



Delivering sustainable growth

Corporate & Institutional Banking

Investor Seminar

21 November 2017

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Seminar summary

Webcast

Introduction

Bill Winters

Group Chief Executive

Corporate & Institutional Banking (CIB)

Simon Cooper

CEO, CIB

Clients

- Global Banking
- Focus: the Americas

Product Groups

- Transaction Banking
- Financial Markets
- Corporate Finance

Balance Sheet Optimisation

- Credit and Portfolio Management

Introduction

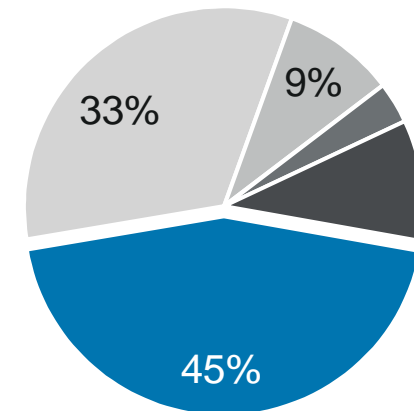
Bill Winters

Corporate & Institutional Banking at Standard Chartered

We have over 150 years' experience in some of the world's most dynamic economies

Group Income by Client Segment

■ CIB ■ RB ■ CB ■ PvB ■ C&OI



CIB Operating Income (H1'17)

\$3.2bn

+2%
YoY

CIB Underlying Profit Before Tax (H1'17)

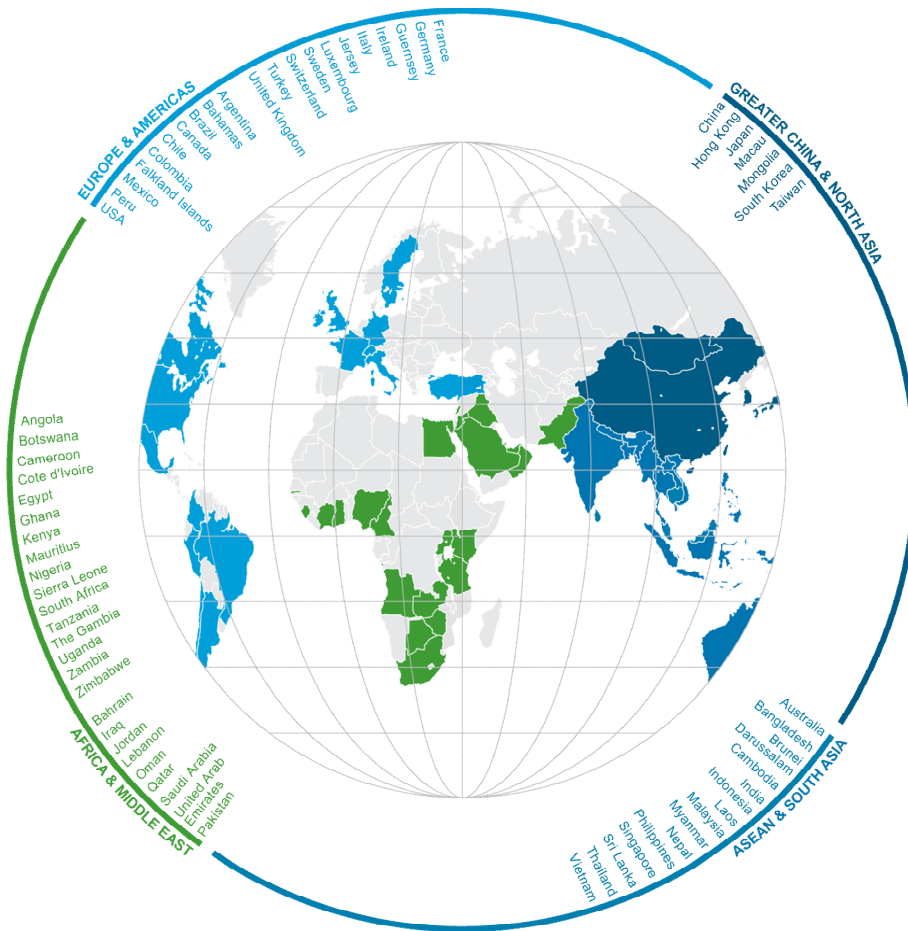
\$648m

+171%
YoY

CIB Loans and Advances to Customers (30.06.17)

\$126bn

-1%
YoY





Corporate & Institutional Banking

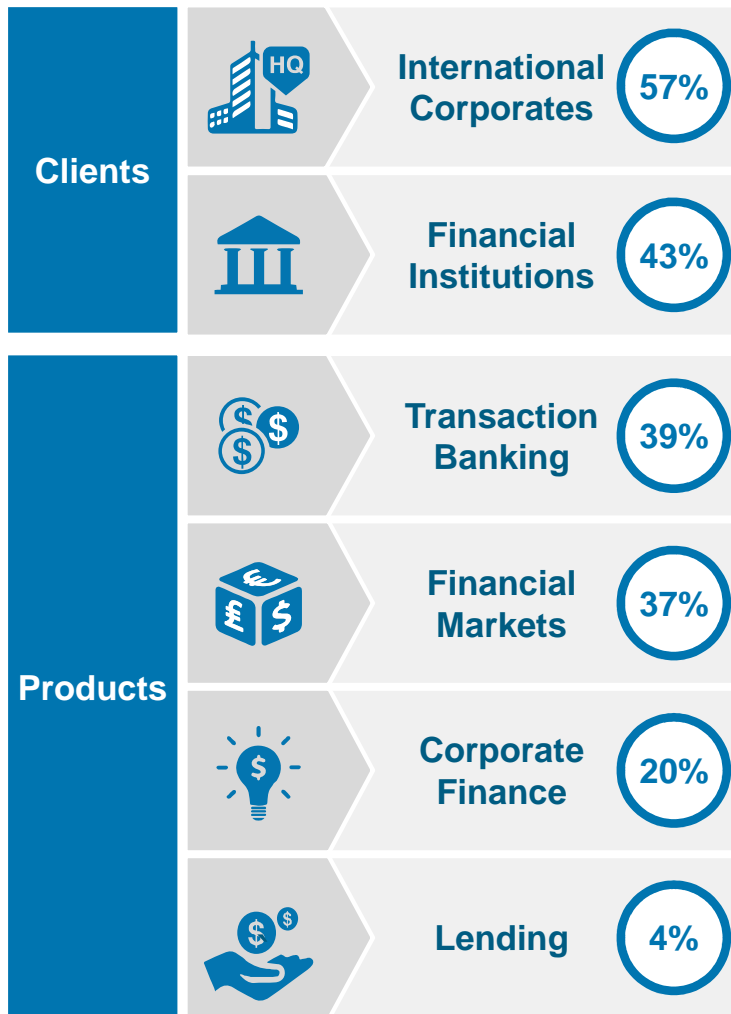
Simon Cooper

What you will hear today

- Our differentiation
- Our progress securing the foundations and improving the business
- Our revised approach to capital allocation
- Our plan to deliver sustainably higher returns

