



# Full Year 2013 Results Presentation

05 March 2014

Here for good

## Forward looking statement

This presentation contains or incorporates by reference 'forward-looking statements' regarding the belief or current expectations of Standard Chartered, the Directors and other members of its senior management about the Group's businesses and the transactions described in this presentation. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and/or its Group and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks and uncertainties changes in the credit quality and the recoverability of loans and amounts due from counterparties; changes in the Group's financial models incorporating assumptions, judgments and estimates which may change over time; risks relating to capital, capital management and liquidity; risks arising out of legal and regulatory matters, investigations and proceedings; operational risks inherent in the Group's business; risks arising out of the Group's holding company structure; risks associated with the recruitment, retention and development of senior management and other skilled personnel; risks associated with business expansion and engaging in acquisitions; global macroeconomic risks; risks arising out of the dispersion of the Group's operations, the locations of its businesses and the legal, political and economic environment in such jurisdictions; competition; risks associated with the UK Banking Act 2009 and other similar legislation or regulations; changes in the credit ratings or outlook for the Group; market, interest rate, commodity prices, equity price and other market risk; foreign exchange risk; financial market volatility; systemic risk in the banking industry and amongst other financial institutions or corporate borrowers; cross-border country risk; risks arising from operating in markets with less developed judicial and dispute resolution systems; risks arising out of regional hostilities, terrorist attacks, social unrest or natural disasters and failure to generate sufficient level of profits and cash flows to pay future dividends.

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# Sir John Peace

## Chairman

# Strategy



## Our Ambition

**The world's best international bank**

## Our Strategy

**We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East**

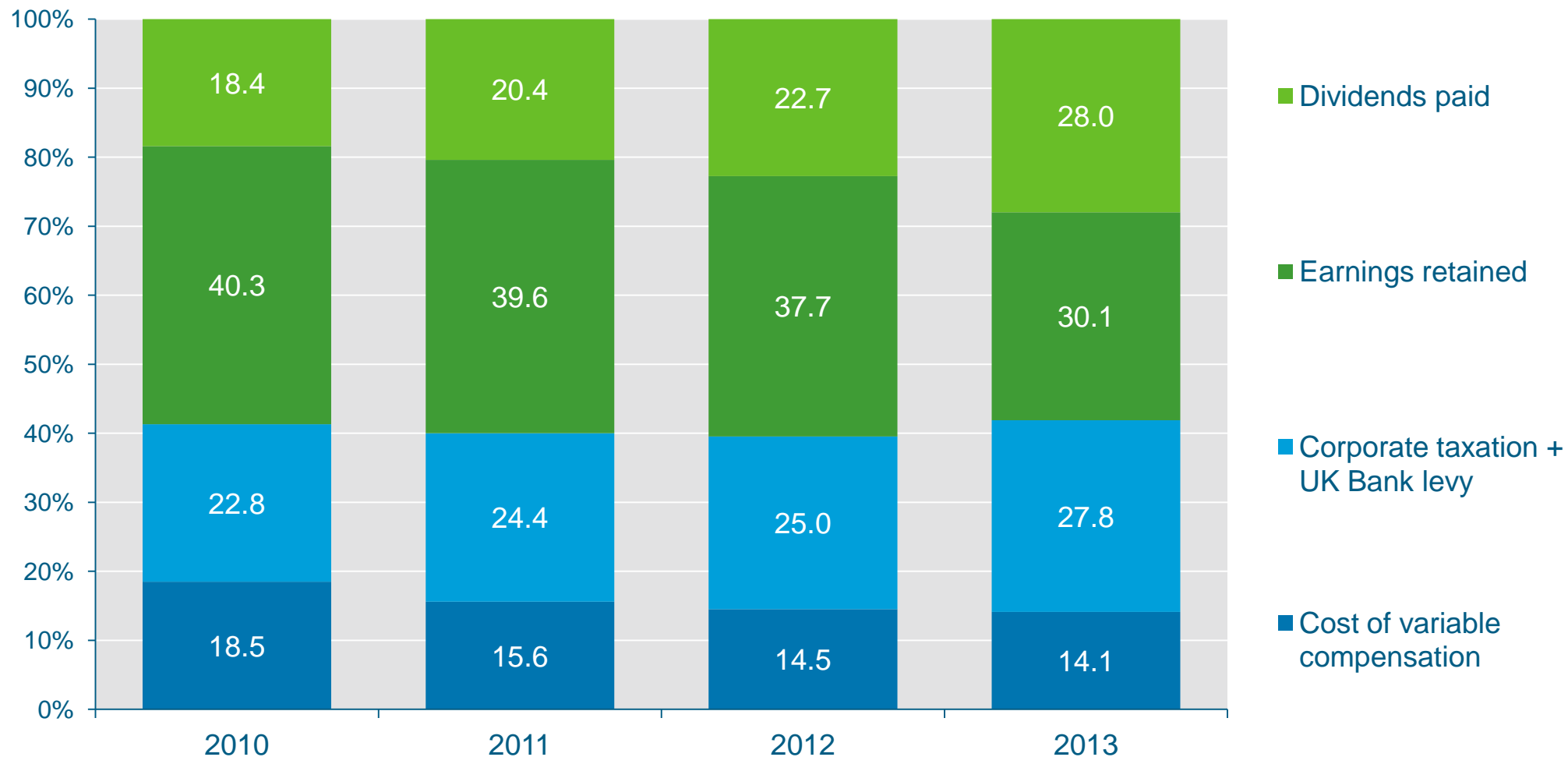
## Our Brand Promise

**Here for good**

Our Aspirations	<b>Relationships</b> Build trusted relationships with the people, companies and institutions shaping our markets' future	<b>Investment</b> Play a leading role in facilitating investment and deepening financial markets	<b>Trade</b> Become the undisputed leader in commercial payments and financing for and in Asia, Africa and the Middle East	<b>Wealth</b> Be recognised as a leader in growing and protecting our clients' wealth	<b>Relevant Scale</b> Establish sufficient scale, balance sheet and franchise strength to be relevant and influential in our key markets
	<b>Courageous</b> We take measured risks and stand up for what is right	<b>Responsive</b> We deliver relevant, timely solutions for clients and customers	<b>International</b> We value diversity and collaborate across the network	<b>Creative</b> We innovate and adapt, continuously improving the way we work	<b>Trustworthy</b> We are reliable, open and honest
Our Values					
Our Commitments	<b>Colleagues</b> A great place to work, enabling individuals to grow and teams to win	<b>Society</b> A force for good, promoting sustainable economic and social development	<b>Investors</b> A distinctive investment, delivering consistently superior performance via disciplined growth	<b>Regulators</b> A responsible partner with exemplary governance and ethics	

# Stakeholder interests

## Allocation of the Group's earnings (%)





# Driving value for our shareholders



## Our Ambition

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## Our Strategy

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# **Richard Meddings**

## Group Finance Director

# Performance highlights

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- Challenging year both for us and for the industry
  - Korea remains a challenge
  - Margin and spread compression
  - Volatile Financial Markets
- Responded to challenges
  - Managing costs and risk tightly
  - Consistently supporting customers' growth
  - Sharpened strategic focus and flexed financial framework



# Group performance

(US\$m)

Income

Net interest income

Non interest income

Expenses

**Operating profit before impairment**

Loan impairment

Other impairment

Profit from associates

**Profit before tax**

**Normalised profit<sup>1</sup>**

**Statutory profit before tax**

FY 12	FY 13	YoY% <sup>2</sup>
18,783	18,671	(1)
10,781	11,156	3
8,002	7,515	(6)
(10,055)	(10,193)	(1)
<b>8,728</b>	<b>8,478</b>	<b>(3)</b>
(1,196)	(1,617)	(35)
(196)	(129)	34
182	226	24
<b>7,518</b>	<b>6,958</b>	<b>(7)</b>
<b>5,398</b>	<b>4,950</b>	<b>(8)</b>
<b>6,851</b>	<b>6,064</b>	<b>(11)</b>

Note: Income excludes US\$106m of Own Credit Adjustments (OCA); Expenses exclude US\$667m settlement with US authorities in 2012; Other impairment excludes US\$1bn of Korea goodwill

1) Normalised as per details on page 112 of the full year 2013 press release; 2) Better/(Worse)

# Consumer Banking performance

(US\$m)

Income

Expenses

**Operating profit before impairment**

Loan impairment

Other impairment

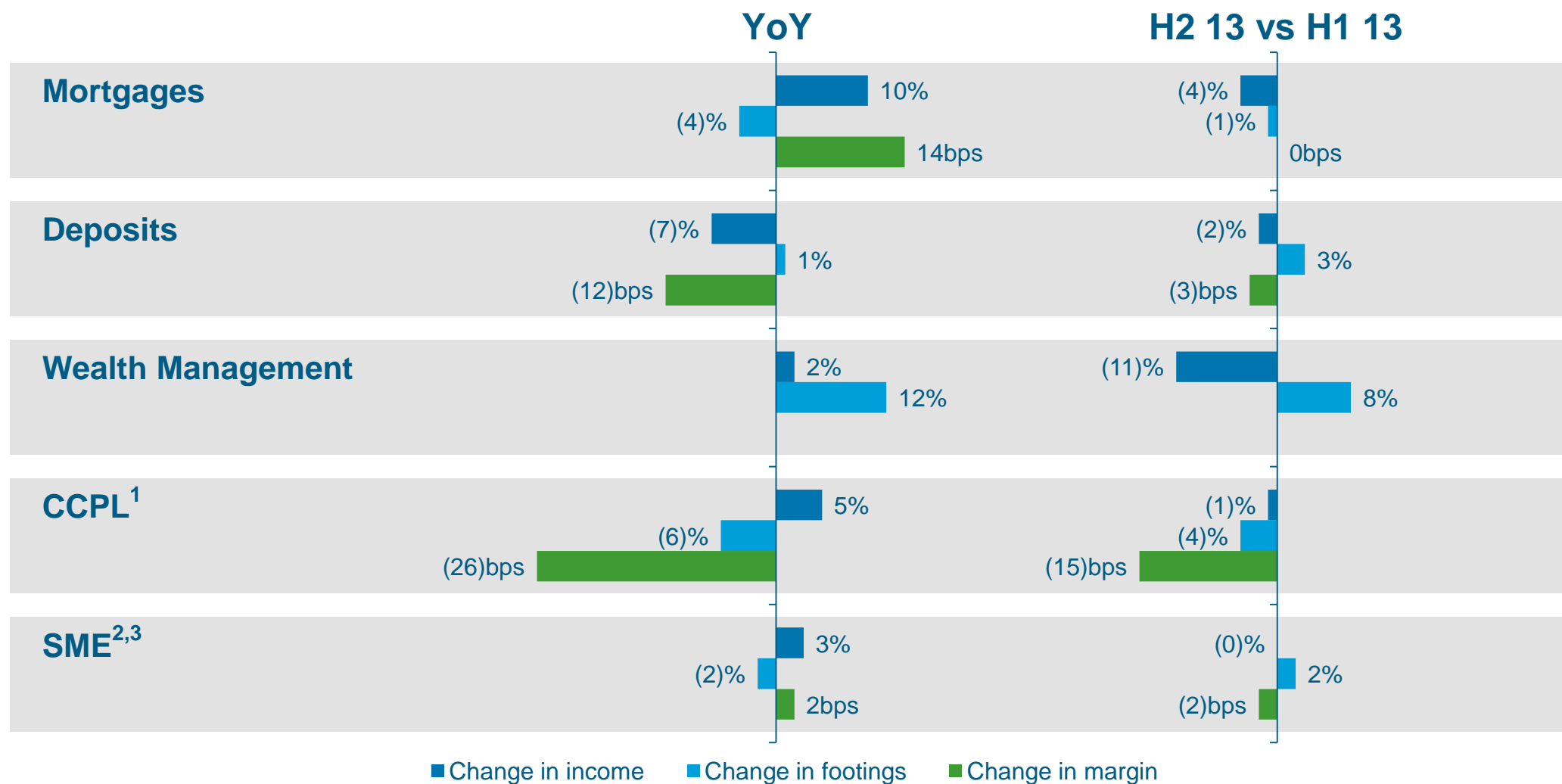
Profit from associates

**Operating profit**

**Operating profit ex-Korea**

FY 12	FY 13	YoY%
7,021	7,179	2
(4,596)	(4,632)	(1)
<b>2,425</b>	<b>2,547</b>	<b>5</b>
(674)	(1,034)	(53)
(45)	(7)	84
43	44	2
<b>1,749</b>	<b>1,550</b>	<b>(11)</b>
<b>1,585</b>	<b>1,712</b>	<b>8</b>

# Consumer Banking income



1) CCPL: Credit Cards and Personal Loans; 2) SME: Small and Medium Enterprises; 3) Change in margins – corridor net interest margins (both assets and liabilities)

Note: For Mortgages, footings are loans to customers - For Wealth Management, investment AUM. For CCPL loans to customers and for SME loans to customers and deposits combined.

