

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

**Steve Bertamini**

Group Executive Director and CEO  
Consumer Banking

# Key messages

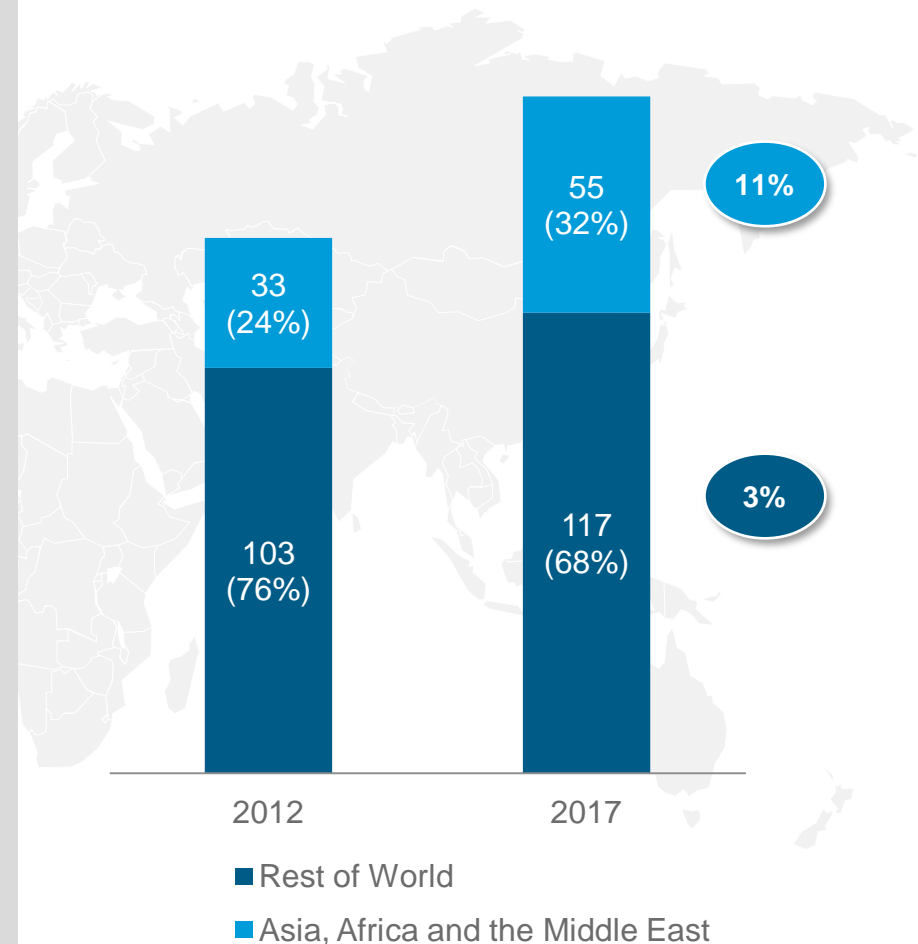
- Macro trends support long term opportunities
- Resilient performance despite challenges
- Sharpening our strategic focus
- Continuing to invest for long term growth

# Macro trends support sustained growth

- Asia, Africa and the Middle East will contribute around 60% of total global revenue pool growth
- Asia, Africa and the Middle East private wealth will surpass the US and Europe by 2017
- SMEs are a leading employer in Asia, Africa and the Middle East
- Asia-Pacific now home to more HNWIs\* than any other region
- China, India and Nigeria added more than 20x new internet users in the last four years than the US
- More Facebook users in Asia than in the US