We are uniquely positioned to facilitate trade, capital and investment flows in and for our footprint

Our clients and products



Corporate & Institutional Banking

Our differentiation

Well positioned to capture opportunities from key corridors



Only a few truly global banks can facilitate trade, capital and investment flows in and for our footprint. Our difference is:

- We have a strong and deep local presence across Asia, Africa and the Middle East
- We have long standing client relationships, and have expertise in the products they want, where they want them
- We are entirely focused on this strategy and so can deliver a clear value proposition

We have taken significant actions to improve the business

What needed fixing

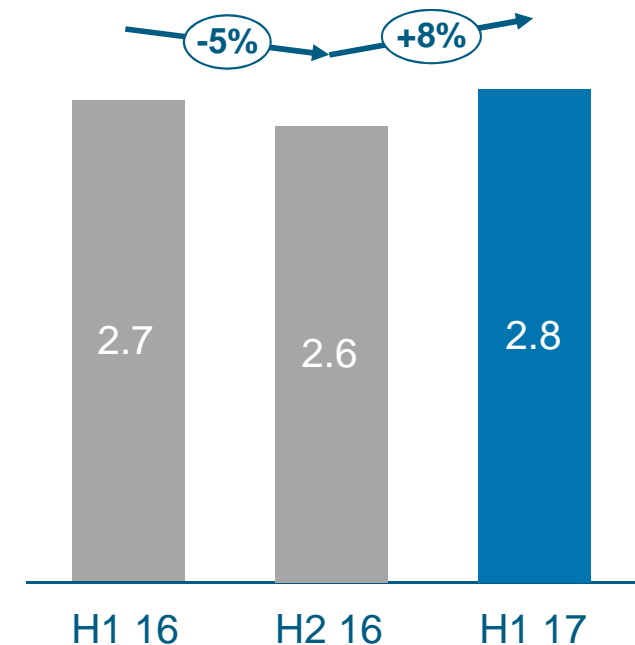
- “Take and hold” mentality
- Uncoordinated client strategy
- Primacy of top-line growth
- Over-reliance on financing
- Imbalanced and isolated Financial Markets
- Risk concentration

Actions so far

- New team in place to continue transformation
- Completely overhauled client priority and coverage model
- Redesigned capital allocation; increased velocity of balance sheet
- Improved quality of asset book
- Self-funding investment in systems and e-channels
- Rigour on conduct and control: new frontline scorecards

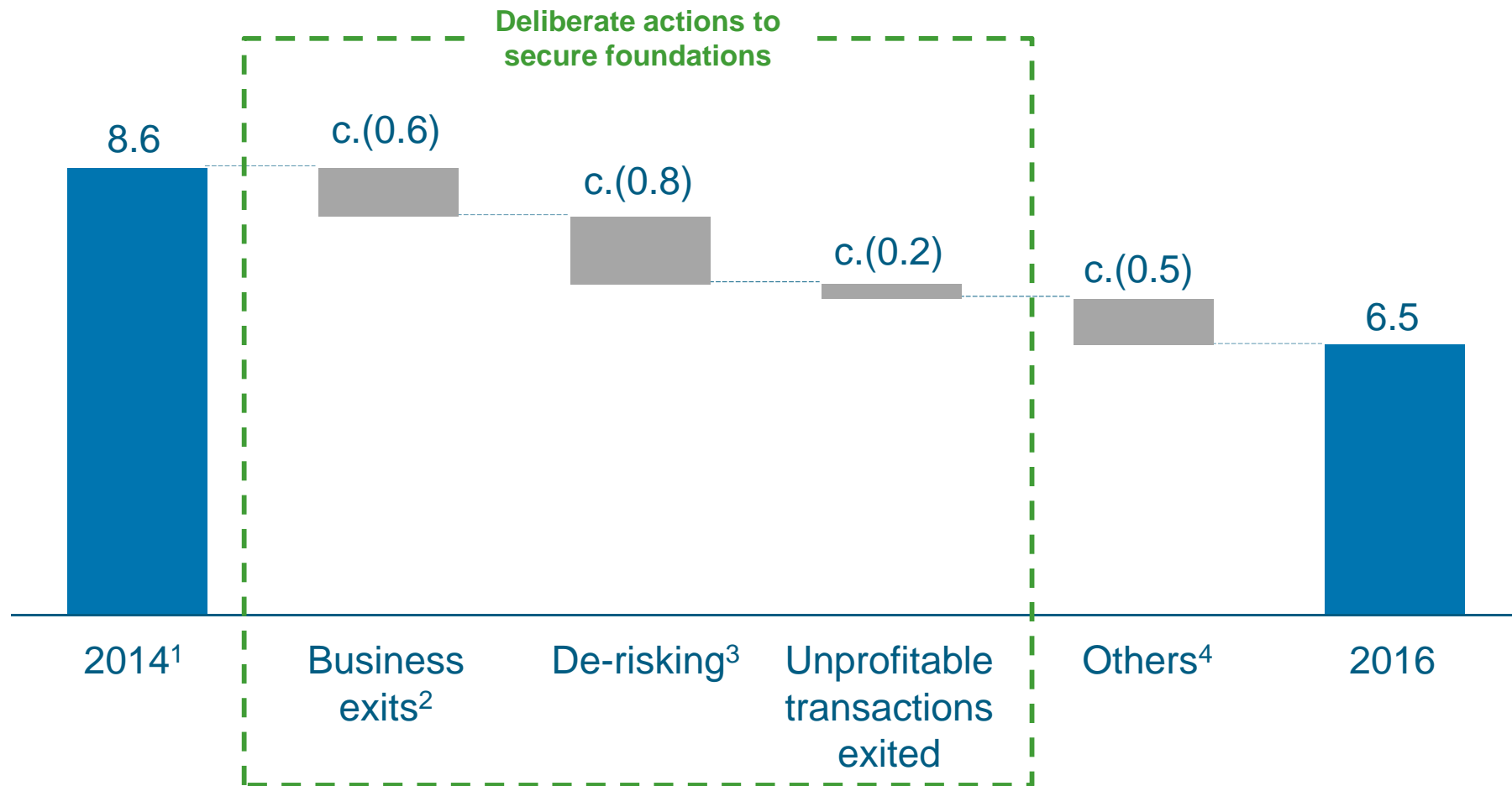
Good progress... more to do

Risk-adjusted revenue¹ (\$bn, HoH %)



We have rebased income on more secure foundations

Income (\$bn)



