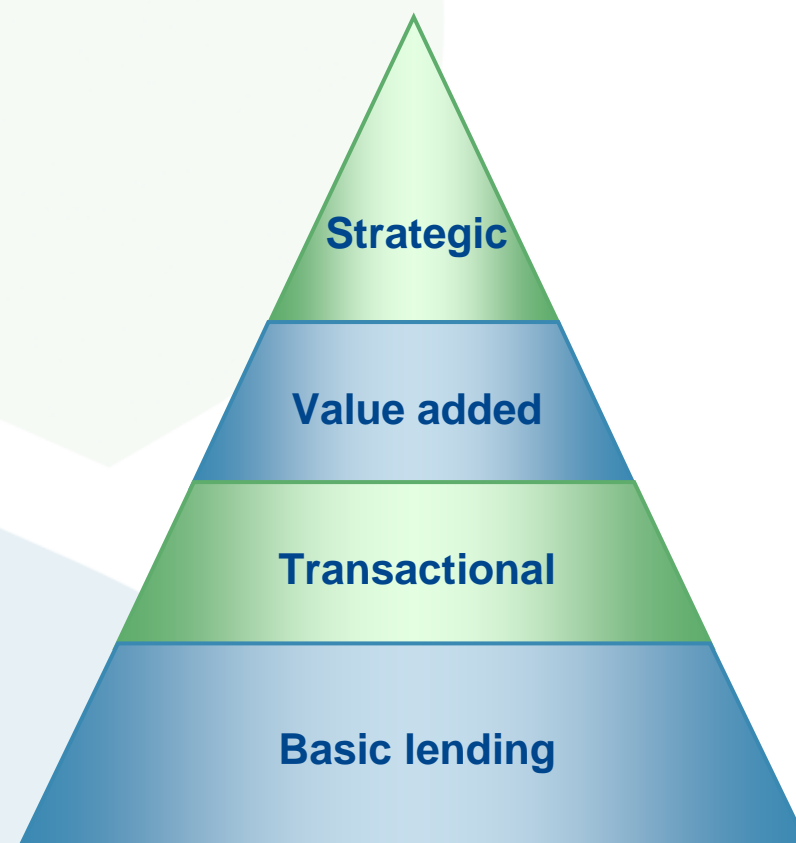
## Market penetration – Primary and Secondary Transaction Banker



Source: East & Partners – November 2007

Users: 923 Corporates in Asia - China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Korea, Taiwan, Thailand

- Deep 'core bank' client relationships
- Local scale and cross-border capabilities
- Origination and distribution



## Top bookrunners of all Asian local currency bonds (inc-certificates of deposits)

01/01/08 – 30/09/08

	Name	Issues	Amount (US\$m)	%
1	CITIC	19	10,222.50	8.4
2	HSBC	211	8,638.80	7.1
3	<b>Standard Chartered</b>	<b>203</b>	<b>8,277.90</b>	<b>6.8</b>
4	CICC	10	6,881.60	5.7
5	Citi	76	3,893.60	3.2
6	OCBC	33	3,765.90	3.1
7	Axis Bank	86	3,756.30	3.1
8	DBS	32	3,020.40	2.5
9	Woori Invest & Sec Co	29	3,017.40	2.5
10	CIMB	48	2,866.40	2.4

YTD 2008	1,186	121,300.30
YTD 2007	1,344	94,266.60

% Change 2008 over 2007

+28.7

## Top bookrunners of Asia-Pacific syndicated loans (ex-Japan and Australia)

01/01/08 – 30/09/08

	Name	Deals	Amount (US\$m)	%
1	Bank of China	12	11,291.20	9.4
2	State Bank of India	28	11,244.80	9.4
3	<b>Standard Chartered</b>	<b>54</b>	<b>7,352.20</b>	<b>6.1</b>
4	DBS	37	5,461.20	4.5
5	OCBC	24	4,449.70	3.7
6	RBS	34	4,300.70	3.6
7	ICICI	15	4,293.10	3.6
8	HSBC	37	3,852.30	3.2
9	BNP Paribas	34	3,557.20	3.0
10	Fubon Financial	50	3,273.70	2.7

YTD 2008	446	120,307.40
YTD 2007	473	120,322.00

% Change 2008 over 2007

-

Source: Thomson Financial league tables



- Consistent strategy
- Increasing “metabolic rate” of the business
- Lessons from turmoil: discipline and focus
- Strength of our values and culture



# Strategic intent

Strategic intent	<b>The world's best international bank</b> <i>Leading the way in Asia, Africa and the Middle East</i>
brand promise	<b>Leading By Example to be The Right Partner</b>
Values	<b>Responsive ♦ Trustworthy ♦ Creative ♦ International ♦ Courageous</b>

- Consistent strategy
- Increasing “metabolic rate” of the business
- Lessons from turmoil: discipline and focus
- Strength of our values and culture

# Wholesale Banking

**Mike Rees**

CEO, Wholesale Banking



# GDP forecasts

GDP 2009a	Was*	Now
China	8.2	7.9
India**	8.5	7.0
Indonesia	6.2	5.8
UAE	6.0	2.7
Hong Kong	5.0	2.3
Singapore	4.9	2.0
Korea	5.0	1.4
Eurozone	1.4	-0.5
Japan	1.5	-0.7
UK	0.8	-2.0
US	0.9	-2.0