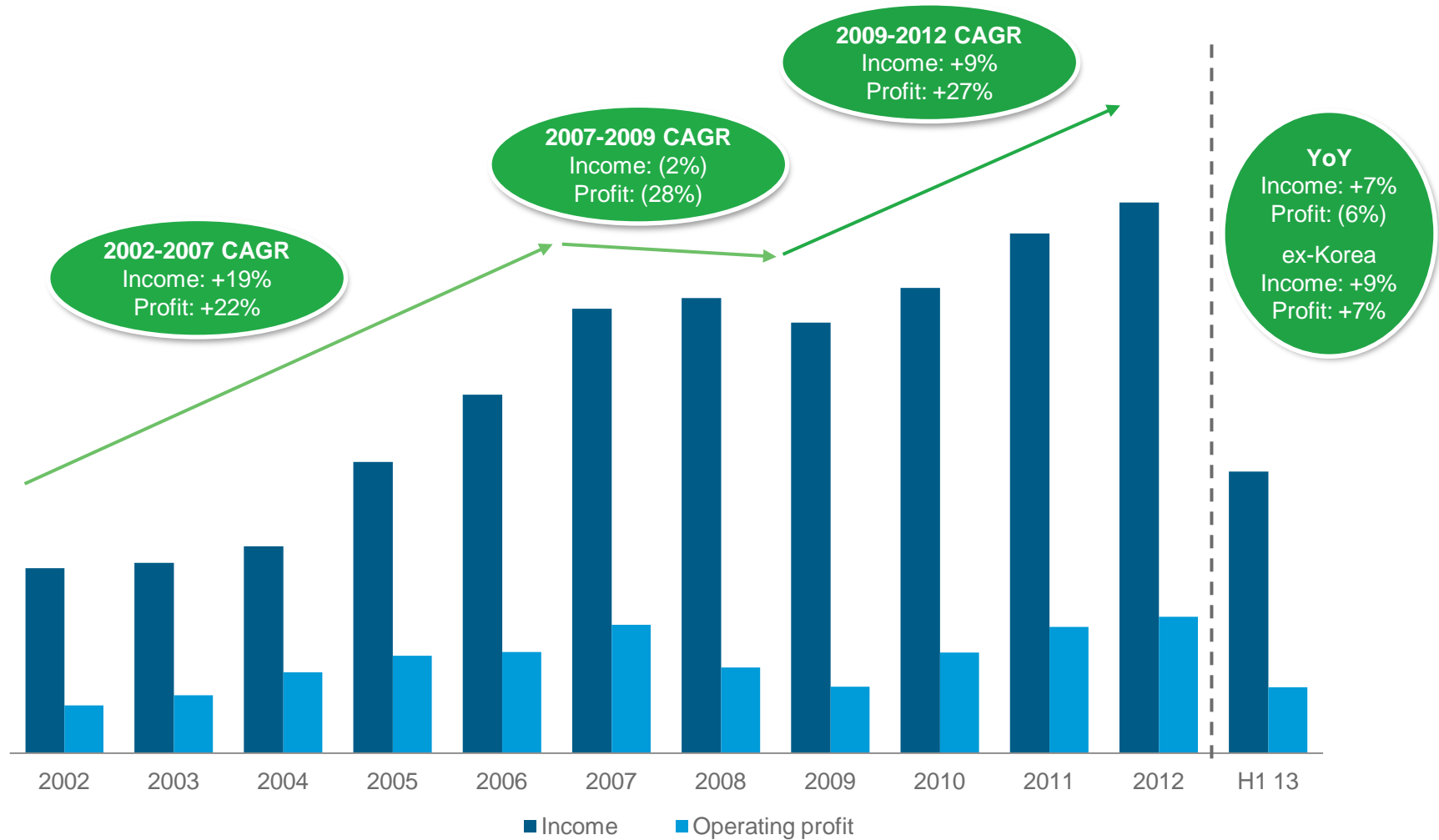
\* High Net Worth Individuals

## Private financial wealth (US\$trn)



Source: Boston Consulting Group 2013 wealth report

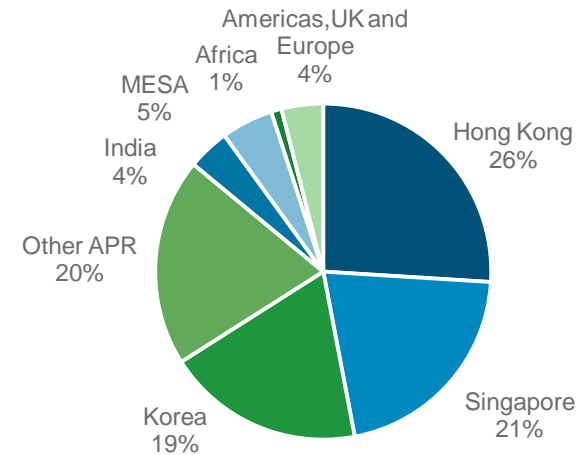
# Performance over last decade



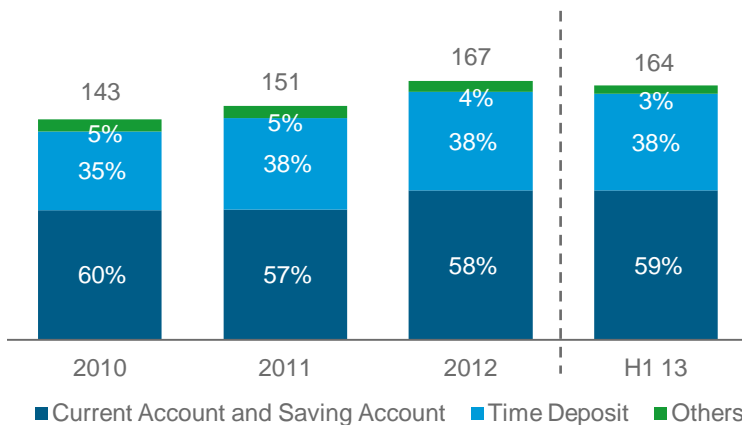
# Balance sheet momentum and shape

- Well diversified balance sheet by market, product and customer base
- 72% of portfolio is secured, 9% partially secured and 19% unsecured
- Focus on balance sheet growth

## Customer loans and advances

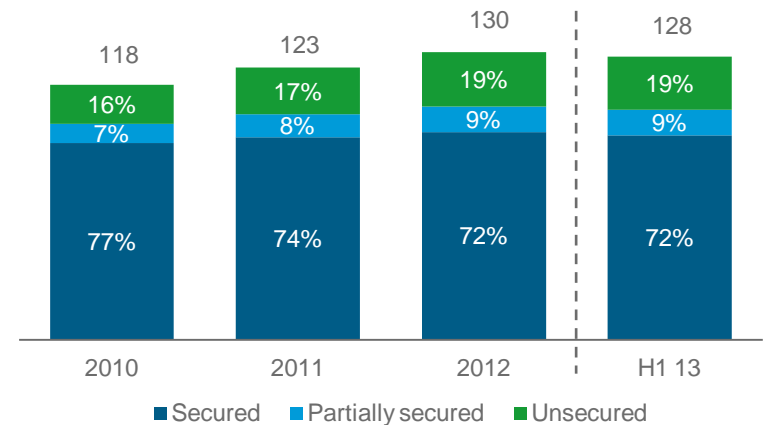


## Customer deposits (US\$bn)



Note: Data excludes Permata

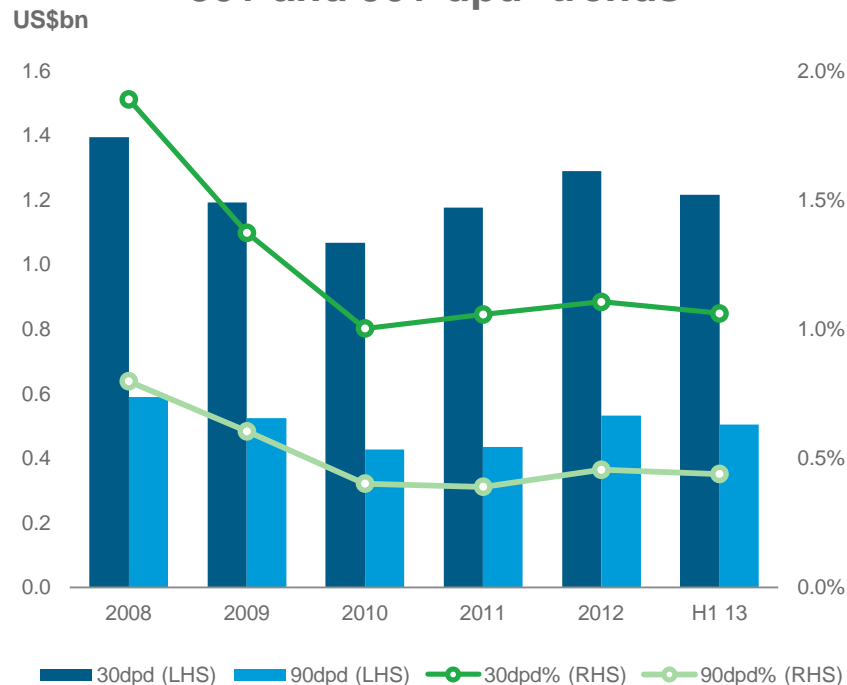
## Customer loans and advances (US\$bn)



# Portfolio performance

- 72% portfolio concentrated in markets with less than 1% loss rates
- Residential mortgage portfolio average Loan to Value (LTV) is at 47%
- Unsecured strategy shifting towards cards and digital with increased High Value Segment (HVS) focus

## 30+ and 90+ dpd\* trends



Note: Data excludes Permata ; \* dpd – days past due

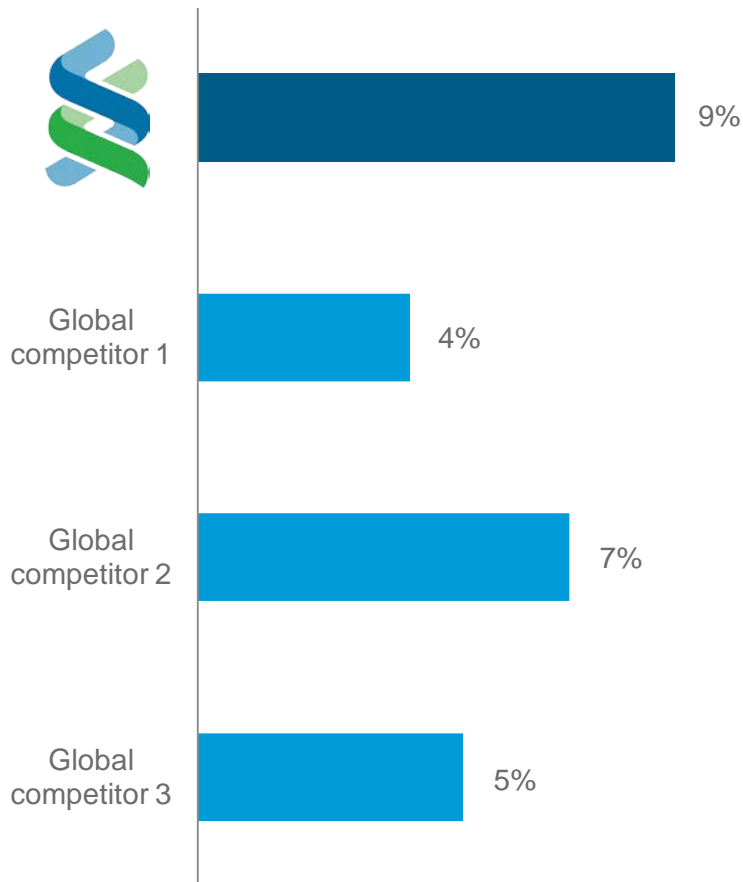
## Loan impairment trend (US\$bn)