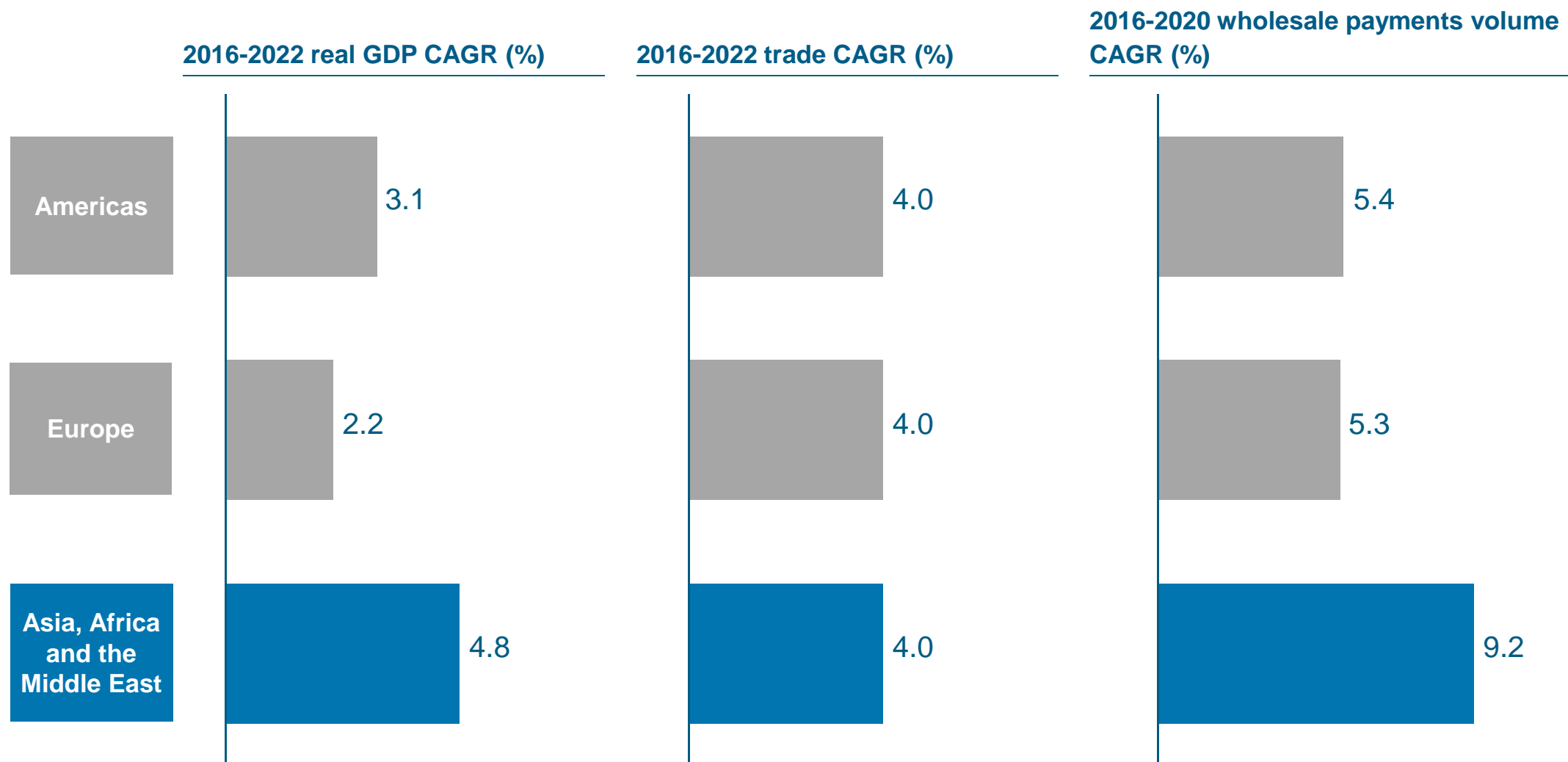
We are allocating capital differently



We are confident we can deliver sustainably higher returns



1 We are in economies that are growing



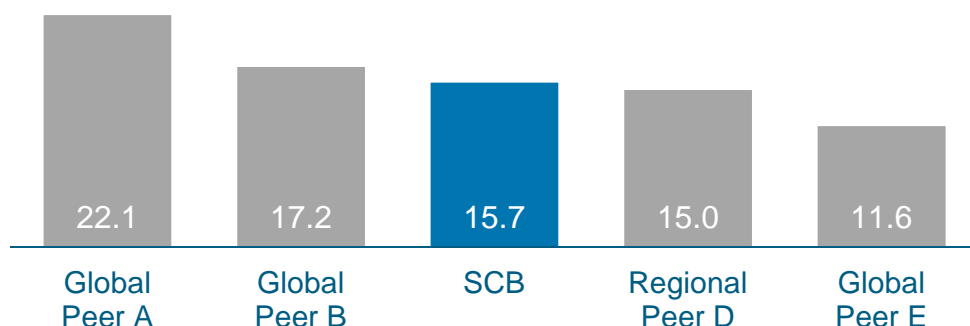
2 We have differentiated positions of strength (1/2)

We have leading market positions where our clients need expertise

Debt Capital Markets

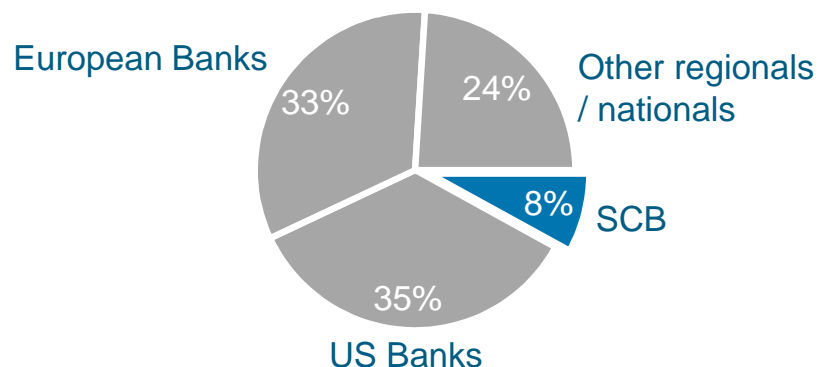
#3 in Asia ex-Japan G3 currency bond issuances¹

Volume (\$bn)



Financial Markets (FICC)