# Consumer Banking – Impairment trend

		FY 12	HY 13	FY 13
<b>Mortgages</b>	LI/ANR <sup>1</sup>	(0.00%)	0.02%	0.01%
	30dpd/ENR <sup>2</sup>	0.68%	0.54%	0.59%
	Loan book (US\$bn)	73	70	70
	LI (US\$m) <sup>3</sup>	(1)	6	6
<b>SME</b>	LI/ANR	0.56%	0.45%	0.56%
	90dpd/ENR	0.68%	0.77%	0.82%
	Loan book (US\$bn)	20	20	21
	LI (US\$m)	110	46	114
<b>CCPL</b>	LI/ANR	2.71%	4.05%	4.20%
	30dpd/ENR	2.30%	2.45%	2.54%
	Loan book (US\$bn)	22	22	21
	LI (US\$m)	560	444	906
<b>Total</b>	LI/ANR	0.53%	0.78%	0.79%
	30dpd/ENR	<b>1.10%</b>	<b>1.06%</b>	<b>1.15%</b>
	Loan book (US\$bn)	130	128	130
	LI (US\$m)	674	506	1,034

1) Loan Impairment/Average Net Receivables; 2) Days past due/End period net receivables; 3) ( ) indicates net recovery

# Wholesale Banking performance<sup>1</sup>

(US\$m)	FY 12	FY 13	YoY%
Income	11,672	11,492	(2)
Expenses	(5,285)	(5,326)	(1)
<b>Profit before impairment</b>	<b>6,387</b>	<b>6,166</b>	<b>(3)</b>
Loan impairment	(522)	(583)	(12)
Other impairment	(151)	(122)	19
Profit from associates	139	182	31
<b>Operating profit</b>	<b>5,853</b>	<b>5,643</b>	<b>(4)</b>

1) Excludes Own Credit Adjustment in 2013 and US\$667m settlement with US authorities in 2012

# Wholesale Banking – Diversified income streams<sup>1</sup>

(US\$m)

## Lending and Portfolio Management

### Transaction Banking

Trade

Cash Management and Custody

### Global Markets

Financial Markets

Asset and Liability Management

Corporate Finance

Principal Finance

## Total Wholesale Banking

### Client income

% of total

Fair value gains on Own Credit Adjustment

FY 12	FY 13	YoY%
837	818	(2)
3,636	3,474	(4)
1,915	1,845	(4)
1,721	1,629	(5)
7,199	7,200	0
3,657	3,650	(0)
837	754	(10)
2,222	2,519	13
483	277	(43)
11,672	11,492	(2)
9,453	9,835	4
81	86	
-	106	nm <sup>2</sup>

1) Excludes Own Credit Adjustment; 2) Not meaningful

# Wholesale Banking – Financial Markets income<sup>1</sup>

(US\$m)

Foreign Exchange

Rates

Commodities and Equities

Capital Markets

Credit and other<sup>1</sup>

**Total Financial Markets**

Of which client income

% of total

FY 12	FY 13	YoY%
1,277	1,413	11
965	917	(5)
521	507	(3)
591	558	(6)
303	255	(16)
<b>3,657</b>	<b>3,650</b>	<b>(0)</b>
2,821	3,022	7
77	83	

<sup>1</sup>) Excludes Own Credit Adjustment

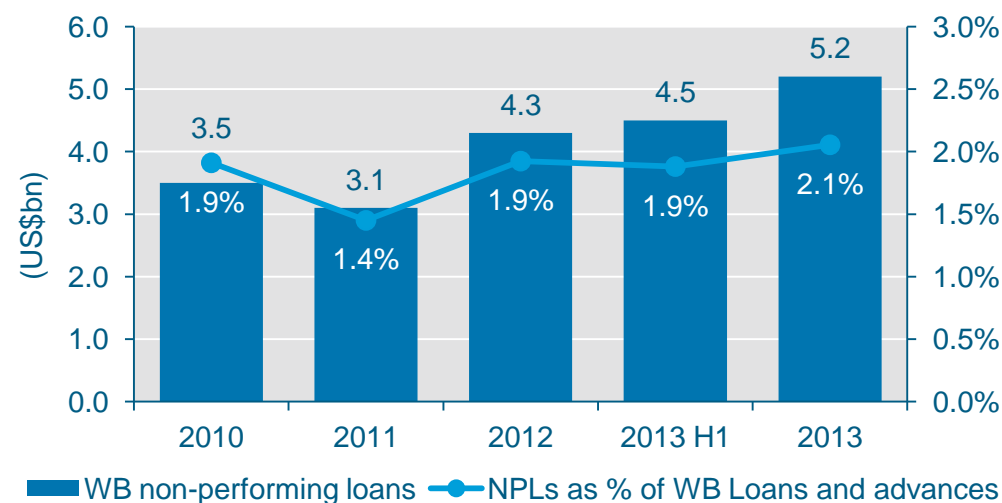


# Wholesale Banking – Impairment

(US\$m)	FY 12	FY 13	YoY%
Loan impairment	(522)	(583)	(12)
Other impairment	(151)	(122)	19
<b>Total impairment</b>	<b>(673)</b>	<b>(705)</b>	<b>(5)</b>
Loans and advances to customers (US\$bn) <sup>1</sup>	155	167	8
Gross non-performing loans	4,272	5,205	22
Cover ratio (%)	51	48	

1) Gross of portfolio impairment provision

## Wholesale Banking non-performing loans

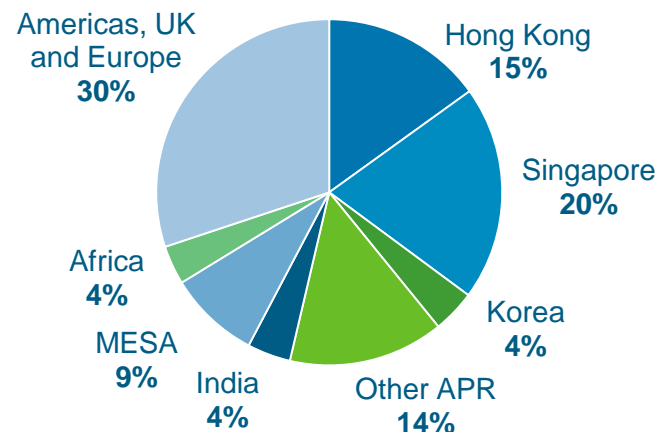


- Increase in non-performing loans due to small number of accounts
- 60% cover ratio after including collateral at a conservative forced sale value
- Net at risk is well within observed recovery rates

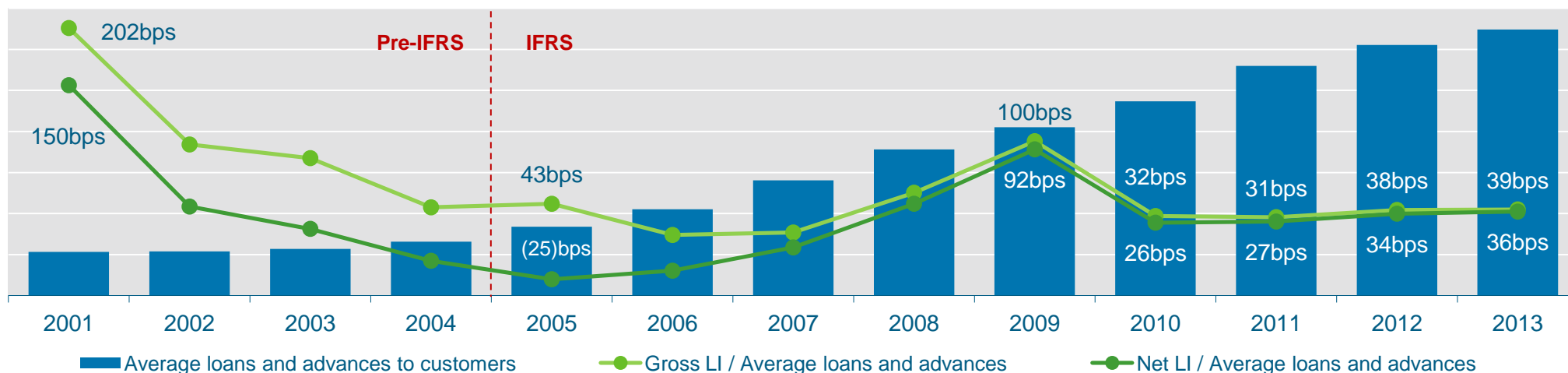
# Risk management

- Consumer Banking – 82% fully or partially secured with average Mortgage LTV<sup>1</sup> of 48%
- Wholesale Banking – 64% less than 1 year maturity
- Stick positions down by 26% to \$1.5bn, less than 1% of Wholesale Banking Loans and advances to customers
- CRE<sup>2</sup> portfolio of \$13.6bn – average LTV of 37%
- Primary distribution up 9% year on year