\* Data excludes Permata

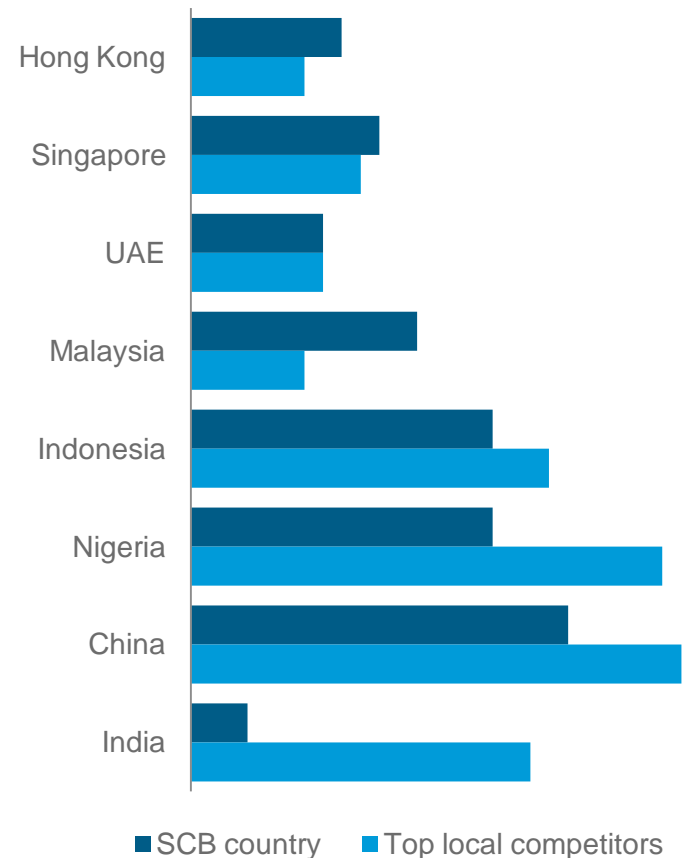
# Competitor growth comparison

## Standard Chartered vs. global peers (income CAGR 2009-12)



Source: Company accounts

## Standard Chartered vs. Top local competitors by country (income CAGR 2009-12)



Source: Company accounts

Note: Standard Chartered results have been adjusted for comparison

## What has gone well...

- Strong performance relative to competition
- Balance across geographies, products and segments
- Material investments to build advantage where it matters
- Strong balance sheet
- Early gains in driving productivity

## ...and what has been more difficult

- Pace of Korea turnaround
- Volatility created by Credit Cards and Personal Loan impairment
- Pace of regulatory changes and actions
- Slower income growth in a few big markets



**To be the world's best international Consumer Bank  
in each of our chosen markets and segments**

## **Participation model**

- Focus on High Value Segments\*
- Three standard models
- Prioritised investment
- Hub and spoke, shared utilities

## **Customer focus**

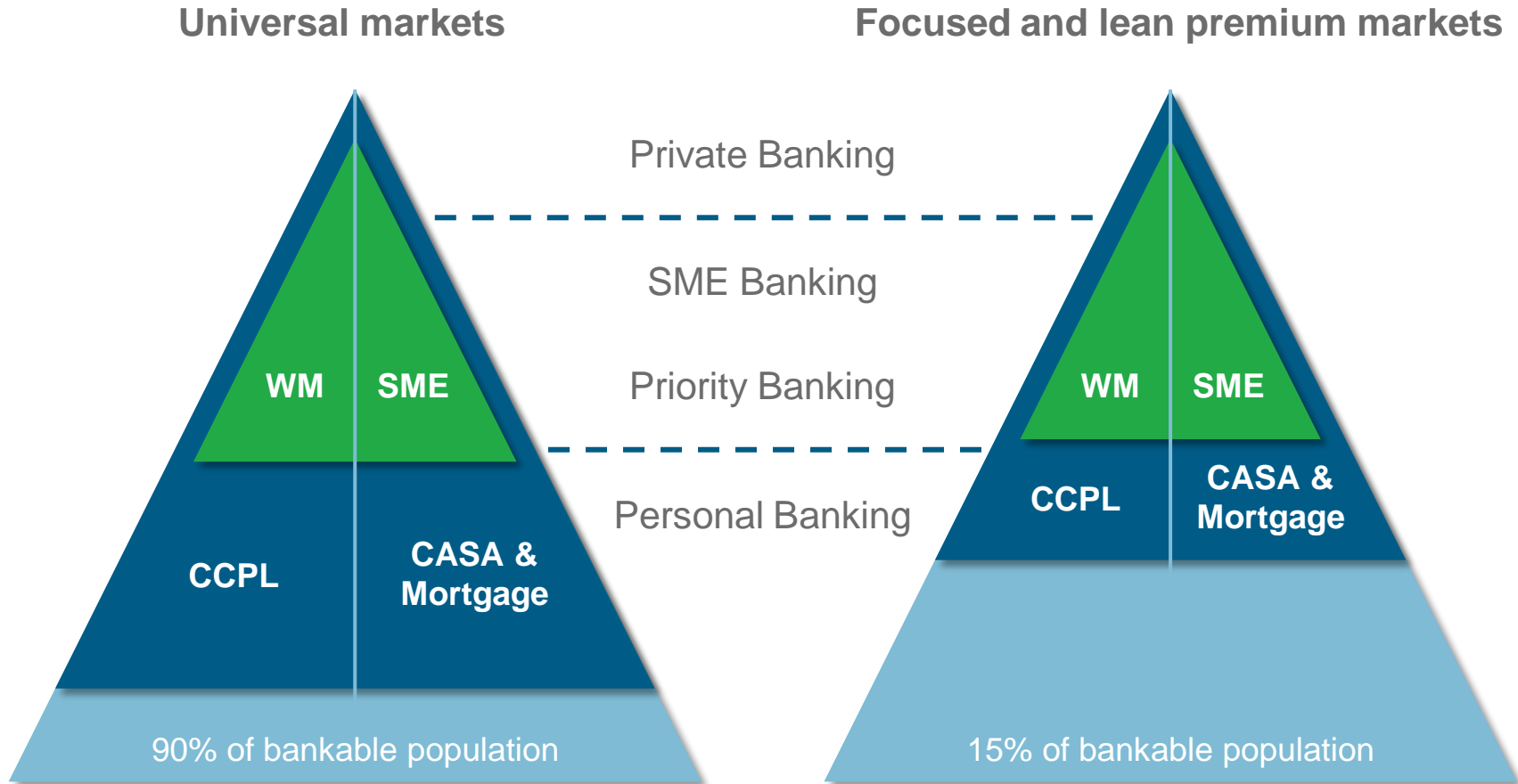
- Distinctive Customer Value Propositions (CVP) and world class relationship managers
- Main bank relationship and payroll driven
- Needs based bundling

## **'Back to basics'**

- Re-engineering and centres of excellence
- Liquidity and secured lending
- Strong risk and cost discipline
- Performance management