8% market share in Asia ex-Japan, Australia and New Zealand⁴



Trade Finance

Leader in Global Trade²

#2

- In Asia
- Strength greatest where we are most relevant

#3

- Globally
- Ability to serve clients worldwide

Cross-border US dollar clearing

Third largest non-US bank³

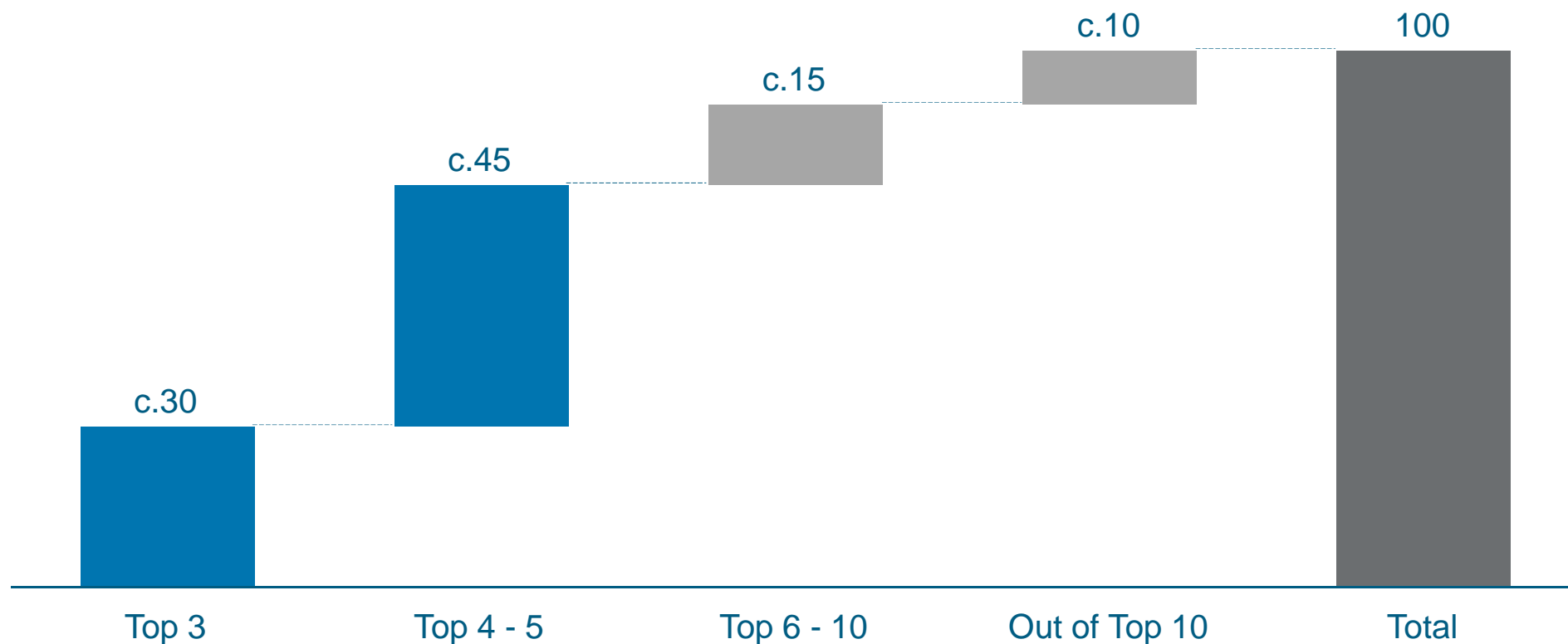
#3

- #3 non-US bank for US dollar clearing
- c.6% market share

2 We have differentiated positions of strength (2/2)

Products where we have a Top 5 market share drive 75% of our income

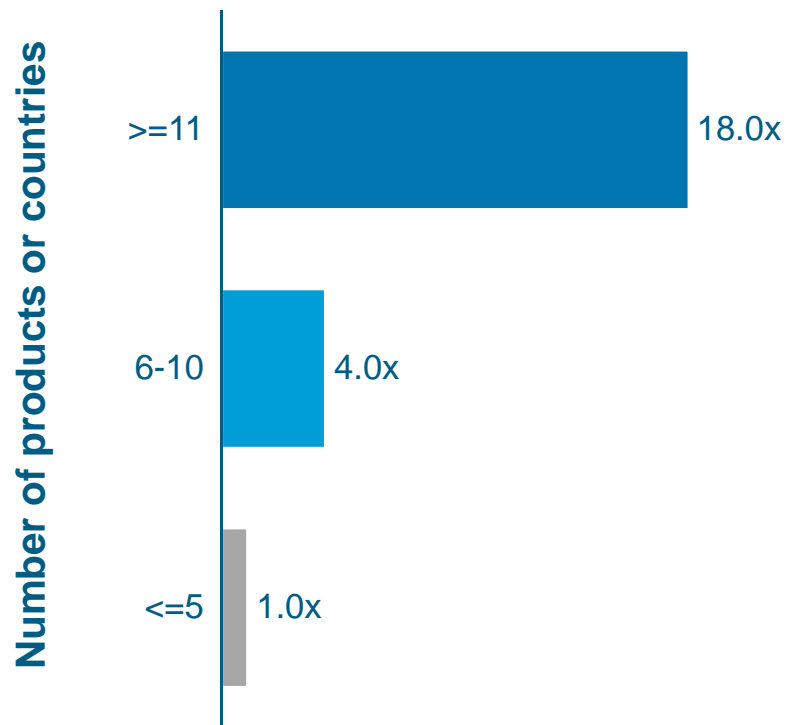
Income by market share in our footprint¹ (%)



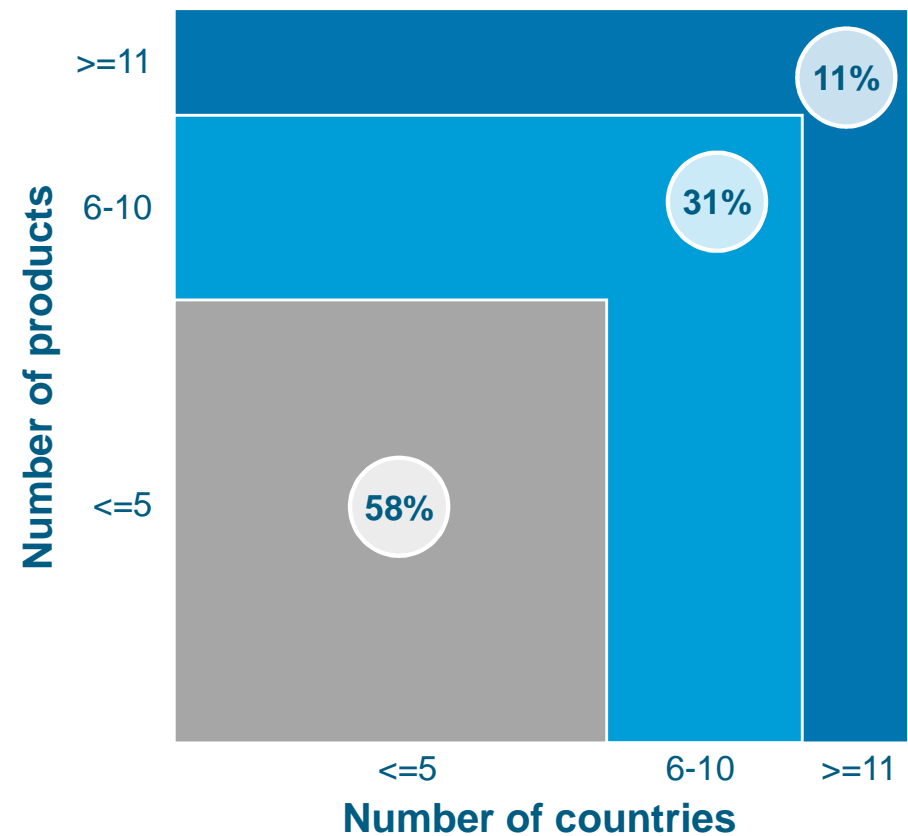
3 We see substantial opportunities with new and existing clients

