



Bank of America Merrill Lynch

19th Annual Banking & Insurance CEO Conference

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Peter Sands

Group Chief Executive

H1 2014 performance summary

	H1 14	YoY% ¹	HoH% ¹	US\$m	YoY \$ ¹
Income	US\$ 9.3bn	(5)	4	Income	(482)
Profit before tax	US\$ 3.3bn	(20)	14	<i>Financial Markets</i>	(432)
Normalised earnings	US\$ 2.4bn	(20)	18	<i>Korea (ex. Financial Markets)</i>	(170)
Normalised return on equity	10.4%			Profit before tax	(820)
Common Equity Tier 1 ratio*	10.7%			<i>Income drag from FM & Korea</i>	(602)
Normalised EPS	96.5c	(21)		<i>China commodities</i>	(175)
Dividend per share	28.8c	0		<i>Strategic investments</i>	(71)

Note: Income excludes Own Credit Adjustments (OCA); Other impairment excludes impairment of goodwill in respect of Korea; EPS: Earnings Per Share; FM: Financial Markets

1) Better / (Worse); * On a B3 end point basis

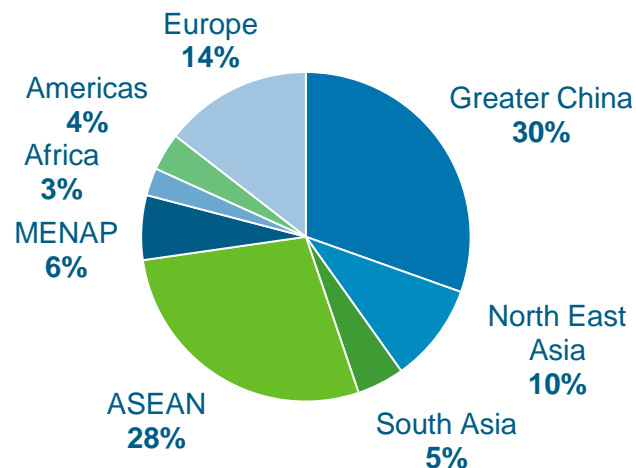
Group performance

US\$m	H1 13	H2 13	H1 14	YoY%
Income	9,751	8,920	9,269	(5)
<i>Client income</i>	8,648	8,224	8,373	(3)
<i>Own account income</i>	1,103	696	896	(19)
Expenses	(5,034)	(5,159)	(5,083)	(1)
Working profit	4,717	3,761	4,186	(11)
Loan impairment	(730)	(887)	(846)	(16)
Other impairment	(11)	(118)	(185)	nm
Profit from associates	112	114	113	1
Profit before tax	4,088	2,870	3,268	(20)

Note: Income excludes Own Credit Adjustments (OCA); Other impairment excludes goodwill impairment in respect of Korea; nm = not meaningful

Group balance sheet

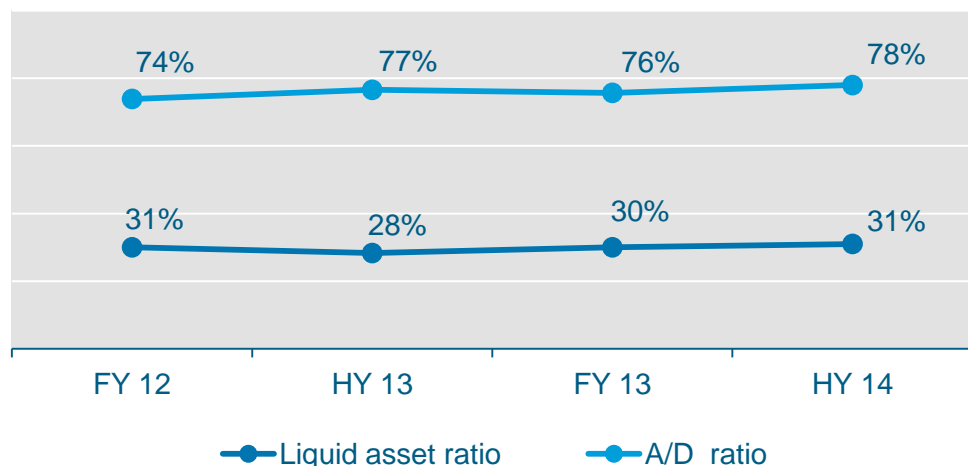
Total customer loans and advances



In the Corporate and Institutional Clients segment

- Customer loans up 3% since year end
- Supported client growth and financing needs
- Continued to de-risk Retail unsecured

Liquidity ratios %



- Customer deposit funded franchise
- CASA up 4% since year end (54% of total)
- A/D ratio of 78.1%

CASA = Current Account and Savings Accounts; A/D ratio = Advances to Deposit ratio

Risk and Impairment

US\$m	H1 13	H2 13	H1 14	YoY %
<i>Corporate and Institutional</i>	(197)	(291)	(266)	(35)
<i>Commercial clients</i>	(43)	(114)	(100)	(133)
<i>Private Banking clients</i>	(8)	-	-	nm
<i>Retail clients</i>	(482)	(482)	(480)	0
Loan impairment	(730)	(887)	(846)	(16)
Other impairment¹	(11)	(118)	(185)	nm
Total impairment	(741)	(1,005)	(1,031)	(39)