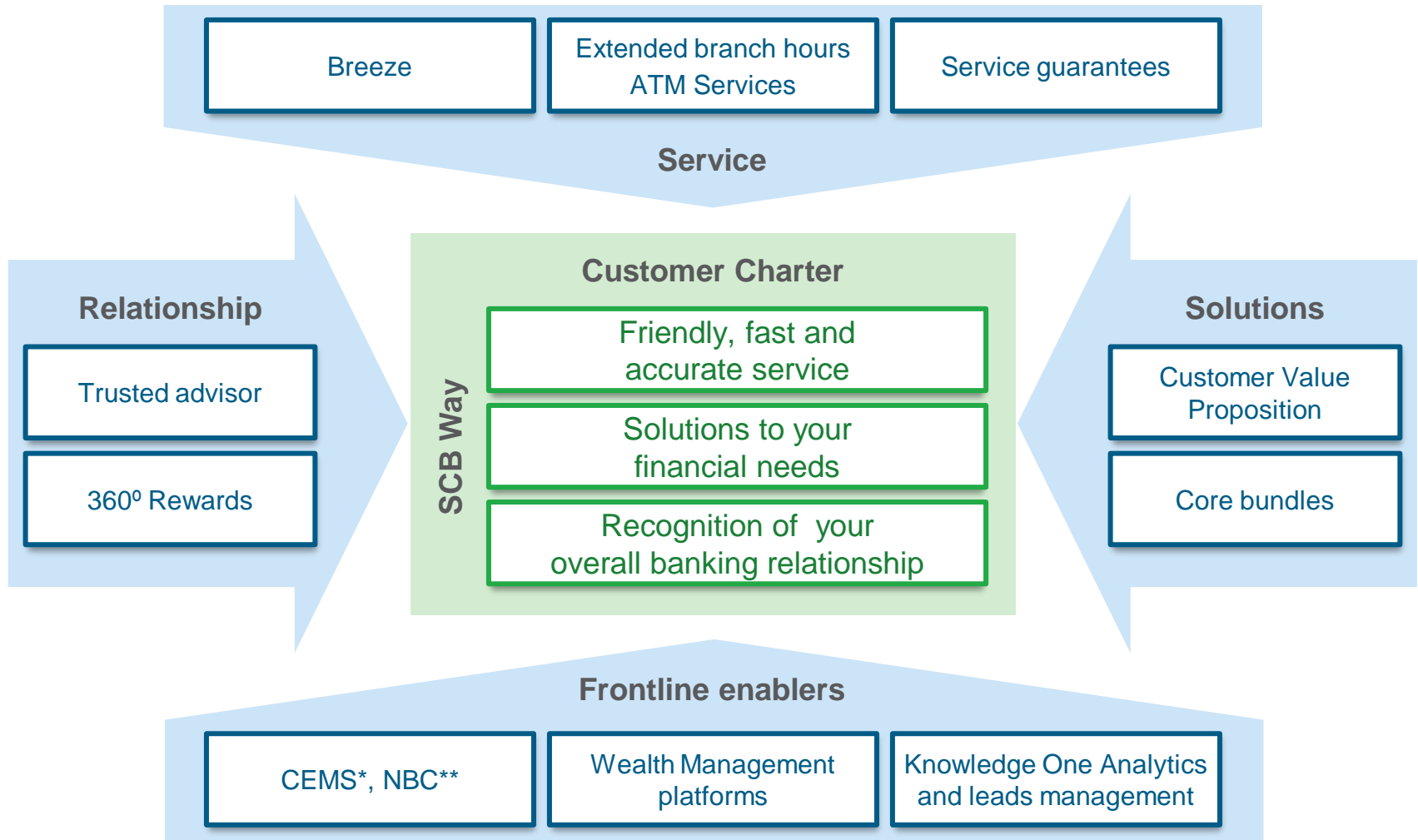
*\* High Value Segments (HVS) - SME, Private, Priority*

# Target segments in key markets



**CB banks top ~20% of bankable households which makes up ~60% of revenue pool**

# “Install” phase completed



\*CEMS – customer experience management system

\*\*NBC – needs based conversation

# “Tuning” strategic focus

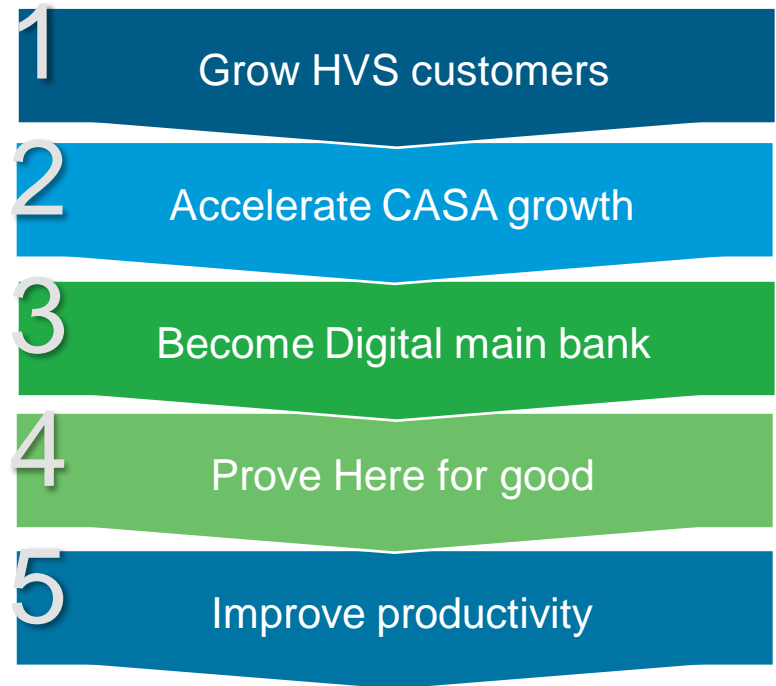


<b>Participation model</b>	<ul style="list-style-type: none"> <li>Participation models</li> <li>Hubbing</li> </ul>	<ul style="list-style-type: none"> <li>City focus</li> <li>Korea turnaround</li> </ul>	<ul style="list-style-type: none"> <li>Multi-channel experience</li> <li>Digital Main Bank</li> </ul>
<b>Customer focus</b>	<ul style="list-style-type: none"> <li>High Value Segment CVPs</li> <li>Launched Customer Charter, ‘SCB Way’, ‘Trusted Advisor’</li> </ul>	<ul style="list-style-type: none"> <li>Personal banking CVP*</li> <li>Embed Charter, SCB Way and ‘Trusted Advisor’</li> <li>Strengthen Brand</li> </ul>	<ul style="list-style-type: none"> <li>Brand &amp; NPS* leadership</li> <li>Optimised Analytics</li> <li>Prove Here for good</li> </ul>
<b>Back to basics</b>	<ul style="list-style-type: none"> <li>Balance sheet momentum</li> <li>Performance management</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet momentum and shape</li> <li>RWA allocation</li> <li>Productivity</li> </ul>	<ul style="list-style-type: none"> <li>Competitive RoRWA</li> <li>World class technology</li> <li>Employer of choice</li> </ul>

Refinements

# Consumer Banking roadmap

- High single digit income growth
- Positive jaws
- Double digit operating profit growth
- Operating profit RoRWA of 2.5%



# Strategic priorities for Wealth Management

## 1 Proposition

CVP & positioning



Brand awareness



## 2 Acquisition

International banking



Channels & programmes



## 3 Portfolio

Client coverage model



Contact strategy



## 4 People

Relationship manager recognition



Training & career path

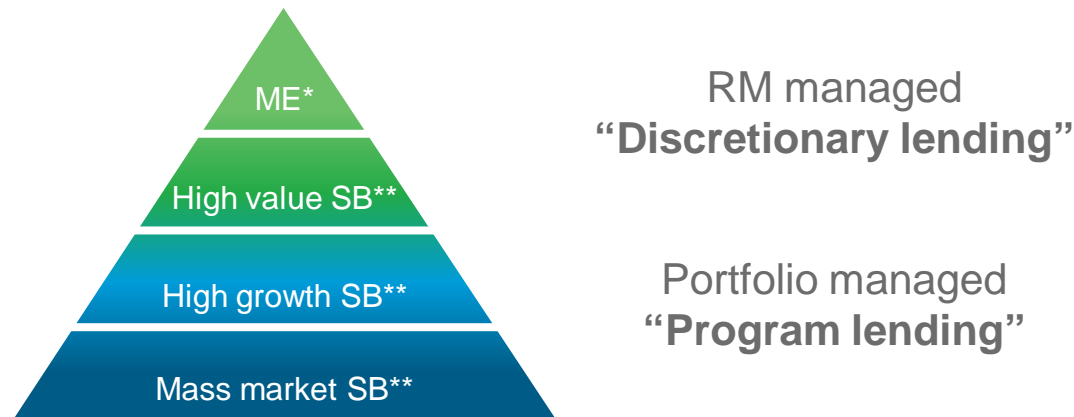


# Strengthening the SME platform



<b>Goal</b>	Become digital main bank for “your business, your family, your employees”
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## Coverage model



<b>Target market</b>	Focus on 8-10 industries specific to each market <ul style="list-style-type: none"><li>▪ Specialised RMs and credit approvers</li><li>▪ Improved risk profile</li></ul>
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<b>People and infrastructure</b>	Consolidate resources & build bench strength <ul style="list-style-type: none"><li>▪ Enhanced training and systems resources</li><li>▪ Start “Fast Track SME Graduate” program</li><li>▪ Develop market leading iBanking capability</li></ul>
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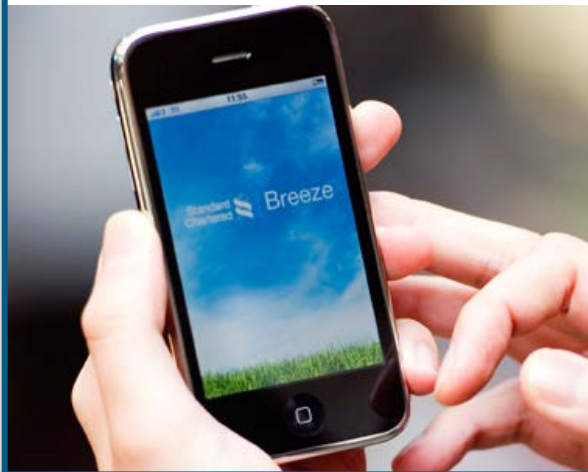
\*ME – medium sized enterprises