Source: Standard Chartered Bank

\* GDP forecasts as at June 2008  
\*\* Fiscal year ending March 2009

# Wholesale Banking

## Financial & Risk Overview

**Vivek Ahuja**

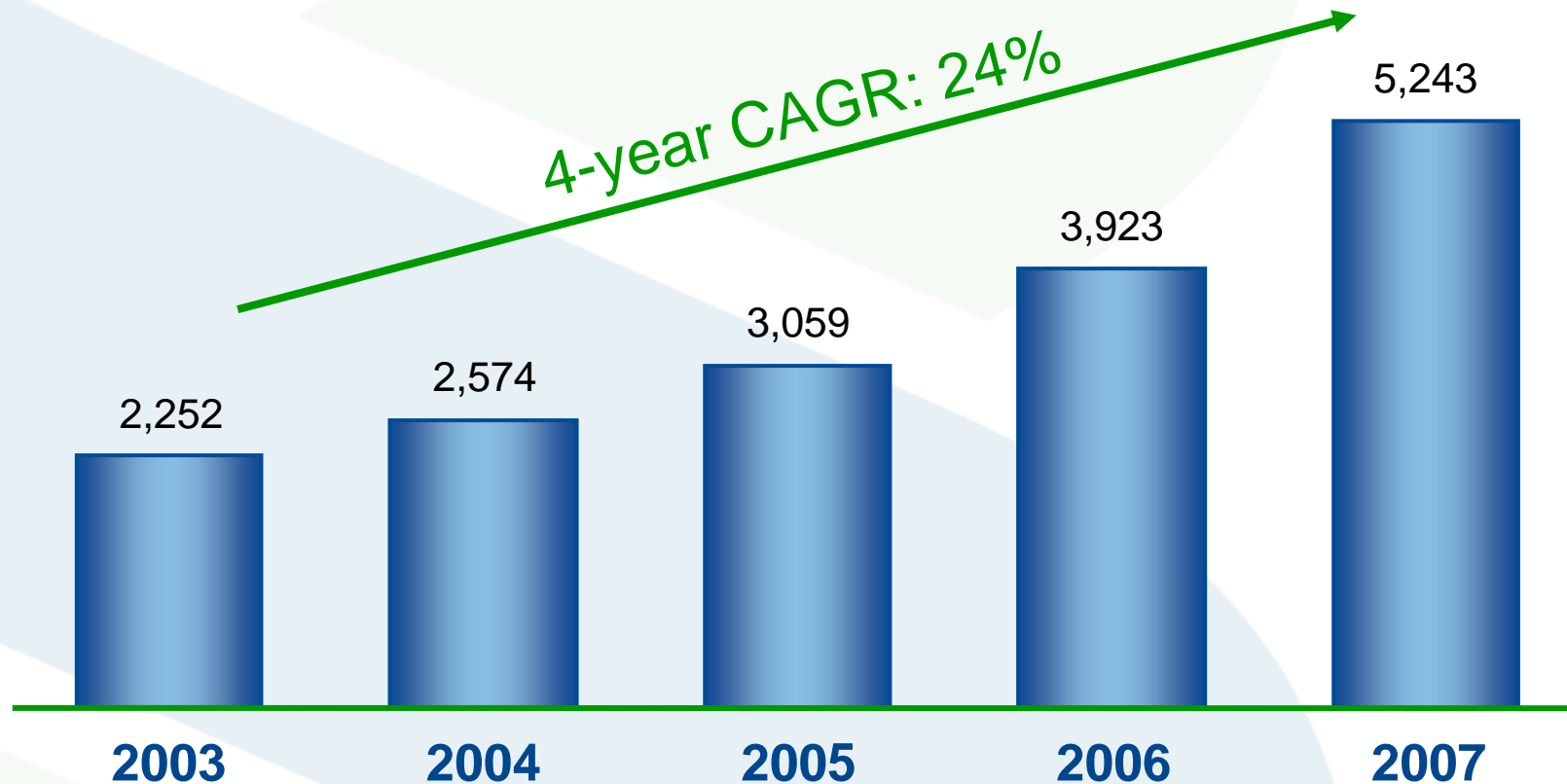
CFO, Wholesale Banking



# Strong top line growth has been key to the transformation

## Wholesale Banking

Operating income  
US\$ m

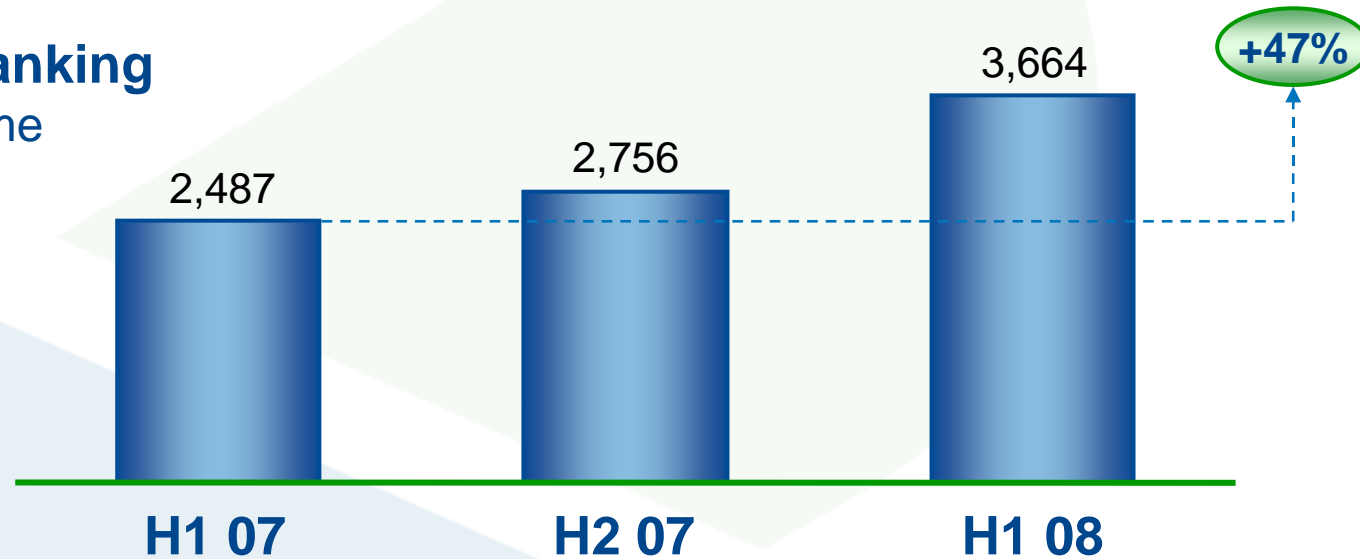


- Focused execution of our strategy has translated into strong financial performance
- Accelerated growth has been driven by a number of key interrelated factors
  - Increased depth of client relationships
  - Broadened capabilities to address clients' diversified needs
  - External market factors have played to our advantage
- Tight capital, liquidity and risk management were key enablers of growth and a differentiating competitive factor