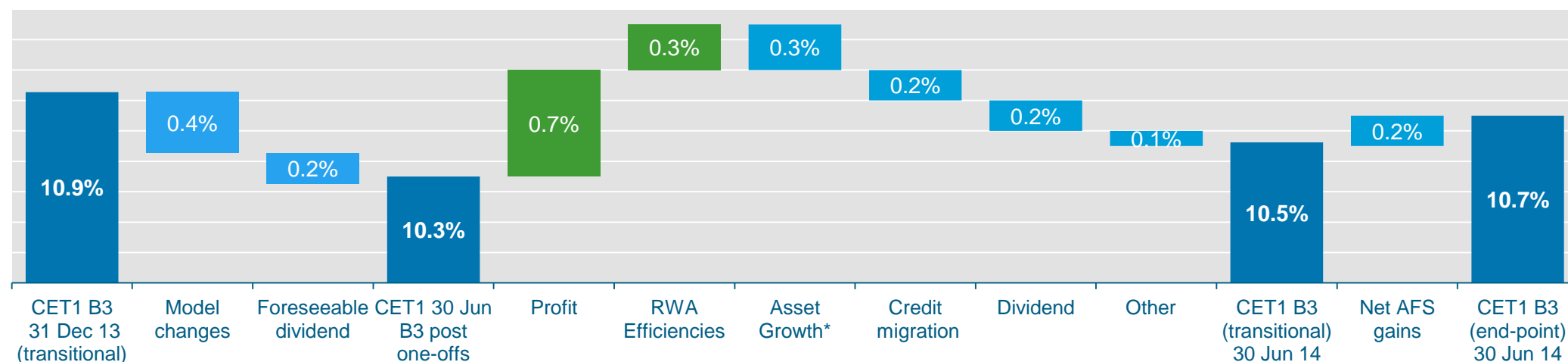
- Small number of impaired accounts
- Portfolio highly diversified
- Well collateralised and short tenor
- Broadly stable loss rates

	(US\$m)
<i>China commodities</i>	(175)
<i>Strategic investments</i>	(71)

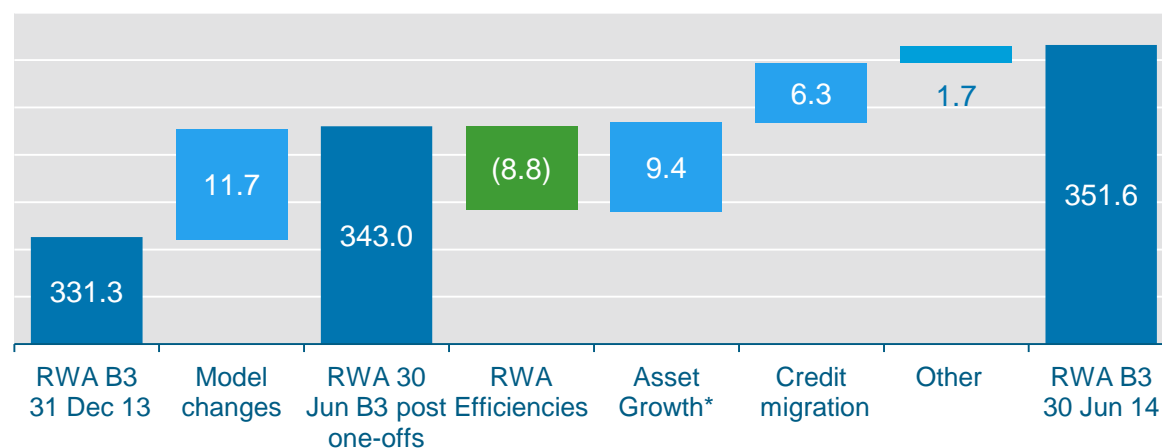
1) Excludes US\$ 1bn of Korea goodwill in H1 2013

Capital - Basel III

Common Equity Tier 1 (CET1) %



Risk weighted assets (RWA) US\$bn



- Well capitalised with CET 1 ratio of 10.7%
- Capital accretive ex model and foreseeable dividend changes
- Assertive RWA management
- Leverage ratio 4.8%

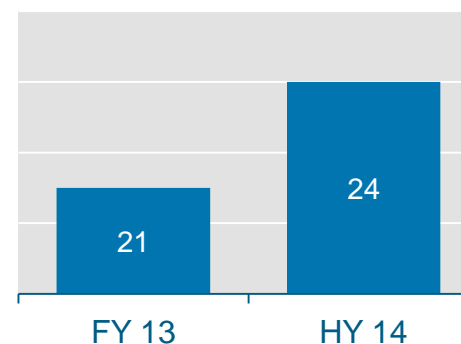
Note: Asset growth net of \$5.2bn RWA redeployment in H1 2014; AFS: Available for sale securities

Financial Markets

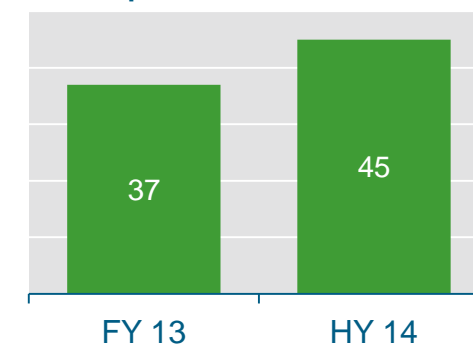
US\$m	H1 13	H2 13	H1 14	YoY%
Foreign Exchange	835	578	636	(24)
Rates	552	365	371	(33)
Commodities and Equities	288	219	262	(9)
Capital Markets	283	275	284	0
Credit and Other	254	207	227	(11)
Total Financial Markets	2,212	1,644	1,780	(20)