We are improving the share of wallet from targeted clients

Revenue multiplier



Distribution of number of clients



Change in client distribution
in the past 2 years¹
(percentage points)

-10%

+8%

+2%

4 We have launched a number of new growth initiatives

OECD MNCs

- Revitalised Global Subsidiaries team to deliver our network to multinational corporates
- 80 of our target “New 90” clients have already been on-boarded this year

Global investment flows

- We are helping global investors access the China Interbank Bond Market (25 clients on-boarded)
- We have expanded our emerging markets sales and trading teams in New York and London

Ecosystem

- We are building risk and data analytic capabilities to better connect clients and suppliers / buyers
- We have on-boarded 44 ‘hubs’ (MNCs) and >1,300 ‘spokes’ (buyers or suppliers of MNC’s)

China opening

- One Belt One Road, RMB and other China opening initiatives have generated >\$600m in revenue¹
- We have 55 China desks located in key financial centers and markets

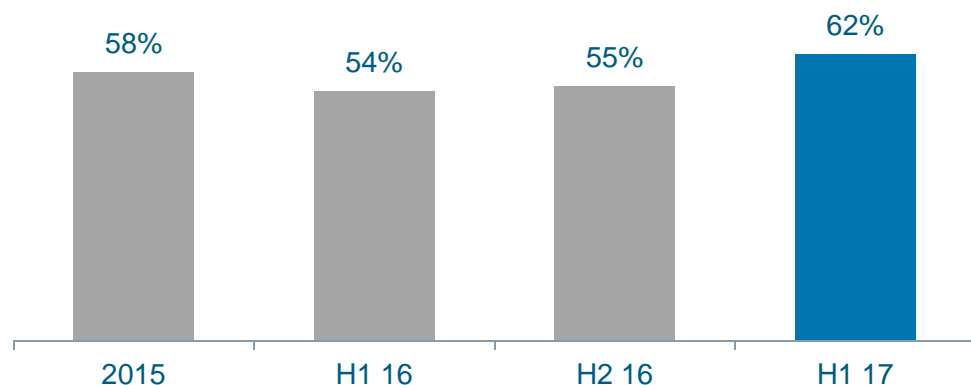
Group collaboration

- We already contribute more than \$1bn direct and indirect revenue to the rest of the Group¹
- Over 50% of new-to-bank clients for Commercial Banking come via the Ecosystem² initiative

5 We are focused on higher quality income growth

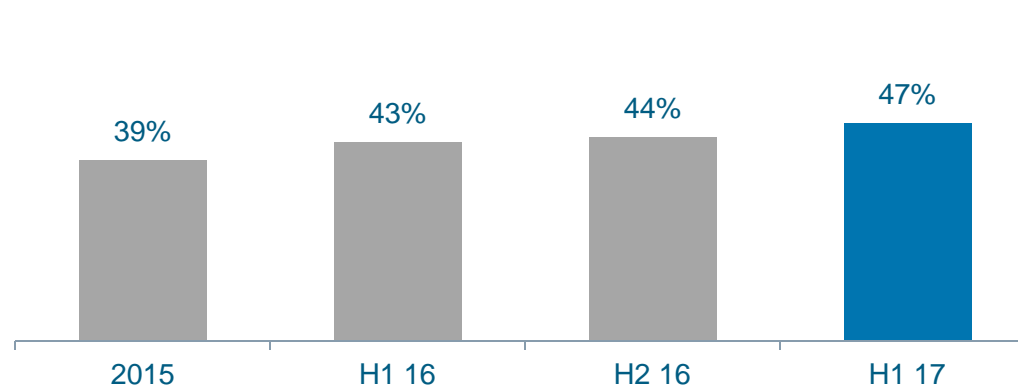
Increasing the proportion of network income

Network income¹ to total income (%)



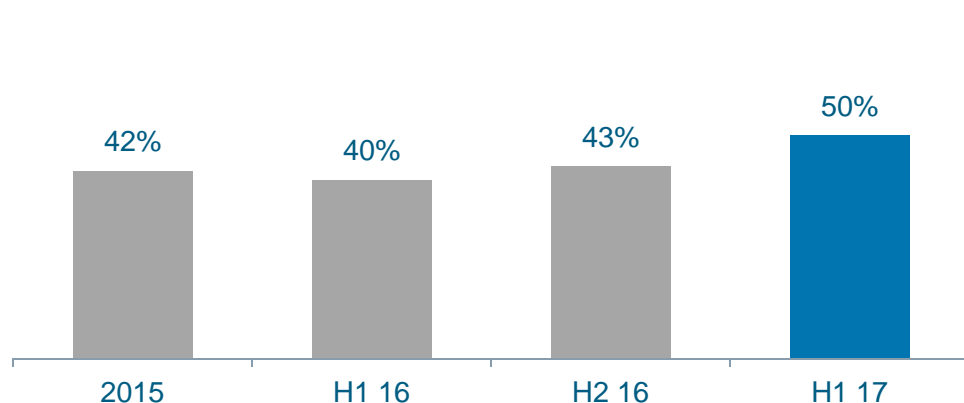
Optimising the funding mix

Net operating account balances² to total liabilities (%)



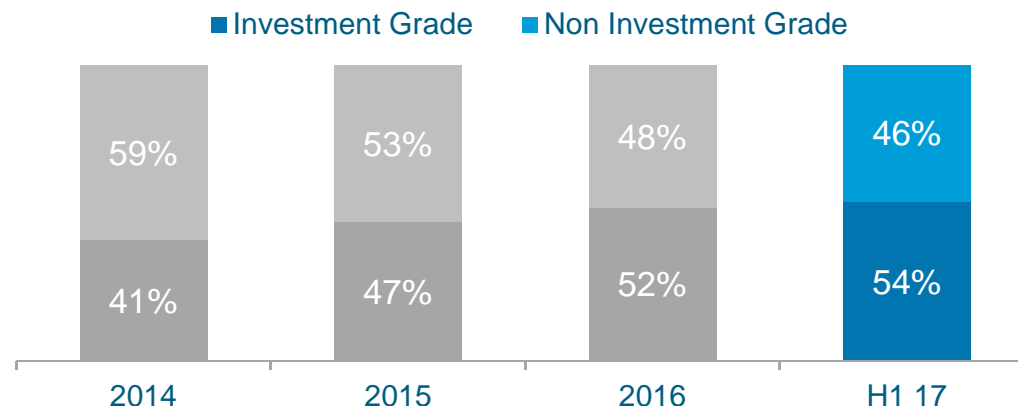
Reducing reliance on financing products

Non-financing income³ to total income (%)