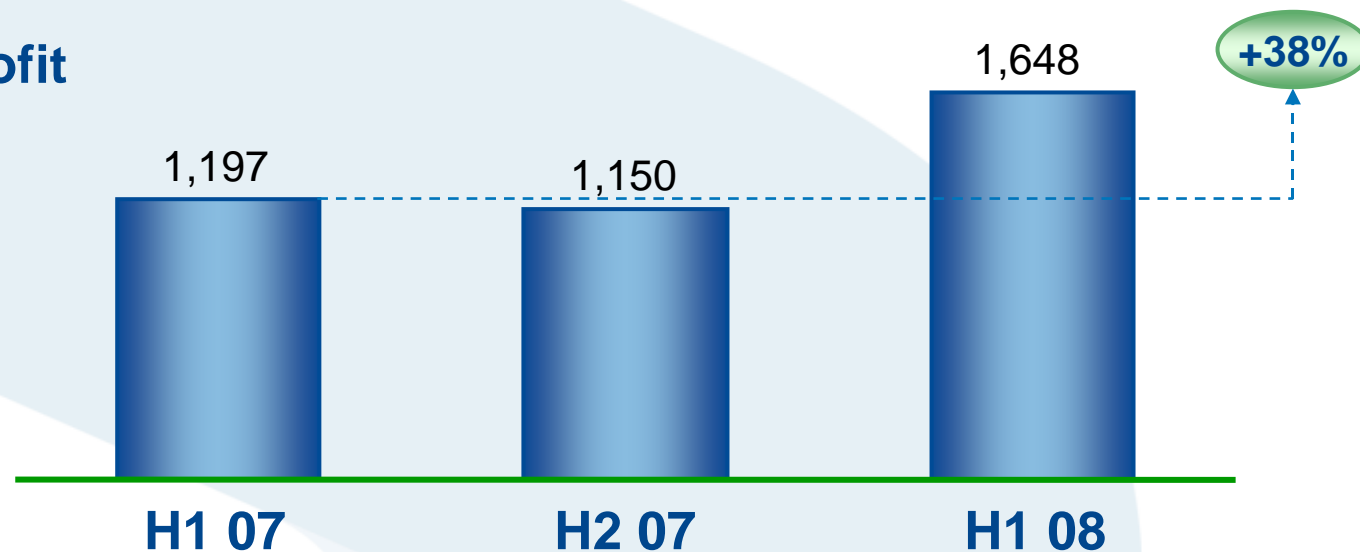
# Significant growth in H1 08

## Wholesale Banking

Operating income  
US\$ m



## Operating profit





# Well-balanced financial metrics

## Wholesale Banking

P&L and assets

US\$ m

	H1 07	H1 08	%growth	%growth (underlying) <sup>1</sup>
Operating Income	2,487	3,664	47%	42%
Operating Expenses	(1,298)	(1,939)	49%	42%
Loan Impairment	11	(53)	nm	nm
Other Impairment	(3)	(24)	nm	nm
<b>Operating Profit</b>	<b>1,197</b>	<b>1,648</b>	<b>38%</b>	<b>35%</b>
<b>Loans &amp; Advances to customers (US\$bn)</b>	<b>74</b>	<b>93</b>	<b>27%</b>	<b>27%</b>
<b>RWA (US\$bn)</b>	<b>132<sup>2</sup></b>	<b>148</b>	<b>12%</b>	<b>8%</b>

<sup>1</sup> excludes acquisitions in 2008 figures

<sup>2</sup> RWA as of year end Dec07, comparable figure not available for Jun07 which was under Basel I

nm = not meaningful

# Revenue uplift from core and strategic businesses

## Total product revenues

US\$ m

Previously published categories

■ Trade & Lending

■ Cash & Custody

■ Global Markets

**Lending & Portfolio Mgt**

**Transaction Banking**

Trade

Cash Mgt & Custody

**Global Markets**

Financial Markets

Corporate Finance

Principal Finance

Balance Sheet Mgt

**Total Wholesale Banking**

**H1 07**

**H1 08**

**% growth**

211

246

17%

930

1,249

34%

321

470

46%

609

779

28%

1,346

2,169

61%

784

1,213

55%

191

364

91%

170

78

(54%)

201

514

156%

2,487

3,664

47%

**Client income as %  
of total income**

**80%**

**76%**

# Financial Markets benefited from broader product capabilities

## Financial Markets

*Product breakdown*

US\$ m

	H1 07	H1 08	% growth
FX	486	716	47%
Rates	84	334	298%
Commodities & Equities	20	48	146%
Capital Markets	106	118	11%
Credit & Other	88	(3)	(102%)
<b>Total Financial Markets</b>	<b>784</b>	<b>1,213</b>	<b>55%</b>

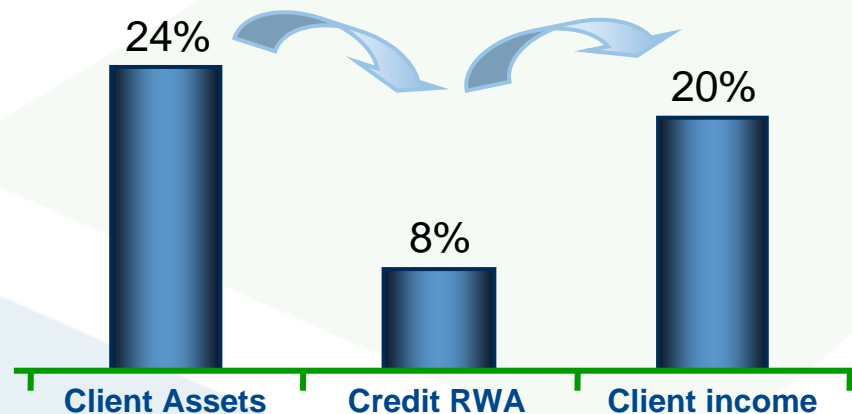
Client income as  
% of total income

84%

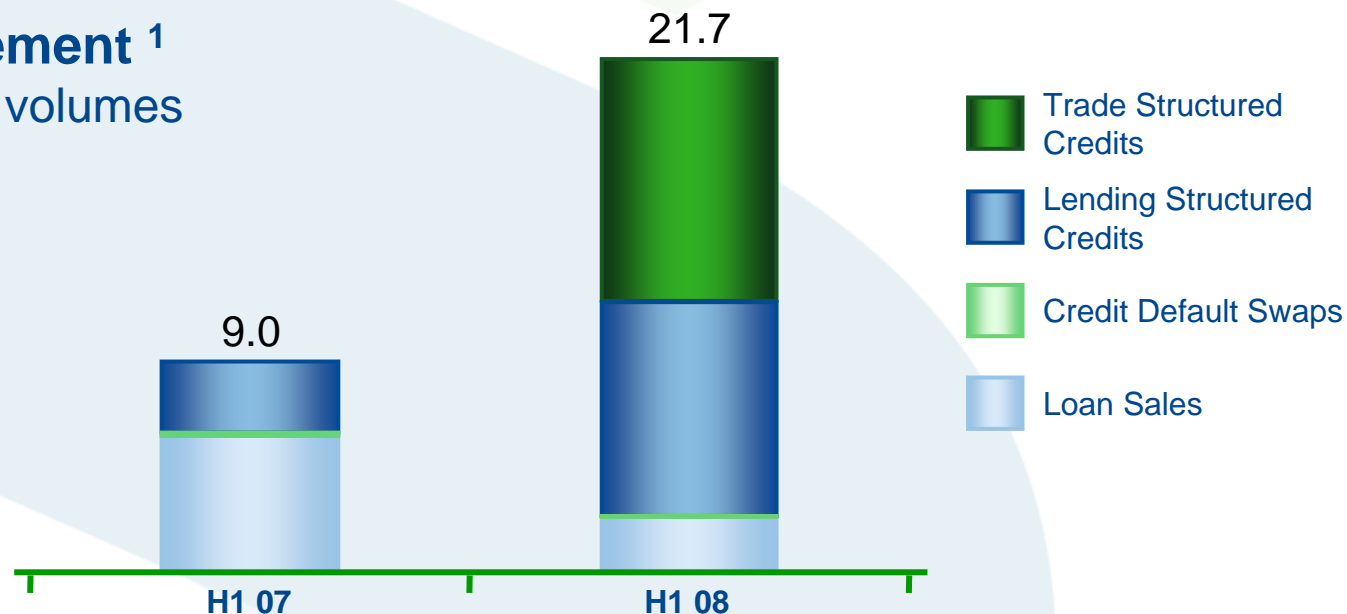
82%

# Capital optimised through improved efficiency and distribution

## Assets/RWA/income growth (Dec07 – Jun08)



## Portfolio management <sup>1</sup> Notional distribution volumes US\$ bn



<sup>1</sup> only Basel II efficient deals have been included for like-for-like comparisons

