# Wholesale Banking and Consumer Banking Day 2012

**Leading the way**

in Asia, Africa and the Middle East

Standard Chartered

# Forward looking statements

This document contains or incorporates by reference 'forward-looking statements' regarding the belief or expectations of the Company, the Directors and other members of its senior management about the Group's strategy, businesses, performance and the matters described in this document. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions are intended to identify forward-looking statements.

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

**Richard Meddings**

Group Finance Director

# Agenda

| | | |
|---|---|---|
| **08:30 – 08:45** | **Opening** | **Richard Meddings** |
| 08:45 – 09:30 | Economic outlook | Gerard Lyons |
| 09:30 – 10:15 | Wholesale Banking – Strategy | Mike Rees |
| 10:15 – 10:30 | Coffee break | |
| 10:30 – 11:15 | Wholesale Banking – Performance | Saleem Razvi |
| 11:15 – 12:15 | Wholesale Banking – Q&As | Mike Rees & Saleem Razvi |
| 12:15 – 13:15 | Lunch - 10th Floor, Basinghall | Richard Meddings, Wholesale Banking & Consumer Banking management teams |
| 13:15 – 13:50 | Consumer Banking – Strategy | Steve Bertamini |
| 13:50 – 14:15 | Consumer Banking – Performance | Kevin Hoffman-Smith |
| 14:15 – 14:35 | Consumer Banking – Risk | Ray Duggins |
| 14:35 – 15:05 | Consumer Banking – Q&A | Steve Bertamini, Kevin Hoffman-Smith, Ray Duggins |
| 15:05 – 15:35 | Coffee break | |
| 15:35 – 15:55 | Consumer Banking – Wealth Management | Judy Hsu |
| 15:55 – 16:15 | Consumer Banking – Integrated Distribution | James Galloway |
| 16:15 – 17:00 | Consumer Banking – Q&A | Steve Bertamini, Kevin Hoffman-Smith, Ray Duggins, Judy Hsu, James Galloway |
| 17:00 | End | |

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# Leading the way

## in Asia, Africa and the Middle East

**Gerard Lyons**

Chief Economist and
Group Head of Global Research

# Key messages

- Despite the crisis, the world is still growing, and so too is the flow of goods, capital and people
- Emerging economies are not decoupled but better insulated
  - Room for policy manoeuvre despite trade exposure to Europe
- Global slowdown is a risk for Asian economies, but domestic demand is up
- Asia is moving up the value chain

# Agenda

- The global context
- Not decoupled better insulated
- Asia: China, India and ASEAN

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- The global context
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- Asia: China, India and ASEAN

# Despite the crisis, the world is growing

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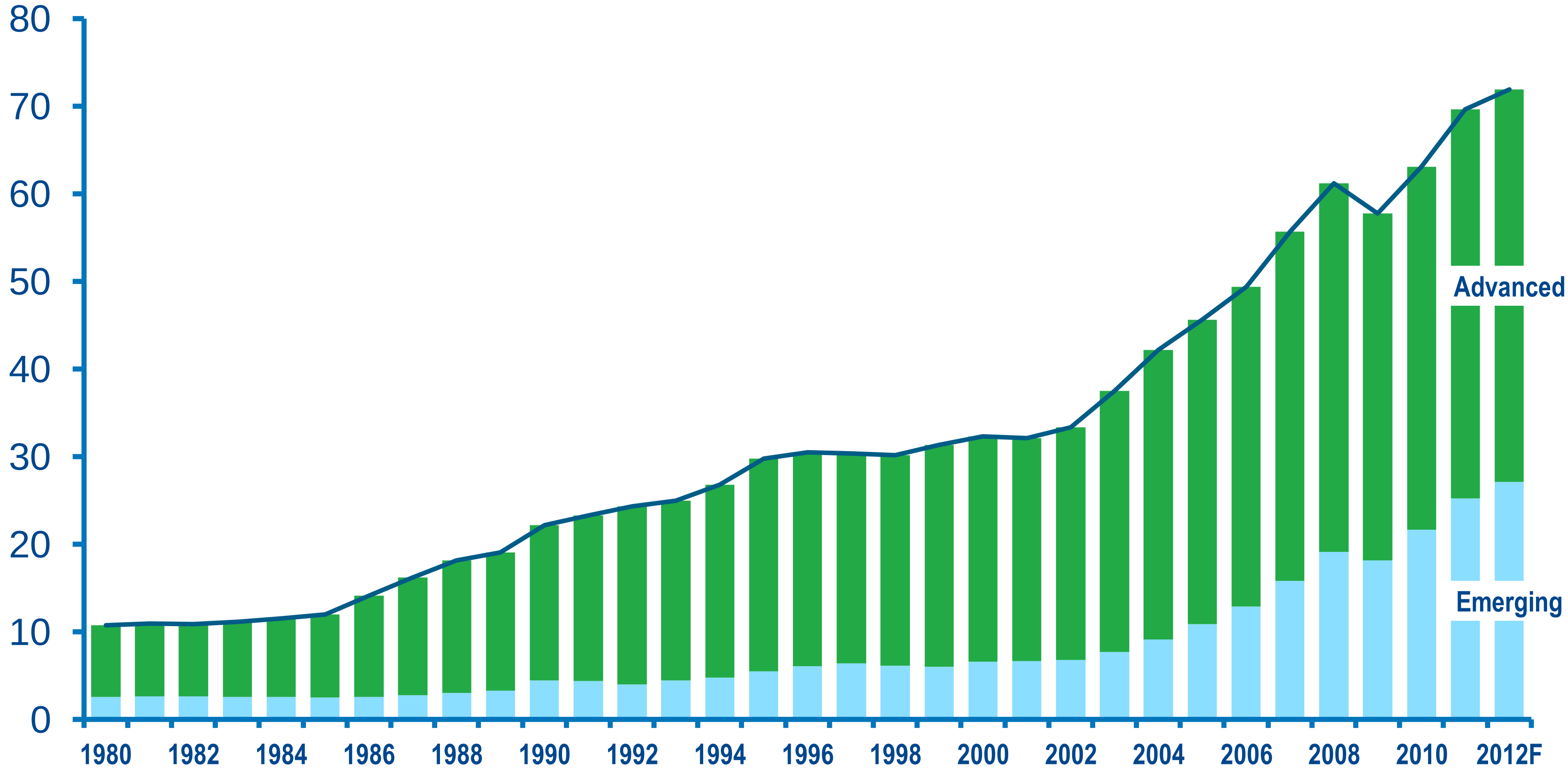
**Nominal GDP***

**US$tn** (IMF forecast for 2012)



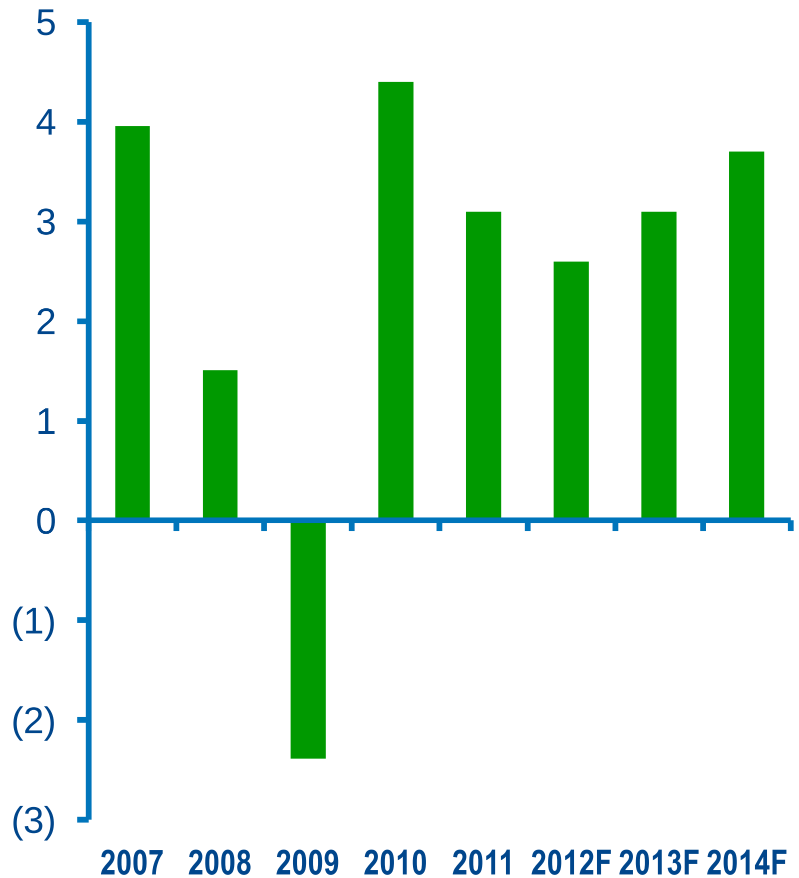

Sources: International Monetary Fund, Standard Chartered Research

*GDP – Gross Domestic Product

# Lower global GDP growth

## World Real GDP

YoY % (Standard Chartered forecast for 2012-14)




## World Real GDP growth forecasts

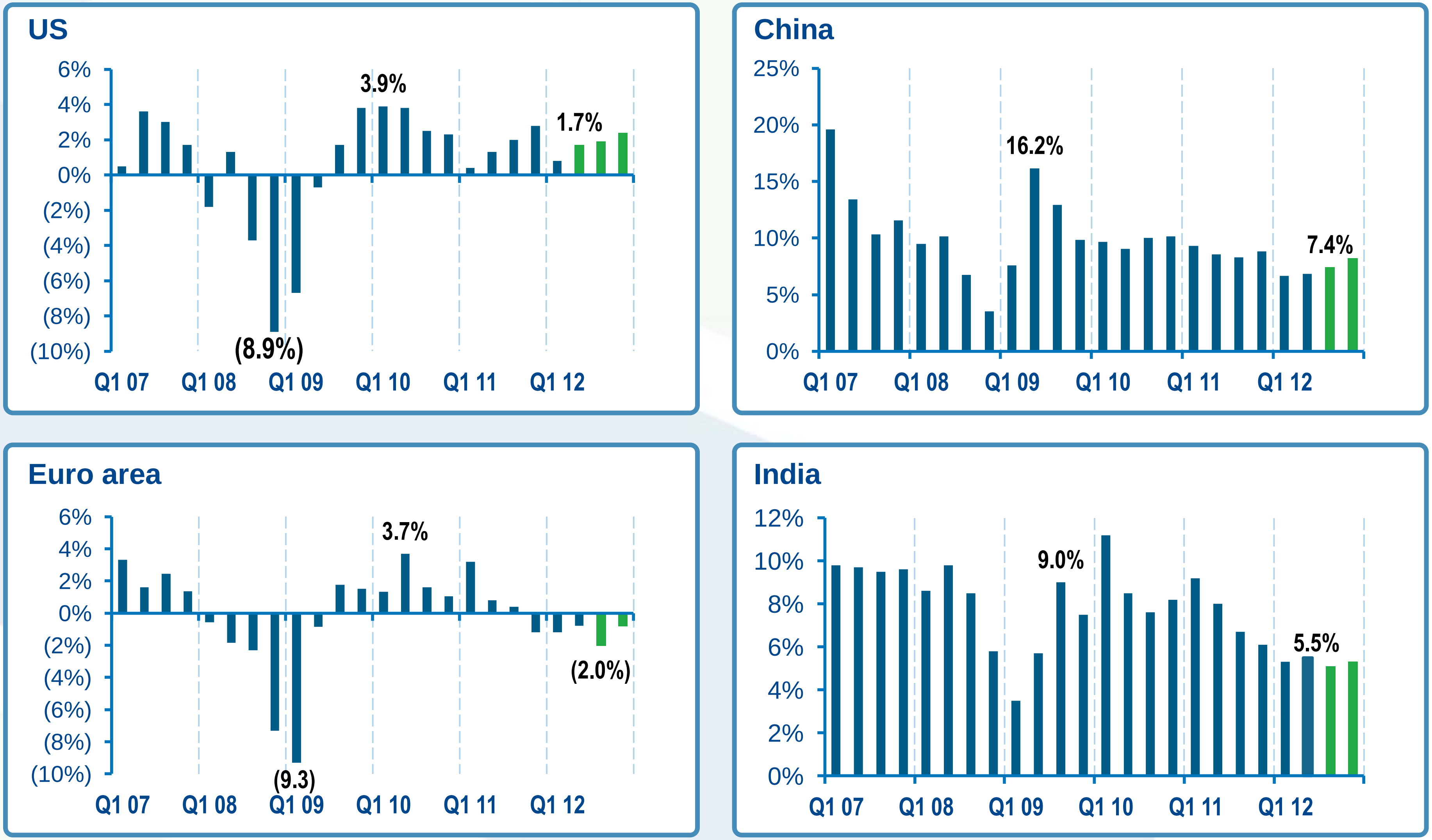
| % | 2012F | 2013F | 2014F |
|---|---|---|---|
| **Standard Chartered** | | | |
| Dec 11 | 2.2 | 3.6 | 3.8 |
| Sep 12 | 2.6 | 3.1 | 3.7 |
| Difference | 0.4 | (0.5) | (0.1) |
| **Consensus** | 3.2 | 3.9 | n/a |
| OECD* Nov 11 | 3.4 | 4.3 | n/a |
| IIF** Dec 11 | 2.8 | 3.7 | n/a |
| IMF Sep 11 | 4 | 4.5 | 4.7 |
| World Bank Jan 12 | 2.5 | 3.1 | n/a |

Sources: International Monetary Fund (IMF), Standard Chartered Research

*OECD - Organisation for Economic Co-operation and Development **IIF – The Institute of International Finance

# Fragile West, resilient East

## QoQ Seasonally adjusted annual rate growth %

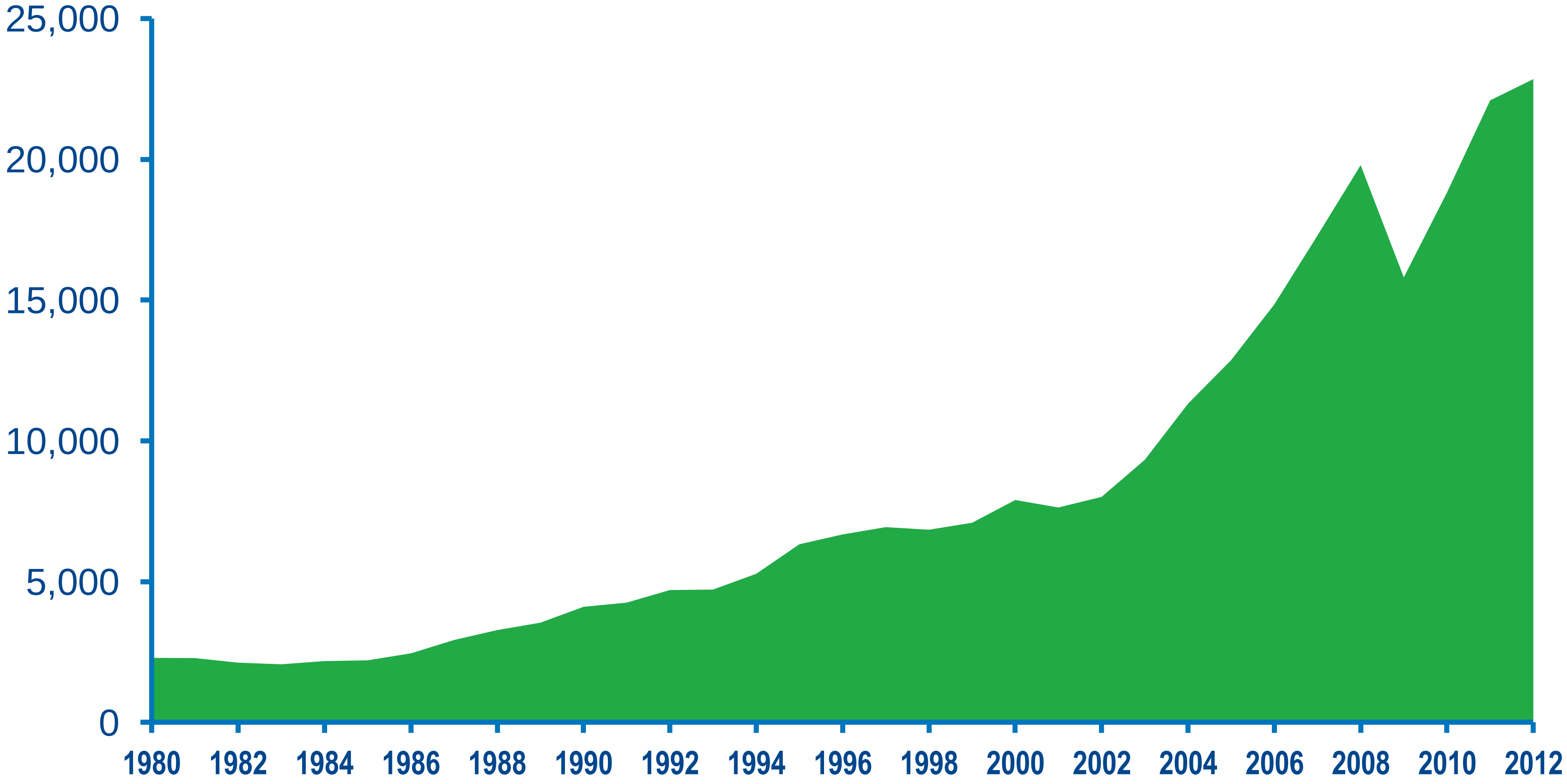



Note: Green bars represent Standard Chartered forecasts
Sources: National Statistic Offices, CEIC, Standard Chartered Research

# Global trade rebounded from 2008

Total exports of goods and services

**US$bn** (International Monetary Fund forecast for 2012)

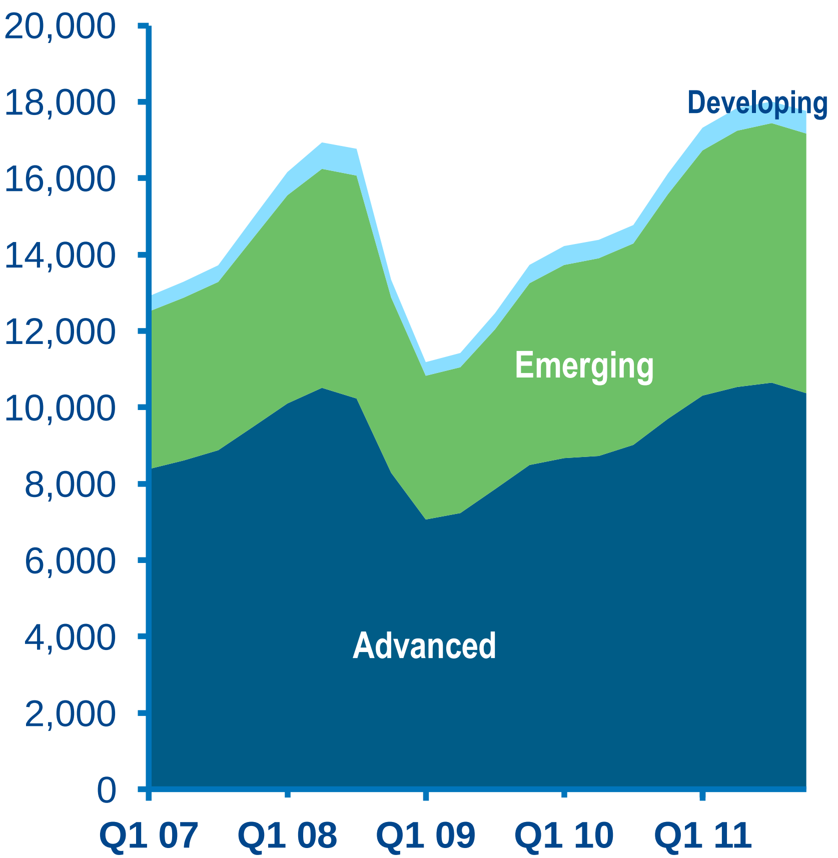



Sources: International Monetary Fund, Standard Chartered Research

# Global trade momentum is slowing

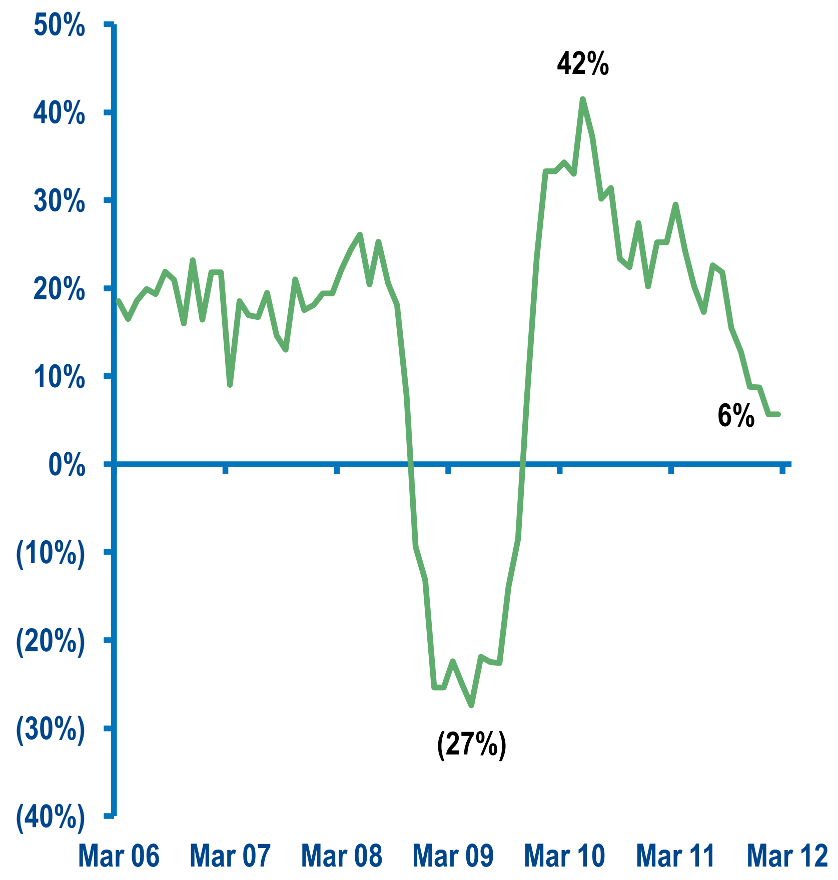
### Merchandise trade recovered but is moderating