Shifting to higher credit grade clients

Distribution of CIB performing loans (%)



6 We are adapting to tailwinds and headwinds

Potential tailwinds

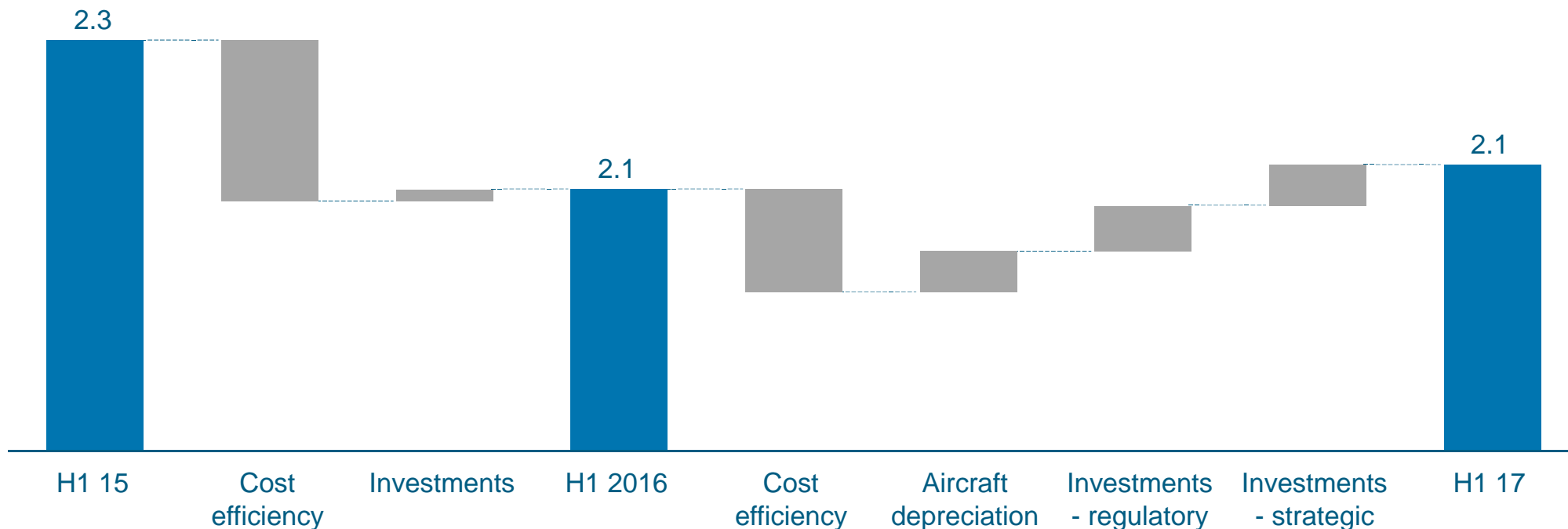
- Rising and synchronising interest rates
- Transformational technology improving capability and efficiency
- Recovery in global trade

Potential headwinds

- Asset margin compression
- Fintech disintermediation
- Regulatory capital and political uncertainty

7 We are investing to become simpler, faster and better

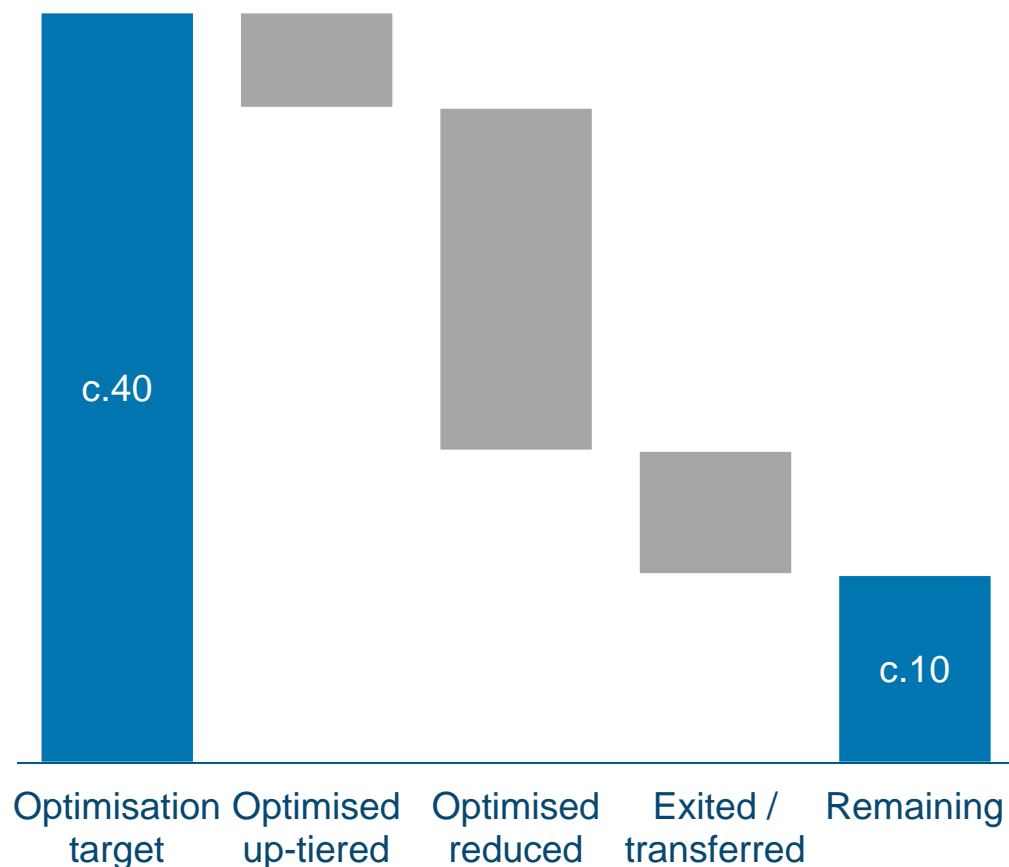
Operating cost (\$bn)



- We are investing to become simpler, faster and better
- We have been funding this investment out of organic cost efficiencies and will continue that approach
- Inflation is running at around 3% and we intend to grow expenses below this rate
- This will drive positive income-cost growth jaws over the medium term

8 We will reduce the proportion of low returning client assets

Client risk-weighted asset optimisation (\$bn)



Our approach going forward

- We have optimised three-quarters of the low returning RWAs identified in November 2015
- This was more than offset by conscious client actions, market pressures, credit migration and model changes
- Around 17% of total CIB RWA is currently generating an income RoRWA of less than 3%
- Instead of setting a gross target we intend to reduce this net proportion over the medium-term
- This will create capacity for redeployment into higher returning opportunities