Notional volume increase % YoY

Cash FX

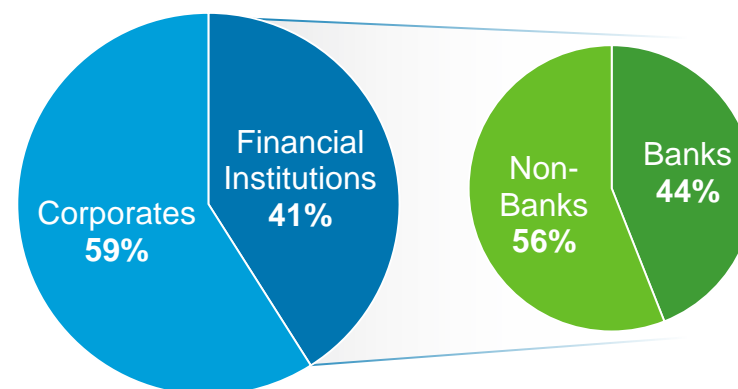


FX Options



- Client driven business
- Regulatory changes and low volatility environment
- Strong volume growth, gaining market share
- Strong returns

Income composition



Note: FX = Foreign Exchange

Korea

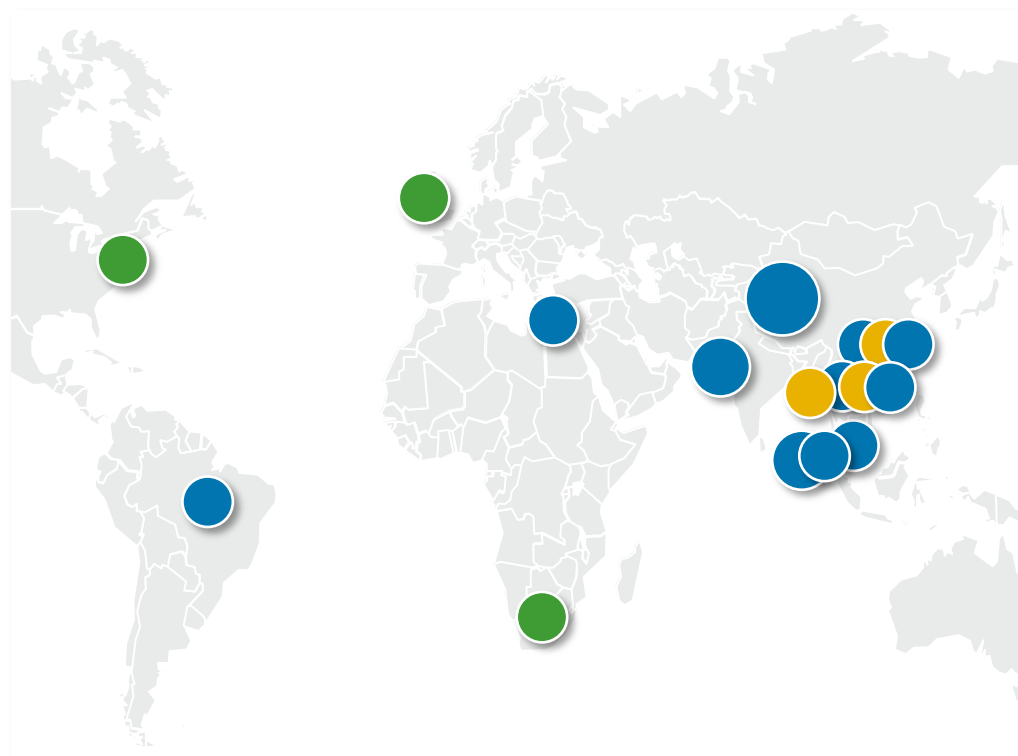
US\$m	H1 13	H1 14	YoY%
Income	898	669	(26)
Expenses	(549)	(587)	(7)
Working profit	349	82	(76)
Total impairment	(212)	(209)	1
Profit before tax	137	(127)	(193)

Actions taken in H1 2014

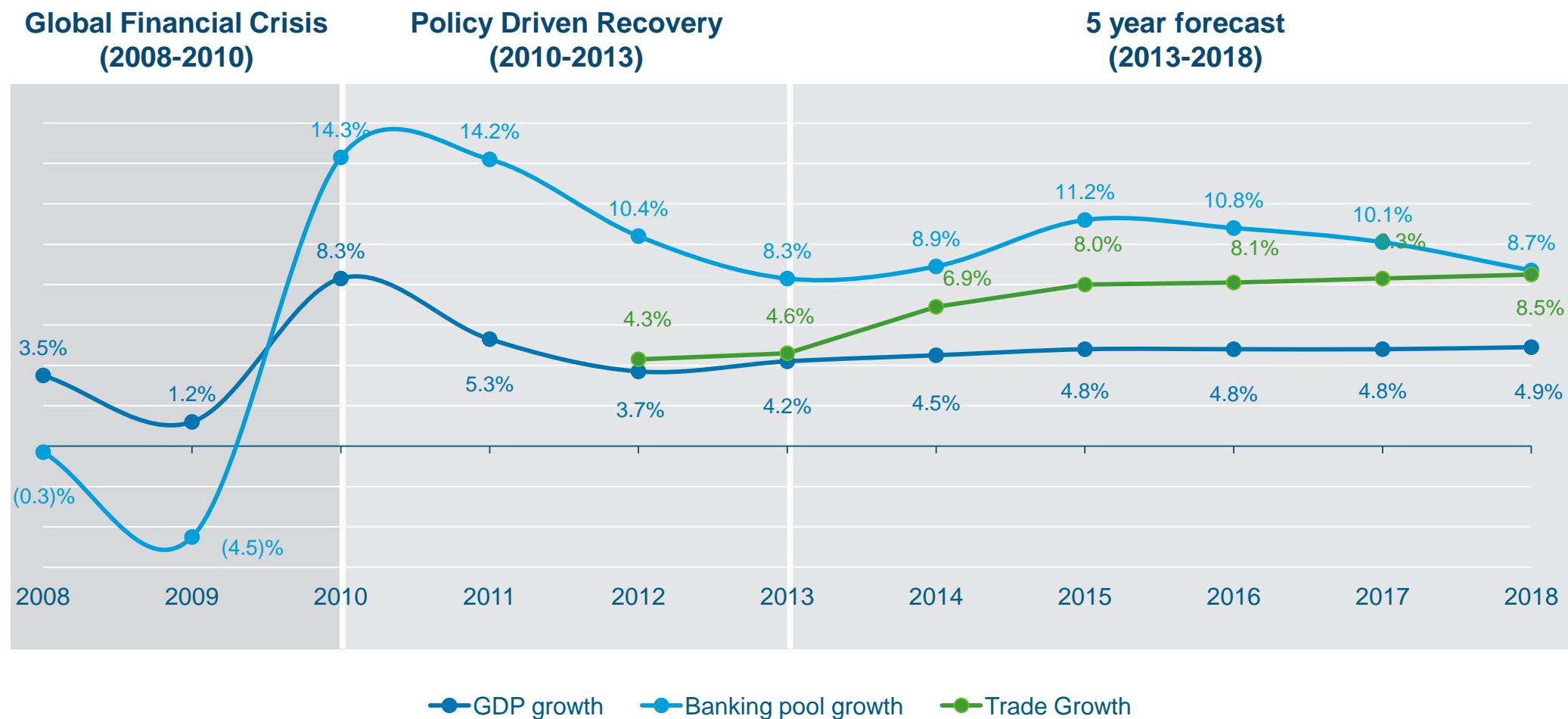
- Reshaping the business
 - Headcount down 9% YoY (~590)
 - Branches down 47 YoY to 314
- Sold Consumer Finance and Savings Bank
- De-risking Retail unsecured