Exports of merchandise, US$bn




### Asian export growth

YoY

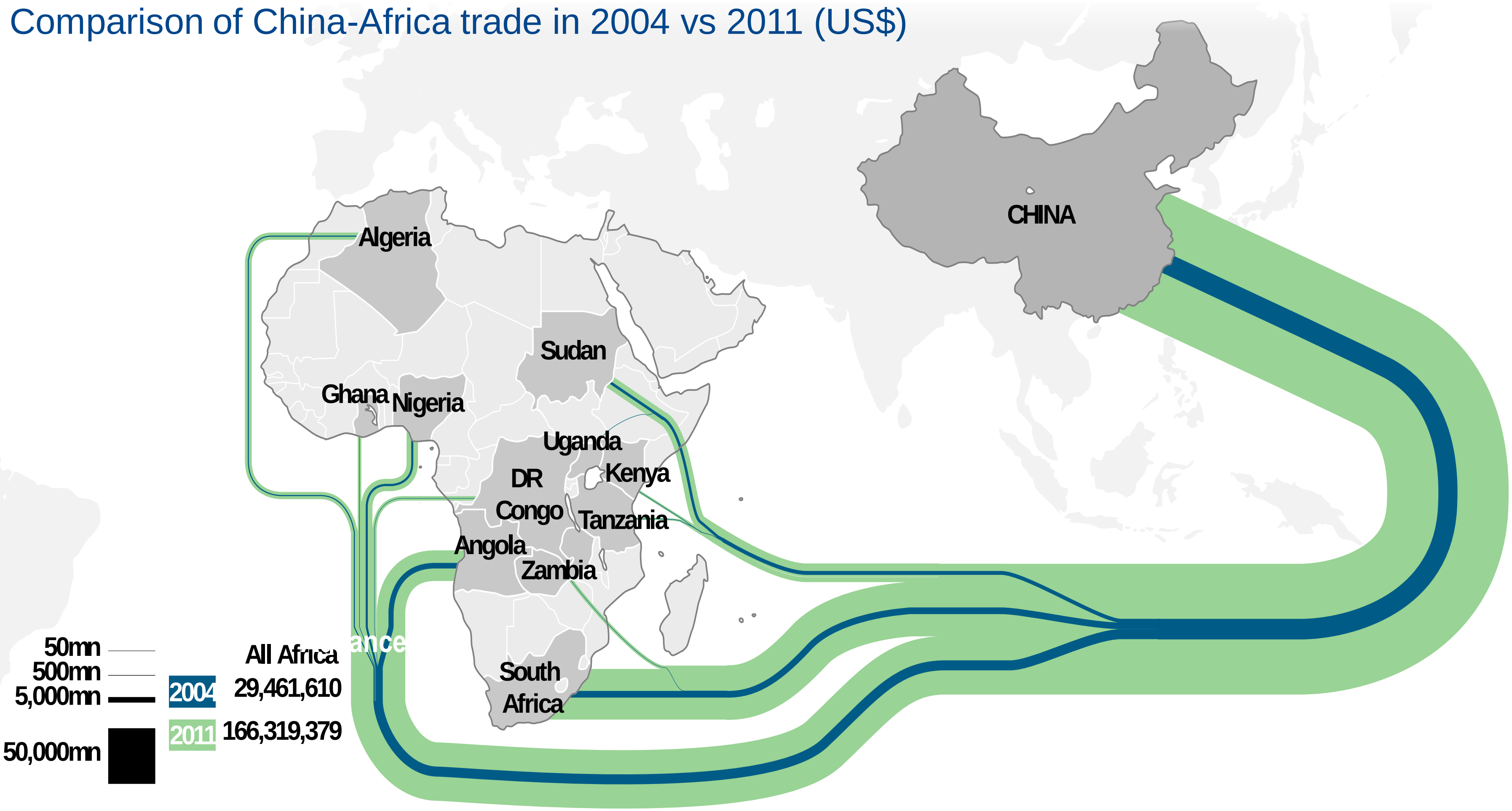



Sources: International Monetary Fund, Standard Chartered Research

# New trade corridors are growing

## China-Africa bilateral trade is one example of a new trade corridor

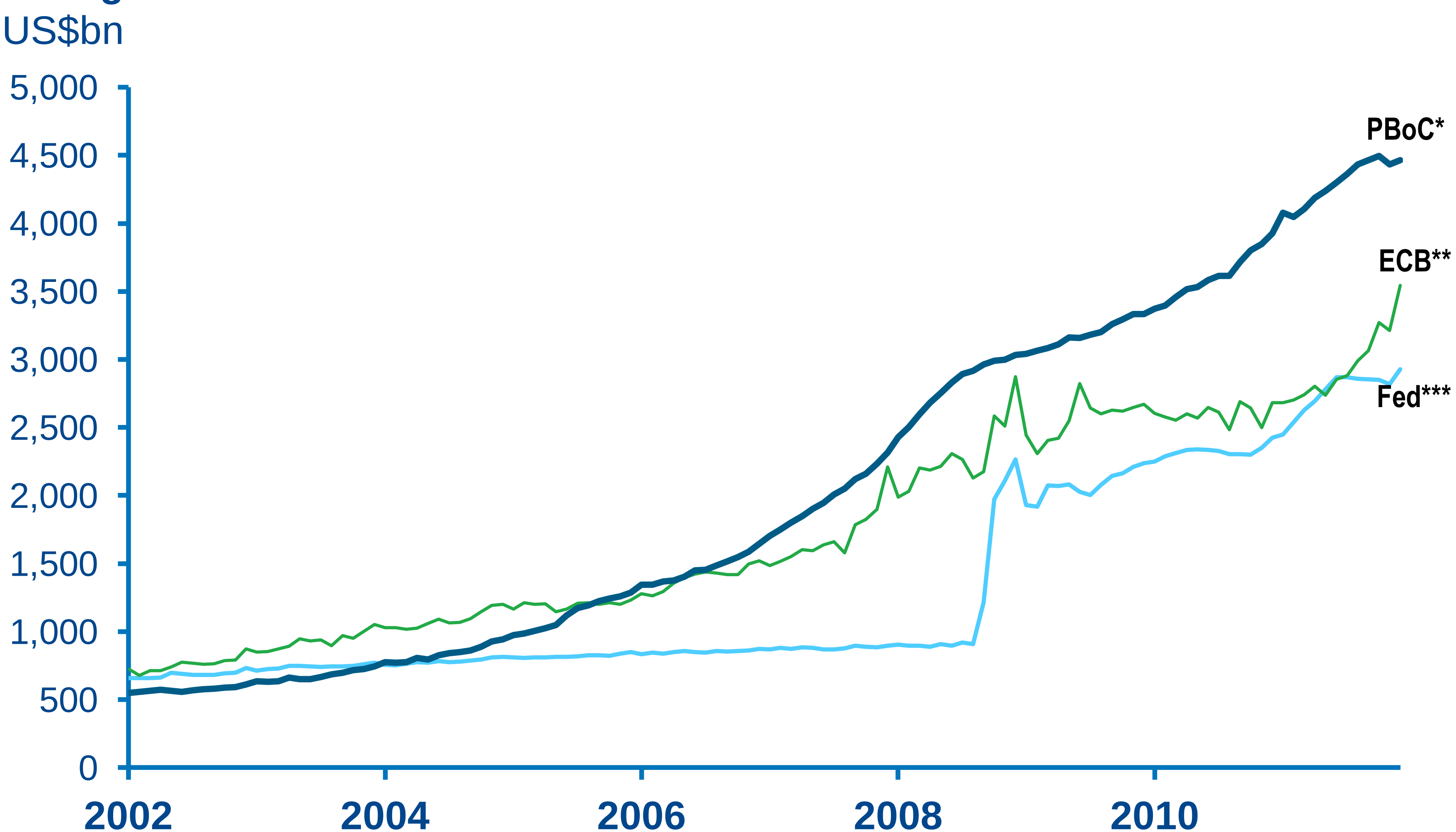
Comparison of China-Africa trade in 2004 vs 2011 (US$)




Sources: Xinhua, Standard Chartered Research

# The longer term risks are rising

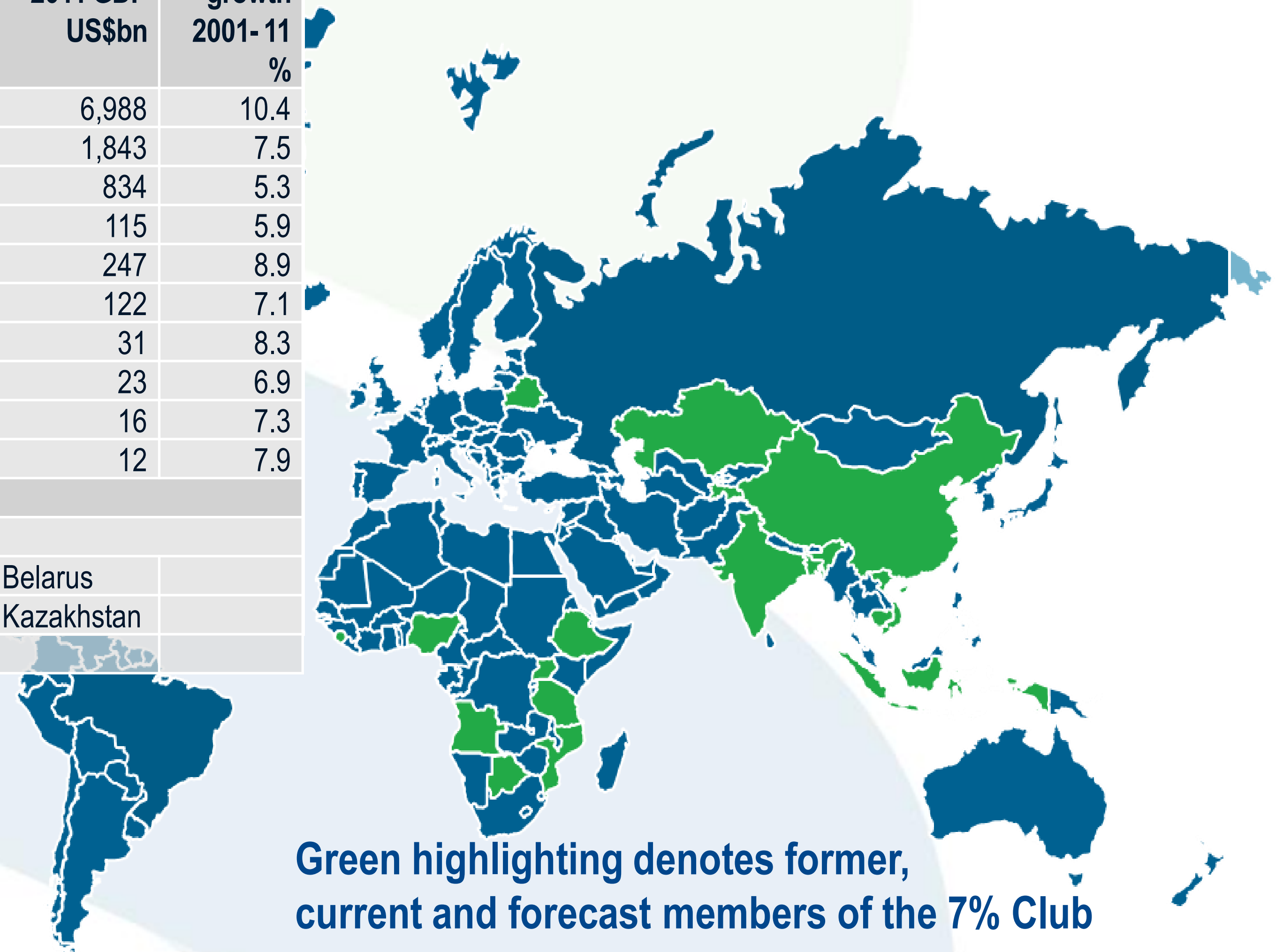
## Rising central bank balance sheets




Sources: Xinhua, Standard Chartered Research
*PBoC – People's Bank of China, **ECB – European Central Bank, ***Fed – Federal Reserve

# Asia and Africa dominate the '7% Club'

| | Population m | 2011 GDP US$bn | GDP growth 2001-11 % |
|---|---|---|---|
| **China** | 1,348 | 6,988 | 10.4 |
| **India** | 1,207 | 1,843 | 7.5 |
| **Indonesia** | 240 | 834 | 5.3 |
| **Bangladesh** | 167 | 115 | 5.9 |
| **Nigeria** | 160 | 247 | 8.9 |
| **Vietnam** | 89 | 122 | 7.1 |
| **Ethiopia** | 87 | 31 | 8.3 |
| **Tanzania** | 42 | 23 | 6.9 |
| **Uganda** | 35 | 16 | 7.3 |
| **Mozambique** | 22 | 12 | 7.9 |
| | | | |
| Other members also of note: | | | |
| Angola | Azerbaijan | Belarus | |
| Cambodia | Botswana | Kazakhstan | |
| Sierra Leone | Tajikistan | | |



Green highlighting denotes former, current and forecast members of the 7% Club

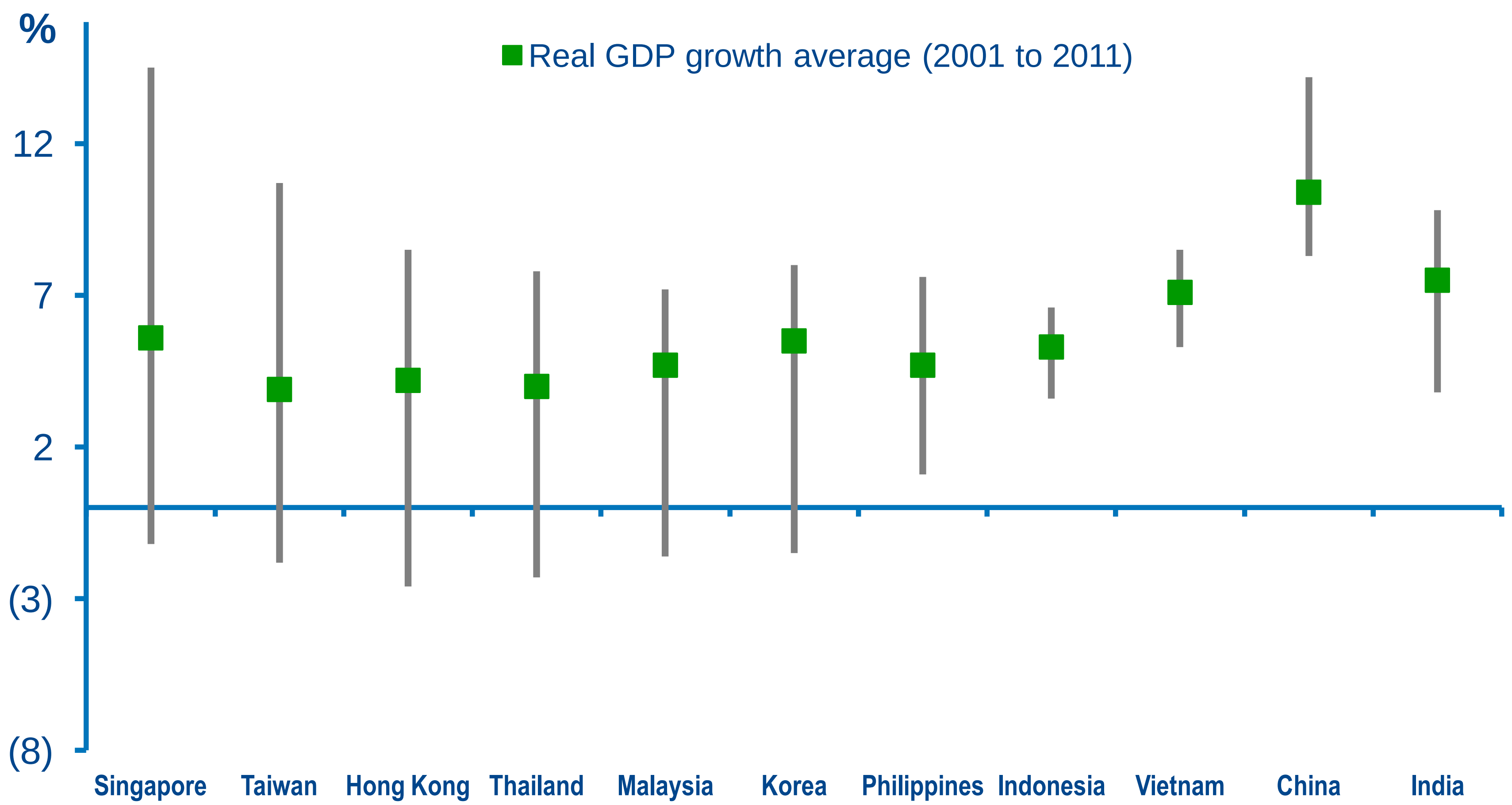
Sources: Standard Chartered Research

# Agenda

- The global context
- Not decoupled better insulated
- Asia: China, India and ASEAN