## ...with allocation to higher return businesses

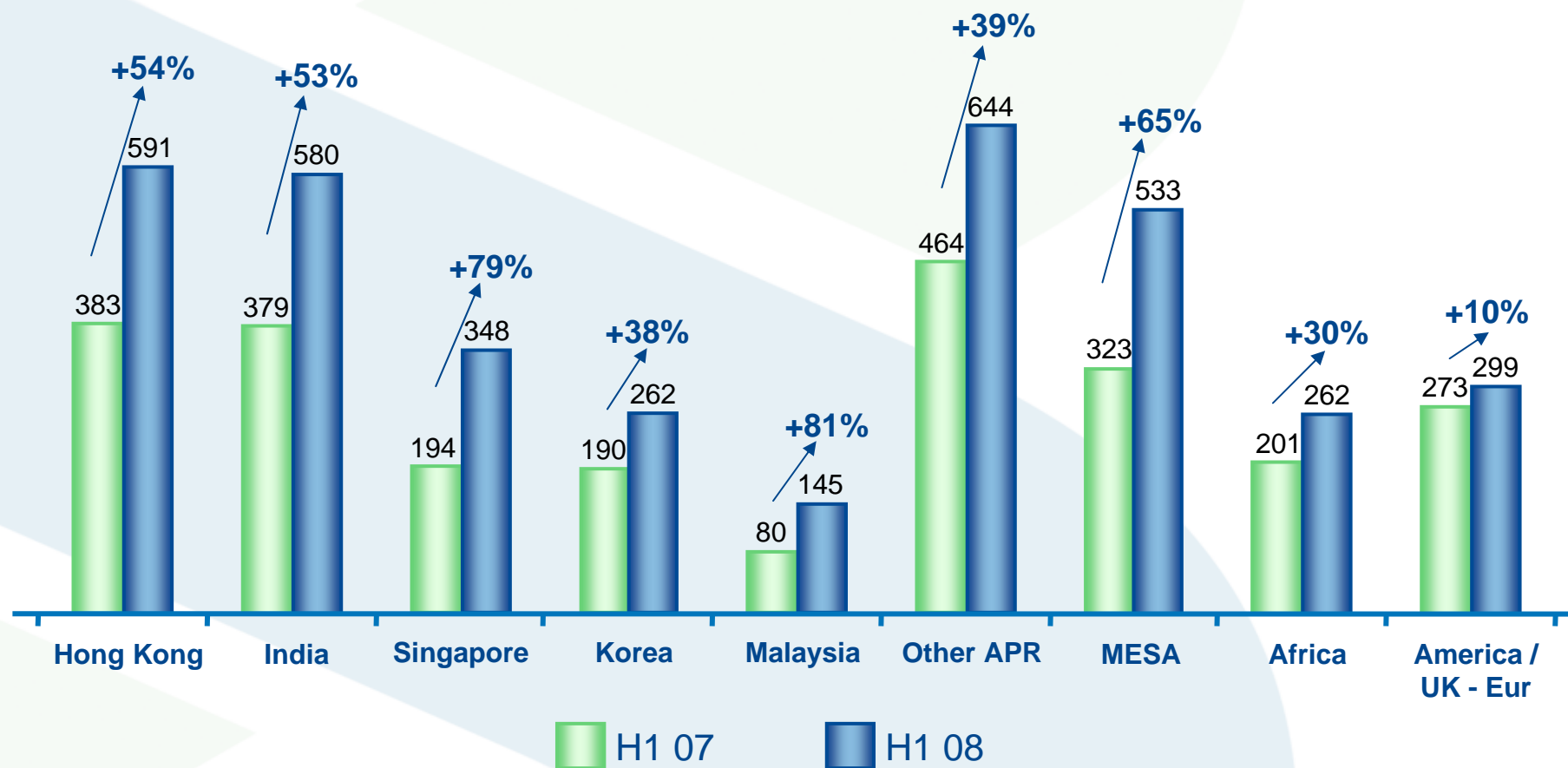
	Return on Avg RWA <sup>1</sup> (Jun08)	Change in Return on Avg RWA <sup>1</sup> (Dec07-Jun08)
Lending (net)	1.05%	+16bps
Transaction Banking (net)	5.68%	+89bps
Financial Markets	7.68%	+188bps
Corporate Finance	5.77%	+127bps
WB average	5.09%	+89bps

<sup>1</sup> Return on average RWA is annualised revenues divided by the average RWA over the period

# Strong network franchise effectively leveraged

## Geographic split US\$m

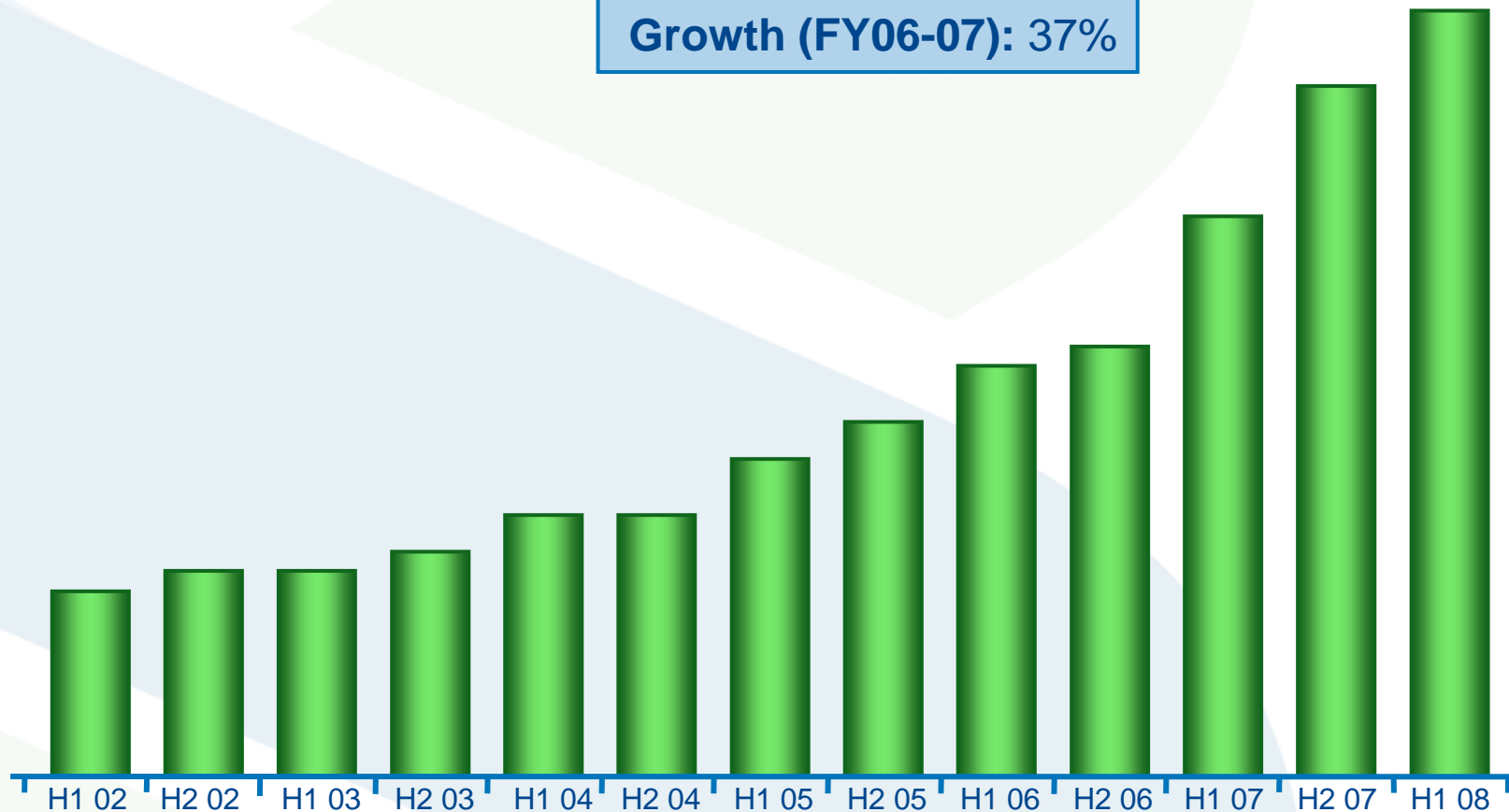
Offshore income: +52%  
Onshore income: +37%