Strengthening offshore client support

- 2013 year end – 18 desks in 11 markets
- H1 14 - added 3 desks in Hong Kong, Thailand & Vietnam
- H2 14 – to add 3 desks in US, UK and South Africa



Growth in our markets



Source: IMF, WTO, McKinsey Global Banking Pools (Based on July 29 2014 version)

1. Real GDP, Trade and Banking Revenue Pool growths are based on weighted average of SCB's top 12 markets (weighted as per SCB's 2013 RWAs).
2. Banking revenue pool excludes 'Mergers & Acquisitions' and 'Discretionary Pension Distribution' related revenues.
3. Trade growth based on USD value of total merchandise trade (Imports + Exports).

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

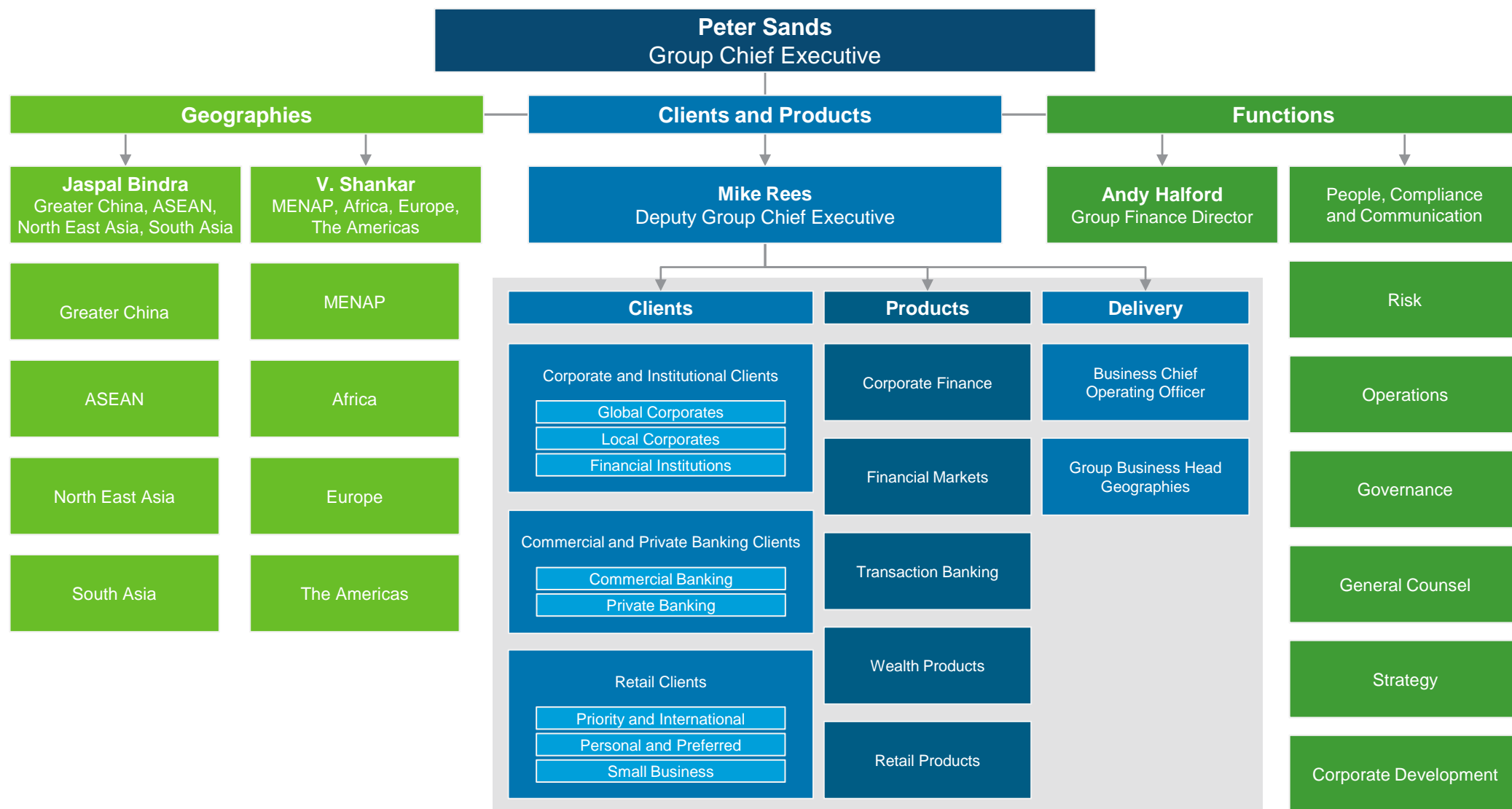
- ▶ Be recognised as a leader in growing and protecting our clients' wealth