# Not decoupled, better insulated

## GDP growth versus trade openness across Asian economies

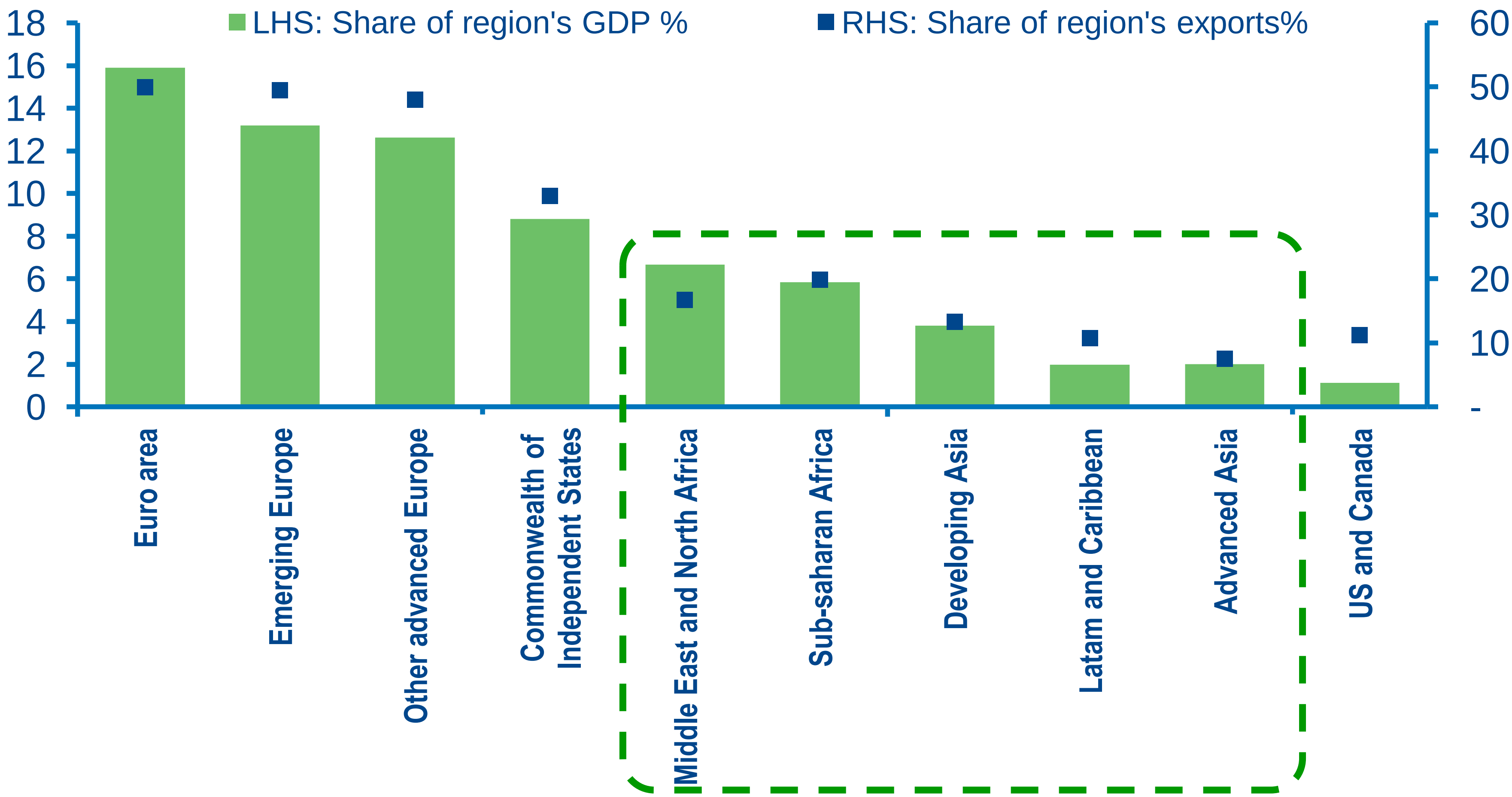



Sources: Standard Chartered Research

# Export exposure to the euro area

## Exports of goods to the euro area by region

2010

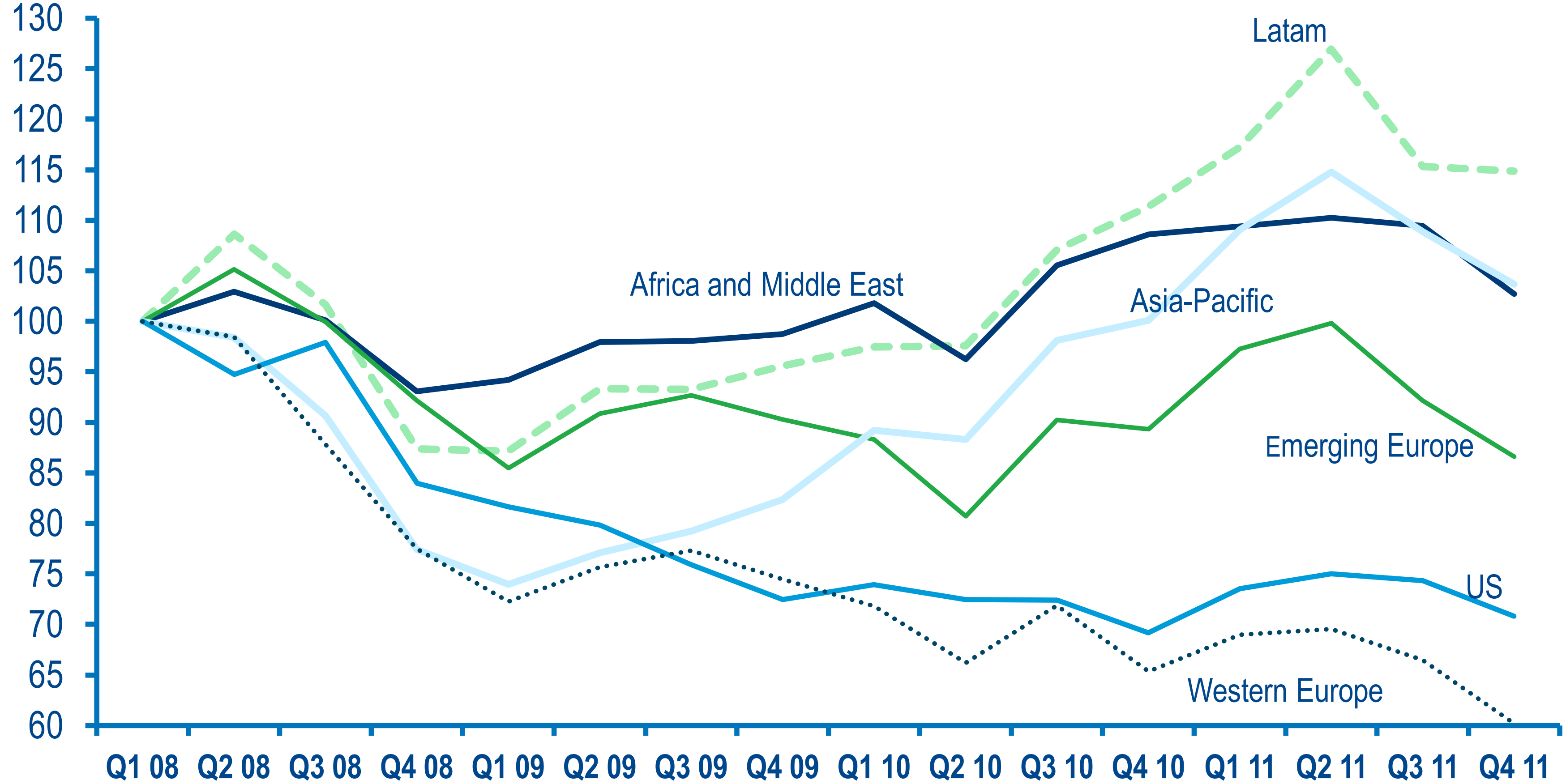



Sources: International Monetary Fund - World Economic Outlook, Standard Chartered Research

# Bank lending exposure to euro area crisis

## European banks are reversing Emerging Market exposure

Foreign claims by European banks




Sources: Department for Business, Innovation and Skills, Standard Chartered Research

# Policy manoeuvre – monetary

## Key policy rates, recent action and Standard Chartered forecasts

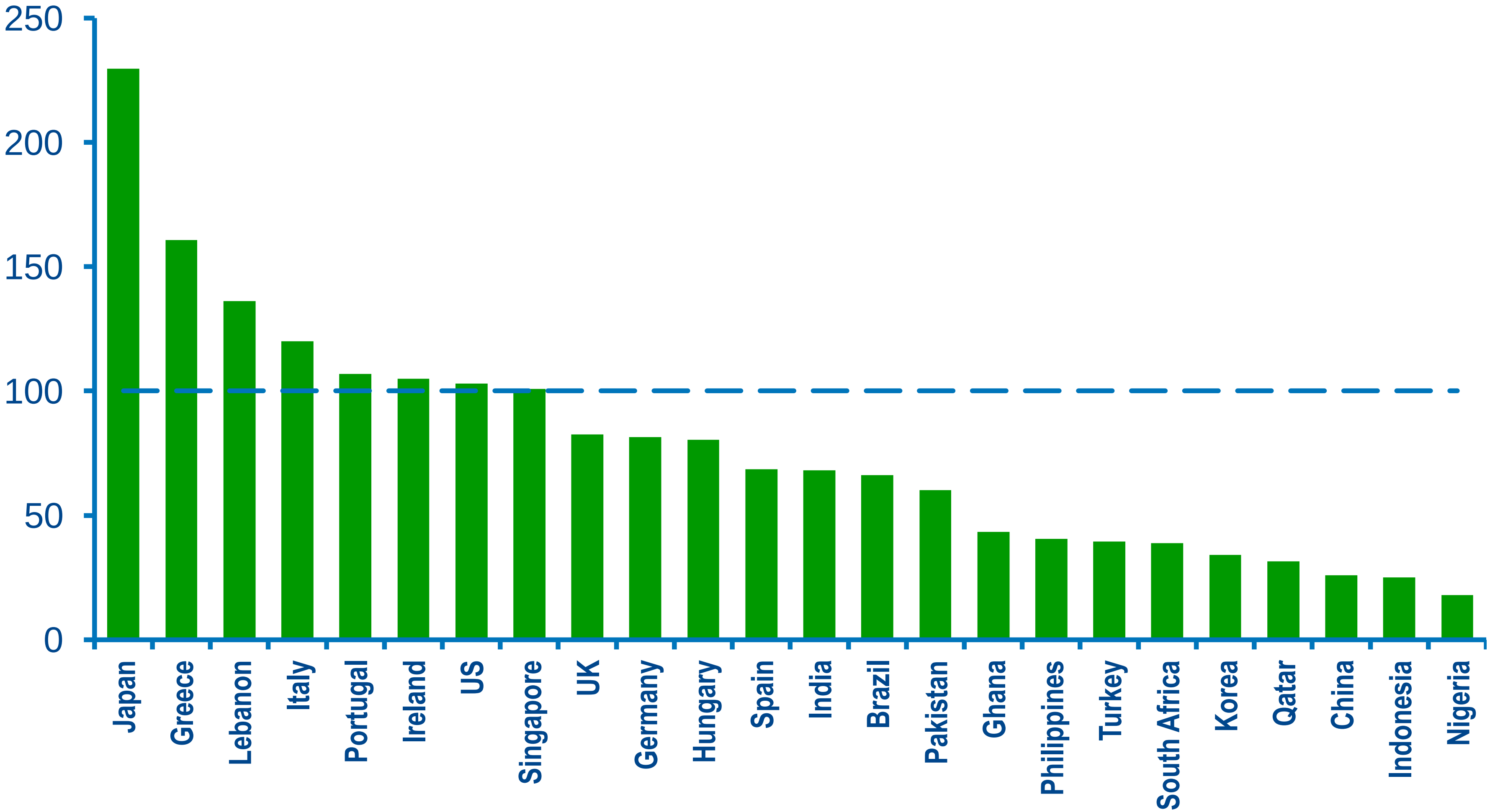
| | Benchmark rate | Current % | 1Y change bps | Next Meeting | Forecast next change Date | Forecast next change forecast bps | Last change Date | Last change Action bps |
|---|---|---|---|---|---|---|---|---|
| **Majors** | | | | | | | | |
| US | Fed funds target rate | 0.25 | 0 | 13-Sep-12 | Q4 14 | 25 | 15-Dec-08 | (75) |
| Euro area | Refi rate | 0.75 | (75) | 04-Oct-12 | Q4 12 | (25) | 05-Jul-12 | (25) |
| UK | Bank Rate | 0.50 | 0 | 04-Oct-12 | Q3 14 | 25 | 05-Mar-09 | (50) |
| Japan | O/N call rate | 0.0 - 0.1 | 0 | 19-Sep-12 | Q1 16 | 10 | 19-Dec-08 | (20) |
| Australia | Cash rate | 3.50 | (125) | 02-Oct-12 | Q4 12 | (25) | 05-Jun-12 | (25) |
| **Asia** | | | | | | | | |
| China | 1Y lending rate | 6.00 | (25) | n/a | Q4 13 | 25 | 06-Jul-12 | (31) |
| Hong Kong | Base rate | 0.50 | 0 | 13-Sep-12 | Q4 14 | 25 | 16-Dec-08 | (100) |
| Taiwan | Discount rate | 1.88 | 0 | 20-Sep-12 | Q1 13 | 12.5 | 30-Jun-11 | 12.5 |
| Korea | Base rate | 3.00 | (25) | 11-Oct-12 | Oct 12 | (25) | 12-Jul-12 | (25) |
| Philippines | Reverse repo rate | 3.75 | (75) | 25-Oct-12 | Q4 12 | (25) | 26-Jul-12 | (25) |
| Malaysia | O/N policy rate | 3.00 | 0 | 08-Nov-12 | Q2 13 | 25 | 11-May-11 | 25 |
| Indonesia | BI rate | 5.75 | (100) | 13-Sep-12 | Q3 13 | 25 | 09-Feb-12 | (25) |
| Thailand | 1-day repo | 3.00 | 175 | 17-Oct-12 | Q3 13 | 25 | 25-Jan-12 | (25) |
| India | Repo rate | 8.00 | 0 | 17-Sep-12 | Q1 13 | (25) | 17-Apr-12 | (50) |
| Vietnam | Refi rate | 11.00 | (500) | n/a | Q3 12 | (100) | 01-Jul-12 | (100) |
| **Other Emerging Markets** | | | | | | | | |
| South Africa | Repo rate | 5.00 | (50) | 20-Sep-12 | Q1 14 | 50 | 19-Jul-12 | (50) |
| Kenya | Central bank rate | 13.00 | 1400 | Nov 12 | Nov 12 | (150) | 05-Jul-12 | (350) |
| Nigeria | Monetary policy rate | 12.00 | 575 | 19-Sep-12 | Q1 14 | 100 | 20-Sep-11 | 275 |
| Ghana | Prime rate | 15.00 | 200 | 10-Sep-12 | Jan 13 | 100 | 13-Jun-12 | 50 |
| Uganda | Central bank rate | 15.00 | 500 | Dec 12 | Oct 12 | (200) | 01-Sep-12 | (200) |
| Brazil | Selic rate | 7.50 | (500) | 10-Oct-12 | Oct 12 | (25) | Aug 12 | (50) |
| Saudi Arabia | Reverse repo rate | 0.25 | (50) | n/a | n/a | +25 | 16-Jun-09 | (25) |

Sources: Standard Chartered Research

# Policy manoeuvre – fiscal

Standard Chartered

## Official general government gross debt in 2011 as a % of GDP

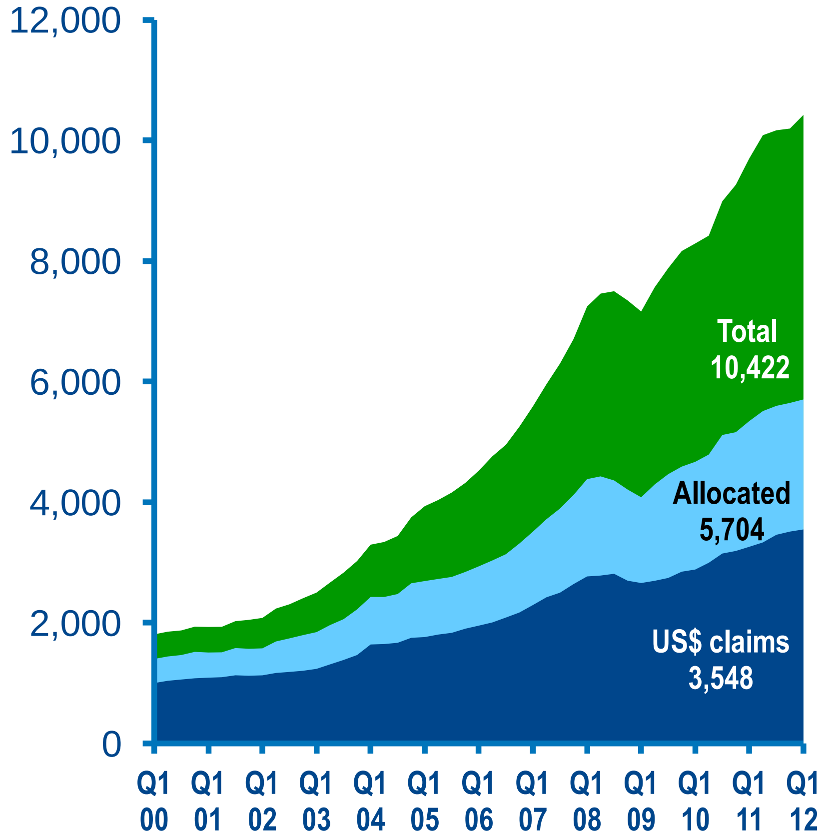



Sources: International Monetary Fund, Standard Chartered Research

# Policy manoeuvre - Foreign Exchange reserves

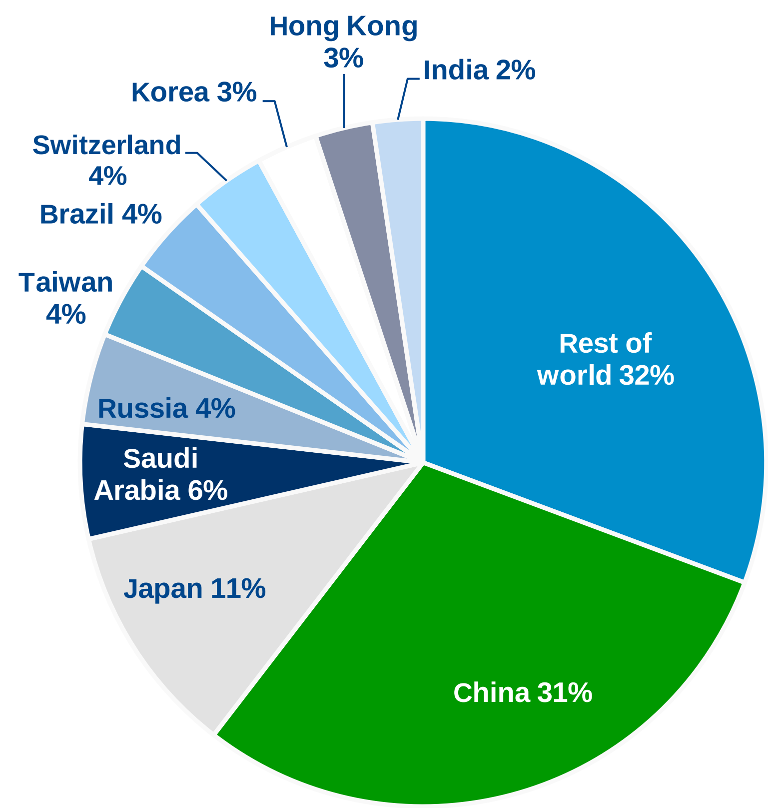
## World Foreign Exchange reserves continue accumulating