## Wholesale Banking – Loans and advances to customers



## Wholesale Banking – Loan impairment trend

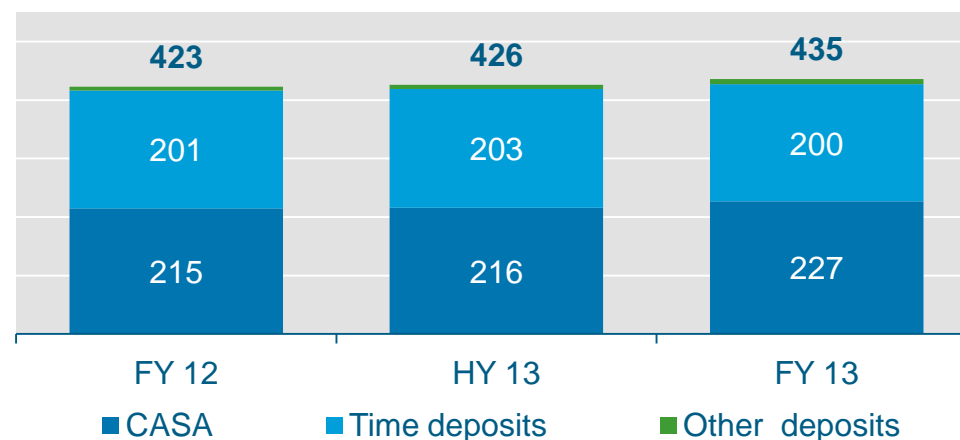


1) Loan to value ; 2) Commercial Real Estate

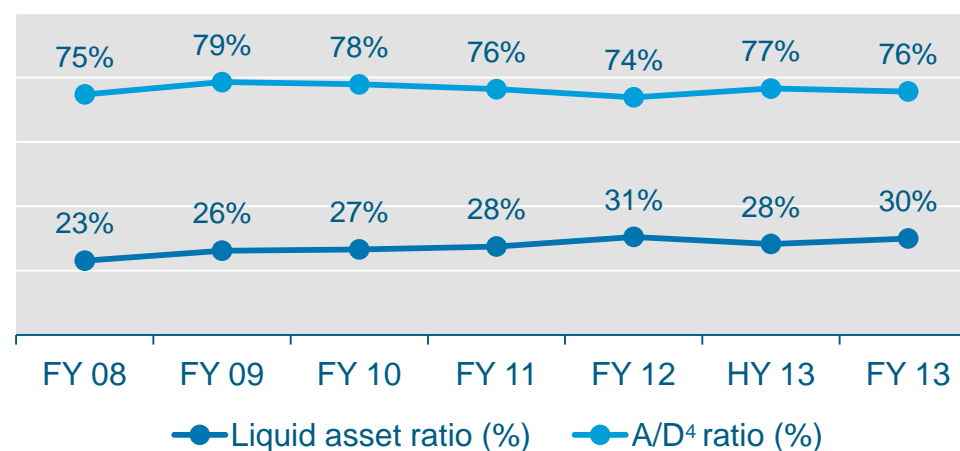
# Group balance sheet – Liabilities

- Customer deposit funded franchise – with 52% of deposits in CASA<sup>1</sup>
- Liquid asset ratio of 30% with US\$201bn in cash or near cash
- Low refinancing requirements
- US\$5.5bn of Tier 2 and US\$4bn of senior unsecured issuances in 2013
- Basel III NSFR<sup>2</sup> and LCR<sup>3</sup> requirements already met

**Total deposits (US\$bn)**



**Liquidity ratios**

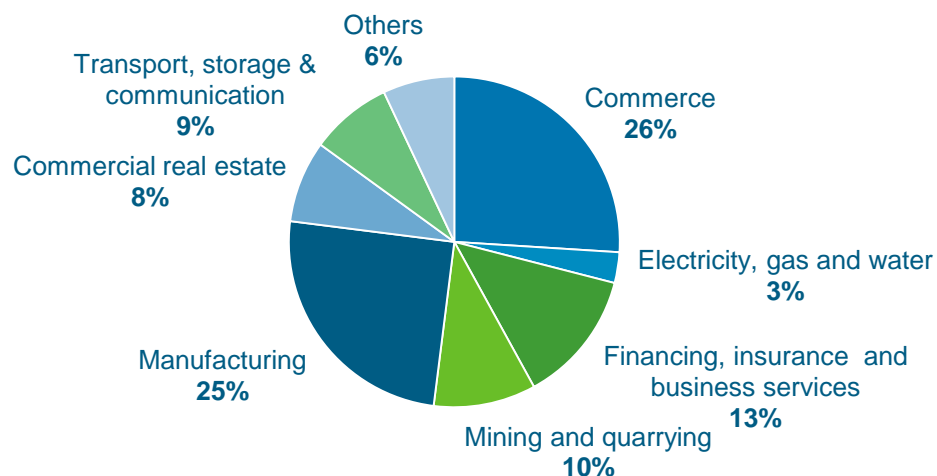


1) Current Account and Savings Accounts; 2) Net Stable Funding Ratio;  
3) Liquidity Coverage Ratio; 4) Advances to Deposit ratio

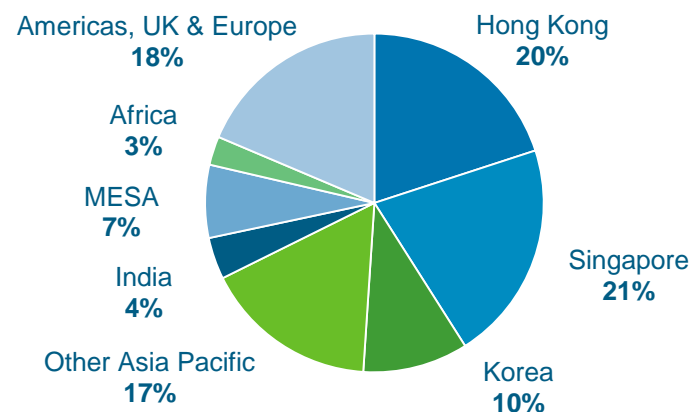
# Group balance sheet – Assets

- Well diversified by product, industry and geography
- Energy, our largest Wholesale Banking industry concentration, is around 20% of our Corporate exposures
- No direct sovereign exposure to Greece, Ireland, Italy, Portugal or Spain
- Low exposures to Leveraged loans, Level 3 assets and Asset Backed Securitisation; each less than 1% of total assets

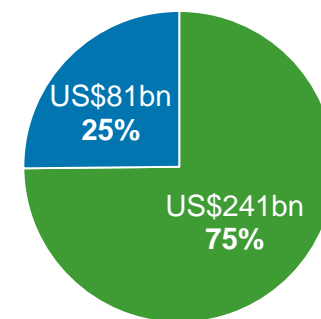
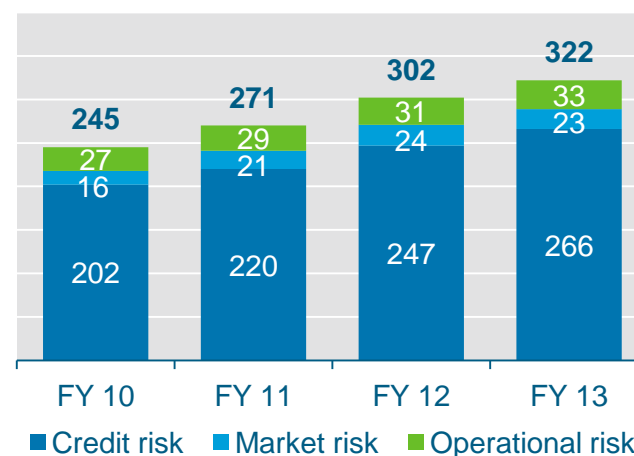
## Wholesale Banking – Industry diversification