Relevant scale

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

Organisation structure



Corporate and Institutional Clients

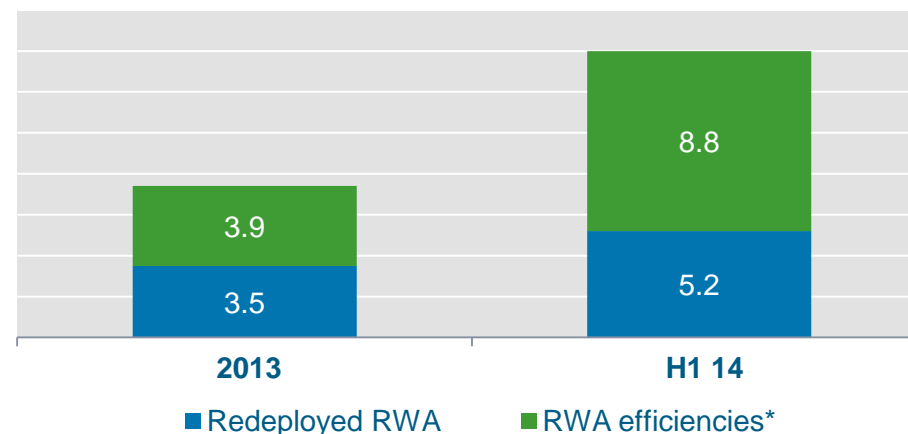
US\$m	H1 13	H1 14	YoY%
Income	5,577	5,334	(4)
Expenses	(2,500)	(2,546)	(2)
Working profit	3,077	2,788	(9)
Total impairment	(225)	(435)	(93)
Profit from associates	79	90	14
Profit before tax	2,931	2,443	(17)

- Around 60% of Group income
- 87% client income
- Building deeper relationships
- Focusing on cross border, network business

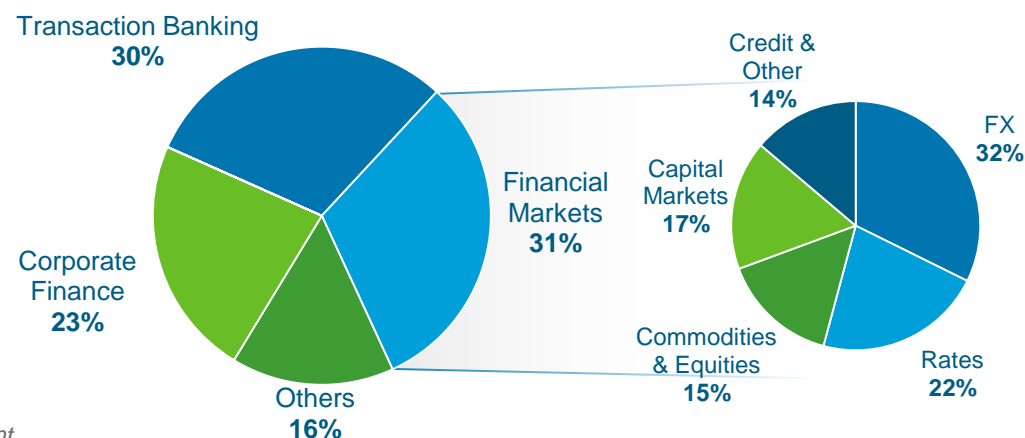
Note: Significant majority of RWA efficiencies are from the Corporate and Institutional client segment