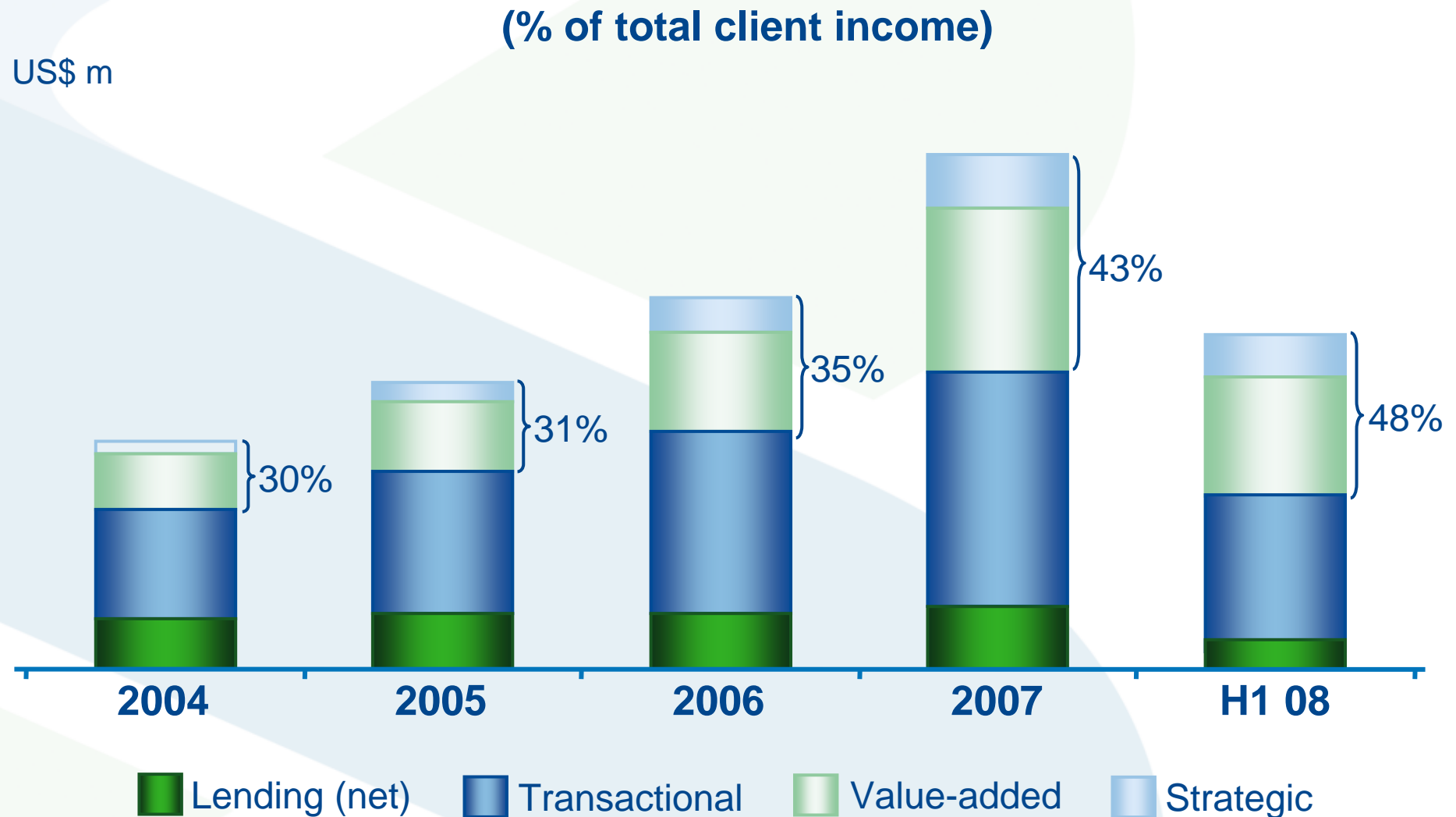
# Client income remains the cornerstone of growth