## Group – Customer loans and advances

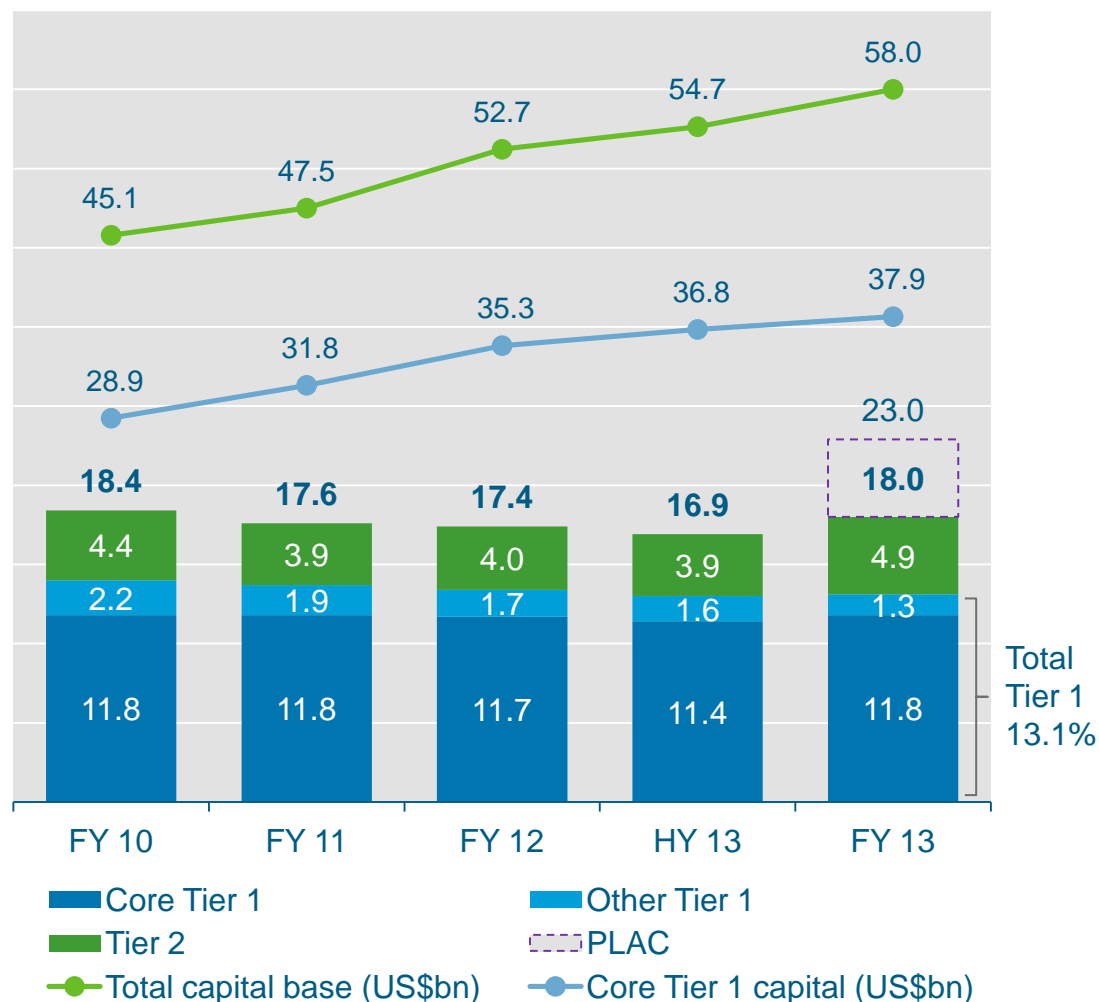


## Risk weighted assets (RWA) (US\$m)



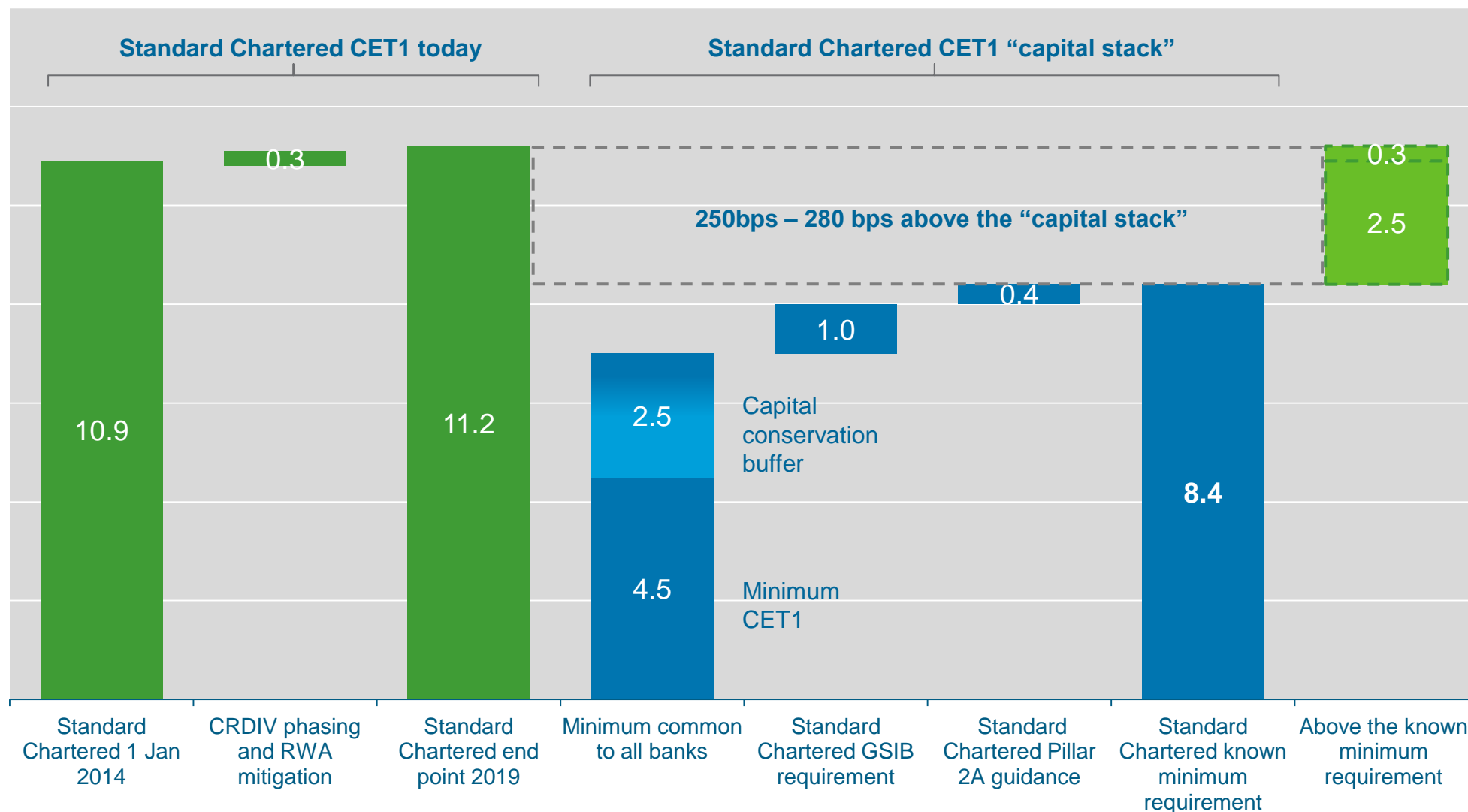
# Capital – Basel II

Capital ratios (%) and total capital (US\$bn)

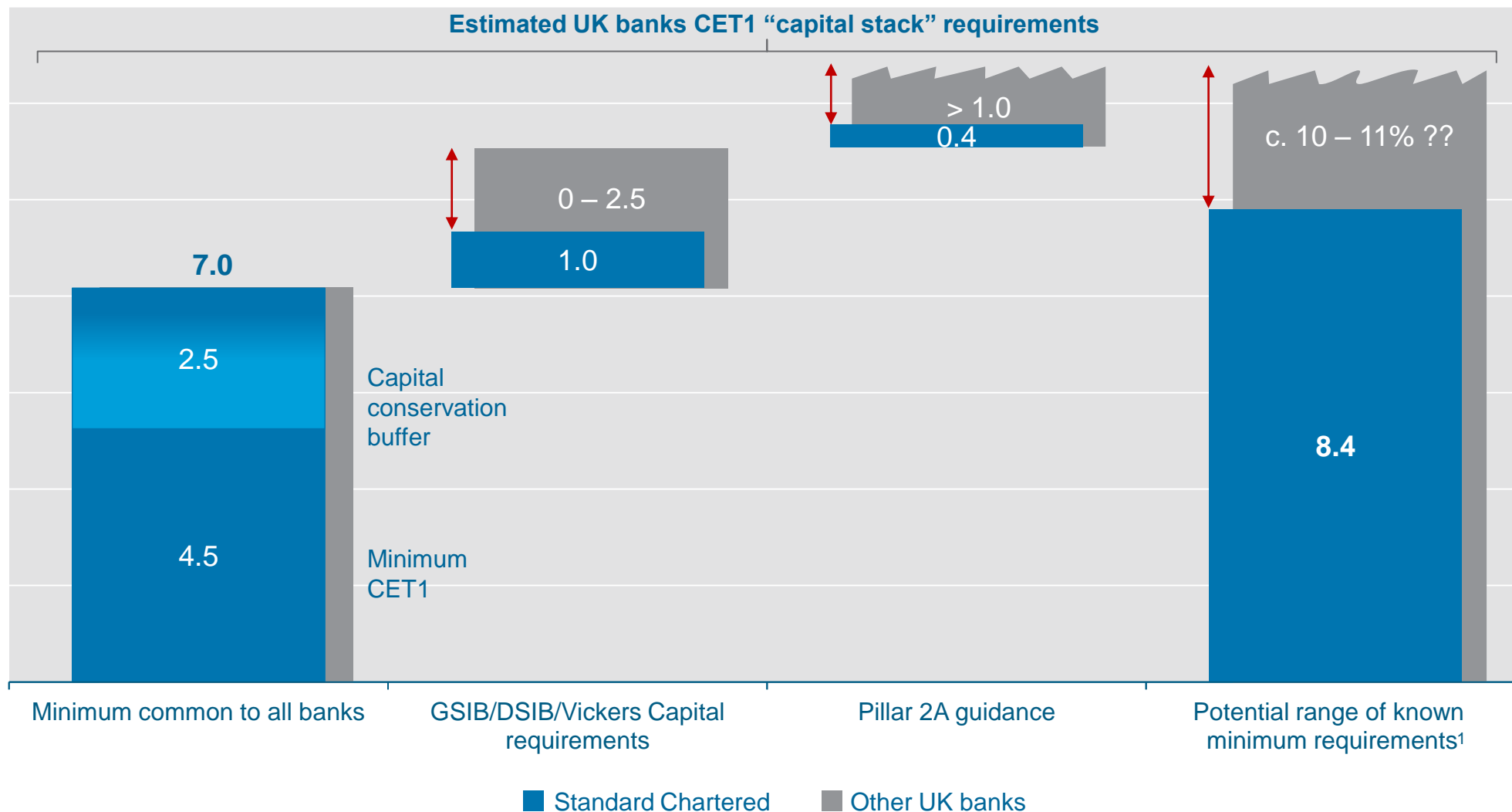


- Self funded balance sheet growth and continued payment of a growing dividend
- Core Tier 1 of 11.8% – the same as in 2010
- From 2010 to 2013
  - Generated organic equity – Core Tier 1 accretion of US\$9bn
  - Total capital increased by US\$13bn
  - Grown RWA by US\$77bn at a 10% CAGR
- Declared over US\$5.5bn in dividends since 2010

# Capital – Basel III Standard Chartered “Above the stack”



# Capital – requirements vary by bank



1) Before counter cyclical and other potential add ons



# Capital summary

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- Self funded balance sheet growth and payment of a growing dividend
- Flexed financial framework to drive capital accretive profitable growth
- Assertive RWA tail management in Wholesale Banking
- Divesting non-core businesses – c.10-15 basis points
- Basel II and III capital position strong – 250 to 280 bps above the “capital stack”
- Seeking regulatory and shareholder approval to issue AT1 instruments in the future

# Outlook



- Outlook
  - Outlook for the year is for modest growth
  - Market and trading conditions are more volatile and difficult than first half of 2013
  - Current performance momentum ahead of second half of 2013
  - Performance will remain challenged in this first half at both an income and profit level
- Foundations in excellent shape
  - Well capitalised
  - Highly liquid
  - Diverse



# **Peter Sands**

## Group Chief Executive

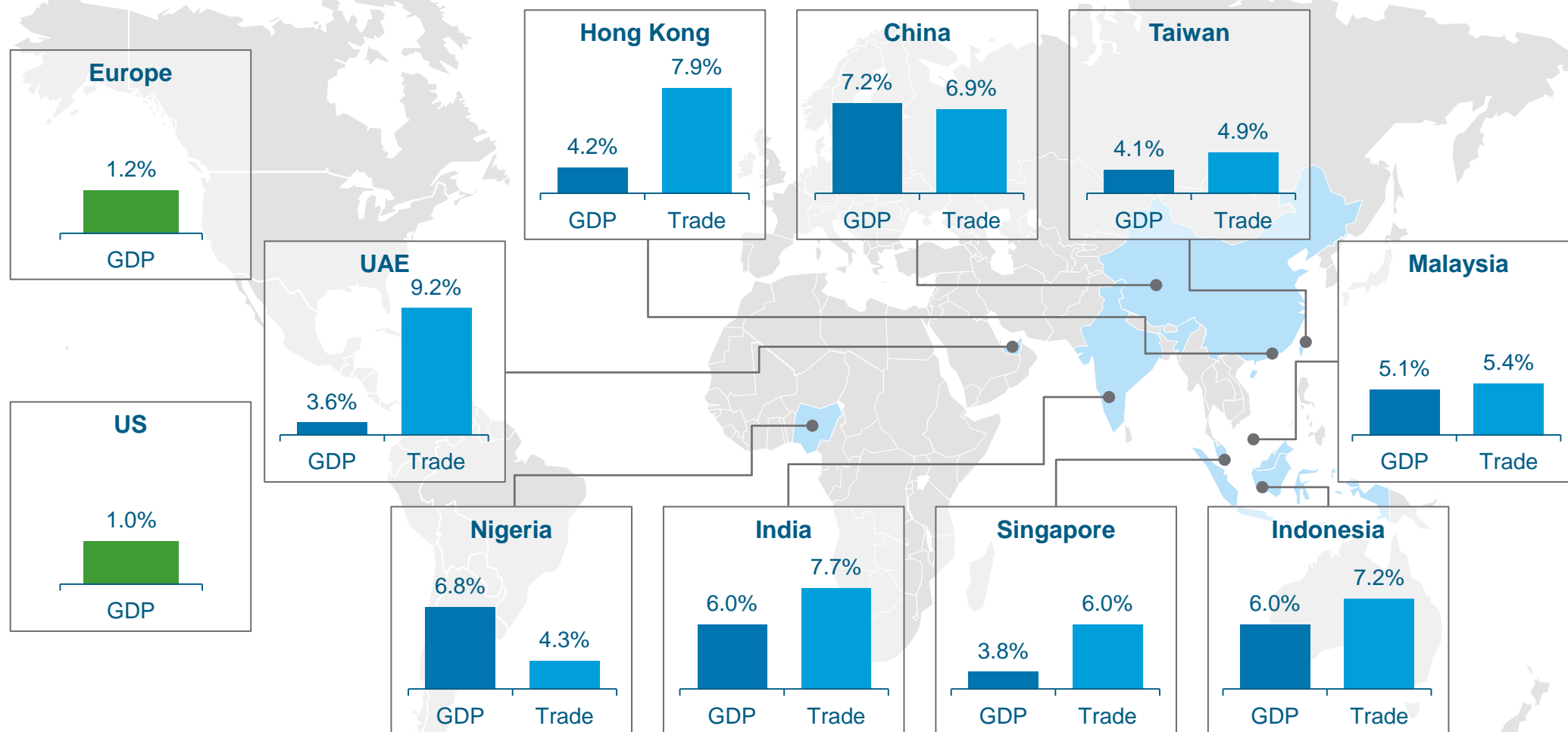
# 2013 performance

	Income			Profit		
(US\$m)	FY12	FY13	YoY%	FY12	FY13	YoY%
Hong Kong	3,348	3,725	11	1,660	1,920	16
Singapore	2,203	2,103	(5)	966	896	(7)
Korea	1,852	1,563	(16)	514	(13)	(103)
Other APR	3,672	3,457	(6)	1,217	1,145	(6)
India	1,585	1,696	7	676	697	3
MESA	2,234	2,209	(1)	786	1,058	35
Africa	1,593	1,751	10	771	619	(20)
Americas, UK & Europe	2,296	2,167	(6)	928	636	(31)
<b>Total</b>	<b>18,783</b>	<b>18,671</b>	<b>(1)</b>	<b>7,518</b>	<b>6,958</b>	<b>(7)</b>

Note: Income excludes US\$106m of Own Credit Adjustments (OCA); Expenses exclude US\$667m settlement with US authorities in 2012; Other impairment excludes US\$1bn of Korea goodwill

# Our markets

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



Source: International Monetary Fund, Euromonitor

# Prudential regulation





# Raising the bar on conduct

“ We’ve told the world that we’re Here for good... we need to prove it in every interaction we have and every decision we make. ”

” لقد قلنا للعالم أجمع  
” هنا دائماً للأفضل  
” جوهر ما نحن عليه  
” بحاجة إلى إثبات ذلك  
” تعاملاتنا وفي كل قرار نتخذه.