Redeploying RWA to improve profitability

US\$bn RWA redeployed



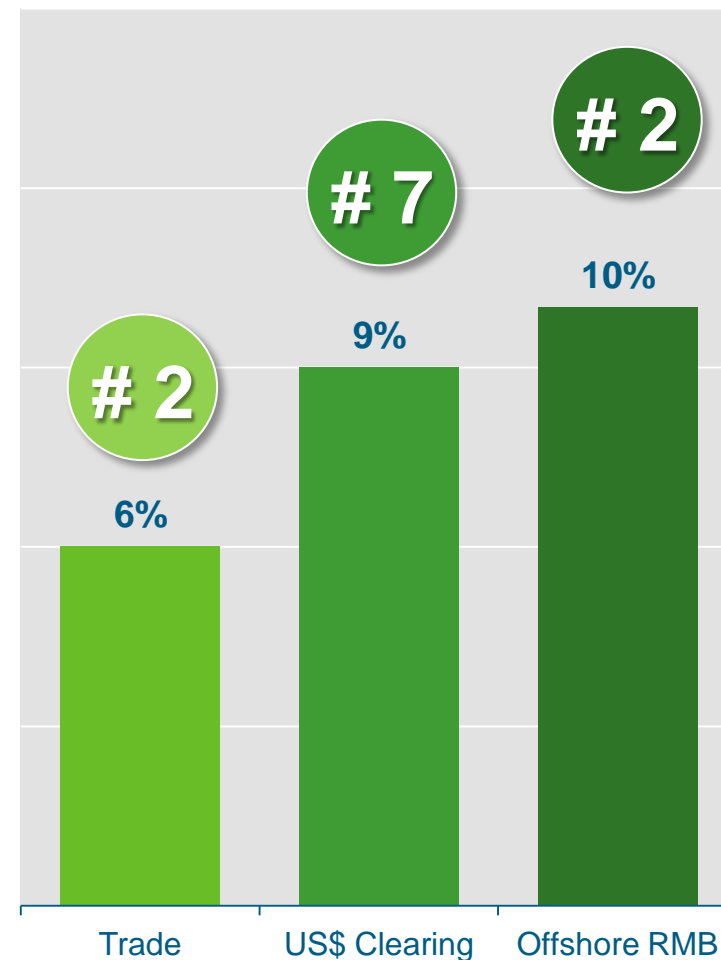
Income split by product



Market position

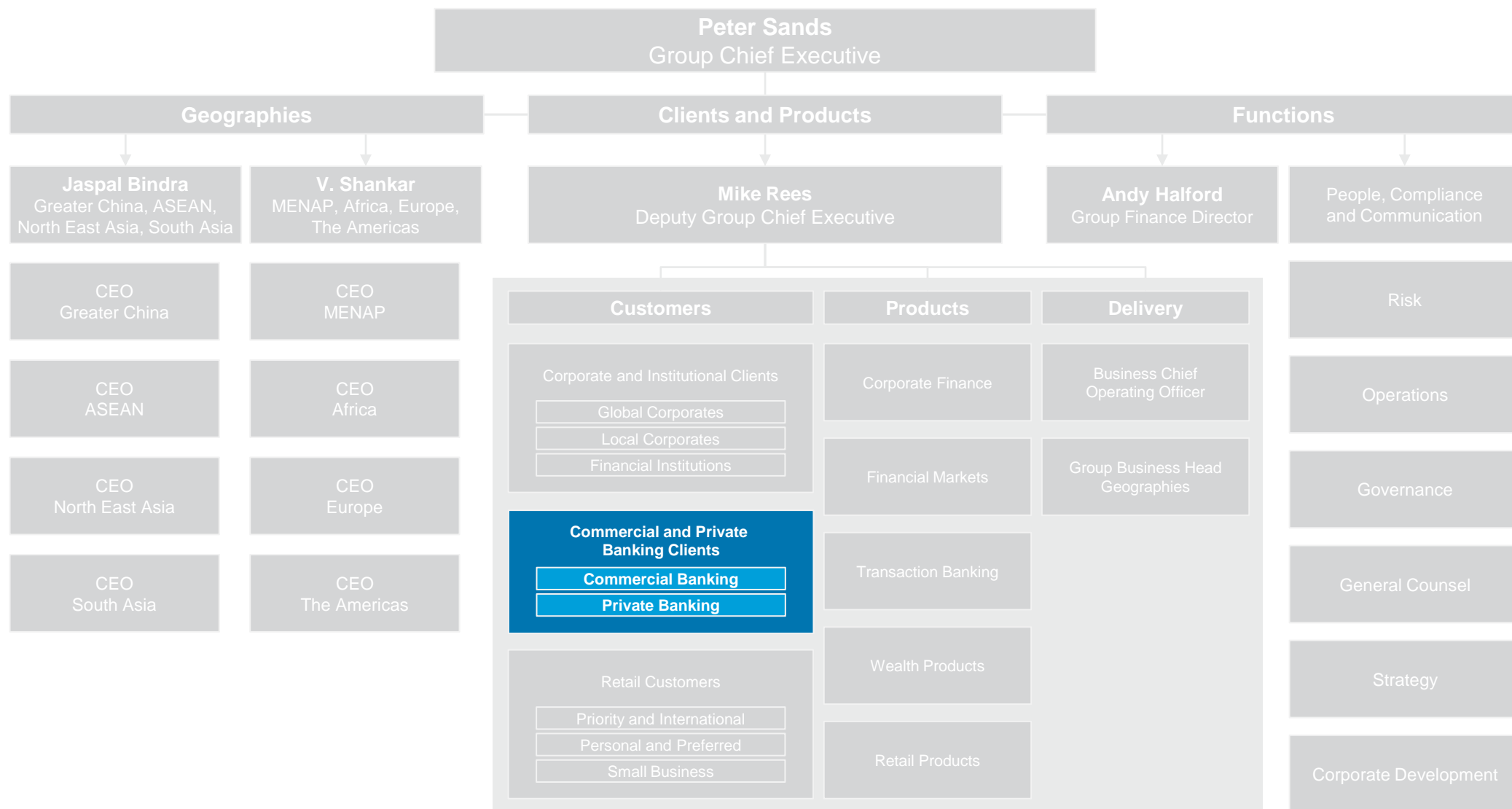


Global market position and share (%)



Source: Market research, CHIPS data; East & Partners Asian Institutional Transaction Banking Markets Program

Organisation structure



Commercial Clients

US\$m	H1 13	H1 14	YoY%
Income	812	616	(24)
Expenses	(374)	(362)	3
Working profit	438	254	(42)
Total impairment	(29)	(100)	(245)
Profit from associates	17	11	(35)
Profit before tax	426	165	(61)

Profit change

Principal Finance
Financial Markets
Loan impairment

YoY \$

(261)