\*\*SB – small businesses

# Digital main bank focus

## 1 Accelerate rollout of digital capability

- Extend Breeze
- Eliminate paper
- Korea 3.0



## 2 Create “Digital First” solutions

- Develop digital alliances
- Launch mobile wallet solutions
- Join payment ecosystems



## 3 Integrate multi-channel capability

- Leverage big data analytics and digital marketing
- Drive customer adoption





# Investments

Branch projects



Customer-focused systems



Frontline and sales staff



Branding and marketing



Digital main bank

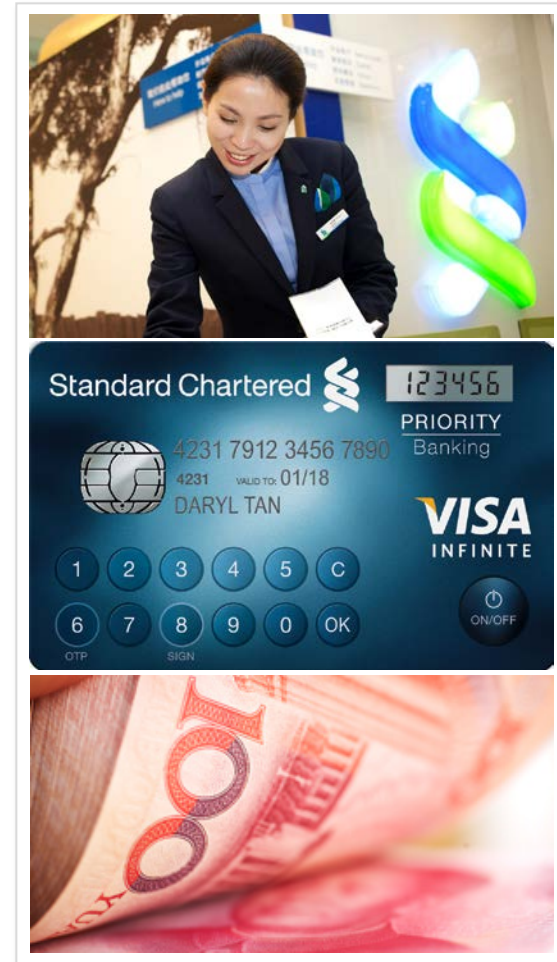


Regulatory and controls



# Our core competencies

- ✓ High Value Segments focus
- ✓ Strong deposit franchise
- ✓ Well diversified
- ✓ Strong brand
- ✓ One Bank approach
- ✓ Digital main bank



- Macro trends support long term opportunities
- Resilient performance despite challenges
- Sharpening our strategic focus
- Continuing to invest for long term growth

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

**Vishu Ramachandran**

Chief Operating Officer, Consumer Banking

# Key messages

- Strong and resilient performance; dealing with Korea and impairment headwinds
- Sharpening strategy to build a diversified, advantaged and profitable consumer business
- Continuing to invest for long term growth

# Performance over the last three years

US\$m	2009	2012	CAGR %	CAGR % (Underlying*)	CAGR % (Underlying - ex Korea)
Income	5,629	7,202	9	9	9
Expenses	(3,709)	(4,723)	(8)	(10)	(11)
Operating profit before impairment	1,920	2,479	9	7	6
Loan impairment	(1,052)	(697)	13	13	18
Other impairment	(1)	(4)	(59)	(59)	nm
<b>Operating profit</b>	<b>867</b>	<b>1,778</b>	<b>27</b>	<b>23</b>	<b>22</b>

\* Underlying excludes disposals, buy-back of structured notes and reduction in retirement obligations

# Financial performance – H1 2013

US\$m	H1 12	H2 12	H1 13	YoY%	YoY% CCY*	YoY% CCY* ex. Korea
Income	3,429	3,592	3,683	7	7	10
Expenses	(2,246)	(2,350)	(2,340)	(4)	(4)	(5)
Operating profit before impairment	1,183	1,242	1,343	14	14	20
Loan impairment	(290)	(384)	(506)	(74)	(73)	(71)
Other impairment	(9)	(36)	-	nm	nm	nm
Profit from associates	24	19	21	(13)	(10)	(10)
<b>Operating profit</b>	<b>908</b>	<b>841</b>	<b>858</b>	<b>(6)</b>	<b>(5)</b>	<b>8</b>

## Highlights

- Income momentum despite headwinds across geographies and products
- Disciplined expense management driven by a renewed focus on productivity
- Half on half income momentum has slowed
- Portfolio quality and unsecured Loan Impairment

\* CCY - constant currency

Note: As per restatements in the H1 13 accounts

# Income by geography and product

## Highlights

- Diversified growth with strong underlying momentum in key markets
- Slower income growth in a few big markets – Singapore, Korea
- Strong CCPL\*, Mortgage, and Wealth Management income

## By product

US\$m	H1 12	H1 13	YoY%
CCPL*	1,278	1,411	10
Wealth Management	636	686	8
Deposits	765	714	(7)
Mortgage & Auto	614	727	18
Others	136	145	7
<b>Total</b>	<b>3,429</b>	<b>3,683</b>	<b>7</b>

\* CCPL – Credit Cards and Personal Loans

## By geography

US\$m	H1 12	H1 13	YoY%	CCY %
Hong Kong	674	780	16	16%
Singapore	479	493	3	2
Korea	588	573	(3)	(6)
Other APR	760	841	11	10%
India	223	245	10	16%
MESA	371	408	10	11%
Africa	235	257	9	14%
Americas, UK & Europe	99	86	(13)	(13)
<b>Total</b>	<b>3,429</b>	<b>3,683</b>	<b>7</b>	<b>7</b>

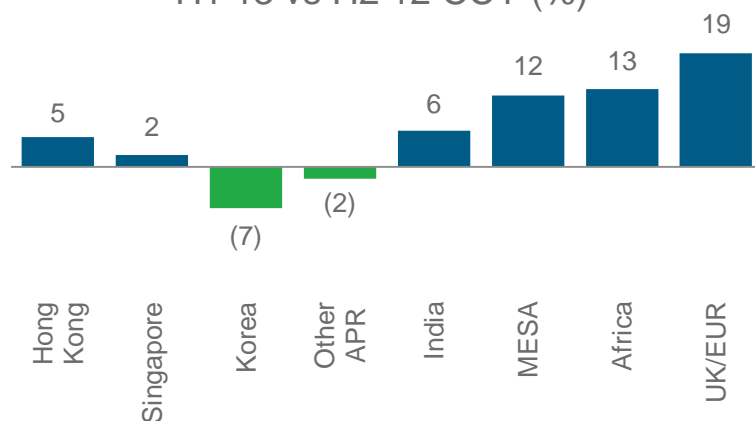


# Balance sheet momentum

## Customer loans and advances

US\$bn	H1 2013	YoY%	H1 13 vs H2 12	
			%	CCY %
Mortgages	70	(1)	(3)	0
CCPL	22	7	(3)	0
SME	20	9	2	6
Other	16	9	2	1
<b>Total</b>	<b>128</b>	<b>3</b>	<b>(2)</b>	<b>1</b>