## Wholesale Banking client income (sales)

CAGR (FY02-04): 17%  
CAGR (FY04-06): 27%  
Growth (FY06-07): 37%



# Shifting business mix reflects the uptiering of our clients...





# ...Resulting in increased share of mind with our top customers

## Income of top clients H1 08 vs H1 07

Top 10 clients

**+ 52 %**

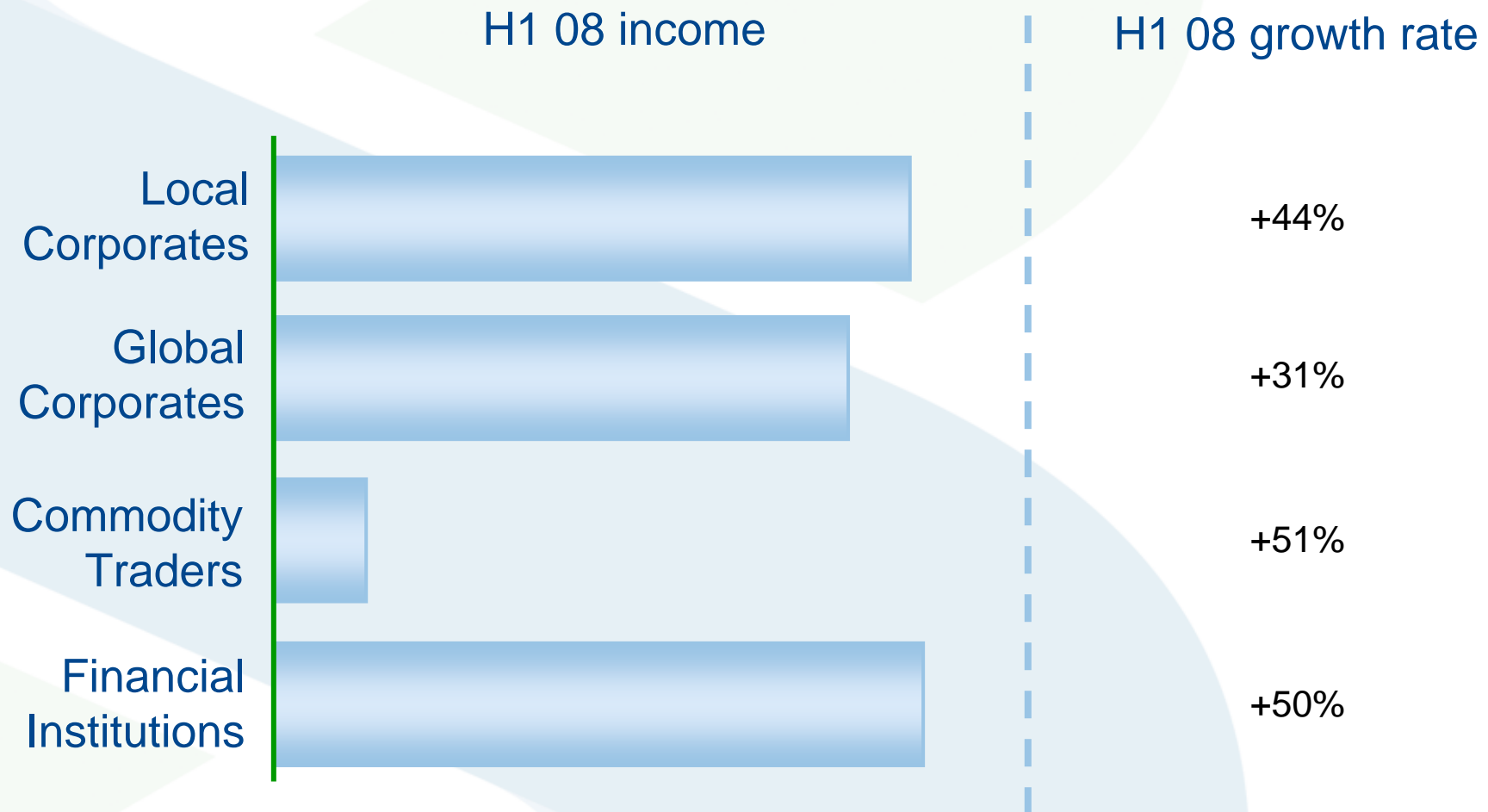
Top 50 clients

**+ 57 %**

	FY 07	H1 08 *	% growth
# clients with income >US\$10m	25	53	112%
# clients with income >US\$5m	89	162	82%
# clients with income >US\$1m	679	948	40%

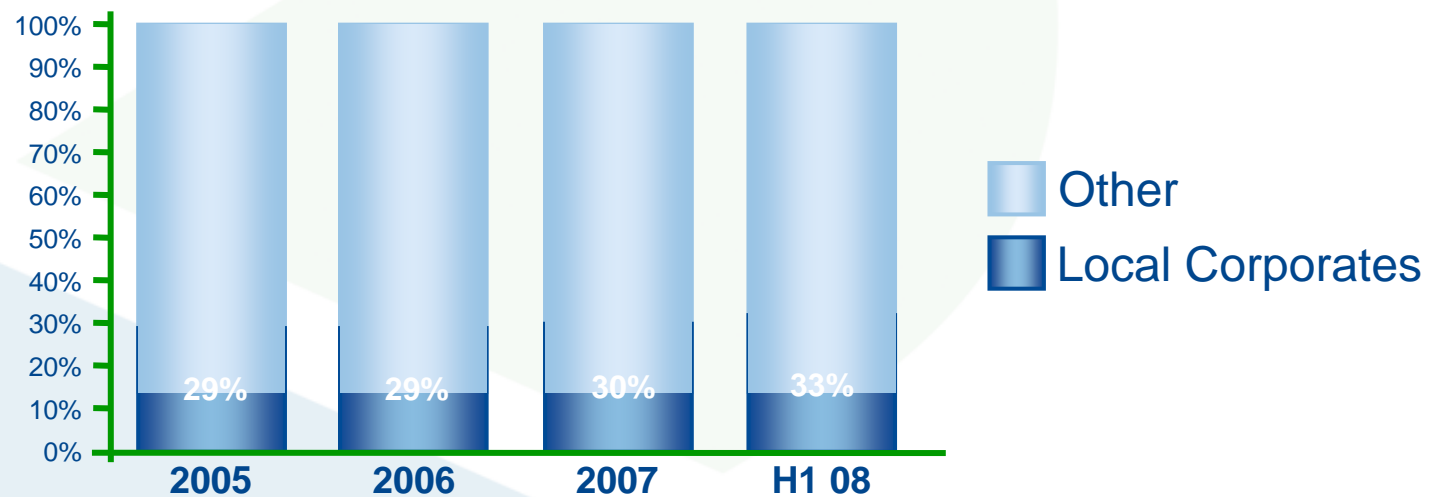
\*Note: on an annualised basis (YTD June 2008 actuals extrapolated on a straight-line basis) and includes AEB