“ 우리는 전 세계에서 Here for good을 표방해 왔습니다. 이것은 우리의 본질입니다. 하지만 우리는 모든 거래를 하고 모든 결정을 내릴 때 이를 증명해야 할 필요가 있습니다. ”

“ 我們已向全世界承諾，守「一心做好，始終如一」的承諾。這是我們的立足之本，每一次和每一種決策都必須符合這個原則。 ”

“ 我们已向世界宣  
“ 一心做好，始  
” 且我们的立足之  
” 一次业务往  
” 中都身体力

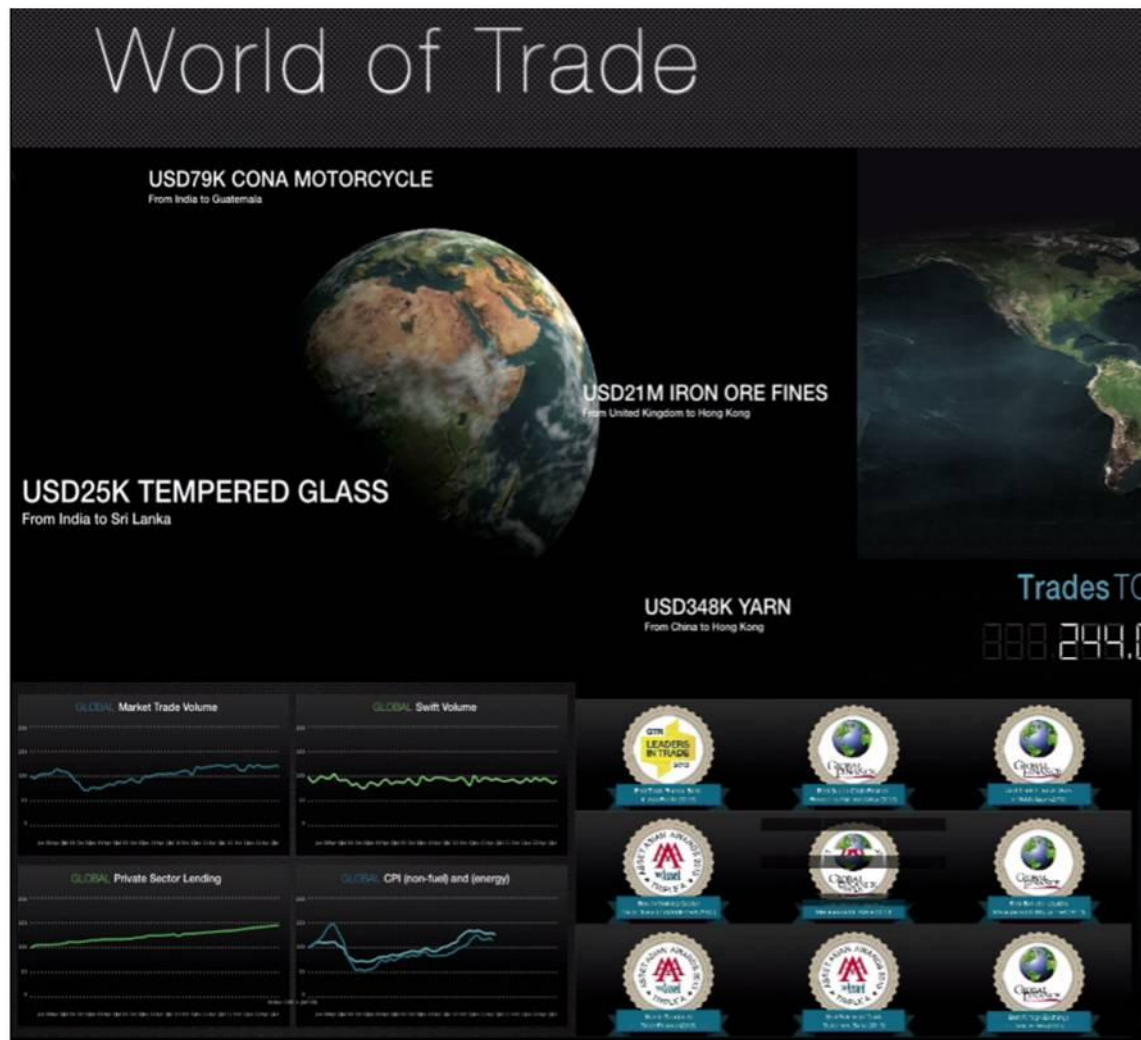
“ Kita telah menyatakan kepada dunia bahwa kita Here for good. Ini adalah esensi keberadaan kita. Namun kita harus membuktikannya dalam setiap interaksi yang kita lakukan dan keputusan yang kita buat. ”

“ เราบอกกับทุกคนว่าเรา Here for good นี่คือหัวใจหลักที่แสดงว่าเราคือใคร ไม่ใช่เพียงเท่านั้น แต่เราต้องการพิสูจน์ให้เห็นว่าสิ่งนี้รวมอยู่ในทุกสิ่งที่เราทำและทุกการตัดสินใจของเรา ”

“ 当行は「Here for good」を標榜しています。「Here for good」は当行のビジネスの本質であり、当行は、あらゆる活動や決断において、これを実践しなければなりません。 ”



# Technology driven innovation



June 30, 2013 6:38 pm

## Banking is heading towards its Spotify moment

By Peter Sands

Margins will fall unless banks reinvent what they offer and how they work, writes Peter Sands

Banks are changing dramatically amid an avalanche of [regulatory change](#) and widespread debt reduction. They will be safer and, sadly for users of bank services, costlier as a result. Yet, all of this may soon seem somewhat irrelevant, because technology could transform the way banking works far more profoundly.

Banking is very “[digitisable](#)”. Cash is the only part of the industry that is inherently physical and that is a tiny part of what a bank does. The rest is really about transferring and modifying property rights and information of various sorts, all of which can be digitised. Of course banks have [invested huge sums in technology](#) – automating processes and enabling customers to bank online – but we have not yet seen the fundamental transformation of business models that have taken place in other sectors, such as music.



### More

ON THIS STORY

[Editorial EU banking union](#)

[In depth European banking union](#)

[EU reaches deal on failed banks](#)

[Luke Johnson Titans can always be cut down to size](#)

It will happen and when it does, it will have a huge impact. Some of the consequences are clear from other industries. Intermediaries disappear or get marginalised unless they discover new ways of adding value. Look at what has happened to recorded music companies or book shops. Banks are the primary intermediaries of the financial world, so their margins will fall unless they reinvent what they offer their customers and how they work.

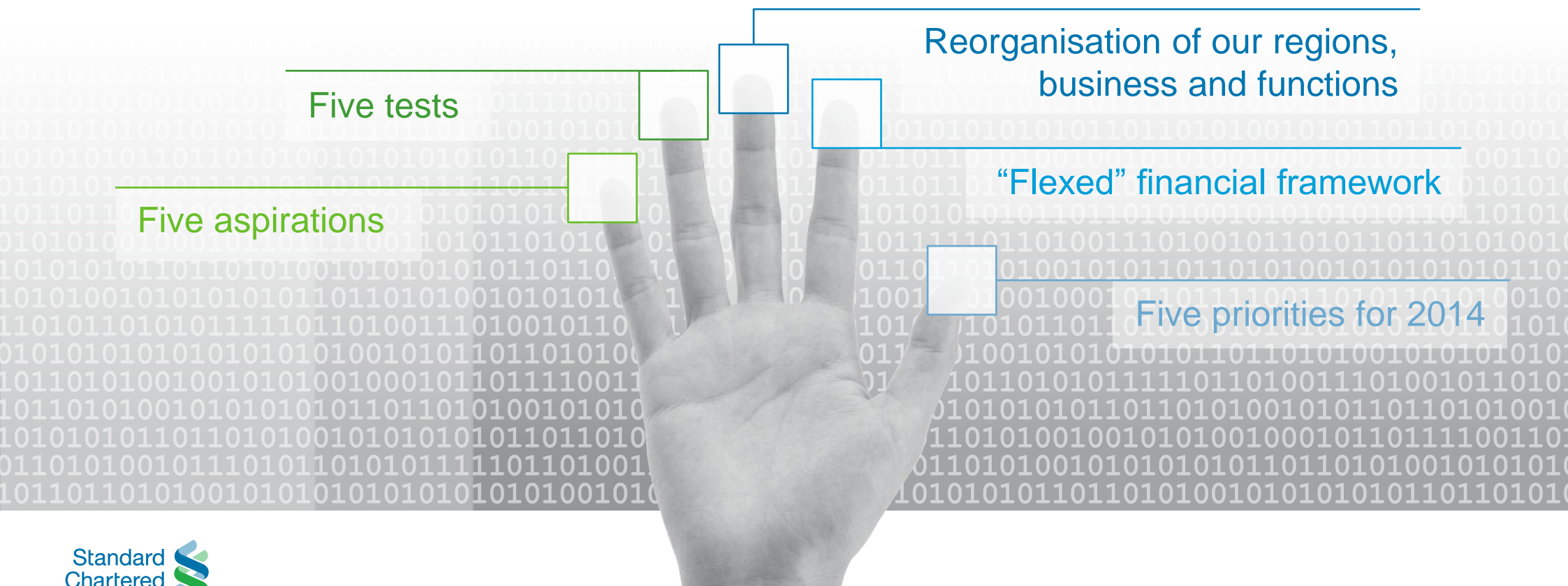
# The core of our strategy

“We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.”



# Making the strategy happen

“We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.”