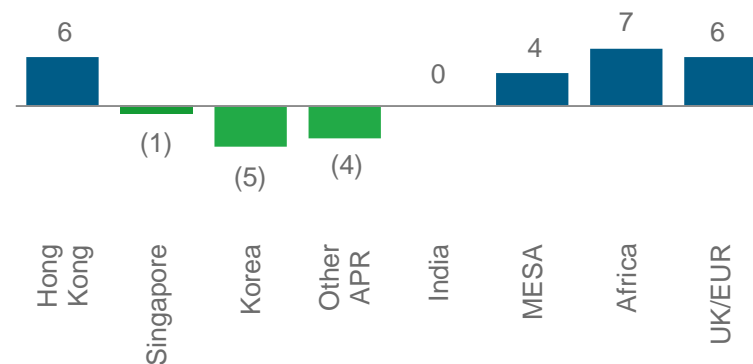
H1 13 vs H2 12 CCY (%)



## Customer deposits

US\$bn	H1 2013	YoY%	H1 13 vs H2 12	
			%	CCY %
CASA*	97	10	0	2
TD**	62	3	(2)	0
Other	6	(31)	(21)	(19)
<b>Total</b>	<b>164</b>	<b>5</b>	<b>(2)</b>	<b>1</b>

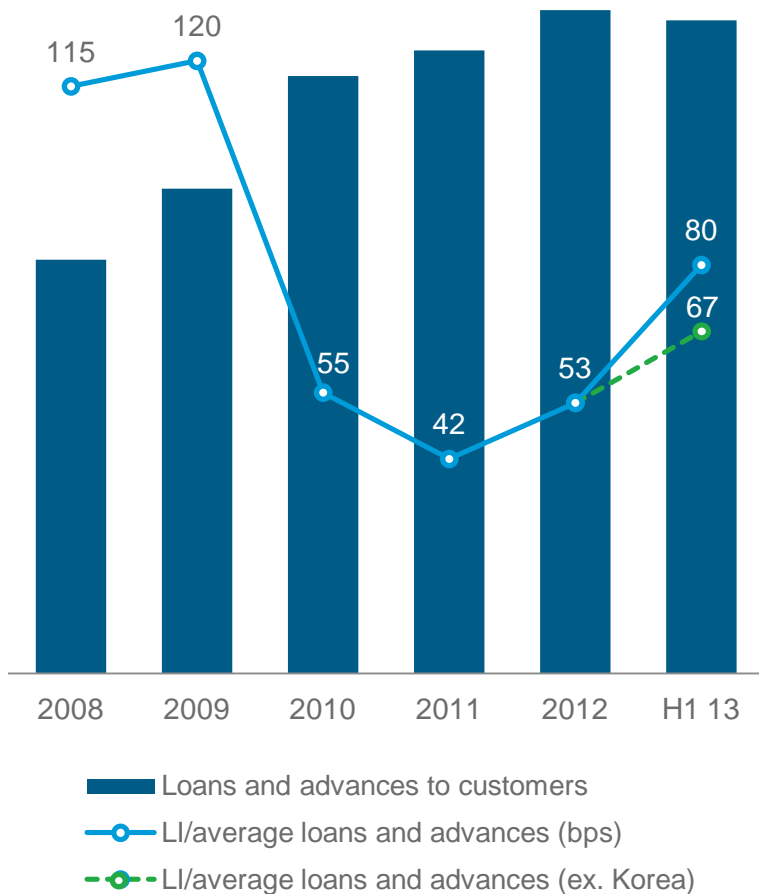
H1 13 vs H2 12 CCY (%)



\* CASA – Current and Saving Account \*\* TD – Time Deposit

# Portfolio performance

## Loan impairment trends



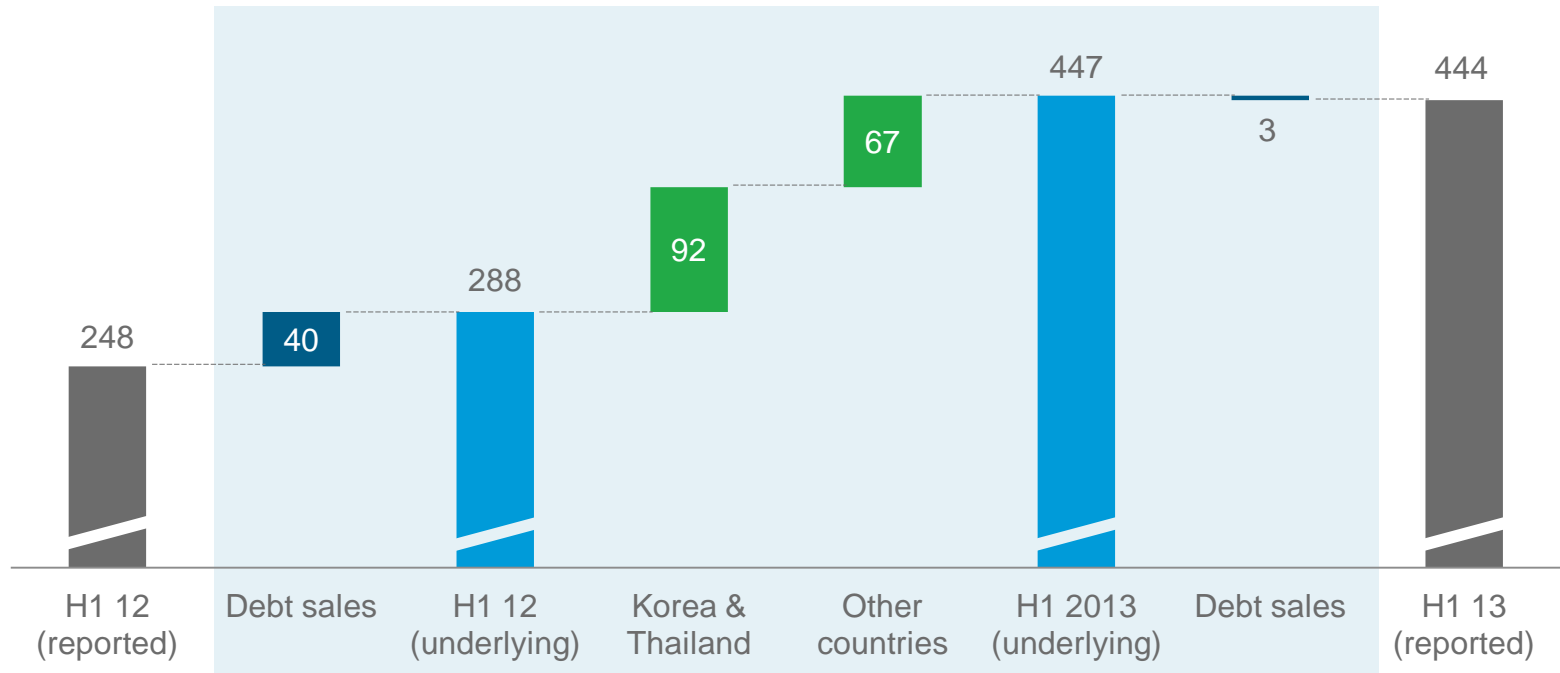
Note: 2012 and H1 13 as per restatements in the H1 13 accounts

## Loan impairment by key products

	H1 12	H2 12	H1 13
<b>Mortgages</b>			
LI/ANR*	(0.02%)	0.02%	0.02%
30dpd/ENR**	0.66%	0.68%	0.54%
Loan book (US\$bn)	71	73	70
LI (US\$m)	(9)	8	6
<b>SME</b>			
LI/ANR	0.51%	0.63%	0.45%
90dpd/ENR	0.53%	0.68%	0.77%
Loan book (US\$bn)	19	20	20
LI (US\$m)	49	61	46
<b>CCPL</b>			
LI/ANR	2.52%	2.93%	4.05%
30dpd/ENR	2.07%	2.30%	2.45%
Loan book (US\$bn)	20	22	22
LI (US\$m)	248	312	444
<b>Total LI (US\$m)</b>	<b>290</b>	<b>384</b>	<b>506</b>

\* ANR – Average Net Receivables \*\* ENR – End Period Net Receivables

# Loan impairment: Drivers of CCPL



Reported growth

79%

Underlying growth

55%

Underlying growth  
excluding Korea & Thailand

35%

# Restoring Korea to profitability

## Balance sheet

- De-risk Personal Loan portfolio
- Exit savings bank and capital company
- CASA focus and Wealth Management fee income growth