## Client income and growth by segment (%)

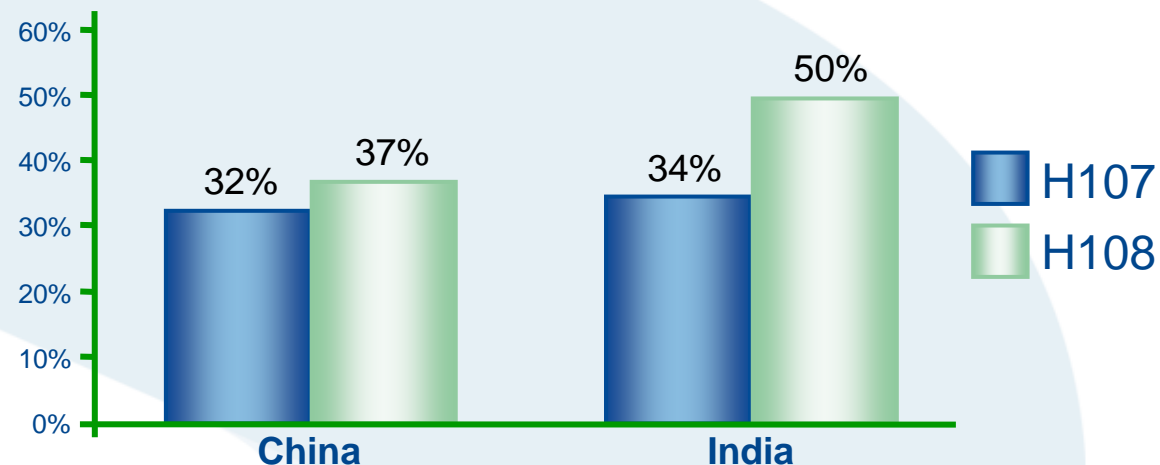


# Building local scale in key markets

## Local Corporates as % of total client income



## Local Corporates as % of total client income in key markets



# Costs driven by investments in people with increasing flexibility

## Wholesale Banking

Operating expenses

US\$ m

### Expenses breakdown (H1 08)

Staff: 64%

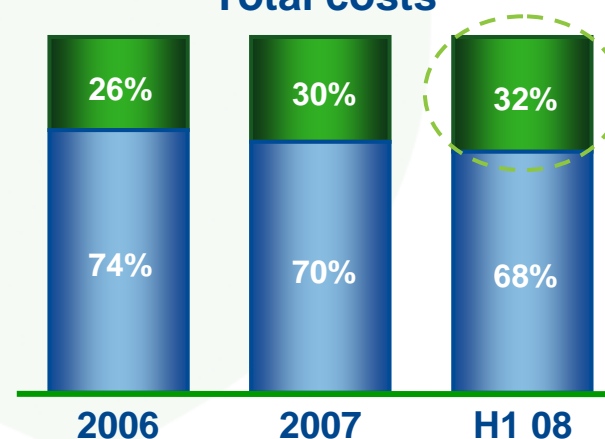
Premises: 5%

General admin: 27%

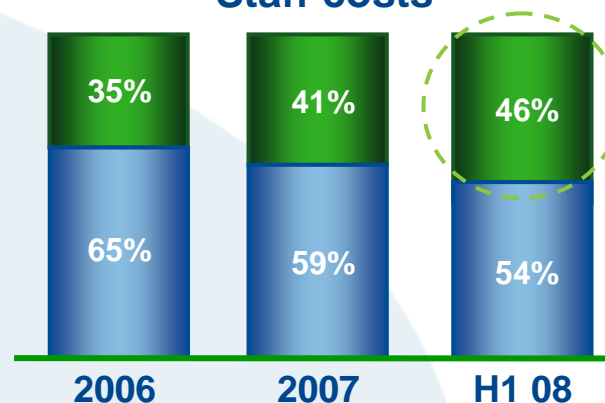
Depr & amortis: 3%

Other: 1%\*

### Total costs



### Staff costs



Core costs



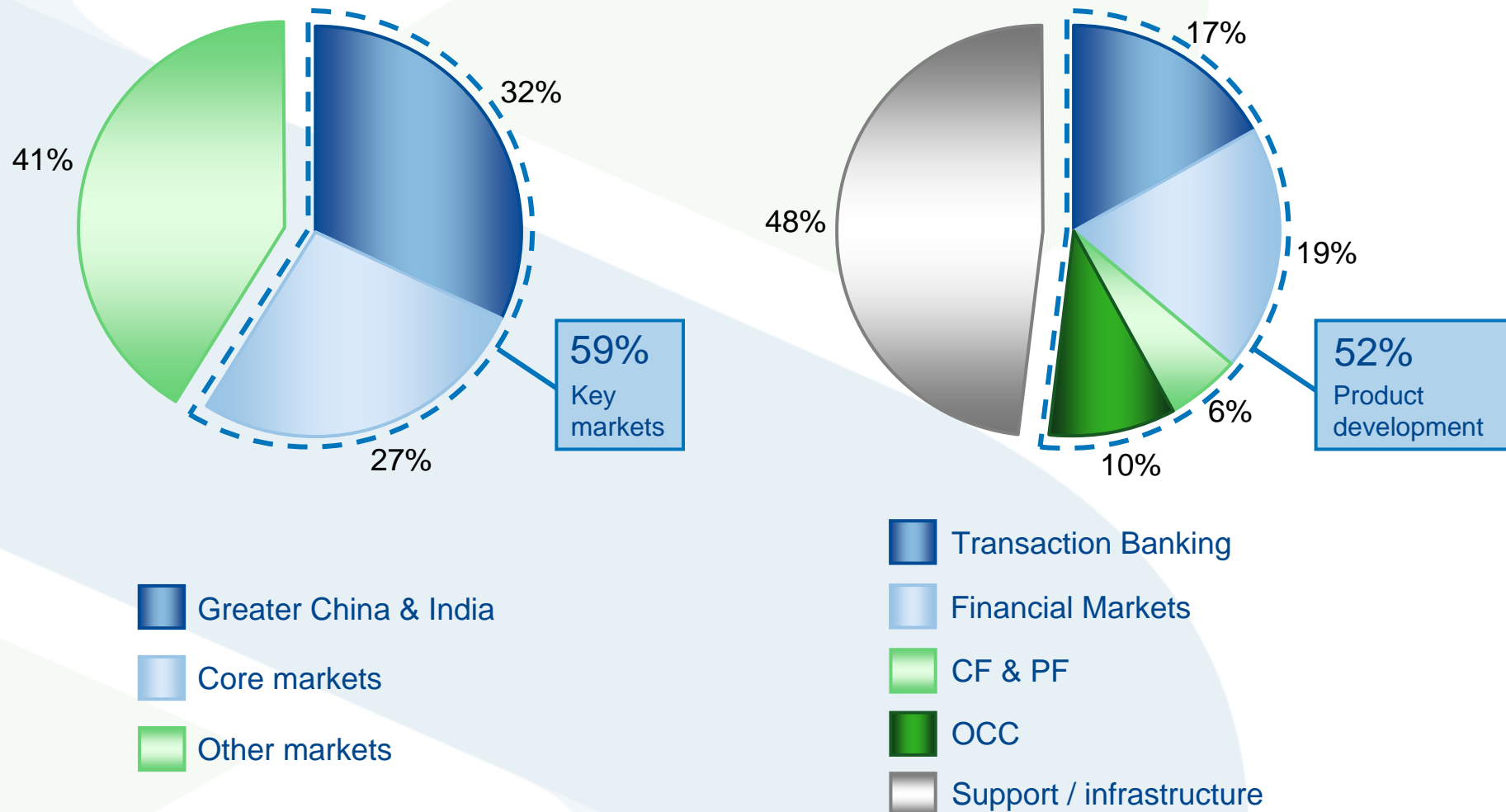
Variable costs

NOTE: expenses breakdown based on management accounts

\* AEB integration costs of US\$25m in H1 08

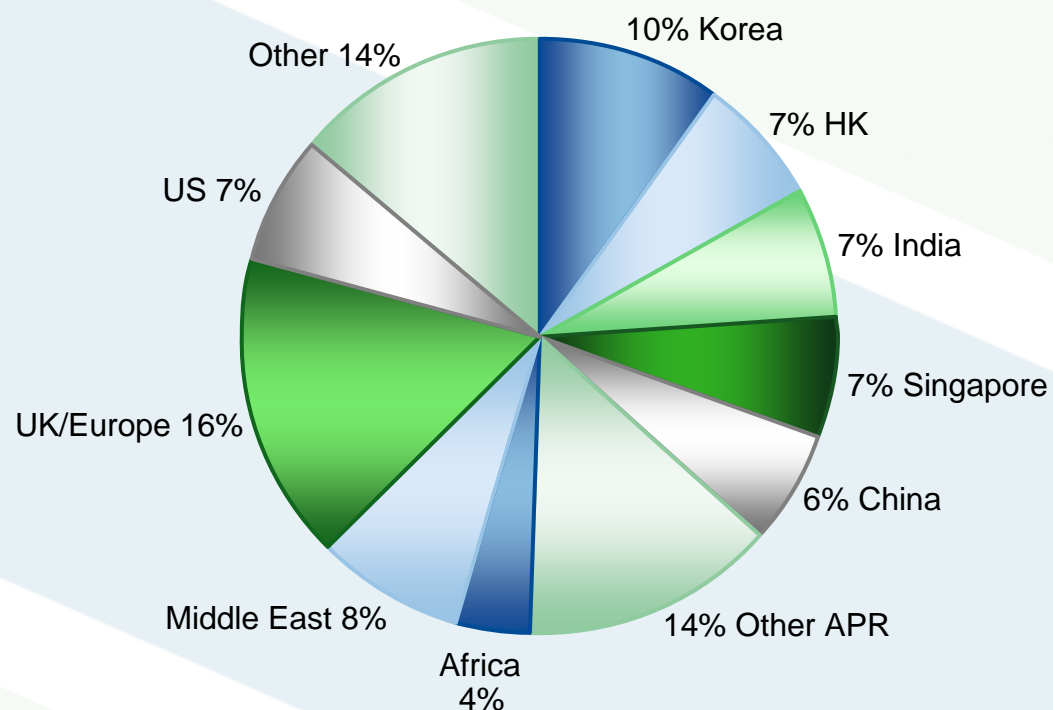
# Investments focused on building scale and capabilities in strategic markets and businesses