US$bn




## Top holders of Foreign Exchange reserves

% of world total

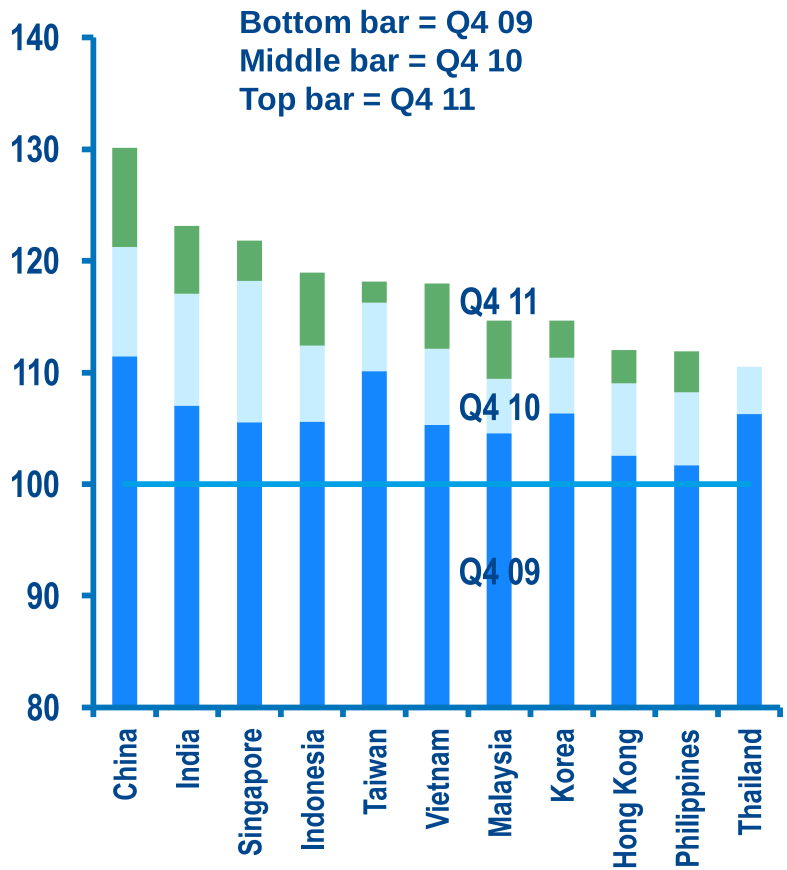



Sources: International Monetary Fund, Bloomberg, Standard Chartered Research

# Not decoupled - better diversified

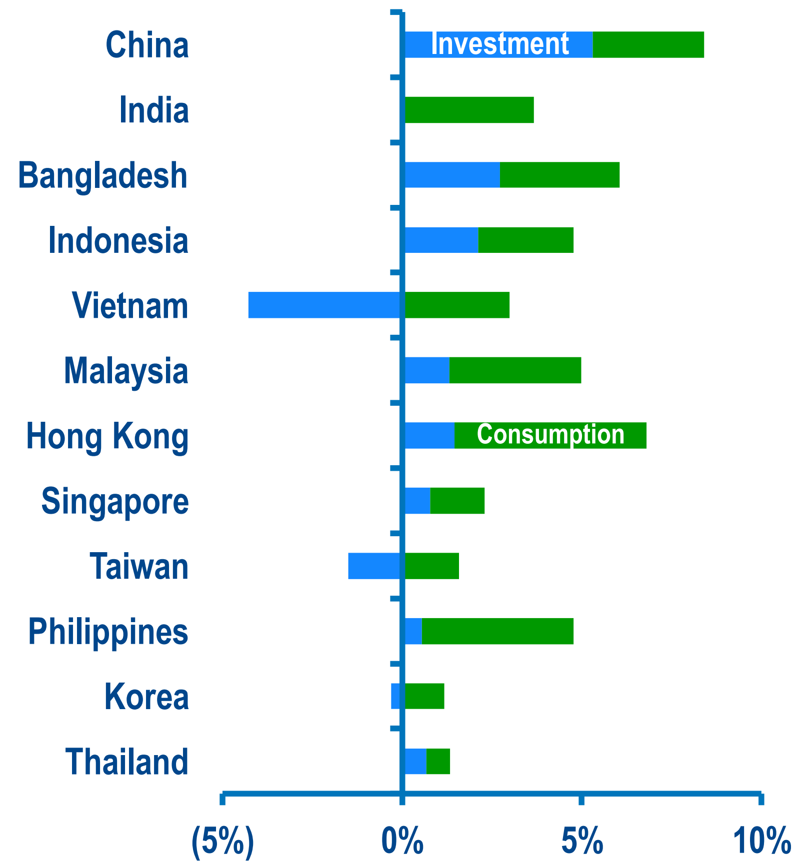
## Post-crisis GDP levels in Asian economies

Real GDP, seasonally adjusted, Q4 08 = 100




## Contribution to 2011 GDP growth

Contribution from investment and consumption




Sources: CEIC, Standard Chartered Research

# Agenda

- The global context
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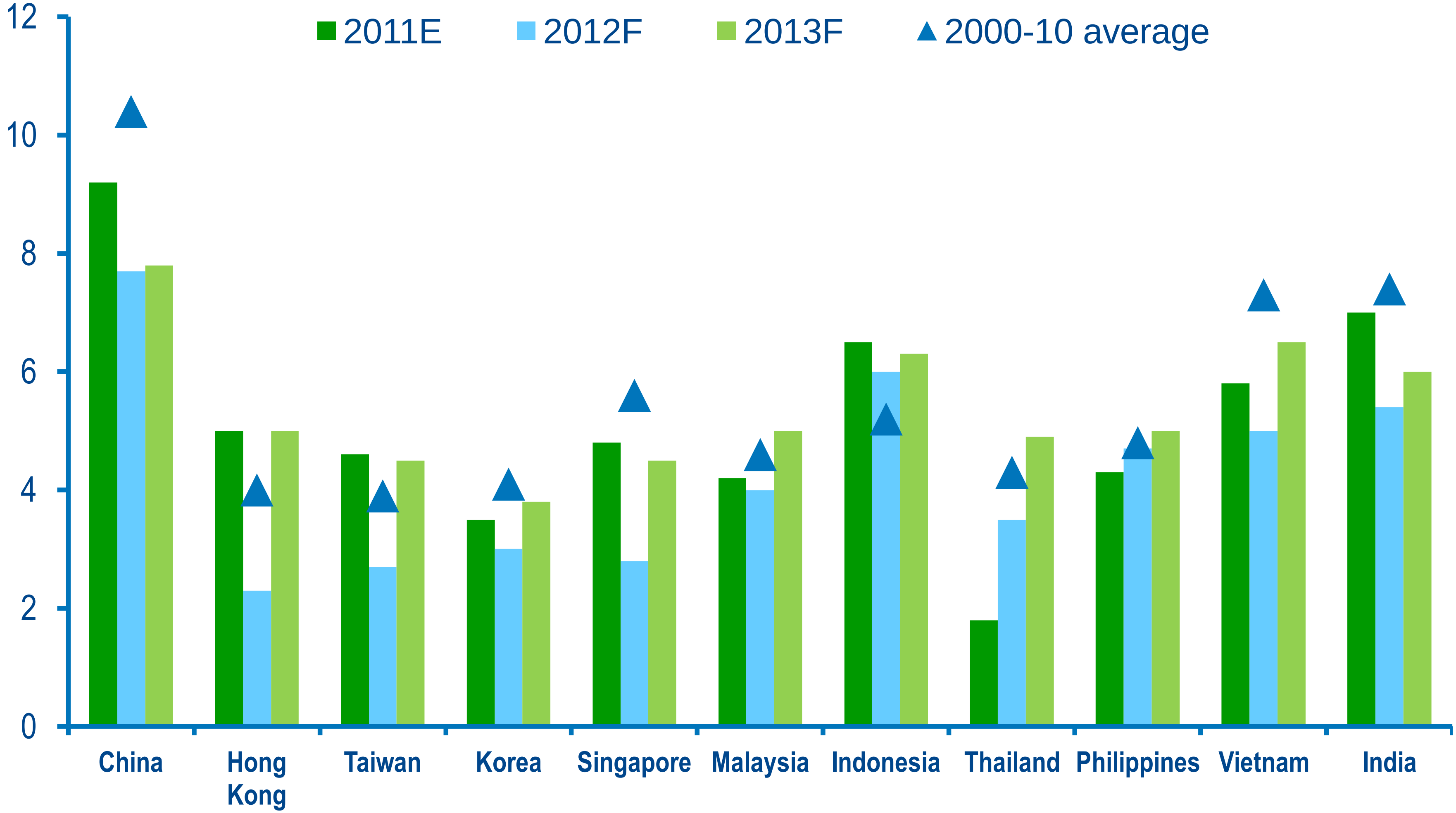
- Asia: China, India and ASEAN

# Asia – below-trend growth in 2012

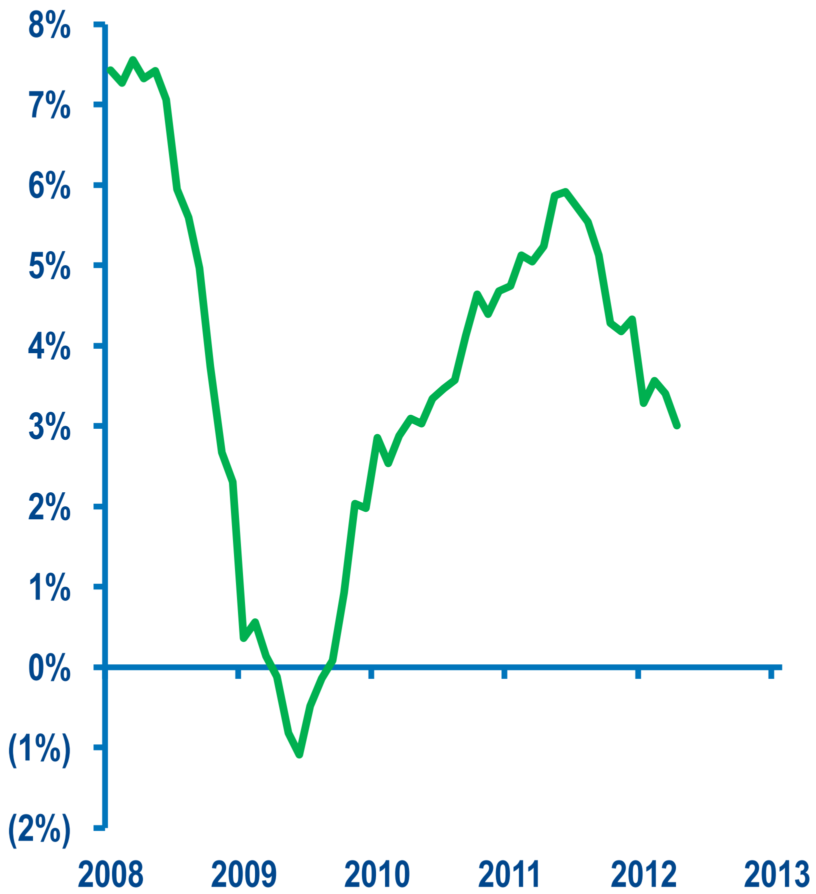
**Real GDP growth, Standard Chartered forecast** (YoY %)



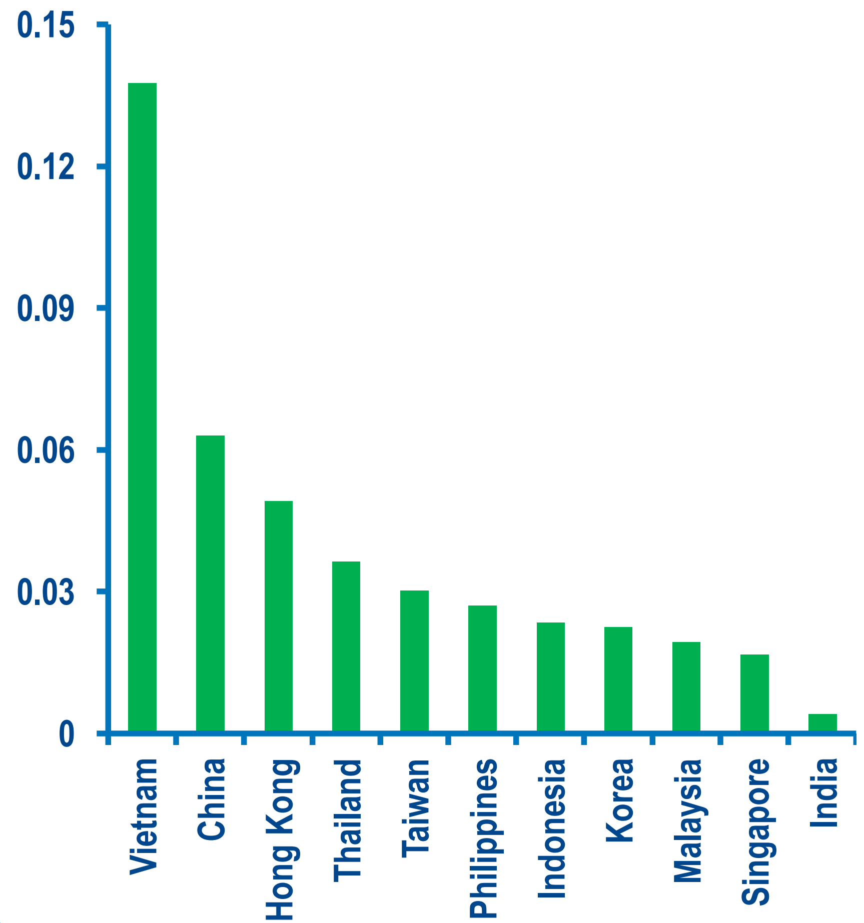

Sources: CEIC, Standard Chartered Research

# Asia - falling inflation, but risk ahead

**Asian regional inflation average** YoY




**Change in headline inflation on 1% rise in CRB* food index** (bps)

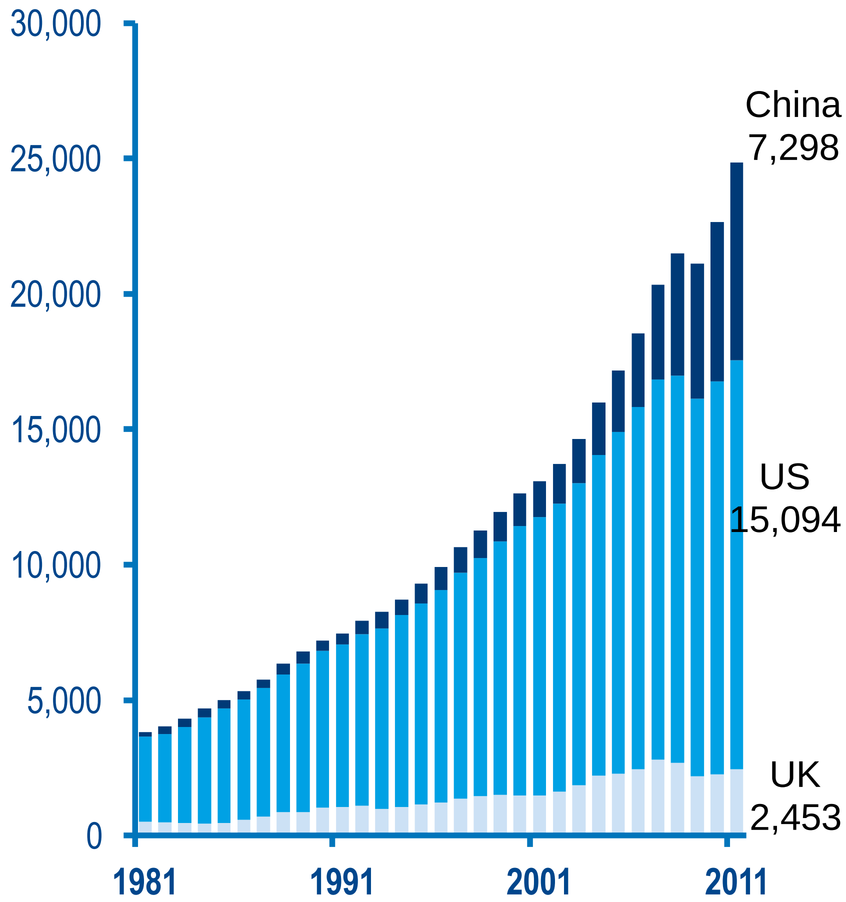



Sources: CEIC, Bloomberg, Standard Chartered Research
*CRB – Commodity Research Bureau

# China has setbacks, but the trend is up

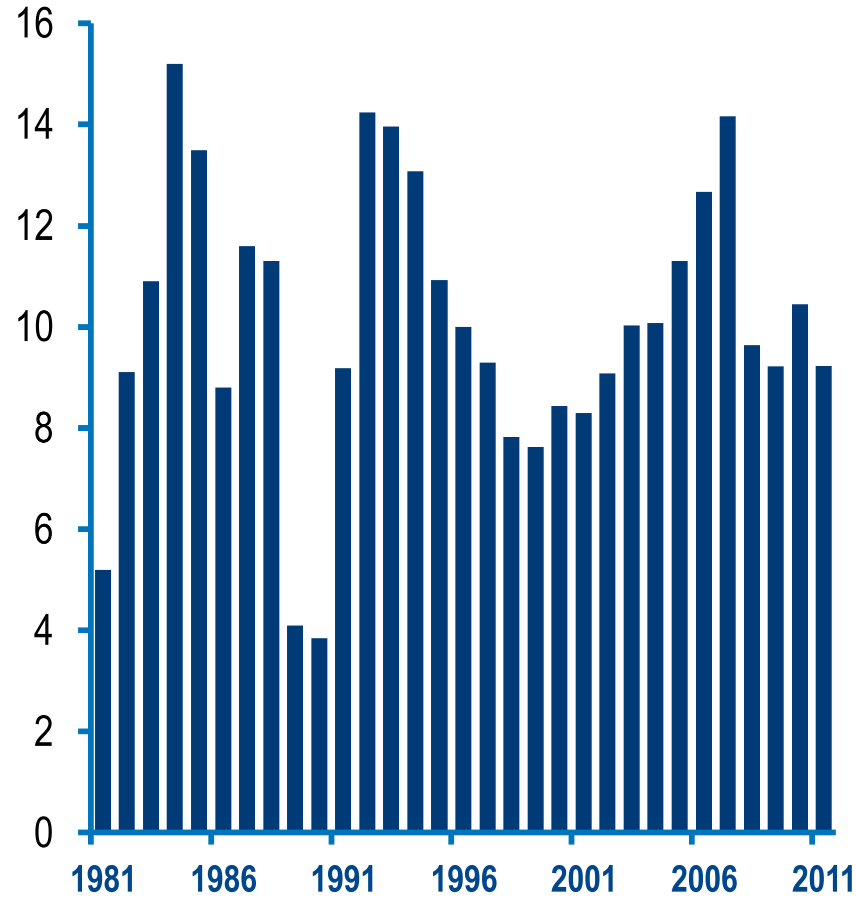
## Nominal GDP sizes

UK, China and US (US$bn)




## China GDP growth

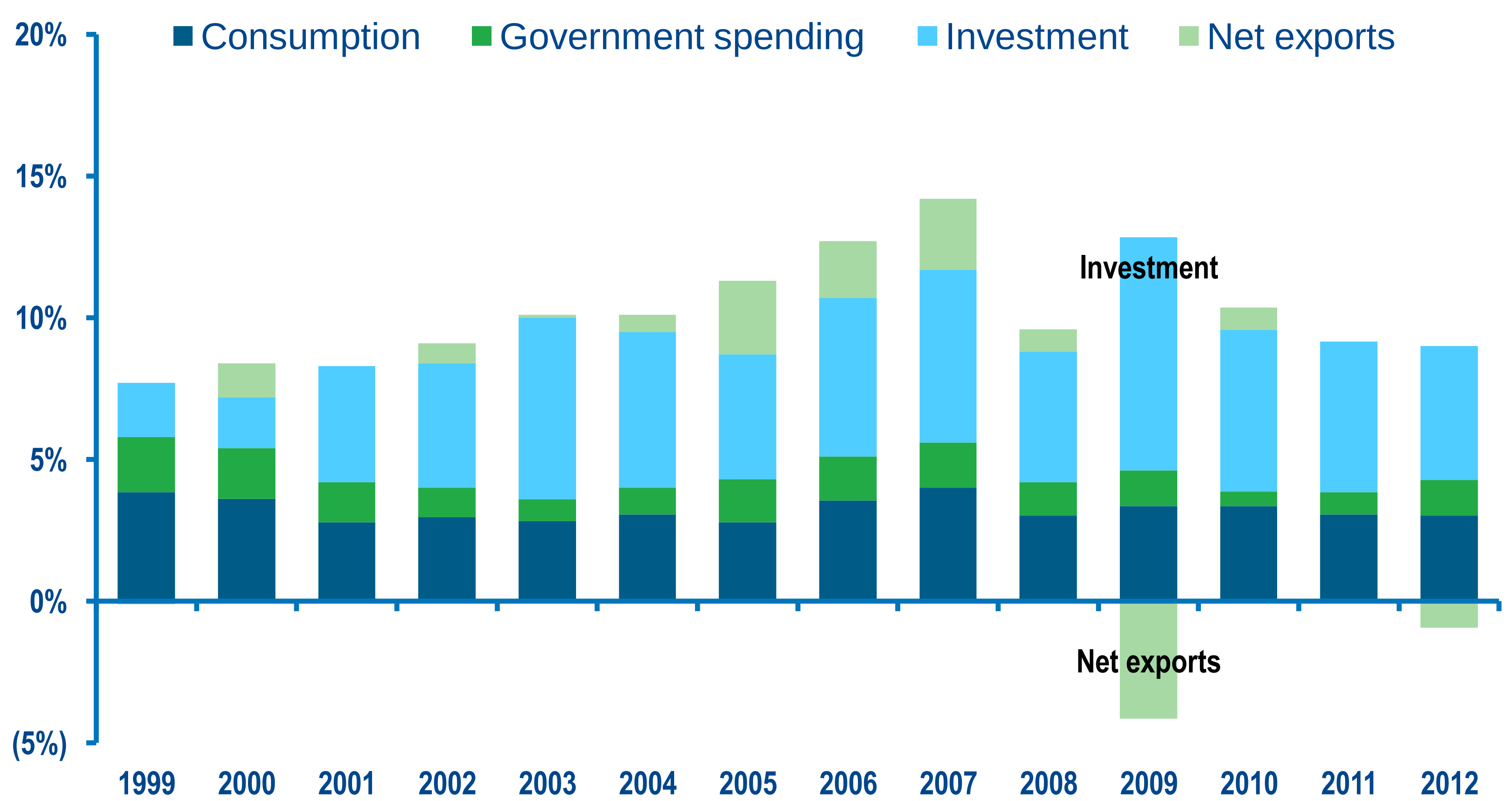
Real GDP growth (YoY %)