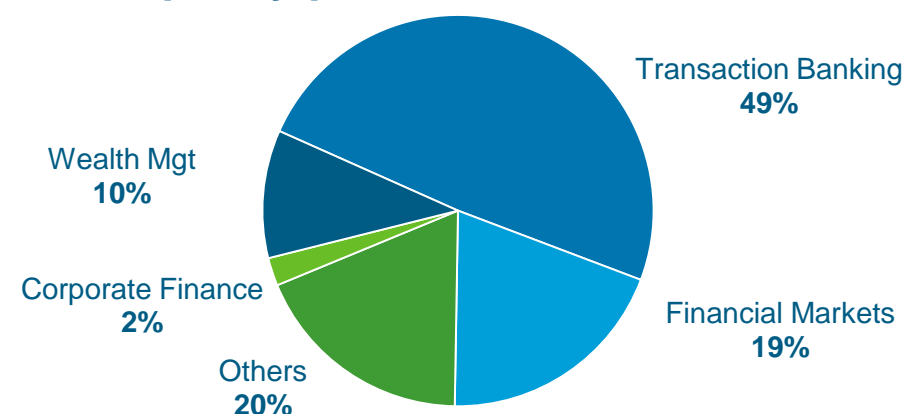
(107)

(51)

(57)

- 50,000 clients across 19 markets
- 90% of revenue from top 9 markets
- Deepening linkages between business owners and Private Banking

Income split by product

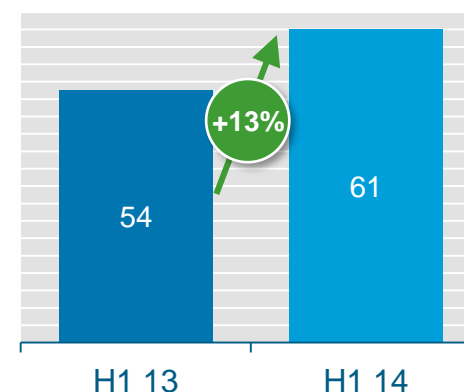


Private Banking Clients

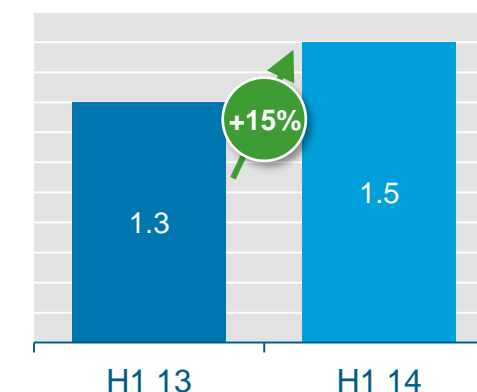
US\$m	H1 13	H1 14	YoY%
Income	301	314	4
Expenses	(213)	(227)	(7)
Working profit	88	87	(1)
Total impairment	(8)	(16)	(100)
Profit from associates	1	-	nm
Profit before tax	81	71	(12)

Private Banking

Consumer AUM - US\$bn



Net new money - US\$bn



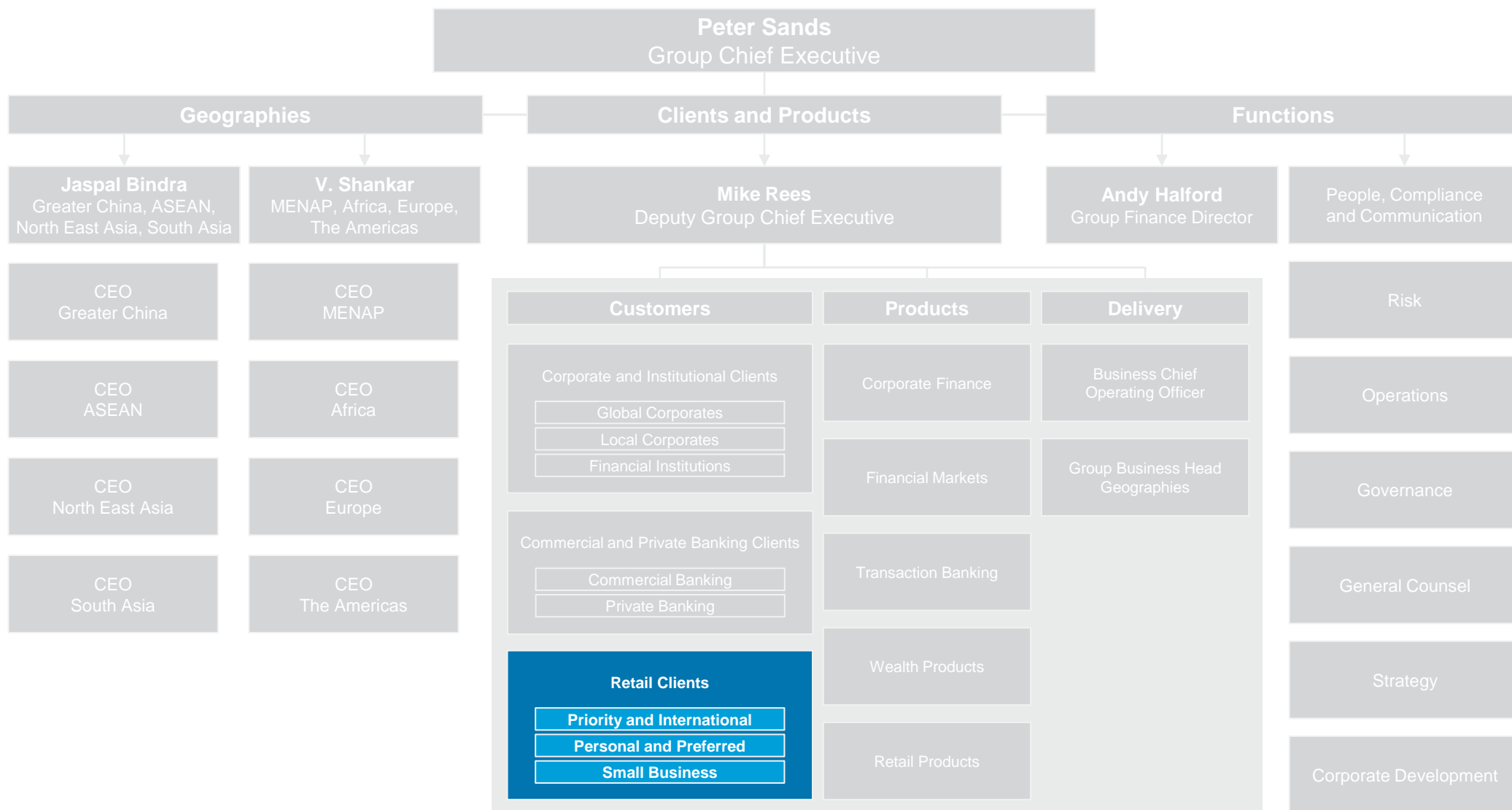
- Significant market growth opportunity
- Aspiration to double AUM by 2020
- Investing to better serve client needs
- Rationalising sub-scale booking centres (e.g. Geneva)