# Our aspirations



## Relationships

- ▶ Build trusted relationships with the people, companies and institutions shaping our markets' future



## Investment

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



## Trade

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



## Wealth

- ▶ Be recognised as a leader in growing and protecting our clients' wealth



## Relevant scale

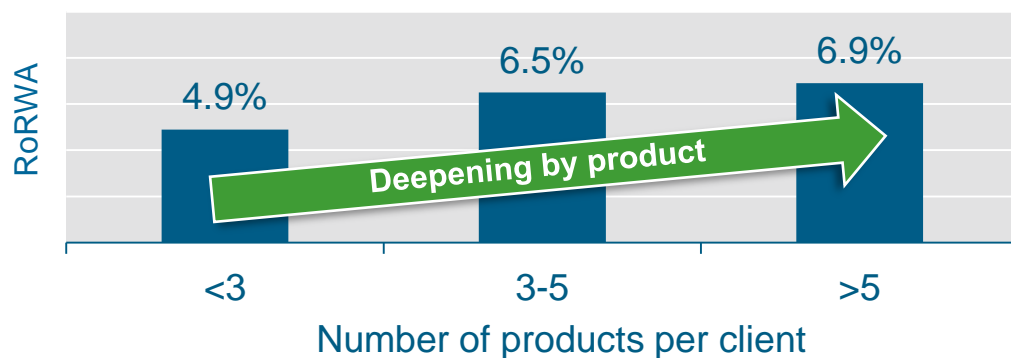
- ▶ Establish sufficient scale, balance sheet and franchise strength to be relevant and influential in our key markets



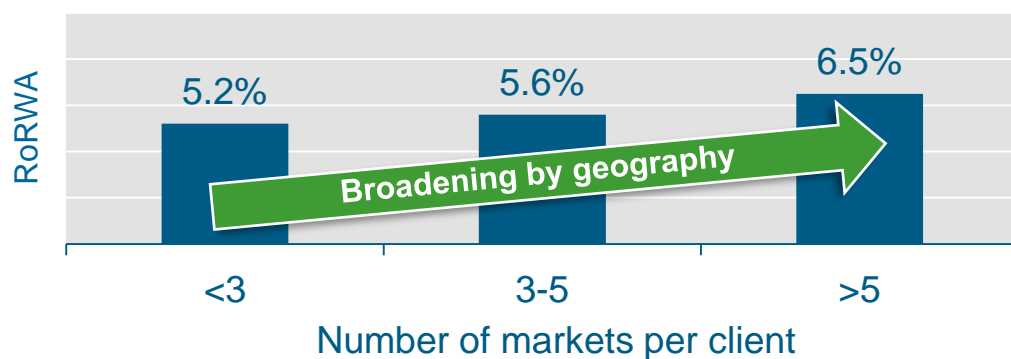
# Corporate and Institutional client relationships

## Improving client returns

### RoRWA uplift from product depth

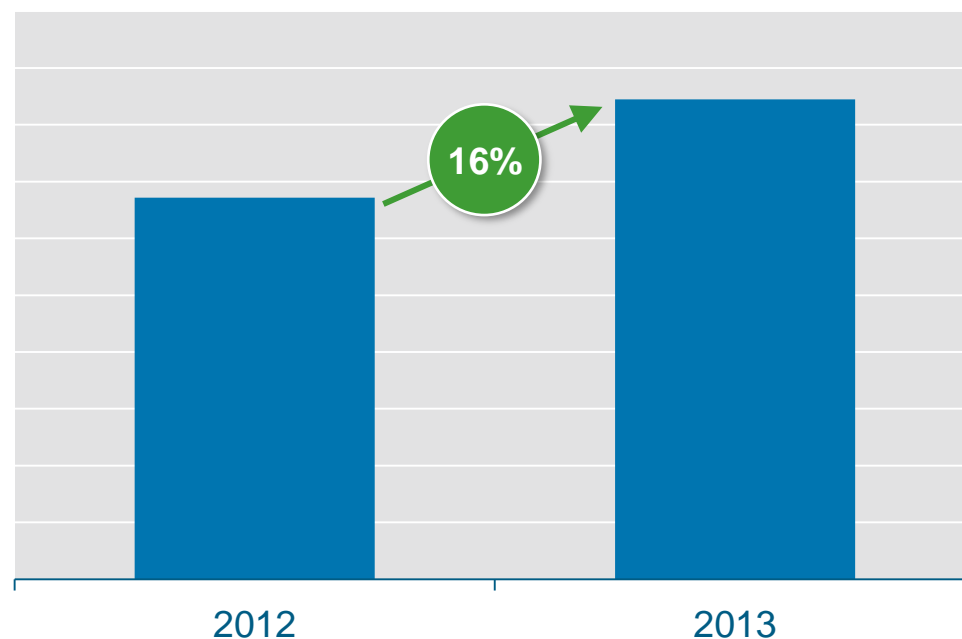


### RoRWA uplift from geographic breadth



## Next 500 clients

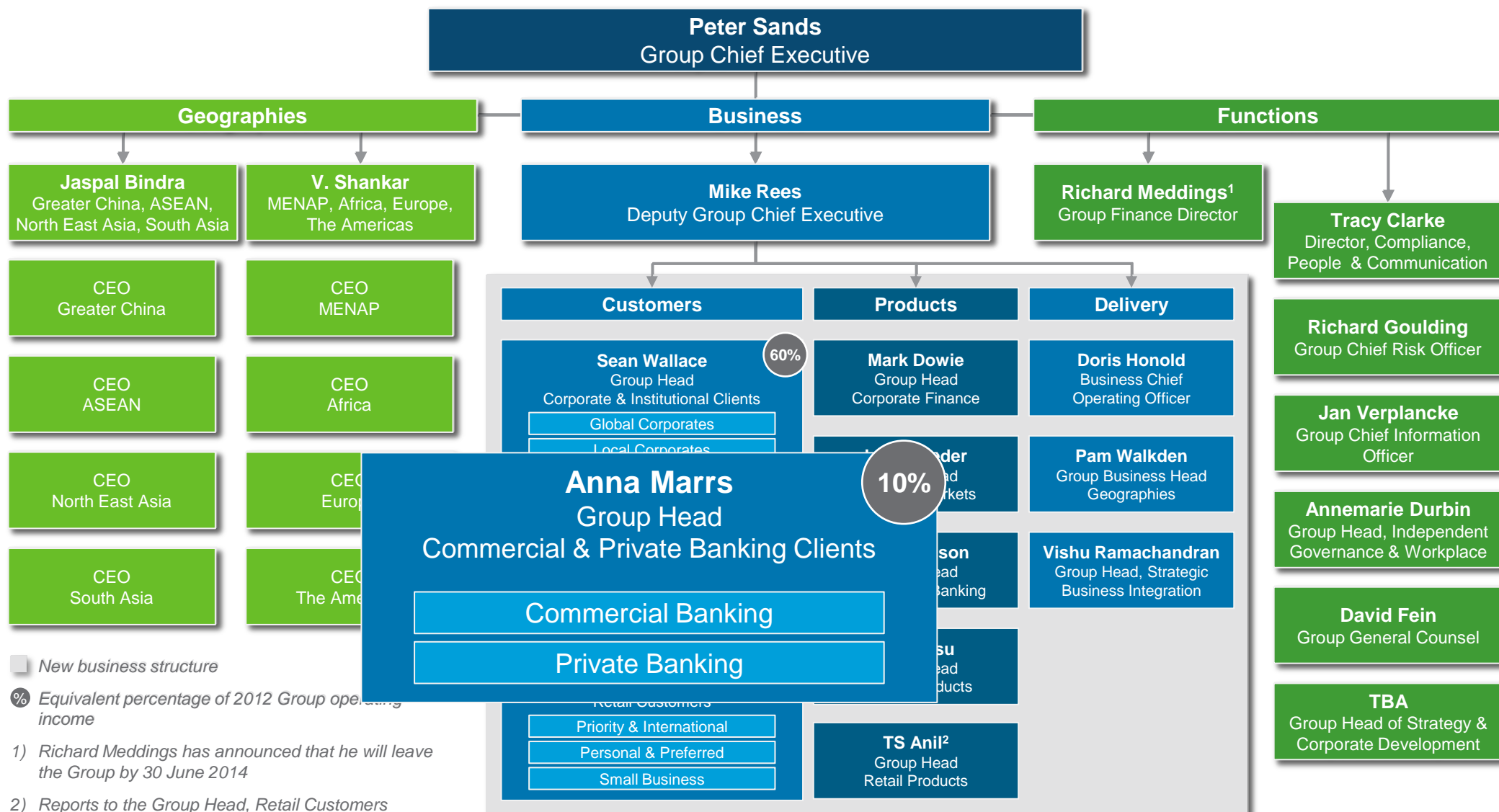
### Continued income growth



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

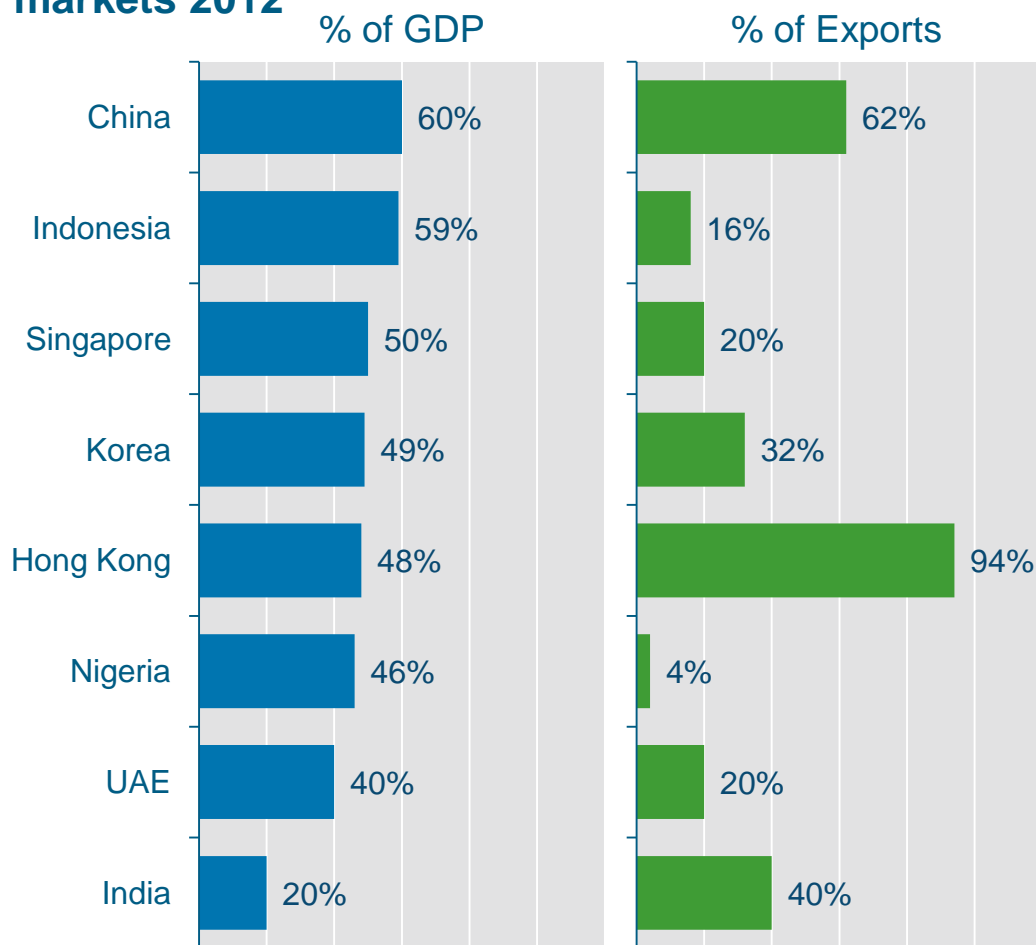
*Note: Figures based on clients with credit relationship. RoRWA figures for geographical cross sell based on average for Global Corporate clients*