Sources: International Monetary Fund - World Economic Outlook, Standard Chartered Research

# China's imbalanced economy

## Contribution to overall expenditure GDP growth




Sources: CEIC, Standard Chartered Research

# China is in better shape compared to 2008/09

## Labor market remains solid
Labour demand-supply ratio vs neutrality

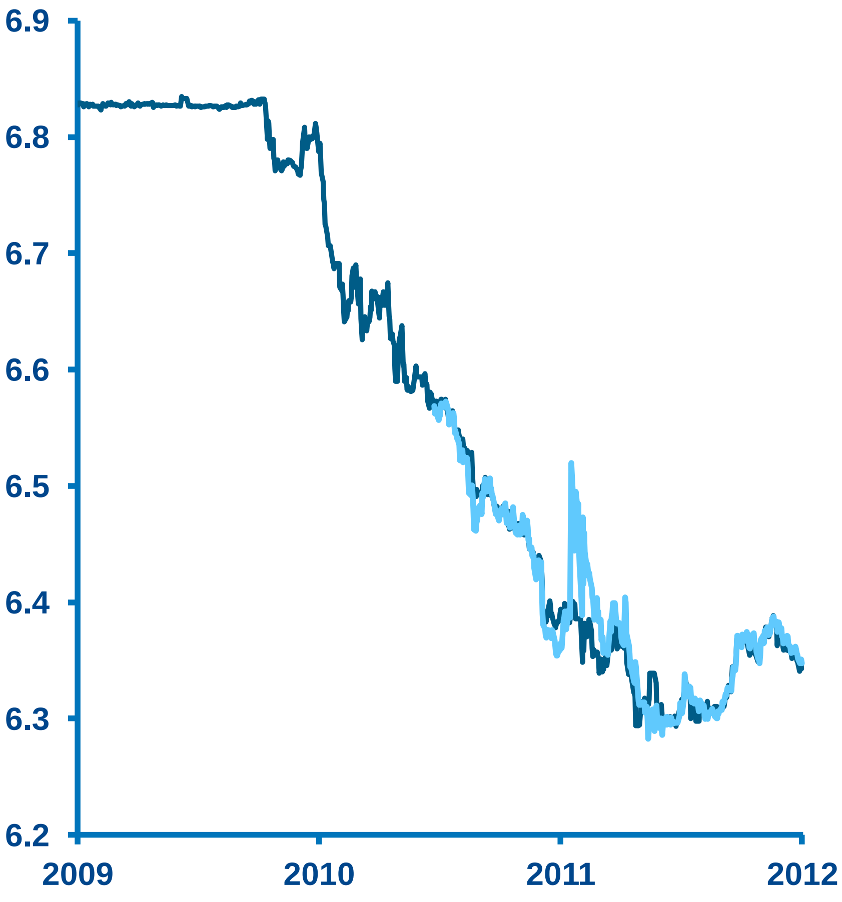

## PMIs show two track economy
Manufacturing vs services sector PMIs*


Sources: CEIC, Standard Chartered Research
*PMIs – Purchasing Managers Indices

# CNY depreciation is a risky policy tool

## CNY appreciation has stalled…

US$-CNY and US$-CNH spot rates




## …but trade-weighted CNY rose in Q2

CNY NEER*, index


Sources: Bloomberg, Standard Chartered Research

*NEER – Nominal Effective Exchange Rate

# China's 12th Five Year Plan

## 16 parts, 62 chapters, 118 pages

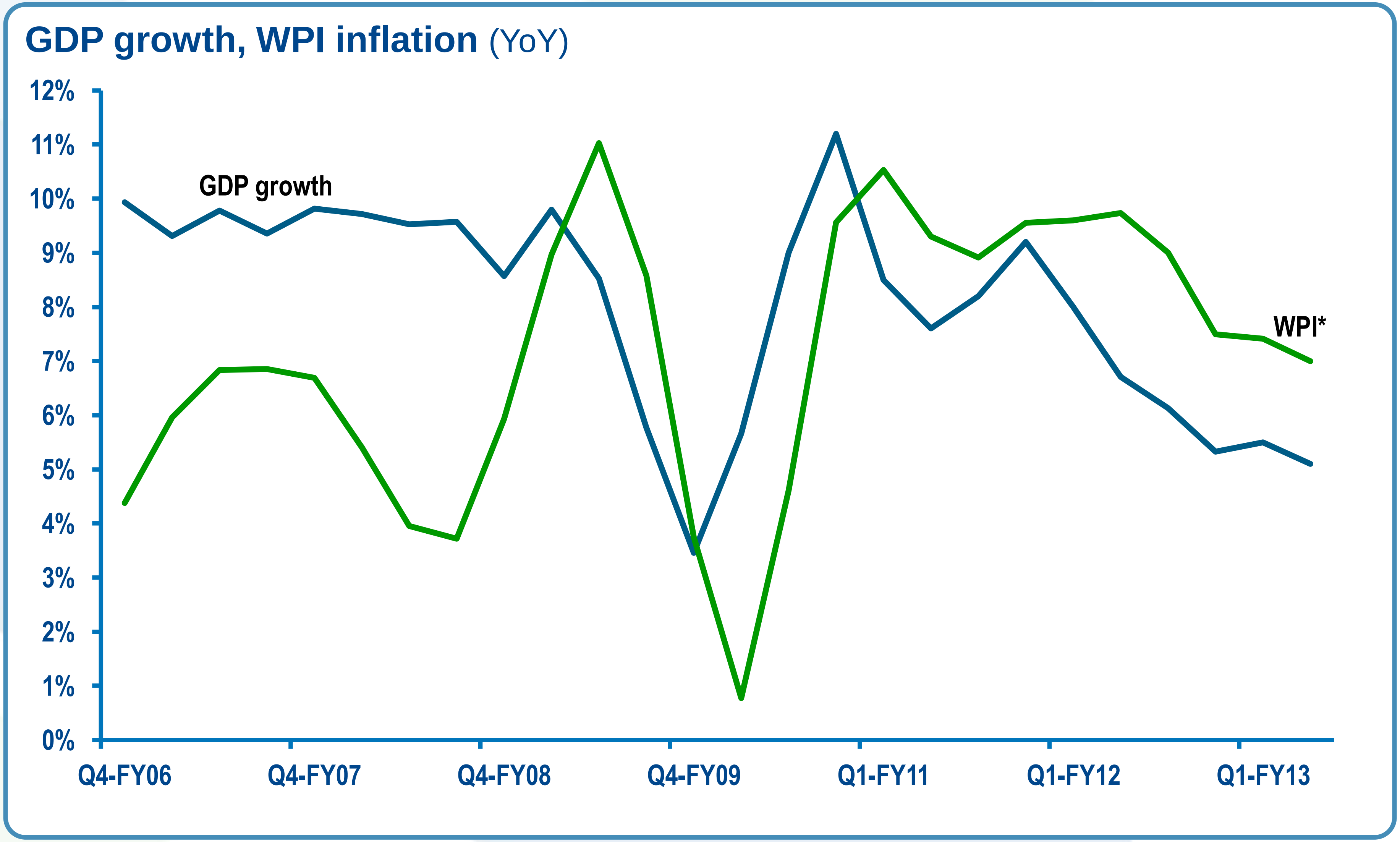
| Consumption | Environment | Social | Other |
|---|---|---|---|
| **Scientific development**<br>• Shift approach to explore new aspect of scientific development | **Agriculture**<br>• Strengthen and benefit agriculture to accelerate process of developing a new socialist countryside | **Competitiveness**<br>• Transform and upgrade industries to improve core competitiveness | **Service industries**<br>• Create an environment to push forward the development of service industries |
| **Urbanisation**<br>• Optimise structure to encourage co-ordinated regional and healthy urbanisation development | **Market economy**<br>• Consolidate and continue reform to improve the socialist market economy | **Open-door policy**<br>• Create a win-win situation to raise the standard of open-door policy | **Green economy**<br>• Develop a green economy to build a resource-efficient and environmentally friendly society |
| **Education and talent**<br>• Use creativity to drive and implement strategies of strengthening the country through science, education and talent development | **Social welfare**<br>• Improve social welfare to build basic system of public services | **Societal harmony**<br>• Solve social problems from both the surface and source levels to strengthen and upgrade societal administration | **Culture**<br>• Preserve traditions and innovate new methods to push forward cultural development |
| **Democracy**<br>• Develop democracy to make progress in socialist politics | **HK and Macau**<br>• Deepen co-operation with HK and Macau to build a multicultural nation | **Military**<br>• Integrate civil and military resources to strengthen the national defence system and modernise armed forces | **Achieve FYP targets**<br>• Strengthen the process of implementation to reach the goals of the 12th FYP |

## Seven priority industries

- Alternative energy
- Energy conservation and environmental protection
- Biotechnology
- Advance materials
- New IT
- High-end equipment manufacturing
- Clean energy vehicles

Sources: Standard Chartered Research

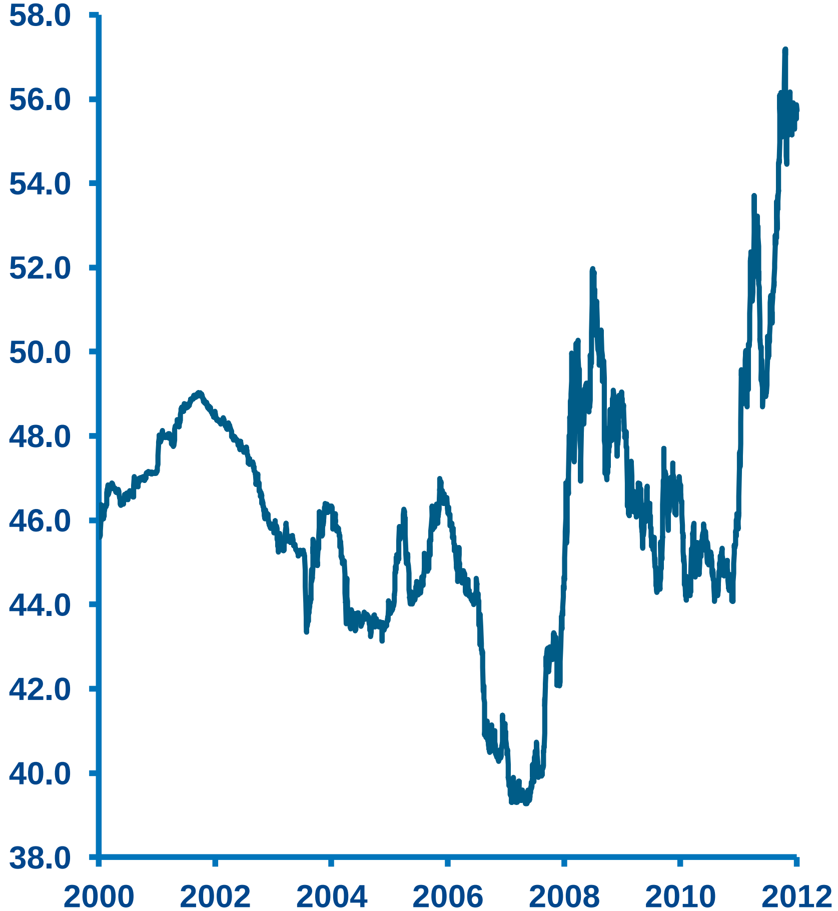
# India - high inflation, slow growth



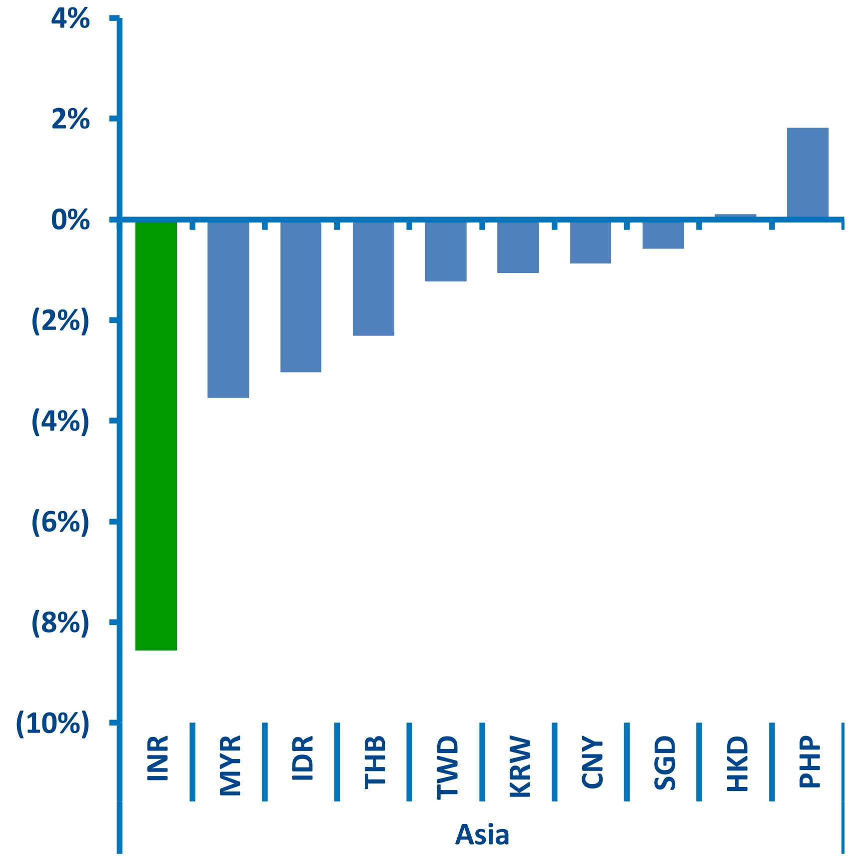

Sources: CEIC, Standard Chartered Research
*WPI – Wholesale Price Index

# India - an undervalued currency

## US$-INR spot rate
6 Sep 2000 to 6 Sep 2012




## AXJ* currencies fell in Q2 12 vs the US$, especially the INR
AXJ* FX** spot returns vs US$ in Q2 12 %

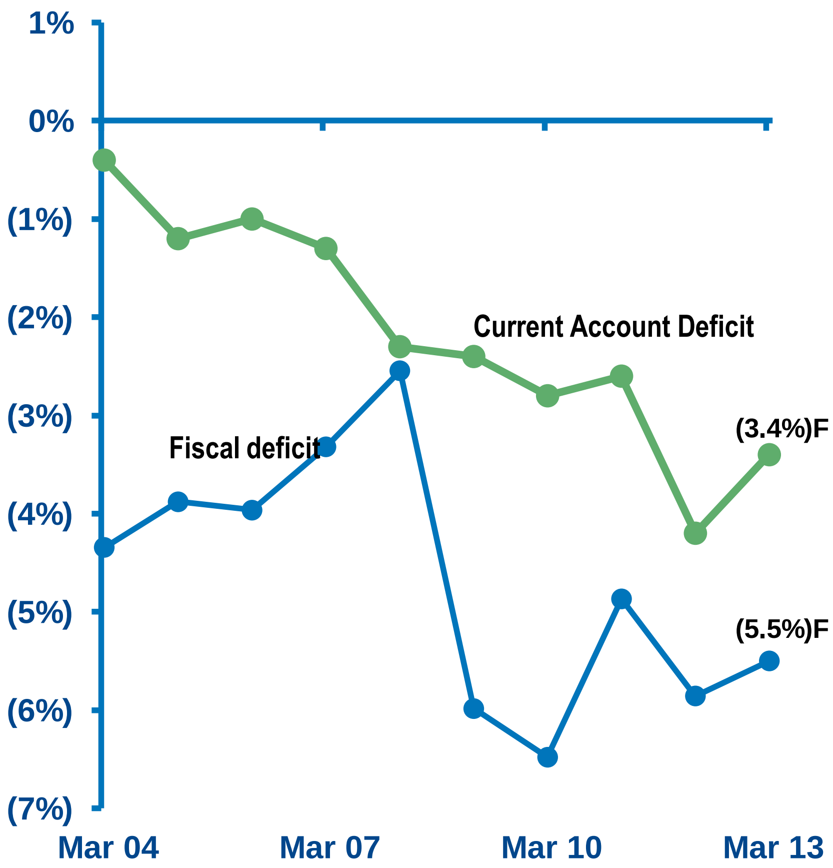



Sources: Bloomberg, Standard Chartered Research
*AXJ – Asia ex-Japan, **FX – Foreign Exchange

# India - widening deficits

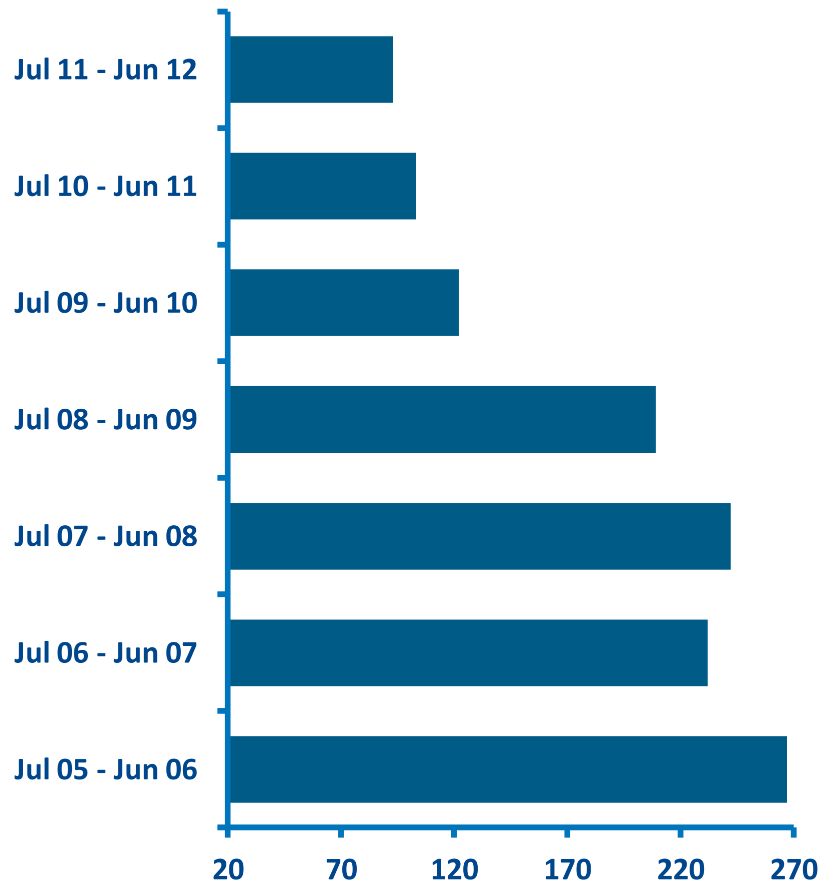
## Twin deficits - current account and fiscal

% of GDP



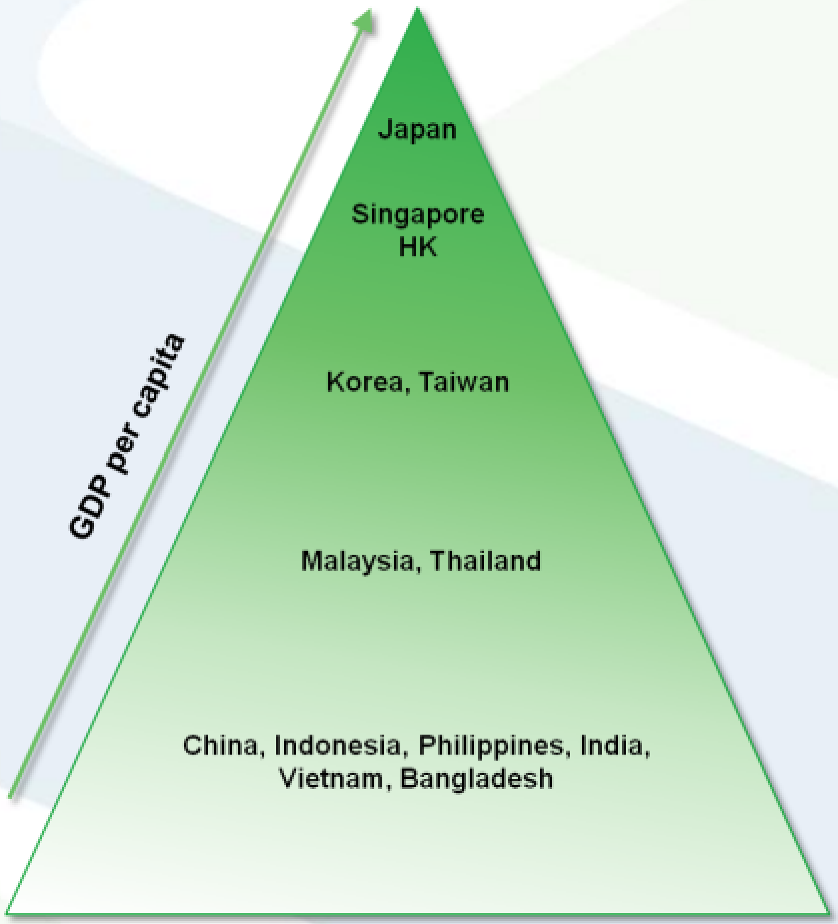

## Governance deficit

Number of cabinet decisions taken in a year




Sources: CEIC, Standard Chartered Research

# Asia is moving up the value curve




**Service-oriented economies**, in particular in financial and business services. Virtually no manufacturing in ***HK***; only high-value-added manufacturing in ***Singapore.***

**Advanced, capital intensive manufacturing**. Both ***Taiwan*** and ***Korea*** have invested in R&D in product innovation and building brand awareness.