Private Banking income growth in key centres



Note: nm = not meaningful; 1) H1 14 on H1 13

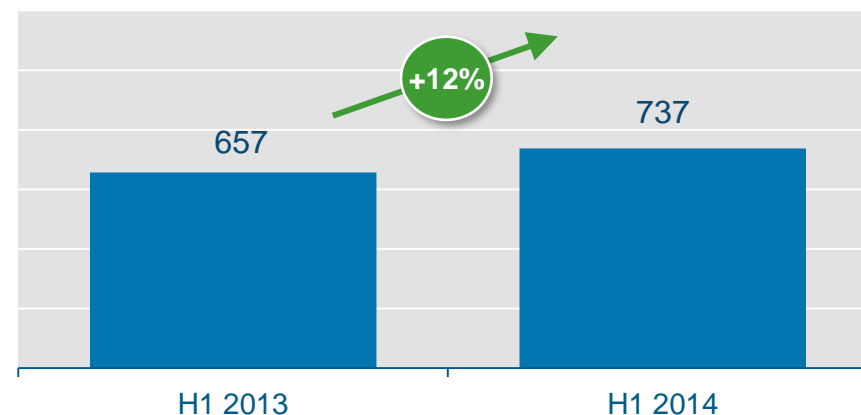
Organisation structure



Retail Clients

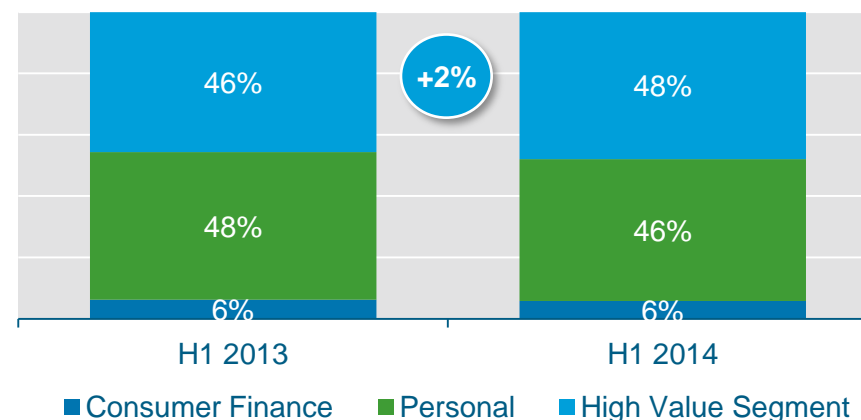
US\$m	H1 13	H1 14	YoY%
Income	3,061	3,005	(2)
Expenses	(1,947)	(1,948)	0
Working profit	1,114	1,057	(5)
Total impairment	(479)	(480)	0
Profit from associates	15	12	(20)
Profit before tax	650	589	(9)

Retail clients profit before tax ex. Korea (US\$m)



- Strong growth in Hong Kong, Singapore and Africa
- Taking action in Korea, de-risking and reshaping
 - Sale of Consumer Finance and Savings Bank
 - PDRS remains elevated
 - Greater emphasis on High Value Segment and Wealth
 - Exiting third party direct sales

Increasing focus on high value segment (US\$m)



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.”



Execution in H1 2014 - Examples

- Set out 5 strategic aspirations – relationships, investment, trade, wealth and relevant scale
- Implemented far-reaching reorganisation
 - Aligned the group to the strategic priorities
 - Broke down silos
 - Defined new segment strategies
- Reviewed businesses against the ‘5 tests’
 - Exiting subscale, non-strategic businesses
 - Reconfiguring businesses to align to the sharpened strategy
- Took decisive action to redeploy capital from low return relationships and businesses
- Stepped up ‘Raising the bar on conduct’ e.g.
 - Financial Crime Risk Mitigation Program
 - Customer Due Diligence remediation
 - Substantially increase resources
- Sharpened investment spend prioritisation and cost discipline
- Reallocating sales and marketing resources
 - Exited third party client sales
 - Shifted FM resources from structured / trading to sales / flow
- Defined integrated “roadmap” for implementation of strategy

Summary



- External environment remains challenging
- Momentum ahead of the second half last year
- Financial Markets remains uncertain
- Managing costs and risks tightly
- Continue to be:
 - Well capitalised
 - Highly liquid
 - Diverse



Q&A

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