We are confident we can deliver sustainably higher returns



Targeting in the medium term:

- CIB income CAGR of 5-7%
- CIB expenses growth below the rate of inflation
- A declining proportion of low returning client risk-weighted assets

Scorecard: focus on higher quality growth and efficiency



Summary

1. Growth trends in our economies remain strong and are highly relevant to our equity story

- 85% of the Group's income is generated in Asia, Africa and the Middle East
- Regional connectivity is increasing

2. Our strategy is focused sharply on capturing the opportunities

- We are delivering products where we have clear competitive strengths...
- ... to existing and new clients...
- ... that have increasingly sophisticated financial services needs

3. We have clear priorities to improve our returns

- We will grow the top line sustainably
- We will allocate capital and utilise the balance sheet more effectively
- We will drive further efficiencies to create capacity to invest in the business and client service delivery

4. We are behaving differently

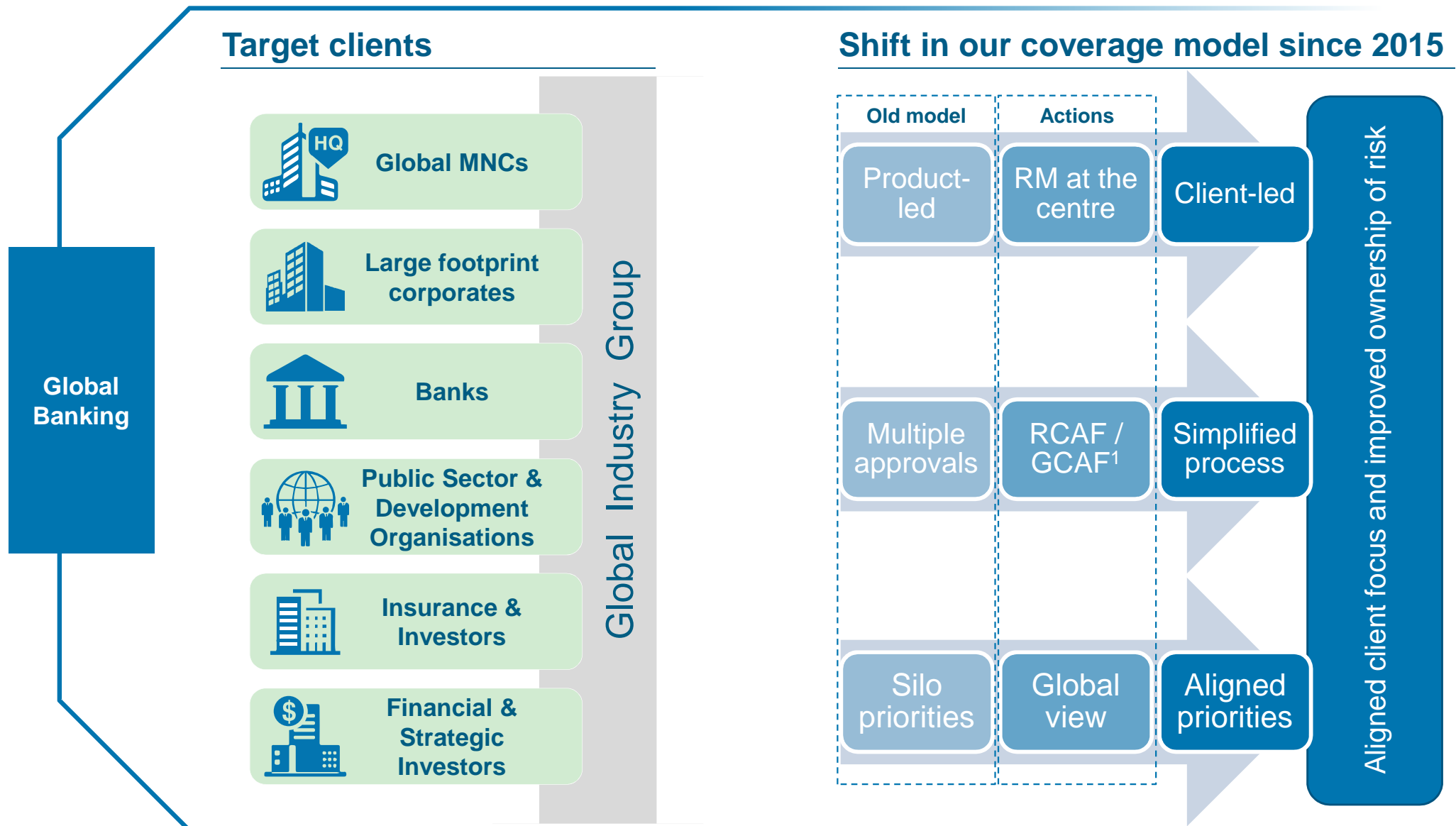
- We have a clear focus on the basics of banking, and are executing with more discipline
- We have already made tangible progress... more to do