**Mixed manufacturing activities**. Auto industry is the backbone of ***Thai*** manufacturing. ***Malaysia*** focuses more on generic electronic components and commodities.

**Low cost producers:**

***China*** is gradually moving up in capital intensity.
***Indonesia*** is predominantly a commodity producer. **Vietnam** and the ***Philippines*** are competing in low-cost manufacturing and labour exports.
***India*** is competing in services and selected manufacturing.
***Bangladesh*** has been associated with textile and garment manufacturing.

Sources: International Monetary Fund - World Economic Outlook, Standard Chartered Research

# Our growth forecasts

| Country | Real GDP growth % | | | |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| **Majors** | **1.3** | **1.1** | **1.5** | **2.5** |
| US | 1.7 | 2.0 | 2.0 | 3.0 |
| Euro area | 1.5 | (0.6) | 0.4 | 1.8 |
| Japan | (0.7) | 2.2 | 2.0 | 2.5 |
| UK | 0.7 | (0.5) | 1.1 | 2.3 |
| Canada | 2.5 | 2.2 | 2.4 | 3.0 |
| Switzerland | 2.1 | 0.9 | 1.5 | 2.4 |
| Australia | 2.0 | 3.5 | 3.5 | 3.6 |
| New Zealand | 1.1 | 2.4 | 3.8 | 2.8 |
| **Asia** | **7.3** | **6.5** | **7.2** | **6.7** |
| Bangladesh* | 6.7 | 6.4 | 6.5 | 6.9 |
| China | 9.3 | 7.7 | 7.8 | 7.5 |
| Hong Kong | 5.0 | 2.3 | 5.0 | 4.5 |
| India* | 6.5 | 5.4 | 6.0 | 7.0 |
| Indonesia | 6.5 | 6.0 | 6.3 | 6.8 |
| Malaysia | 5.1 | 4.0 | 5.0 | 5.6 |
| Mongolia | 17.3 | 16.0 | 12.0 | 10.0 |
| Pakistan | 2.4 | 4.0 | 4.8 | 5.0 |
| Philippines | 3.8 | 4.7 | 5.0 | 5.0 |
| Singapore | 4.9 | 2.8 | 4.5 | 5.2 |
| South Korea | 3.6 | 2.6 | 3.6 | 4.0 |
| Sri Lanka | 8.3 | 7.1 | 7.5 | 8.0 |
| Taiwan | 4.0 | 2.7 | 4.5 | 5.2 |
| Thailand | 0.1 | 3.5 | 4.9 | 5.5 |
| Vietnam | 5.9 | 5.0 | 6.5 | 6.8 |
| **Africa** | **4.8** | **5.1** | **5.2** | **5.4** |
| **Middle East and North Africa** | **6.3** | **3.7** | **3.9** | **4.4** |
| **Latin America** | **3.8** | **2.8** | **4.2** | **5.0** |
| **Global** | **3.1** | **2.6** | **3.1** | **3.7** |

*** Fiscal year starts in April in India and July in Bangladesh**

Sources: Standard Chartered Research

# Key messages

- Despite the crisis, the world is still growing, and so too is the flow of goods, capital and people
- Emerging economies are not decoupled but better insulated
  - Room for policy manoeuvre despite trade exposure to Europe
- Global slowdown is a risk for Asian economies, but domestic demand is up
- Asia is moving up the value chain

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

**Mike Rees**

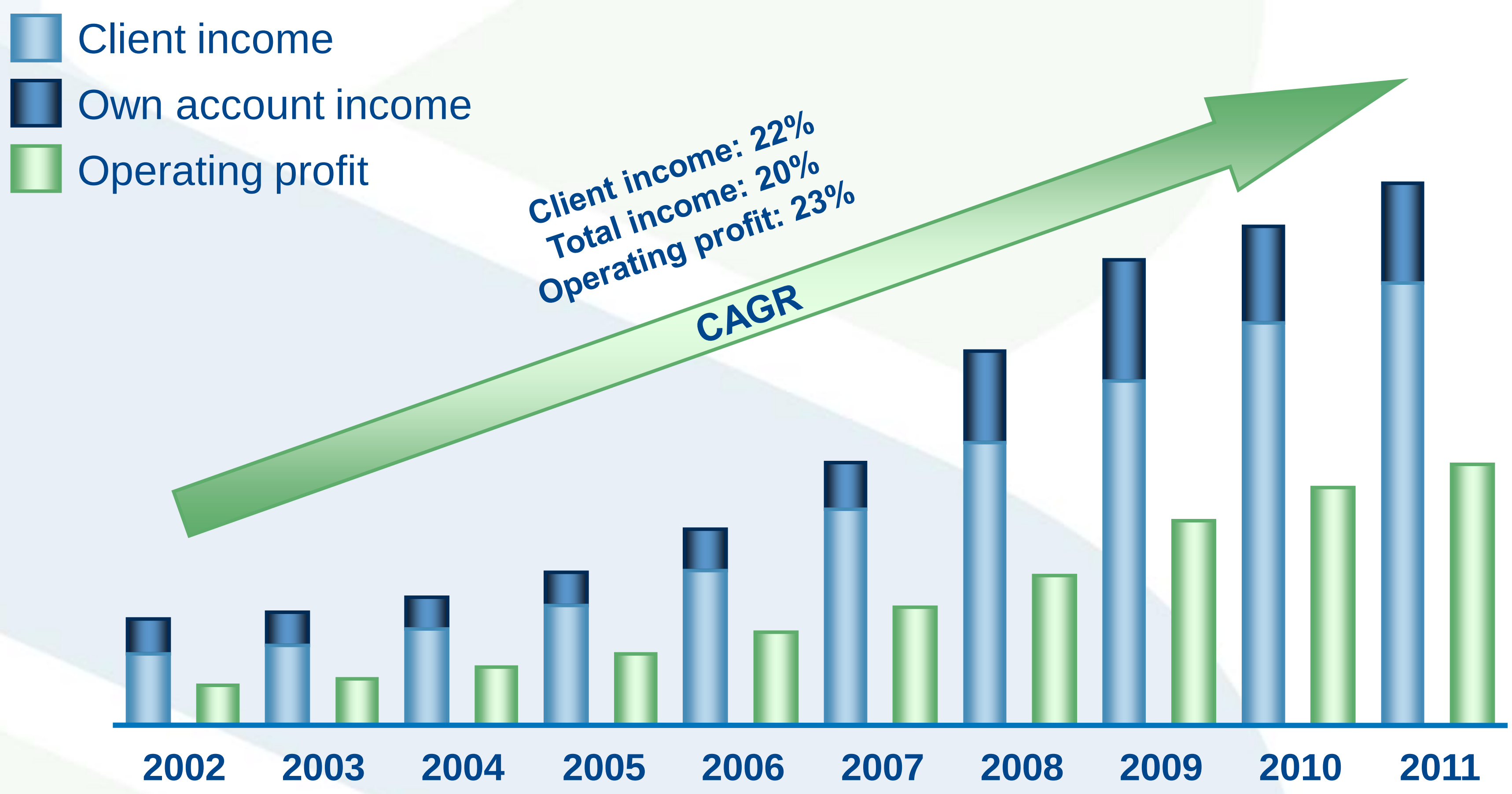
**Group Executive Director and CEO, Wholesale Banking**

# Key messages

- Financial results reflect sustained and disciplined execution of strategy
- Deep long term client relationships remain at the heart of our strategy
- Differentiated competitive positioning with increasing leverage of the network
- Diverse income streams with Commercial Banking remaining core foundation
- Looking forward, strategic fundamentals unchanged; quality execution driving growth

# Continued growth

## Wholesale Banking income and operating profit



# Wholesale Banking strategic intent

Standard Chartered

| | | | | | |
|---|---|---|---|---|---|
| **Strategic intent** | **The Bank of choice for corporate and institutional clients for and in Asia, Africa and the Middle East** | | | | |
| **Brand promise** | **Here for good** | | | | |
| **Values** | **Courageous**<br>We stand up for what we believe is right | **Responsive**<br>We deliver thoughtful, timely, high quality solutions | **International**<br>We value our diversity and collaborate as one team | **Creative**<br>We continuously improve the way we work | **Trustworthy**<br>We are reliable, open and honest |
| **Competitive positioning** | **Delivery**<br>Collaborating to combine global capability and deep local knowledge to provide innovative solutions | **Customers and clients**<br>Building long term relationships with our customers and clients, delighting them with our service and solutions | **Discipline**<br>Balancing the pursuit of growth with firm control of costs and risks | | |
| **Commitment to stakeholders** | **Our people**<br>A great place to work, enabling individuals to grow and teams to succeed | **Communities**<br>Trusted and caring, dedicated to being a force for good | **Investors**<br>A distinctive investment, delivering consistently superior performance | **Regulators**<br>Demonstrating exemplary governance and ethics | |

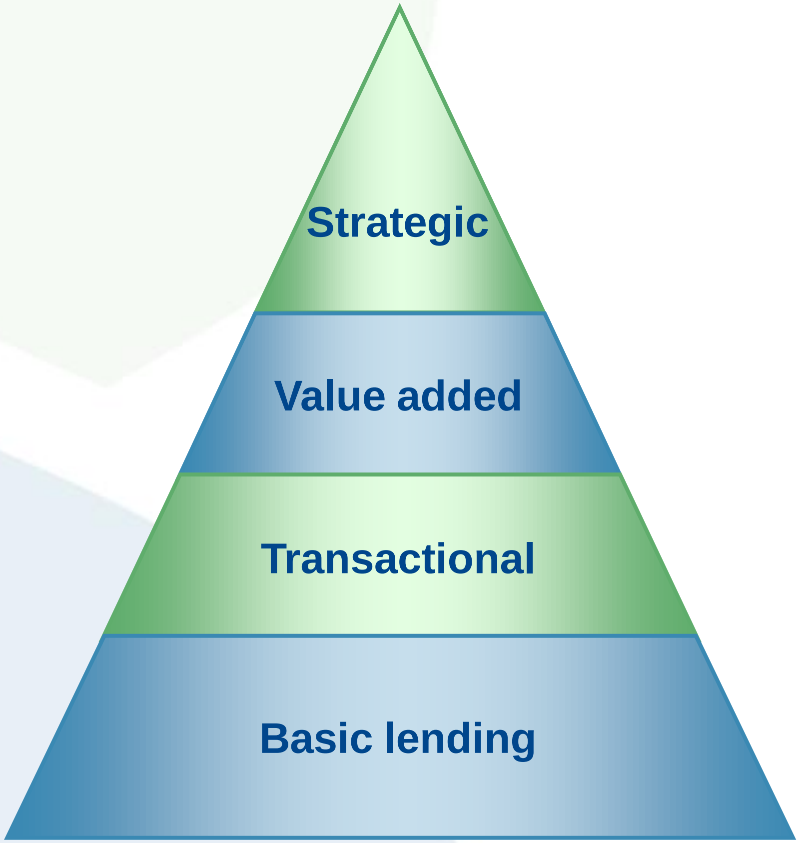
# Wholesale Banking strategy

## Our strategy

- Deep ‘core bank’ client relationships
- Local scale and
  cross border capabilities
- Strong balance sheet management

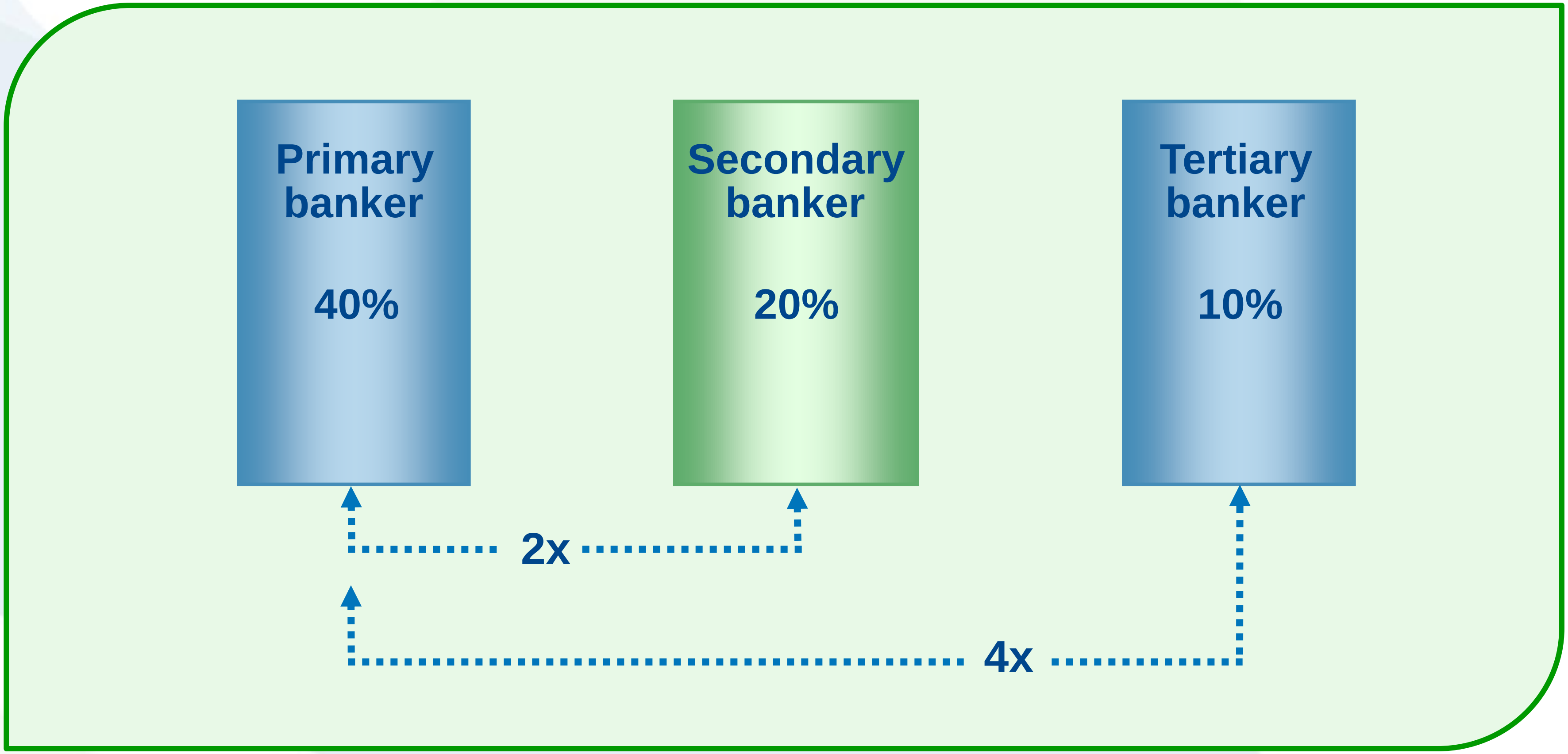
## Key enablers

- Infrastructure
- Values and culture



# Depth of client relationships

## Share of client wallet




Source: McKinsey

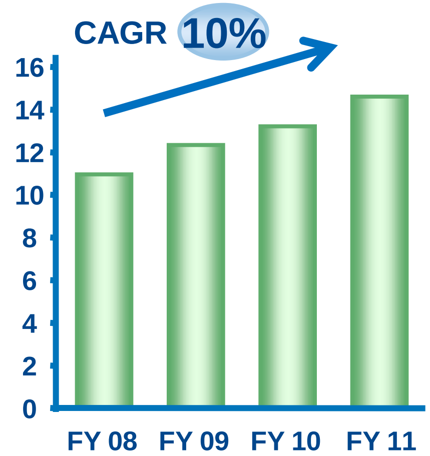
# We have deepened relationships with existing clients

Standard Chartered

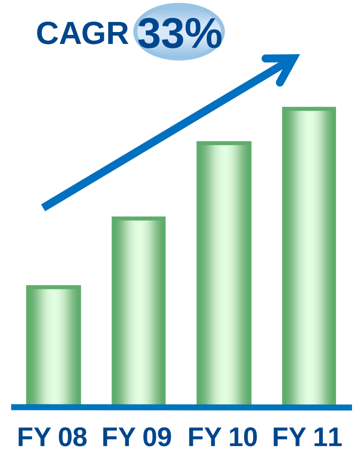
**2008 – 2011:**

**Top 100 Clients**

Number of products used



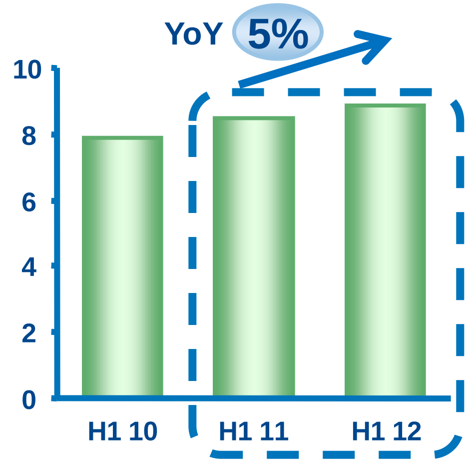

Total income from client group



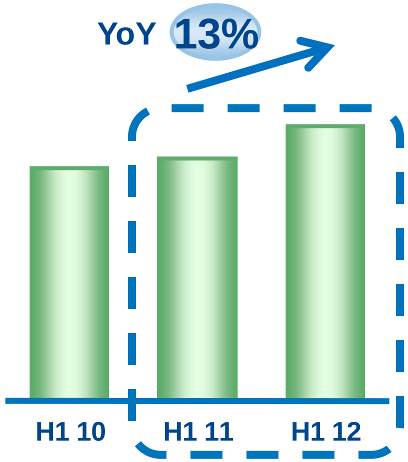

**2011 onwards:**

**Next 600 Clients**

Number of products used



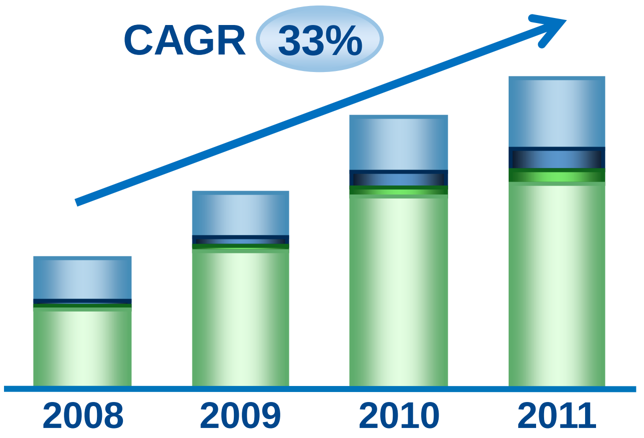

Total income from client group



# Growth across client segments

**2008 - 2011 income growth:**

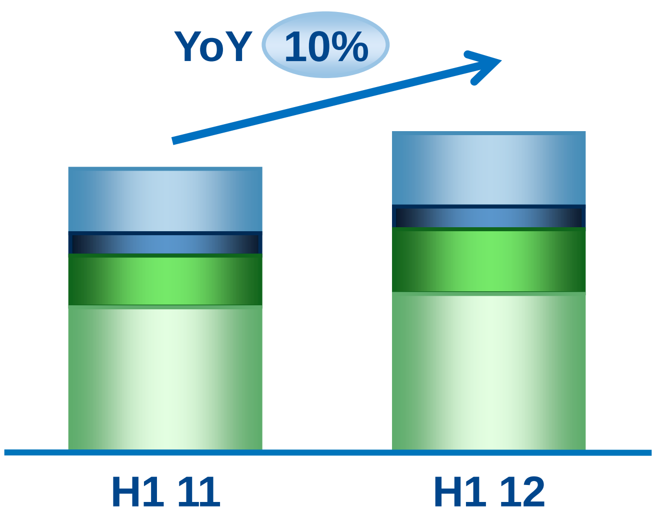
**Top 100 clients**




| 08 - 11 CAGR | Client segment |
|---|---|
| 19% | Financial Institutions |
| 55% | CTA* |
| 67% | Local Corporates |
| 37% | Global Corporates |