# Changing the way we work: Commercial & Private Banking Clients

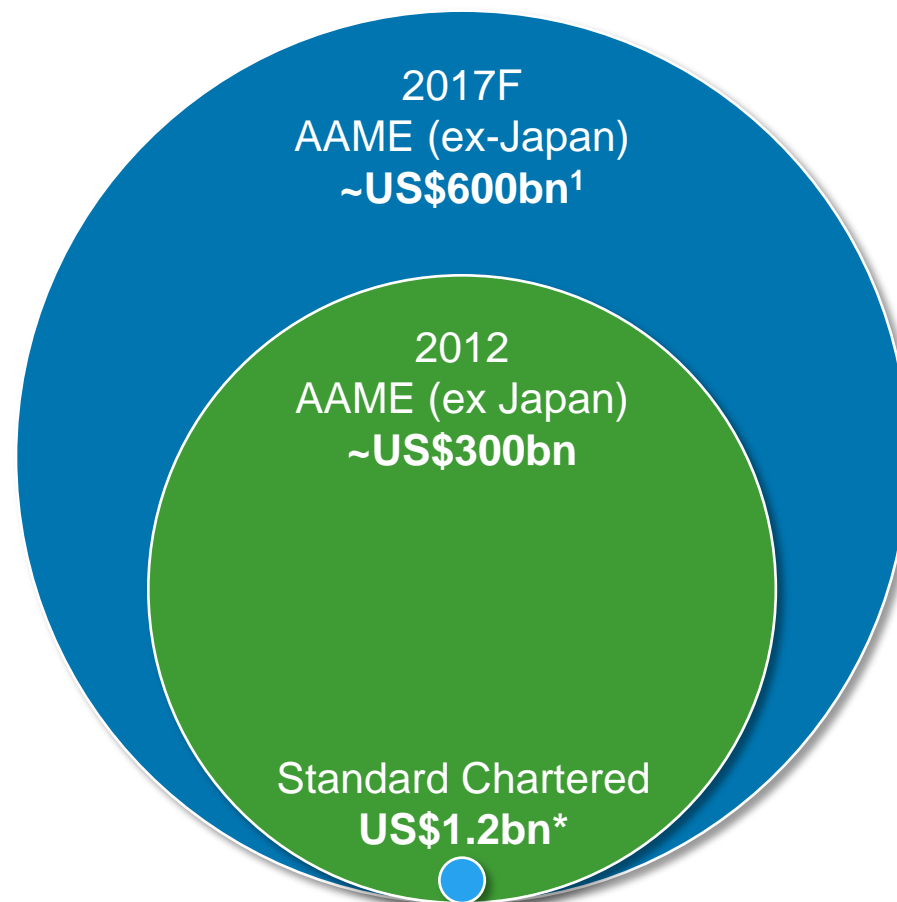


# Commercial Banking opportunity

## SMEs contribution to GDP and exports in SCB priority markets 2012



## Asia, Africa and the Middle East (ex-Japan) revenue pool



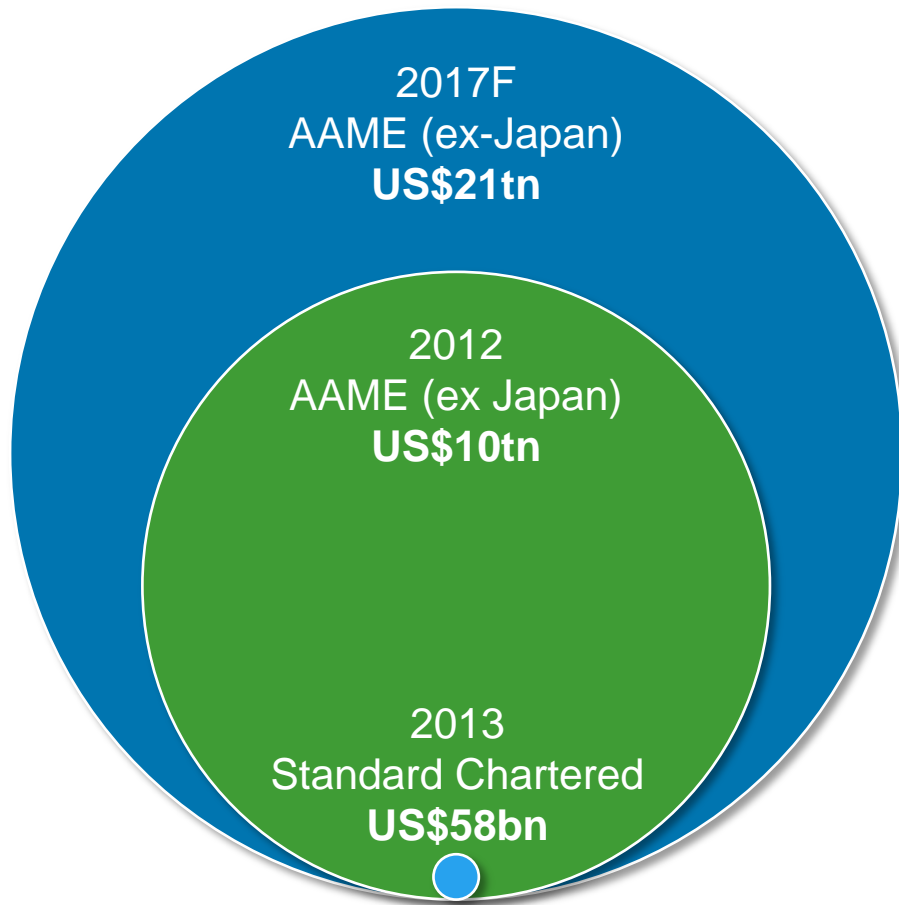
1) Assuming a 15% average annual growth \* 2013 Income

Source: High level estimate based on McKinsey revenues pools, Internal research



# Private Banking opportunity

## Asia, Africa and the Middle East (ex-Japan) high net worth financial wealth

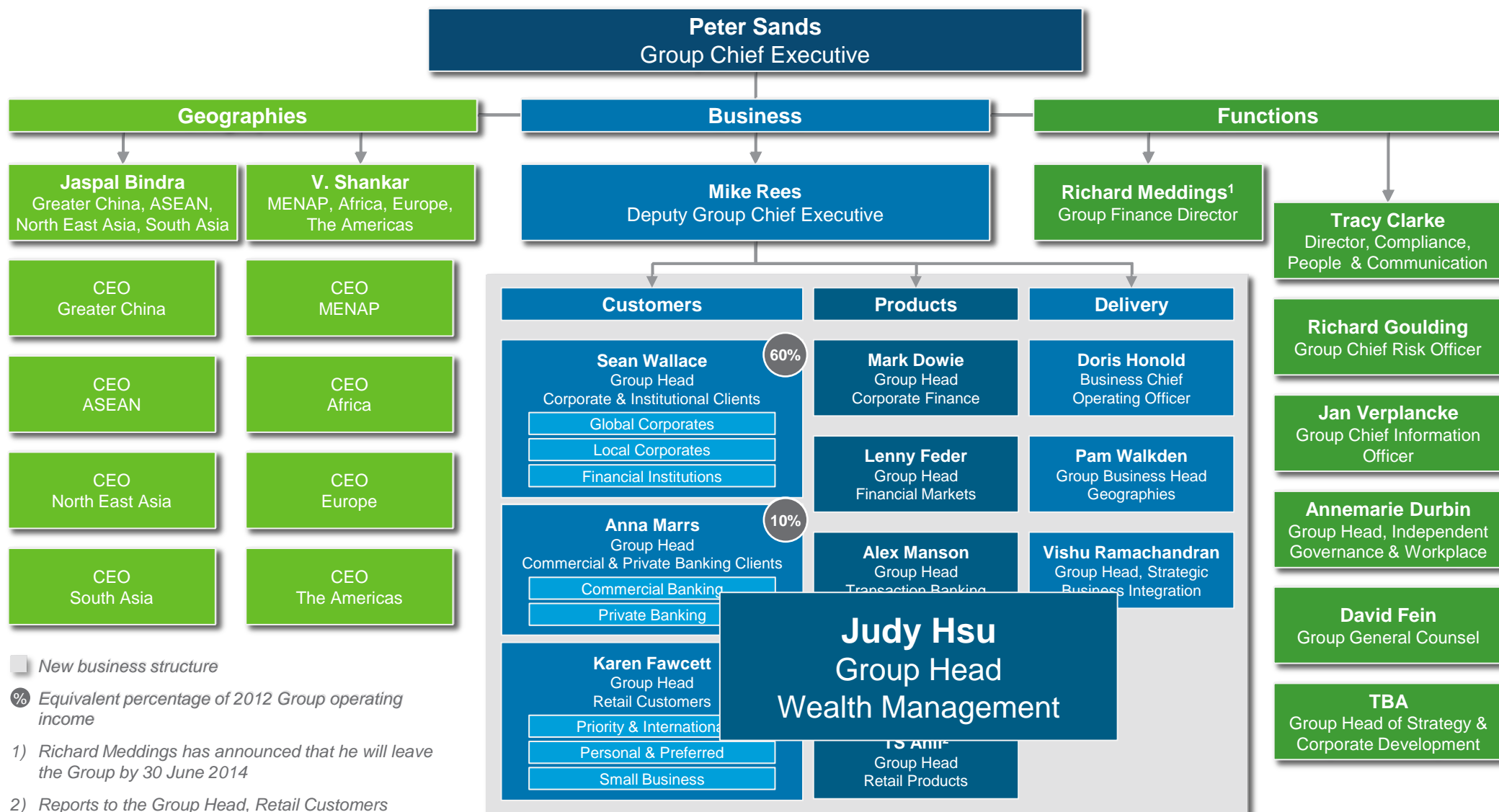


## Drivers of growth

- Significant opportunity with existing Commercial Banking clients
- Extensive revenue pools
- Unrivalled network
- Strong product capabilities
- Experienced relationship managers

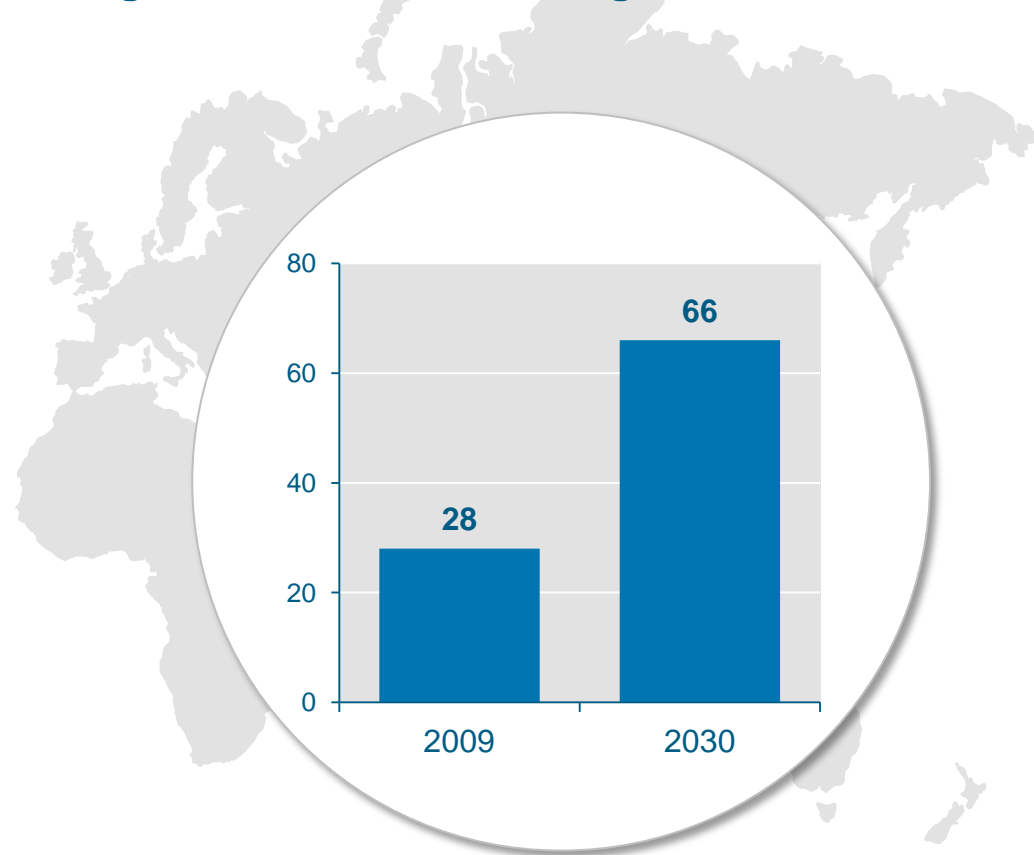
Source: Capgemini Global Wealth Report 2013; McKinsey Global Banking Pool