## Distribution

- Branch and in-house origination
- Accelerate digital agenda
- Optimise distribution framework

## Productivity

- Drive performance culture
- Headcount optimisation; hiring freeze

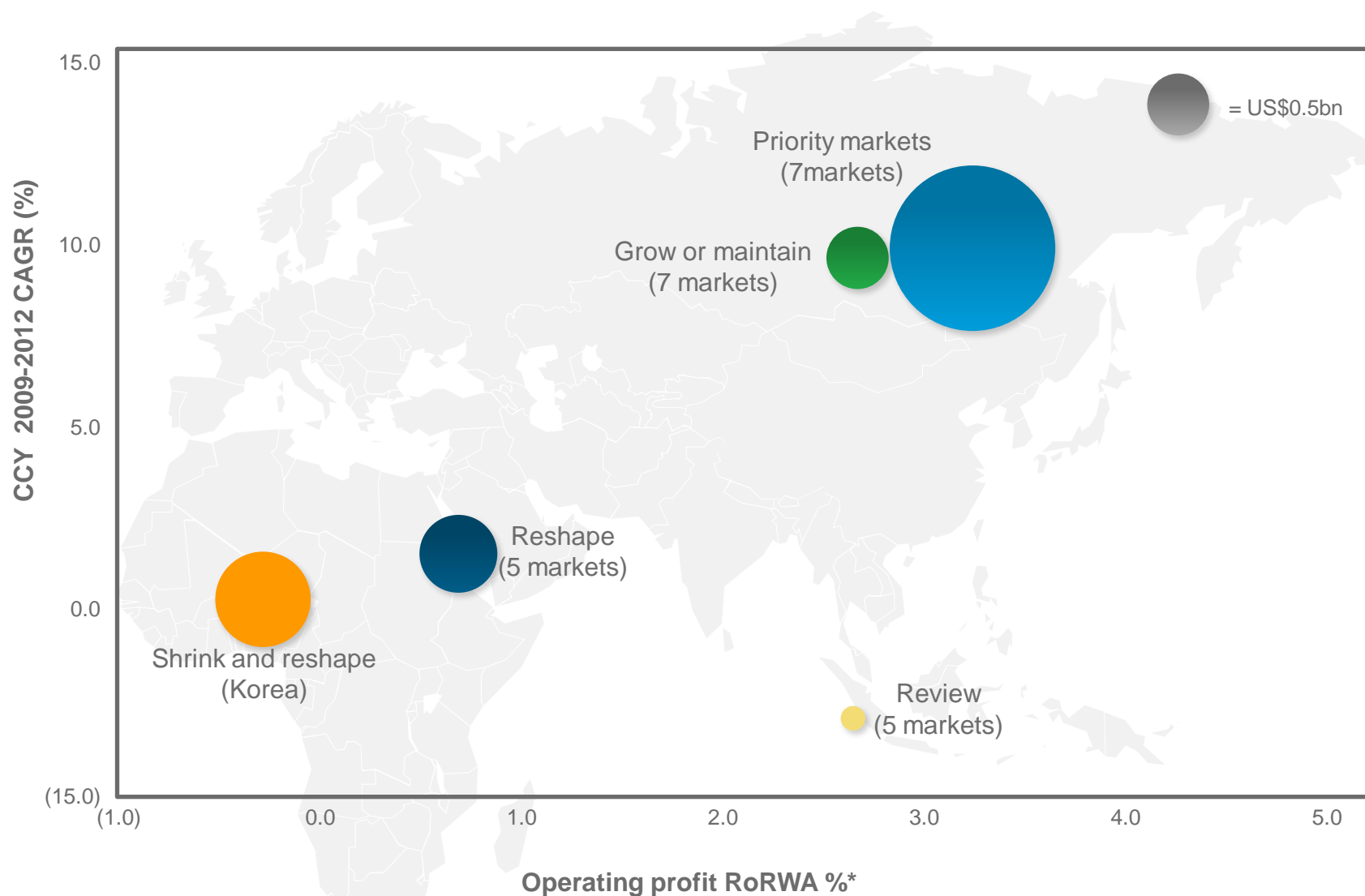
US\$m	H1 13	YoY%	HoH%
Income	573	(3)	(4)
Expenses	(403)	(3)	nm
Operating profit before impairment	170	(13)	(11)
Loan impairment	(176)	(83)	(39)
<b>Operating profit</b>	<b>(6)</b>	<b>(106)</b>	<b>(109)</b>

# Creating a diversified, advantaged and profitable consumer franchise

- High single digit income growth
- Positive jaws
- Double digit operating profit growth
- Operating profit RoRWA of 2.5%

- 1 Focus on priority markets and mitigate Korea drag
- 2 Sharpen resource allocation decisions
- 3 Improve productivity and strengthen the control environment
- 4 Reduce volatility

# 1 Focus on priority markets



\*H1 13 data shown on an annualised basis

# 2 Sharpen resource allocation decisions

## Priority (7 markets)

- CB will disproportionately allocate RWA and expense capacity
- Focus on
  - High Value Segments
  - Wealth and SME
  - Digital Main Bank
  - Strategic cities
- CB targets
  - Grow at multiple of GDP growth rate
  - Hold or improve market share and returns

## Grow or Maintain (7 markets)

- CB has attractive growth and returns as well as relevant scale
- Periodically review and adapt based on market realities

## Reshape (5 markets)

- Attractive banking markets
- Change CB's business mix and increase HVS share
- Improve returns

## Review (5 markets)

- Small markets with tough economics
- CB has a sub-scale presence
- Exploring alternative paths

## Shrink and reshape (Korea)




- Restore profitability
  - Balance sheet
  - Distribution
  - Productivity

# 2 Impact of 2013 resource allocation

	% of total in H1 13		Annualised OP RoRWA% in H1 13	% of incremental (H1 13 vs H1 12)		% (H1 13 vs H1 12)	
	Expenses	RWA		Expenses	RWA	Expenses	RWA
Priority	59	54	3.1	78	76	7	15
Grow or maintain	10	11	2.6	7	15	4	15
Reshape	12	15	0.8	4	6	2	4
Shrink and reshape	17	19	-0.3	11	5	3	2
Review	2	1	2.6	0	(1)	1	(9)
Total	100	100	2.0	100	100	4	10