**H1 11 – H1 12 income growth:**

**Next 600 clients**

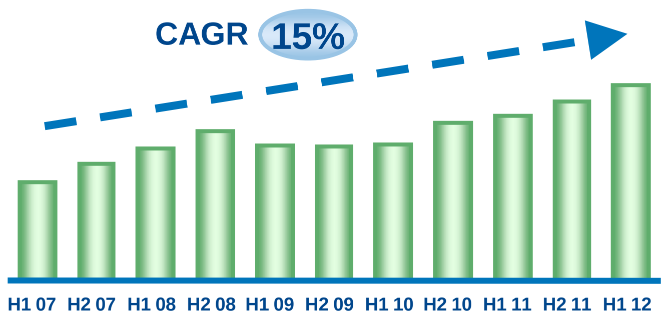



| YoY | Client segment |
|---|---|
| 15% | Financial Institutions |
| 4% | CTA* |
| 28% | Local Corporates |
| 8% | Global Corporates |

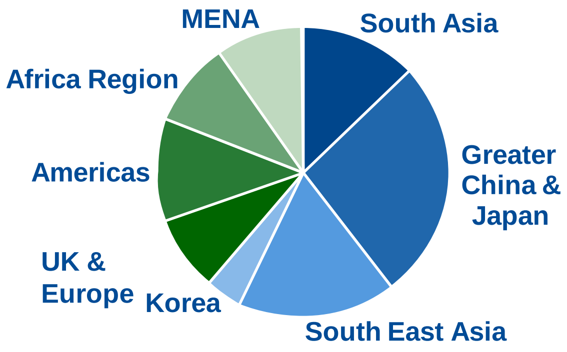
*CTA - Commodity Traders and Agribusiness

# Sustained and consistent growth in Transaction Banking

### Transactional Banking total income




### Geographical income diversity H1 12

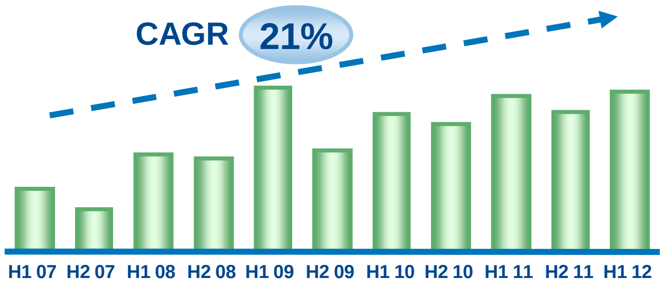



- Creates deep 'core bank' client relationships
- Building market leading technology combined with global coverage
- Leading Trade Finance business for and in footprint
- Cash Management 'liquidity engine' for the Bank and support returns

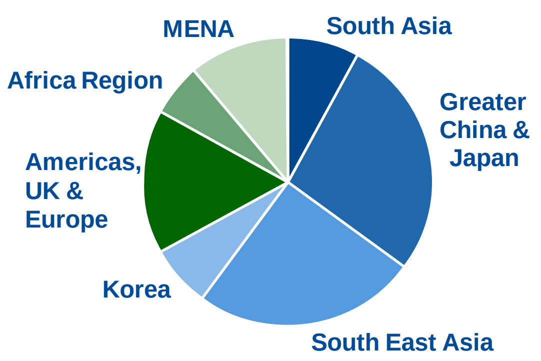
# Financial Markets growth is driven by flow type transactions

Standard Chartered

### Financial Markets total income



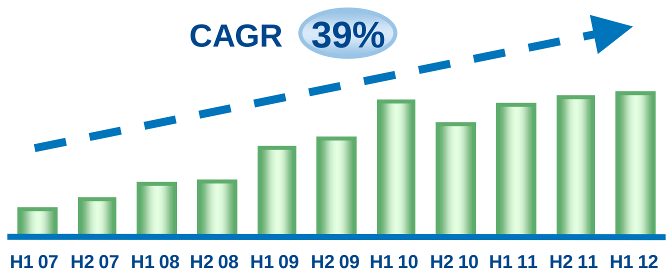

### Geographical income diversity H1 12



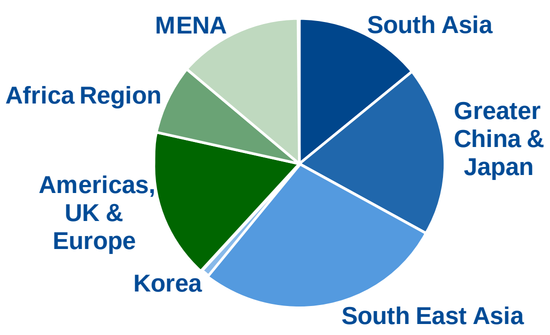

- Client focused business with low risk profile
- Income based on 'Flow' type transactions
- Core strengths in Foreign Exchange and Capital Markets
- Investment in global product offering, e.g. equities and commodities
- Strong 'One Bank' cross-sell capability

# Corporate Finance has delivered strong income growth…

## Corporate Finance income




## Geographical income diversity H1 12




- Continued growth despite challenging market environment
- Increasing our relevance to clients
- Increasing stable and recurring income streams
- Income streams more diversified by deal size and geography
- Investment in franchise delivering results

# …with increasingly stable and diversified income streams

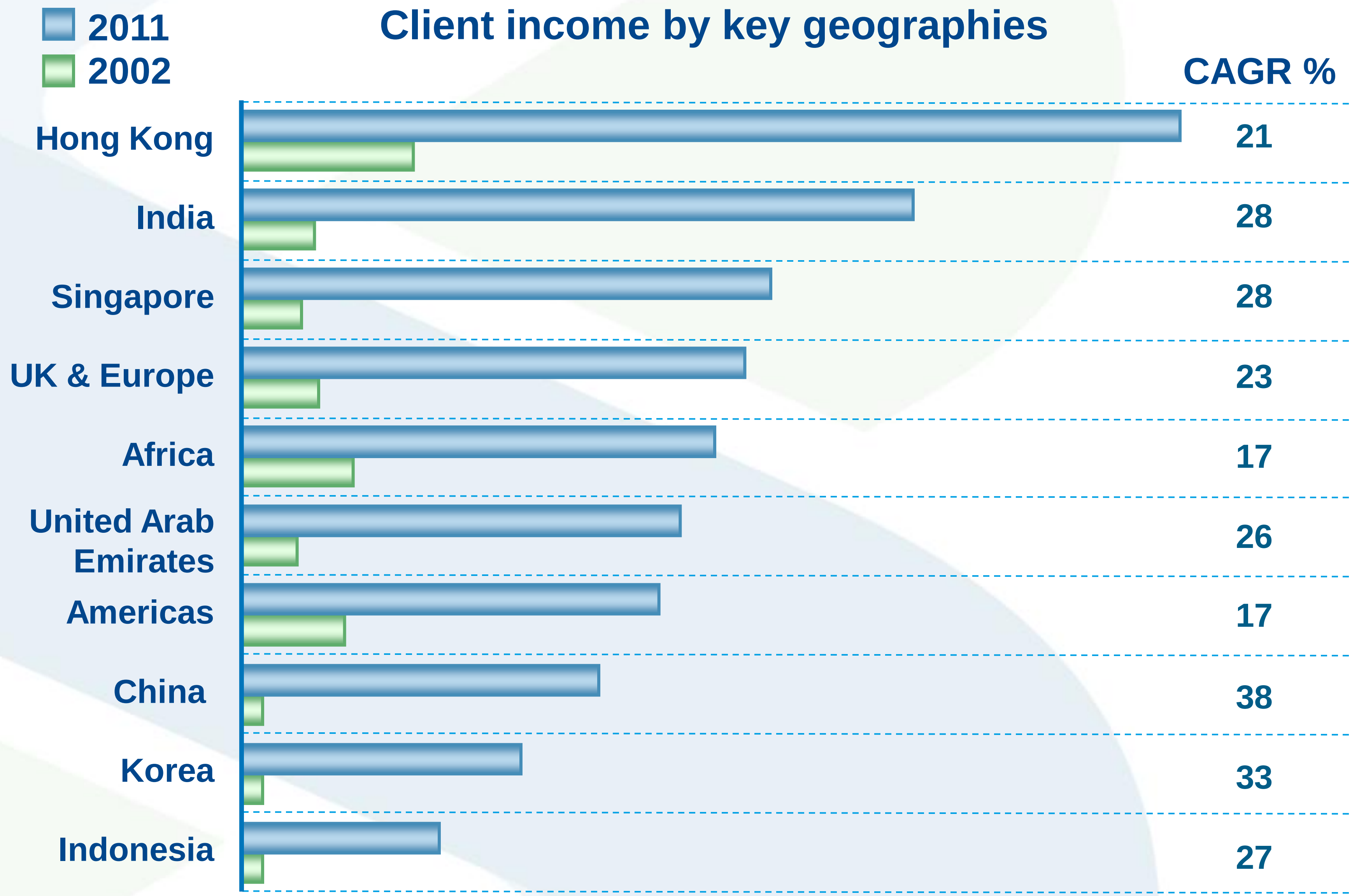
Standard Chartered

| Corporate Finance 'Sub-business' | Product / Service | Share of Corporate Finance income* |
|---|---|---|
| **Strategic Finance** | ■ Equity Capital Markets<br>■ Leveraged finance | 39% |
| **Advisory and Infrastructure Finance** | ■ Mergers and acquisitions advisory<br>■ Project finance<br>■ Oil and gas<br>■ Metals and Mining<br>■ Export Finance | 21% |
| **Structured Trade Finance and Financing Solutions** | ■ Structured trade finance<br>■ Other structured finance solutions | 22% |
| **Structured Finance** | ■ Leasing finance including shipping and aircraft<br>■ Asset-based financing | 18% |

[1]*Based on average income for H1 11 and H1 12

# We have built local scale in key markets

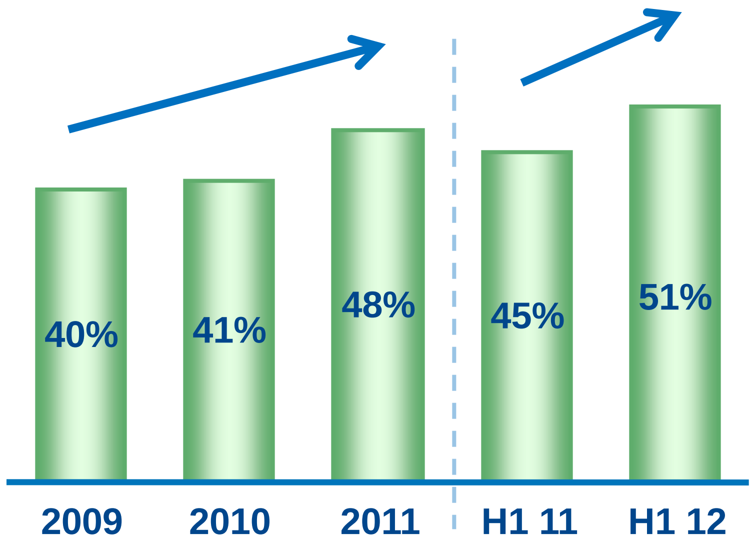
## Client income by key geographies



# Cross border capabilities supported by a developed product offering

Standard Chartered

**Network income as % of client income**




| | H1 11 | H1 12 |
|---|---|---|
| Network income RoRWA* | 7.1% | 8.2% |
| Domestic income RoRWA* | 7.1% | 6.8% |

- Established network is a major competitive advantage
- Product build-out has enhanced our offering to cross border clients
- International network generates increasing amount of Network income
- Network income growth rate exceeds domestic growth rate and has higher RoRWA*

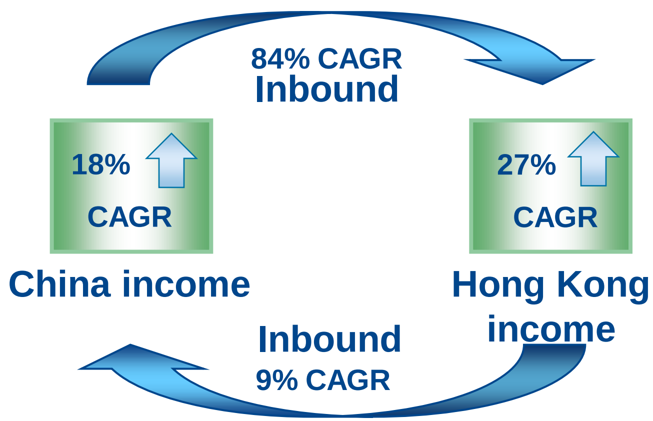
*RoRWA – Return on risk weighted assets

# Leveraging the international network

## China / Hong Kong

- China economy slowing but still resilient and well managed
- Hong Kong continues to benefit from development of Chinese market
- Continued investment in China network with 24% increase in branches H1 12 – H1 11

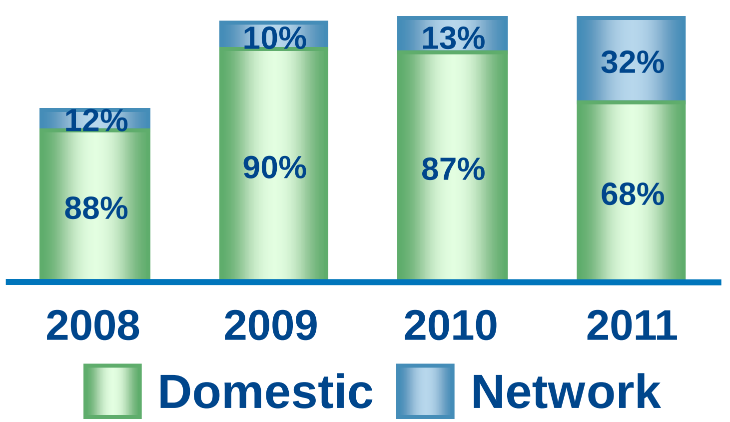
### China / Hong Kong income*




## India

- Slowdown in domestic corporate activity
- Continued expansion of Indian multinationals
- Deep relationships with Indian multinationals has driven Network income

### India domestic / Network income split**



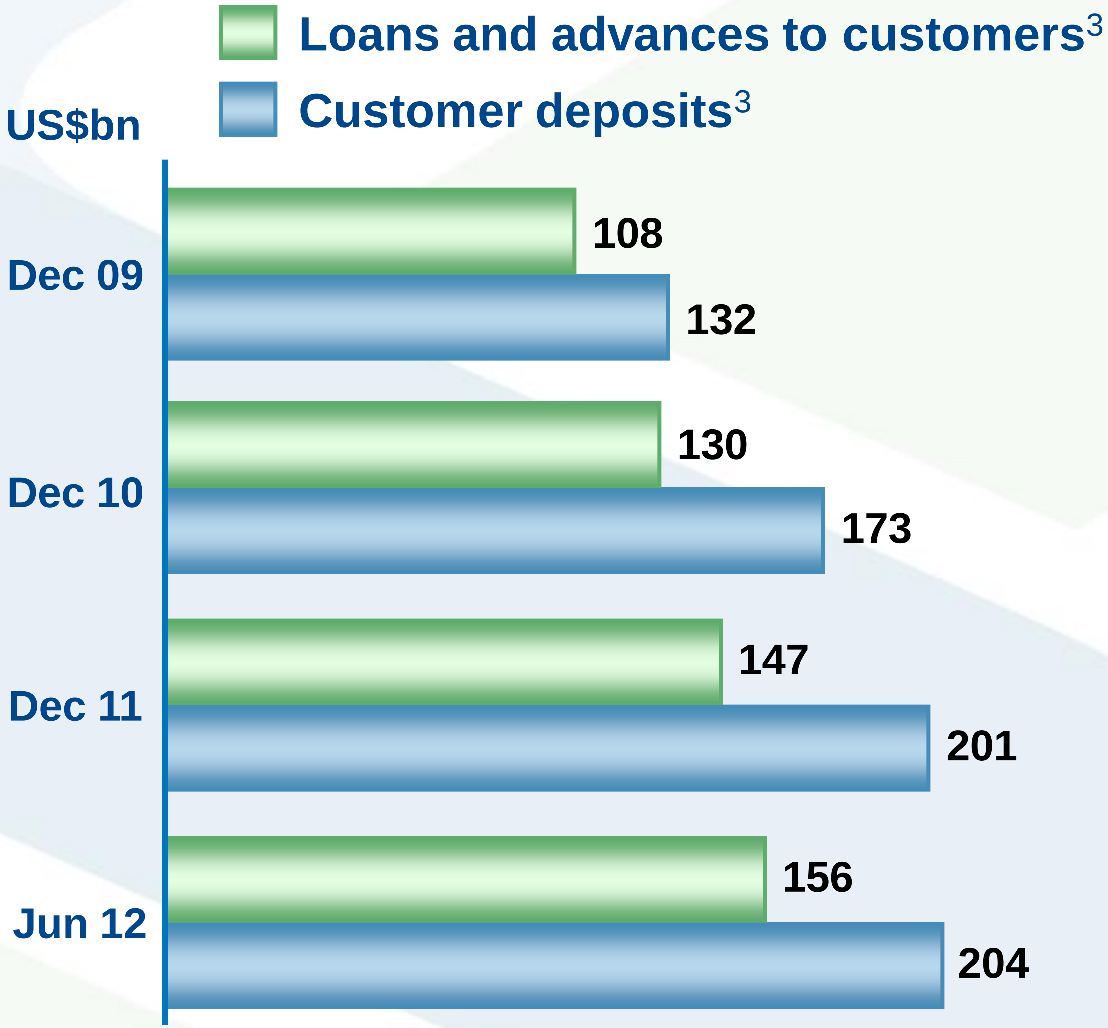

* H1 10 – H1 12 CAGR

** Bar height represents total originated income and % indicates split of total originated income between domestic and Network

# Risk appetite

- Credit risk
  - Longstanding client-centric approach
  - Diversified portfolio
- Market risk
  - Client income versus own account
  - Absolute and consistently low Value at Risk
- Operational risk
  - Operational risk management
- Liquidity Risk
  - Funding strategies
  - Distribution
  - Governance

# Strong balance sheet management and liquidity




| | Net liquidity Jaws[1] | A/D ratio % |
|---|---|---|
| Dec 09 | - | 81.8 |
| Dec 10 | 19 | 75.1 |
| Dec 11 | 12 | 73.2 |
| Jun 12 | (6)[2] | 76.5 |