# Changing the way we work: Wealth Management

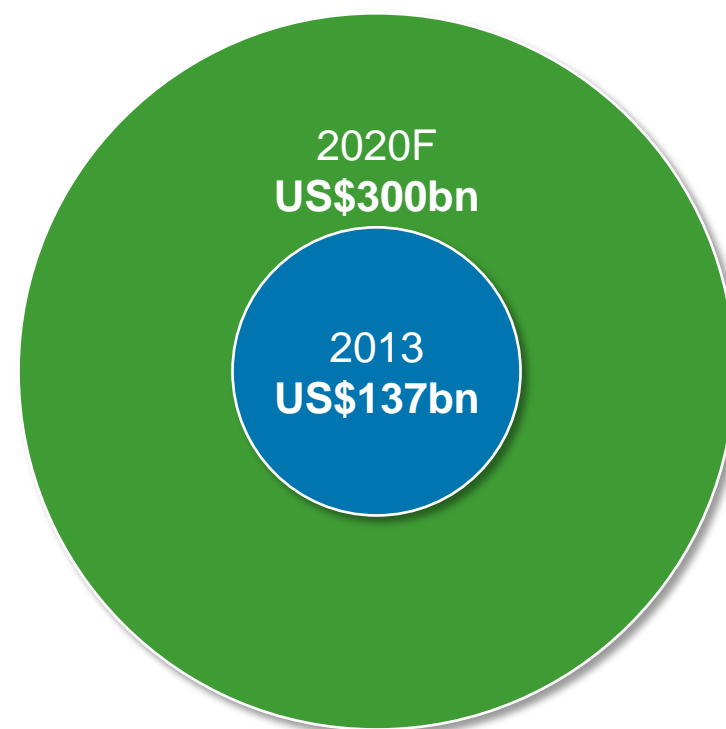


# Wealth Management opportunity

% of global middle class living in Asia<sup>1</sup>



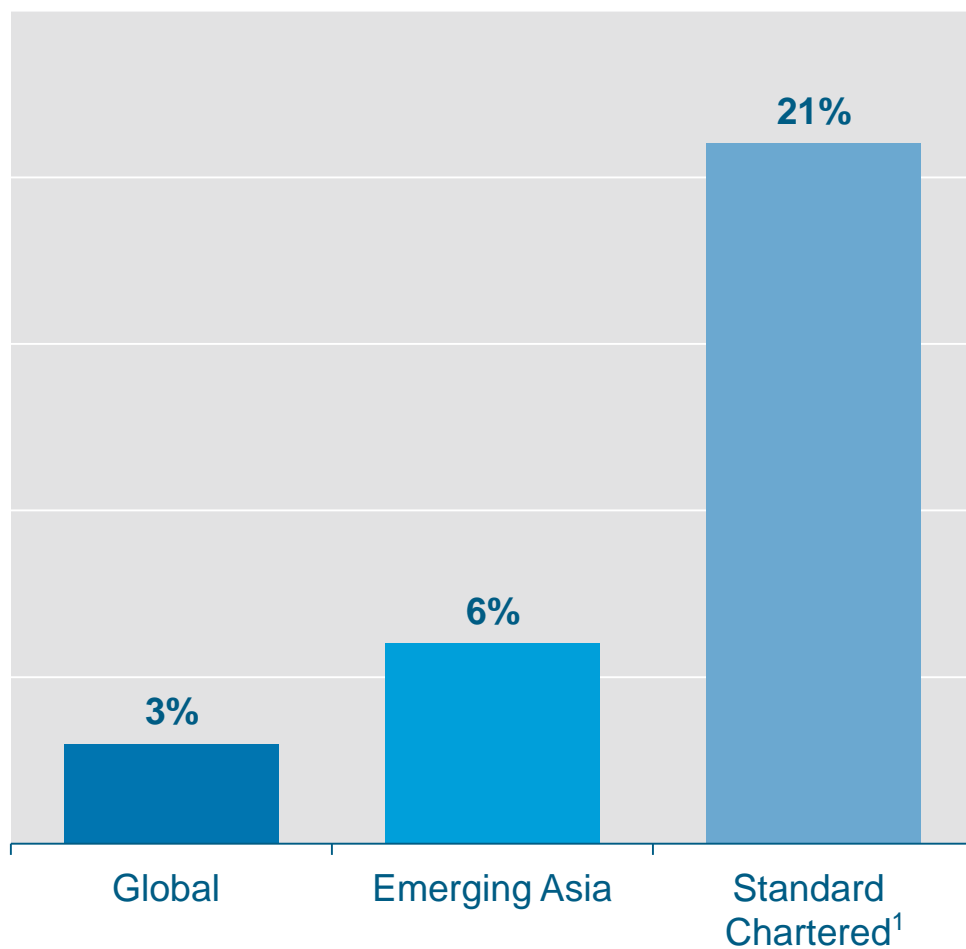
Our aspiration is to > double AUM by 2020



1) World Bank

# Trade

Trade growth volume 2013 (%)



Our global market position and share (%)

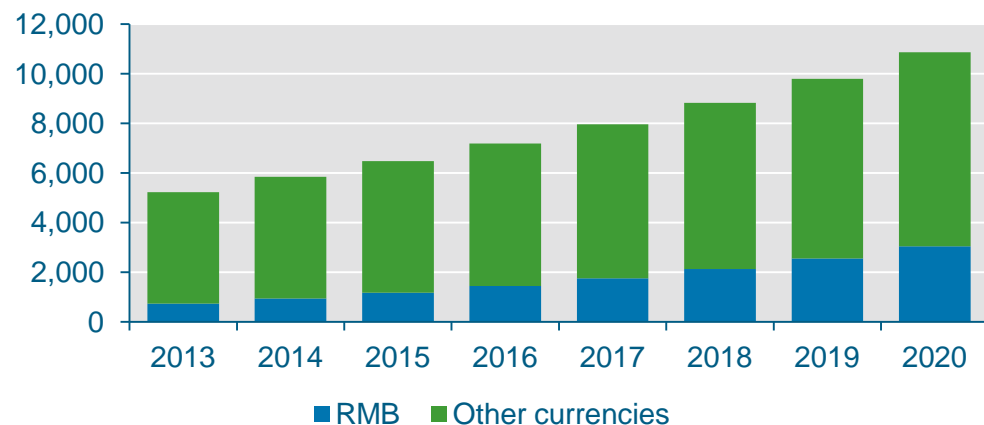


1) Growth in average trade assets in 2013

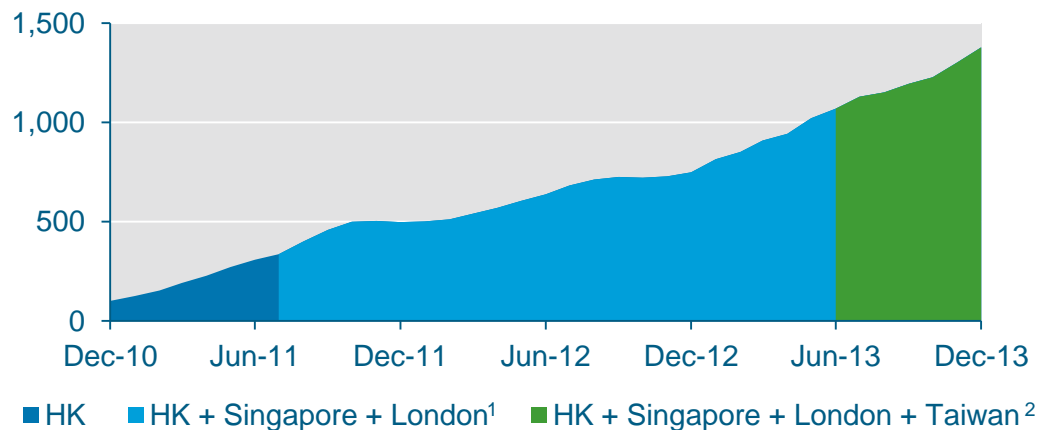
Source: Market research, CHIPS data

# Internationalisation of the RMB

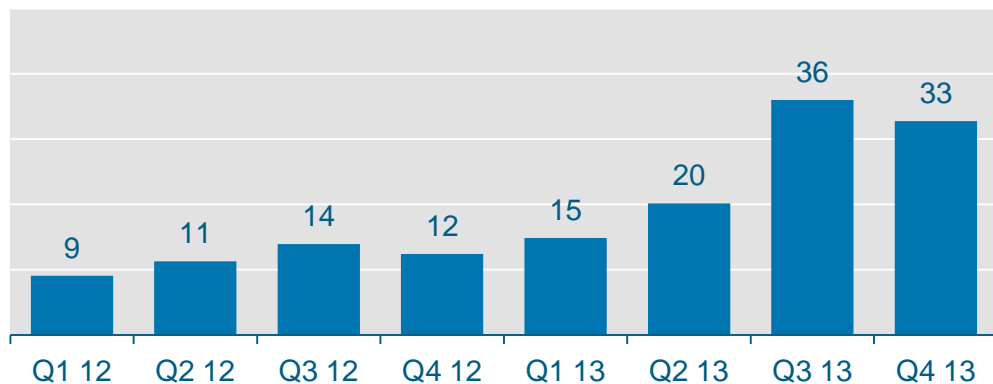
## China's % of RMB trade to double by 2020 (US\$bn)



## Standard Chartered RMB Globalisation Index (RGI)



## Our trade settled in RMB (US\$bn)



## Market leading offshore RMB position

- #2 underwriter of offshore yuan bonds (Dimsum)
- >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

1) Singapore and London became eligible markets and were added to the RGI in August 2011; 2) Taiwan was included in July 2013

Source: Standard Chartered Research

# Reinforcing the core – Five tests

## Here for good

- Is the business consistent with Here for good?

## Clients

- Does this business bank the people, companies and institutions that shape our markets' future?

## Activities

- Does this business drive investment, trade and creation of wealth?

## Geographies

- Does the business strengthen our position in Asia, Africa and the Middle East?

## Economics

- Does the business contribute to our earnings growth, returns and capital accretion trajectory?  
Is the business model sustainable?

## Actions include

- Korea: Sale of Consumer Finance business
- Korea: Sale of Savings Bank
- Switzerland: Sale of Private Bank
- Lebanon: Sale of Consumer Banking business
- Hong Kong: Exploring sale of Consumer Finance Business

# Korea

(US\$m)	FY 12	FY 13	YoY%
Income	1,852	1,563	(16)
Expenses	(1,081)	(1,120)	(4)
<b>Profit before impairment</b>	<b>771</b>	<b>443</b>	<b>(43)</b>
Loan impairment	(249)	(427)	(71)
Other impairment <sup>1</sup>	(8)	(29)	nm
Profit from associates	-	-	nm
<b>Operating profit</b>	<b>514</b>	<b>(13)</b>	<b>(103)</b>

## Actions taken in 2013

- RWA reduced by 7%
- Staff numbers down by ~400
- 24 fewer branches
- Focusing RWA deployment
- De-risking unsecured Consumer Banking book

1) 2013 number excludes US\$1bn of goodwill

# Financial framework – *next couple of years*

- *High single*  
~~Double digit income growth~~
- *Positive*  
~~Neutral cost – income jaws (with positive bias)~~
- Double digit Earnings per Share (EPS) growth
- Mid-teens Return on Equity (ROE) over the medium term
- *Earnings growth ahead of Risk Weighted Asset (RWA) growth*



# 2014 Priorities



## **Performance**

Deliver profitable and capital accretive growth

## **Aspirations**

Make tangible progress on our five strategic aspirations (relationships, investment, trade, wealth, relevant scale)

## **Delivery**

Innovate, digitise and simplify as one bank to improve productivity and effectiveness

## **Culture**

Raise the bar on conduct, demonstrating we are Here for good

## **People**

Accelerate our next generation of leaders



# Q&A

Here for good