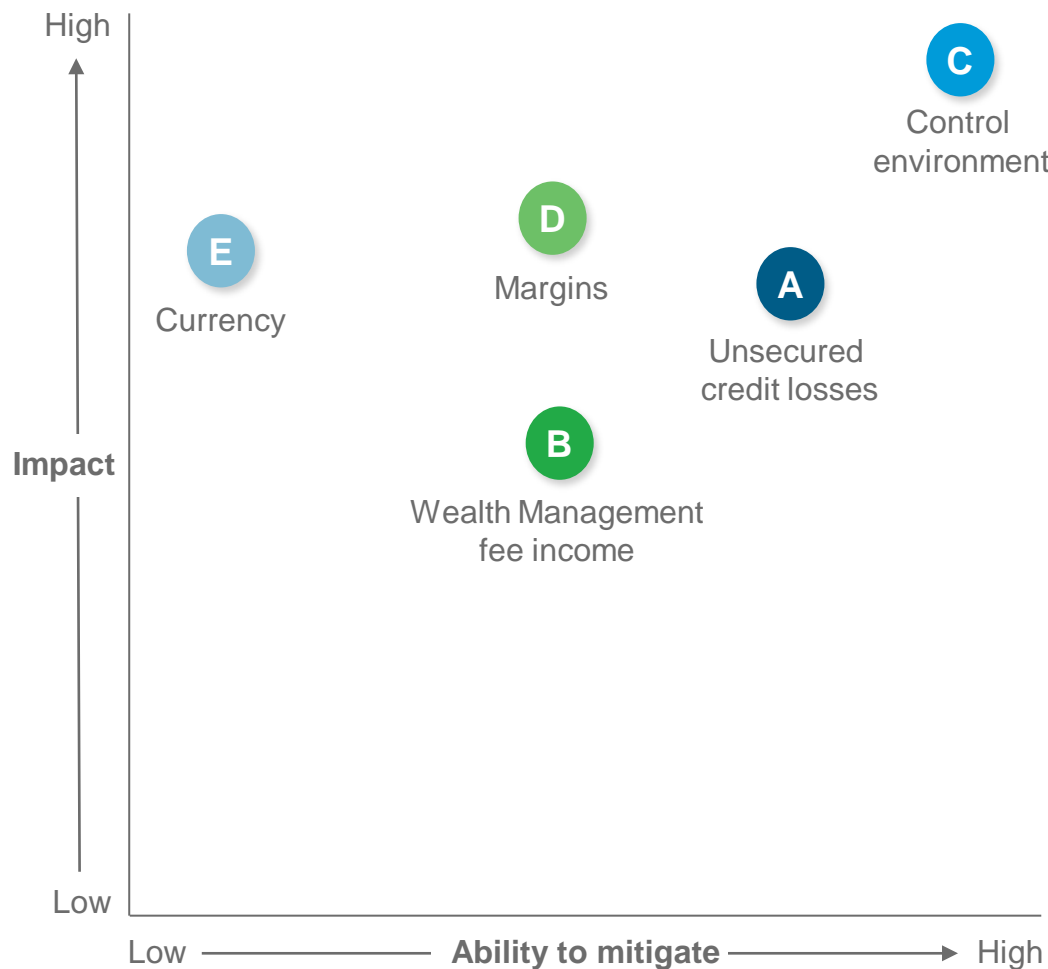
# 3 Improve productivity

	Objectives	Key initiatives	Impact of 2013 actions
<b>Staff</b>  ~50%	<ul style="list-style-type: none"> <li>Reduce rate of people cost growth relative to income growth</li> <li>Create investment capacity</li> </ul>	<ul style="list-style-type: none"> <li>Increase frontline productivity</li> <li>Rebase Head Office support expenses</li> <li>Spans and layers</li> <li>End-to-end process automation</li> </ul>	People leverage (Income / people cost) ↑ 7% (ex-KR)
<b>Real estate</b>  ~12%	<ul style="list-style-type: none"> <li>Increase efficiency of real estate spend</li> </ul>	<ul style="list-style-type: none"> <li>Reconfigure branch network</li> <li>New branches in strategic cities</li> <li>Right size office premises and shift to lower cost locations</li> <li>Migrate transactions to digital</li> </ul>	US\$ Income / branch real estate cost ↑ 7%
<b>Technology</b>  ~10%	<ul style="list-style-type: none"> <li>Better align IT spend with strategic priorities</li> <li>Improve returns and effectiveness of IT spend</li> </ul>	<ul style="list-style-type: none"> <li>Right shore IT resources</li> <li>Increase share of spend on Digital Main Bank</li> <li>Simplify and standardise</li> </ul>	Spend on Digital Main Bank ↑ 25%
<b>Risk weighted assets</b>	<ul style="list-style-type: none"> <li>Improve risk-adjusted return on capital</li> </ul>	<ul style="list-style-type: none"> <li>Unsecured-focused initiatives</li> <li>Pricing</li> <li>Relationship focus</li> <li>Grow less “RWA intensive” income streams such as wealth</li> </ul>	OP RoRWA (excluding Korea) Flat

% of CB expenses

# 4 Reduce volatility

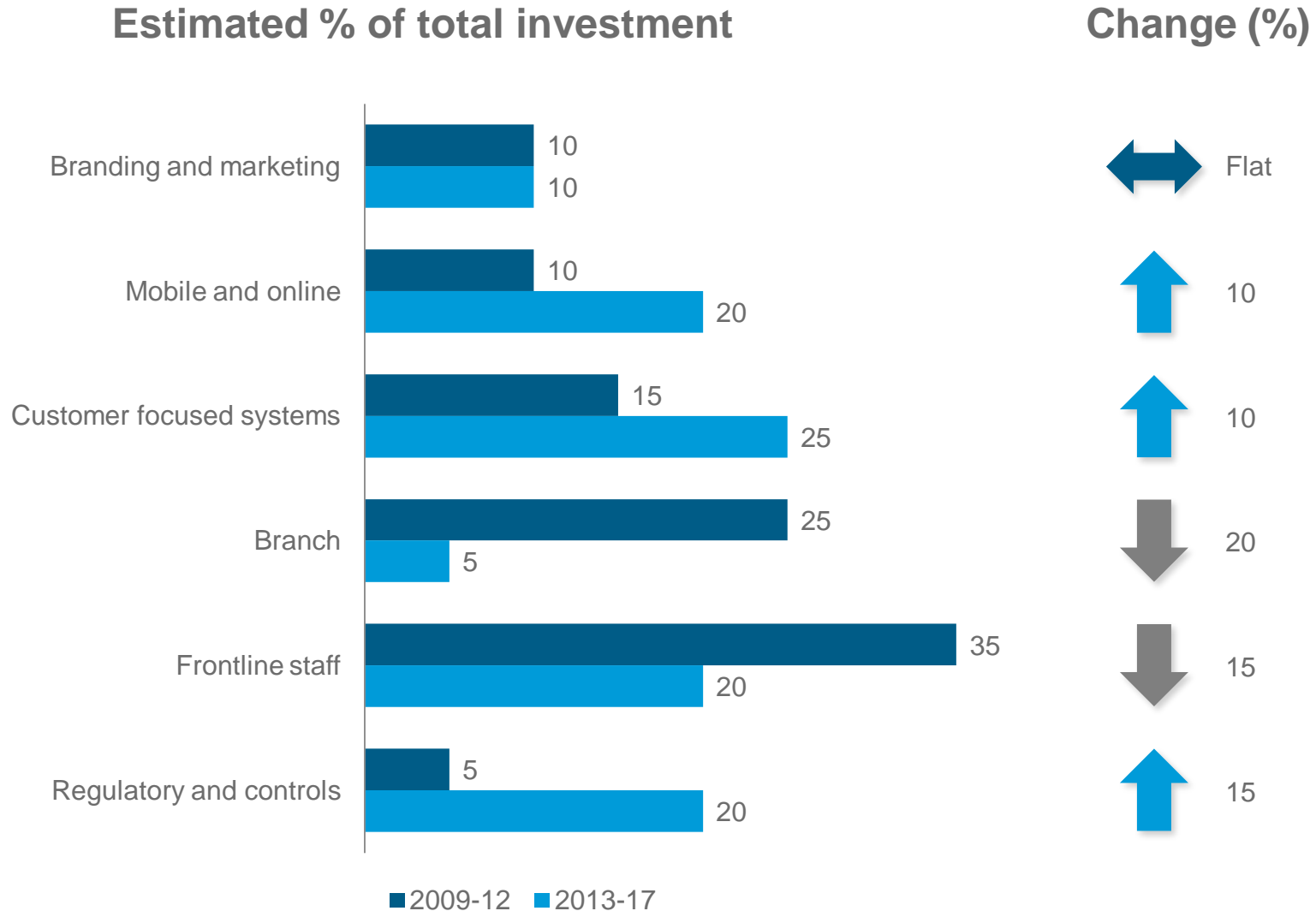
## Sources of volatility



## How we are responding

- A** Unsecured credit losses
  - Korea de-risking
  - Single product, higher risk personal loans
  - Higher risk channels
- B** Wealth Management fee income
  - Mix
  - Banca and flow forex
  - Customers and penetration
- C** Control environment
  - Operational Risk framework
  - End-to-end process design
  - Quality and rigour of execution
- D** Margins
  - Productivity imperative
  - Balance in balance sheet
  - CASA-mortgage

# Continuing to invest for long term growth



- Despite challenges, our 2013 performance has been resilient
- We are confident in our markets and our competitive strengths
- We are sharpening our focus
- We still aspire to strong growth while protecting returns

# Bringing it all together

To be the world's best international Consumer Bank in each of our chosen markets and segments across Asia, Africa and the Middle East