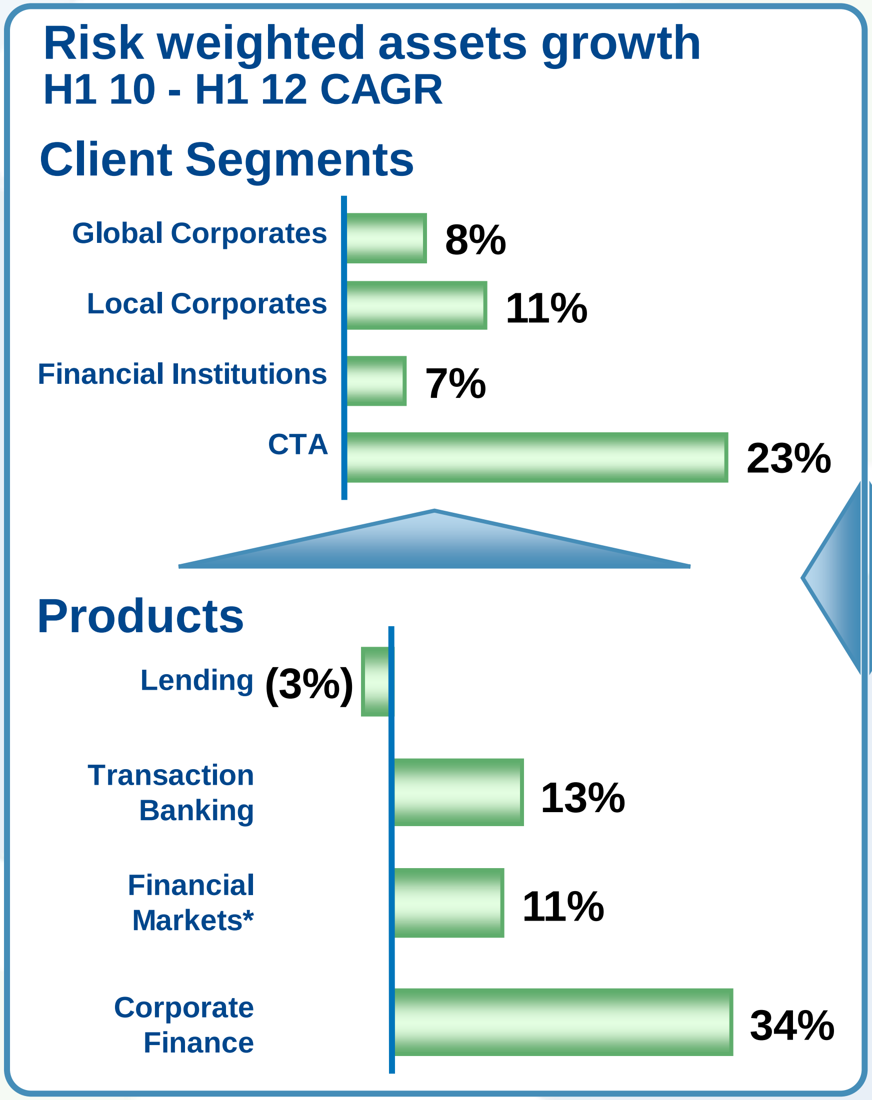
[1] Net Liquidity Jaws = Increase in customer deposits net of increase in loans and advances to customers in the same period
[2] Net liquidity Jaws from Dec 11 to Jun 12
[3] Loans and advances to customers and customer deposits shown above are A/D qualifying

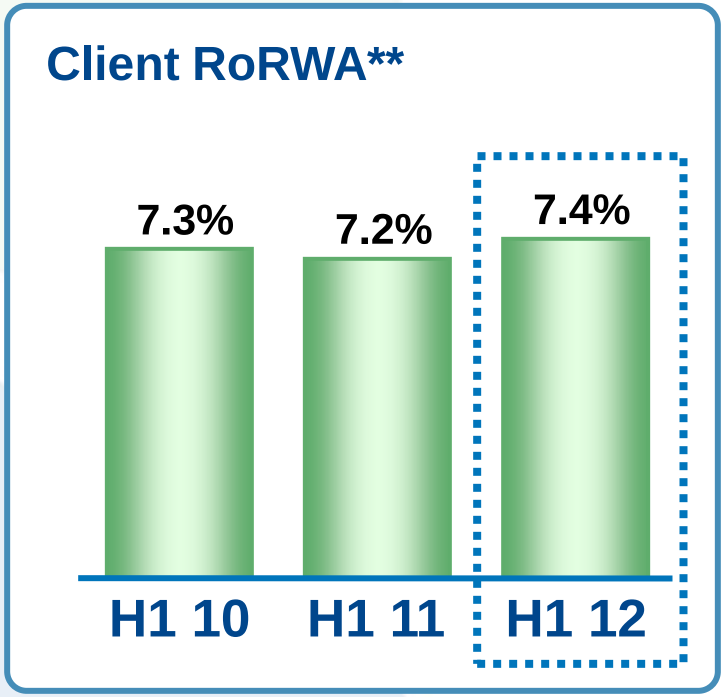
# Asset origination supported by strong distribution capability

| | Capital Markets | Bilaterals |
|---|---|---|
| **Primary** | ■ Syndicates<br>■ Debt Capital Markets / Bonds | ■ Club deals<br>■ Insurance / Export Credit Agency<br>■ Contracts For Difference / Purchase agreement<br>■ Credit Default Swap |
| **Secondary** | ■ Public Collateralised Loan Obligation<br>■ Structured Funding / Asset Backed Securites<br>■ Secondary Trading | ■ Loan sales / Receivable Purchase Agreement<br>■ Private Collateralised Loan Obligation |

- Proven distribution capability supported by quality and diversity of assets
- Creates balance sheet capacity for clients
- Distribution strategy supports return optimisation

# We are focused on capital allocation to higher return areas




*Financial Markets is excluding Asset and Liability Management;, **RoRWA – Return on risk weighted assets
Note: Data is based on a 12 month rolling average

# Our infrastructure is a key enabler

- Meet dual challenge of complexity and scale
- Standardised systems
- Investment in systems ahead of growth
- Hubbed support infrastructure

# Our brand promise - Here for good

- Values and culture
- How we do business
- Collaboration

# Conscious decisions around the strategy and disciplined execution

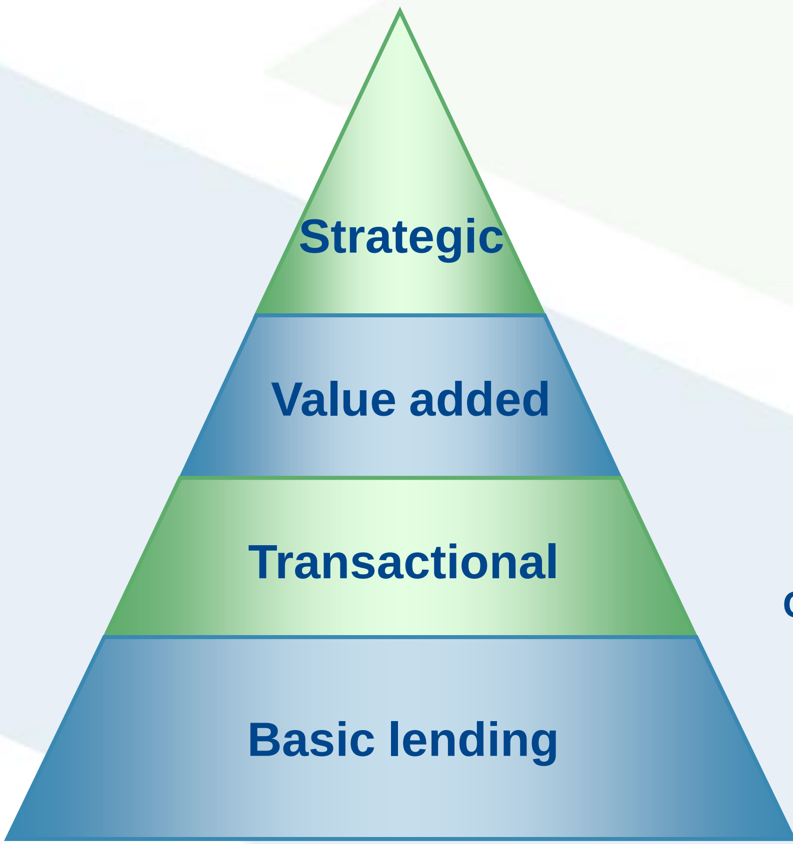
## Conscious decisions made about the strategy

- Make deep “core-bank” client relationships the most important axis of the strategy
- Focus exclusively on client business “for and in” our major geographic markets within Asia, Africa and the Middle East
- Take a highly conservative approach to capital and liquidity

## Disciplined approach to execution

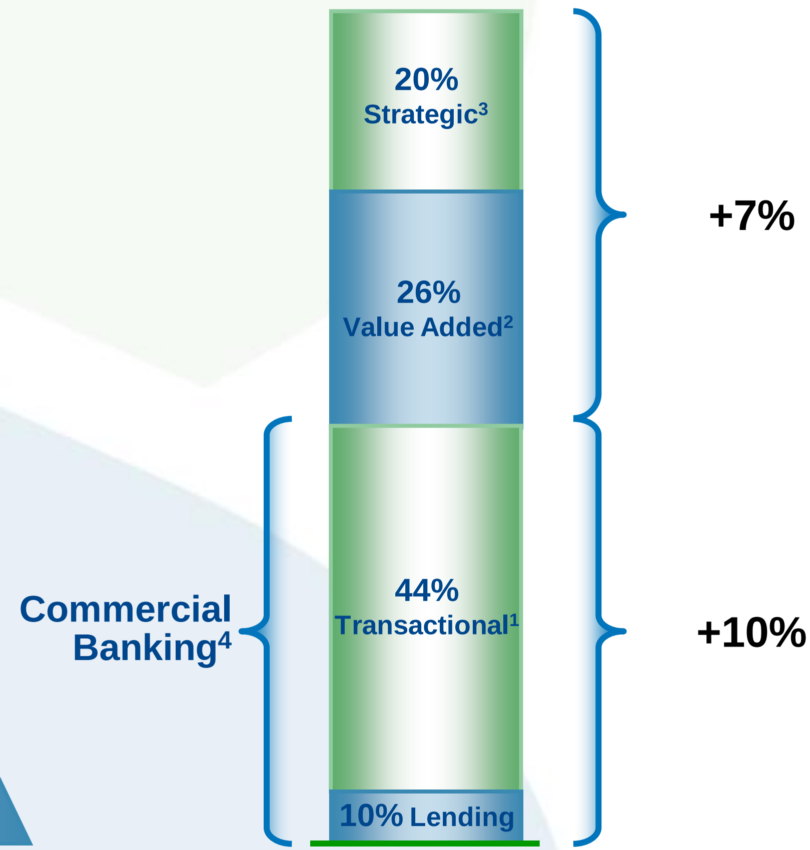
- Clear boundaries to client business
- Commitment and focus on existing clients
- No proprietary trading desks
- Fund before we lend

# We have a consistent strategy underpinned by our Commercial Banking business




Client income breakdown H1 12

H1 10 - H1 12 CAGR

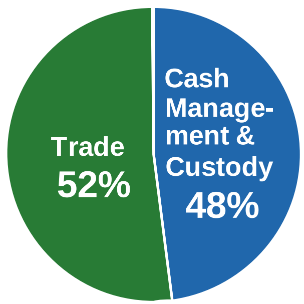



[1]Transactional defined as Transaction Banking + flow Foreign Exchange, [2]Value Added defined as Financial Markets – Flow Foreign Exchange.
[3]Strategic defined as Corporate Finance + Principal Finance, [4]Commercial Banking defined as Lending + Transactional

# Drivers of our Commercial Banking business

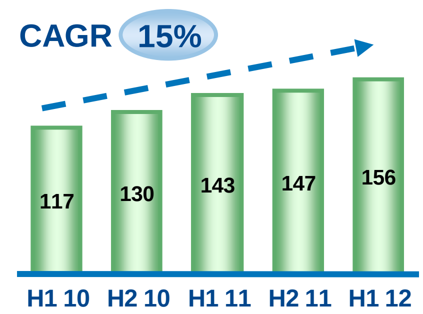
### Transaction Banking

**Split of H1 12 income**




- Well balanced business
- Leading position in footprint
- Attractive returns

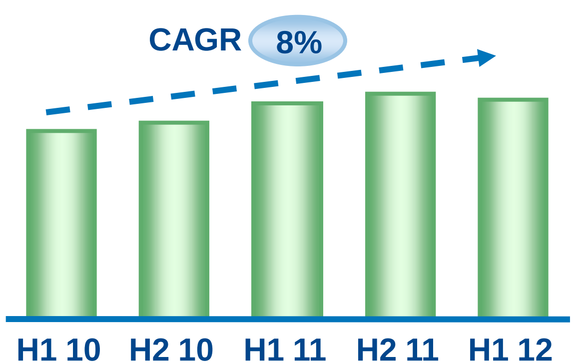
### Lending* US$bn




- Continued origination through Global Financial Crisis
- Client model and credit rating support distribution capacity

### Flow Foreign Exchange

**FX/NDF** notional volumes**




- Corporate clients Cash Foreign Exchange business
- Increasing e-penetration
- Strong links into Transaction Banking

* Lending balances based on Wholesale Banking loans and advances to customers, ** Foreign Exchange/Non-Deliverable Forward

Standard Chartered

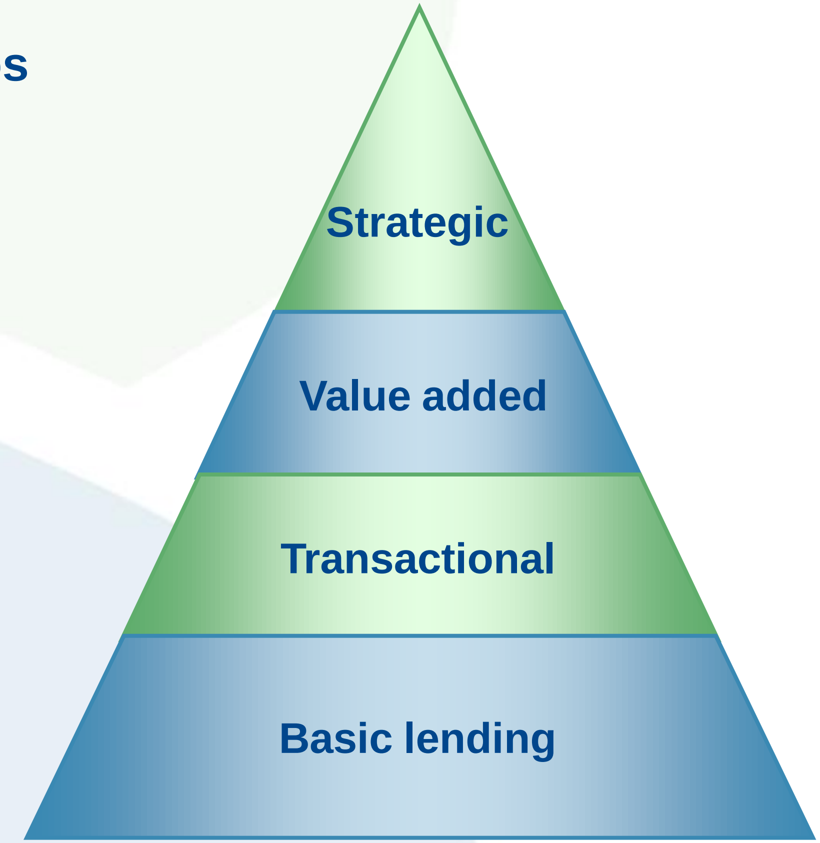
# What next - Refining our strategy

## Our strategy

- Deep 'core bank' client relationships
- International network, local scale
- Strong balance sheet management

## Key enablers

- Infrastructure
- Values and culture
- Collective ambition



# Financial targets

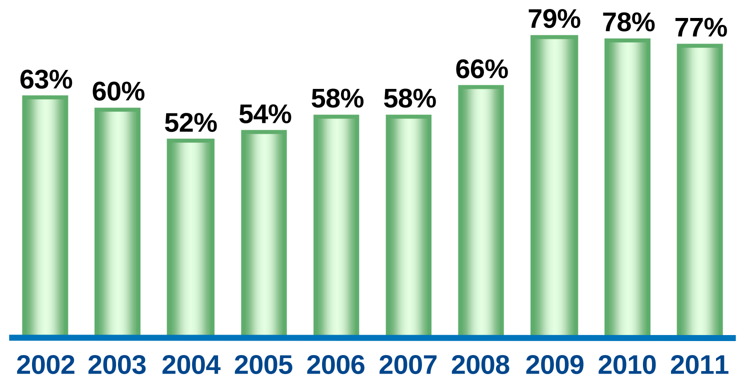
## Standard Chartered Group

- Double digit income growth
- Grow costs broadly in line with income
- Double digit growth in earnings per share
- Mid-teens Return on Equity

## Wholesale Banking

- Mid teens client income growth through the cycle
- Grow costs broadly in line with income

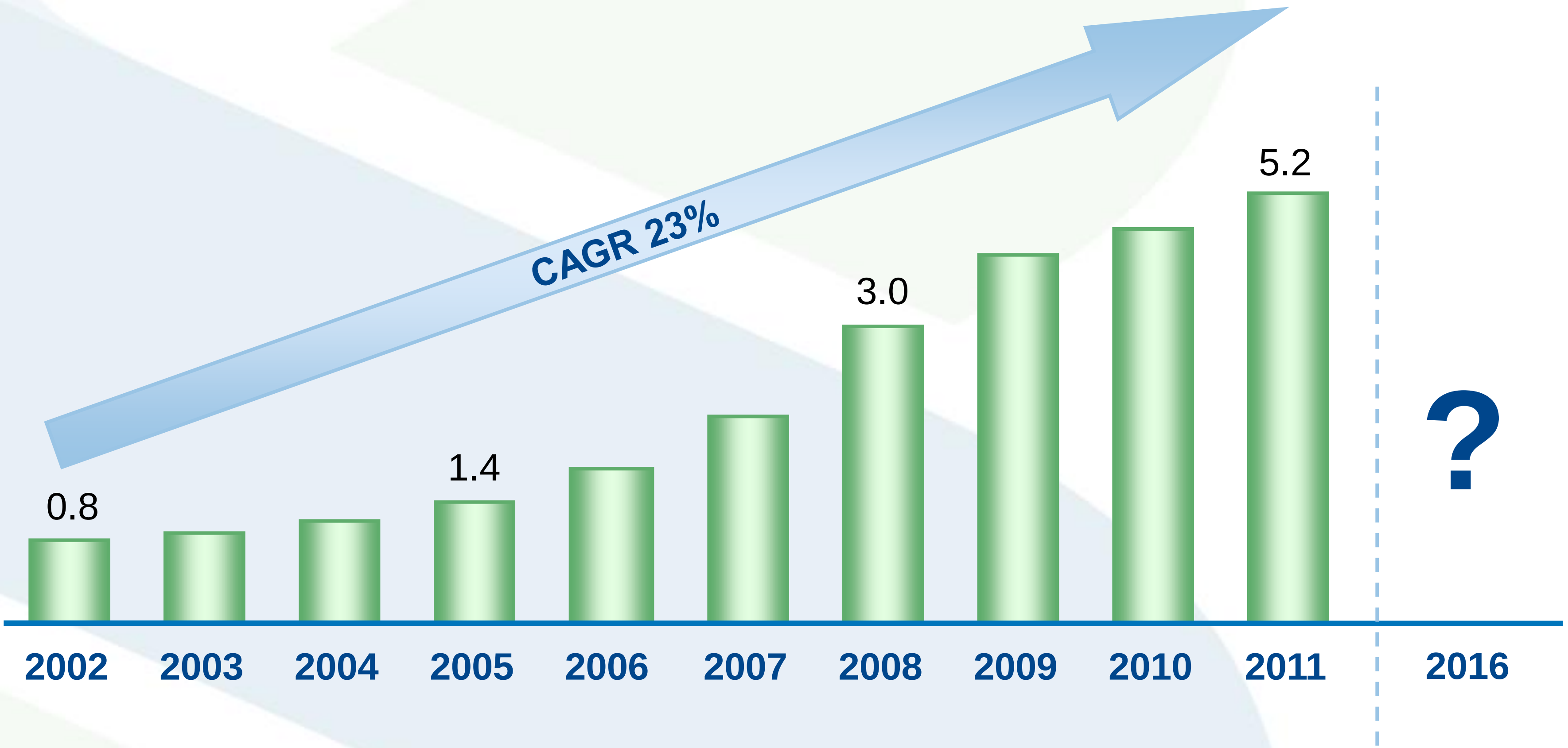
**Wholesale Banking operating profit as a % of Group operating profit**



# Sustained operating profit growth momentum

Standard Chartered

## Wholesale Banking operating profit (US$bn)



# Key messages

Standard Chartered

- Financial results reflect sustained and disciplined execution of strategy
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- Differentiated competitive positioning with increasing leverage of the network
- Diverse income streams with commercial banking remaining core foundation
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