## H1 08 investment spend

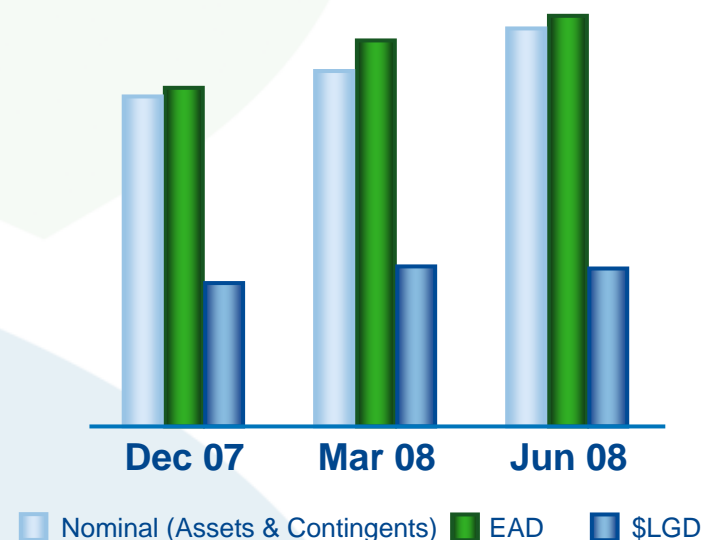


# Portfolio is well-diversified with limited concentration risk

**WB nominal as of 30 June 2008**  
**Portfolio mix by geography**



**WB trend**



NOTE: WB nominal is all outstanding assets & contingents for both Cat 1 & 2;  
geography is based on the country of incorporation of the client rather than the booked location

# WB portfolio risk profile remains sound with LGD actually improved

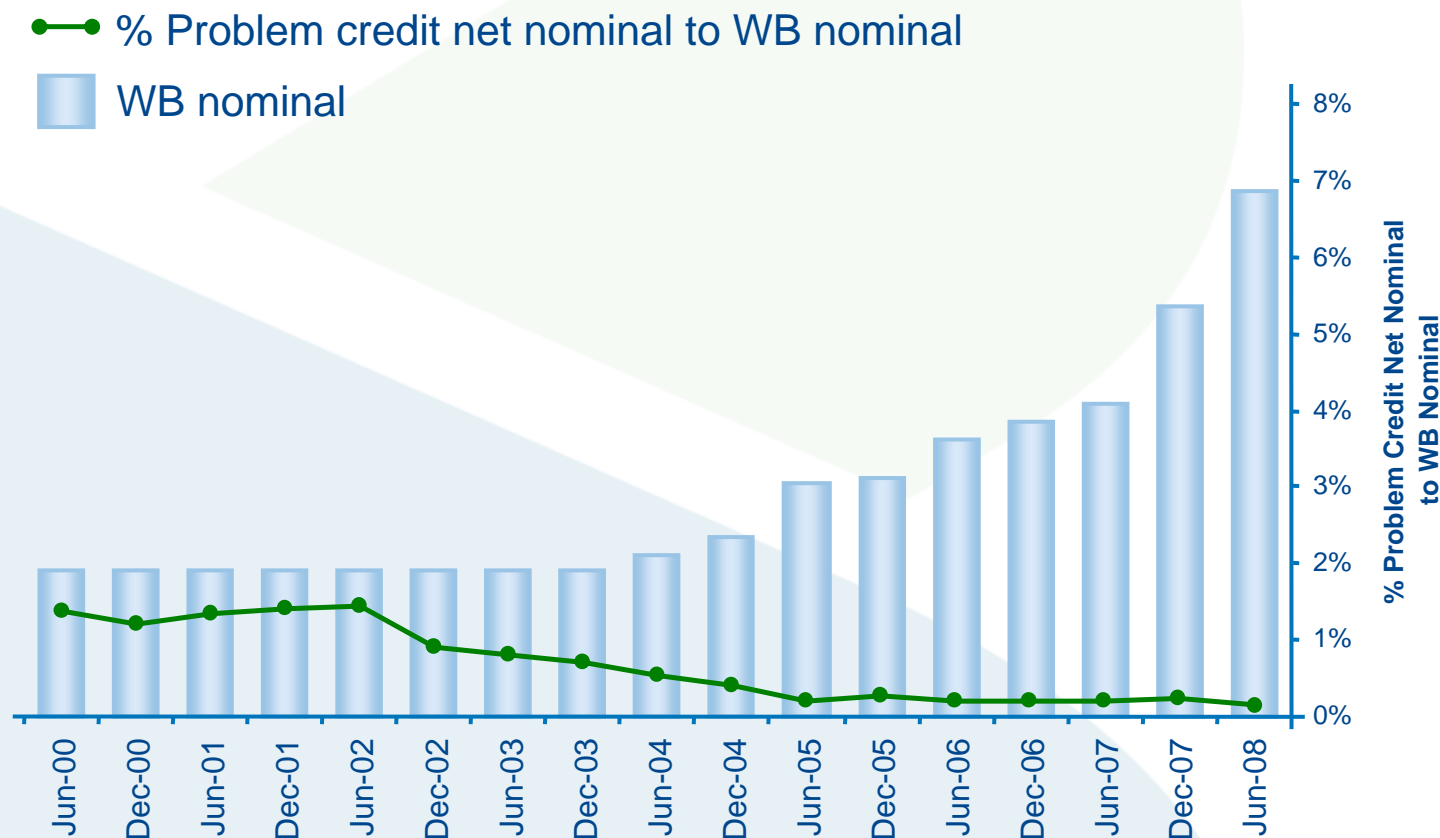
	WA LGD (%)	WA PD (bps)	WA CG <sup>1</sup>
Dec 07	37	57	6A
Jun 08	34	64	6B

Source: WB portfolio risk

- WA LGD improved through increased amounts and application of collateral
- WA PD increase largely due to changes in portfolio composition mix and credit downgrades on existing clients

<sup>1</sup> credit ratings above based on an internal grading system using a PD measure.  
Our WA CG of 6B is comparable to a portfolio of assets with a WA S&P rating of BB+/BB

# Problem credit is historically low and remains well managed



*The percentage of problem credits net nominal<sup>1</sup> in relationship to WB nominal has been broadly steady since June06 at about 0.2%.*

<sup>1</sup> GSAM book nominal less provisions and write-offs



# Leading to relatively low impairment charges

## Loan Impairment US\$ m

	H1 07	H1 08	YOY %
Specific impairment provisions	(38)	(63)	66%
Recoveries	55	32	(42%)
Portfolio impairment provisions	(6)	(22)	-
<b>Total net release / (charge)</b>	<b>11</b>	<b>(53)</b>	<b>-</b>

- Growth momentum sustained in H1 2008 with strong performance across client segments, products and geographies
- Relentless focus on the client-led strategy
- Flow businesses continue to be a core part of the revenue base and are therefore, more sustainable
- A well diversified and more sophisticated product suite and scale in major growth markets present further business opportunities in a changing risk and competitive environment
- Continued focus on capital, liquidity and risk management will remain the key enablers of growth whilst optimising returns

## Q & A