Clients

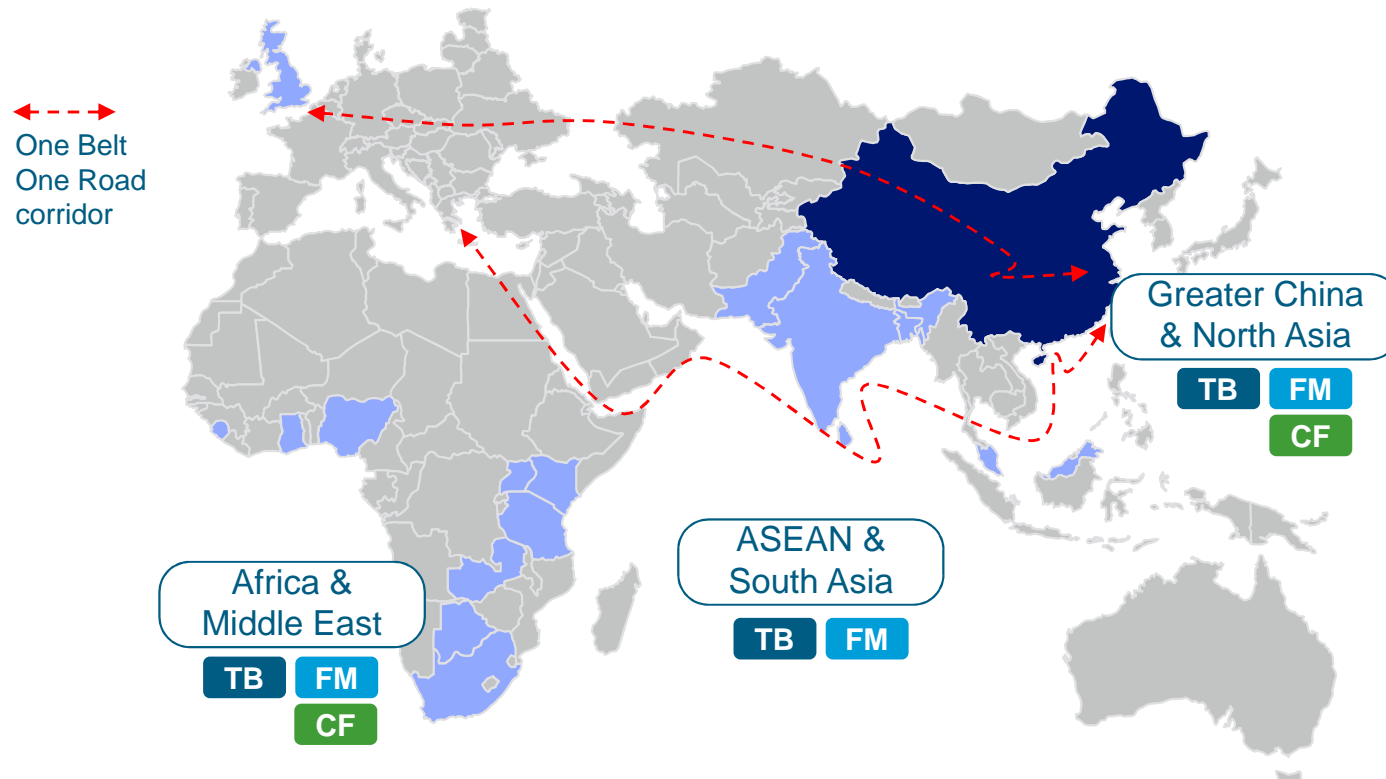
Global Banking

What do we do in Global Banking?



Why do clients choose us?

Large China-based construction contractor



Transaction Banking (TB)

- Offshore settlement / global cash pooling
- Cash management
- Trade

Financial Markets (FM)

- In-country FX and FX risk management
- Capital markets
- Money markets

Corporate Finance (CF)

- Structured financing

Why did we win this mandate?

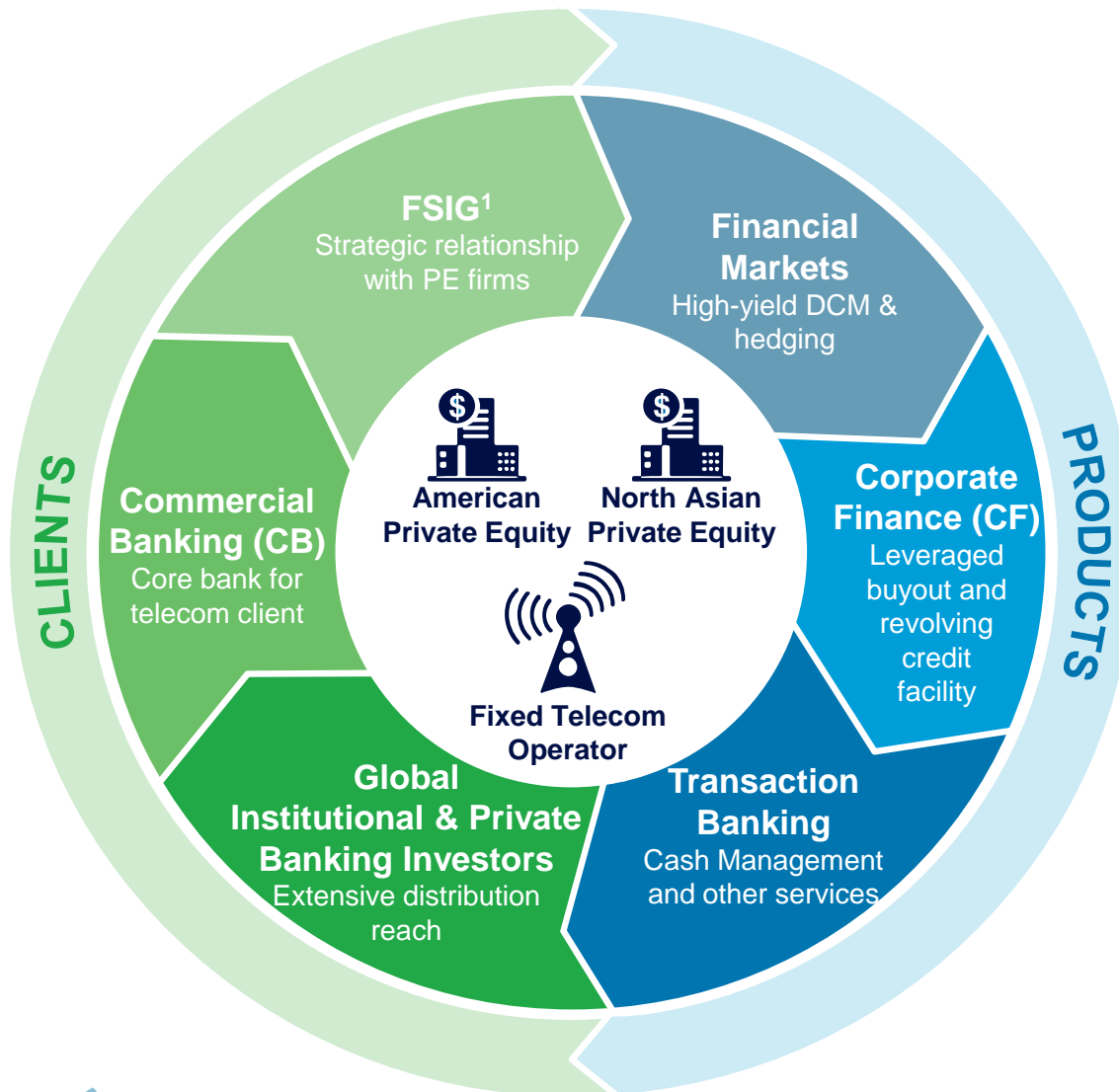
- **We have the broadest One Belt One Road (OBOR) coverage**
 - Key partner for client's rapid expansion along OBOR
 - Main bank in 16 countries outside China
- **Strong cross-border cash management capabilities allowed us to offer multi-market solution**
 - Sole mandate serving client's global treasury center in Hong Kong
 - In-country operating accounts

How did we execute this differently?

- **Shifted focus from getting large one-off transactions to capturing holistic flow businesses**
 - Comprehensive product suite – across six product classes with a focus on international flow business

Why do clients choose us?

Private Equity investors



Why did we win this mandate?

- **Emerging markets footprint expertise and opportunities for global investors**
 - Structured and financed acquisition of a leading enterprise-focused fixed telecom operator in Hong Kong
 - Originated based on strong relationship with North Asian and U.S. private equity investors
- **Seamless collaboration among FSIG, CF and CB in origination and execution of the acquisition**
- **Follow-on refinancing via high-yield bond placed with global institutional and private banking investors**

What are we doing differently?

- FSIG was established for stronger and more coordinated global coverage
- Now our value-add is beyond just vanilla financing business
- FSIG and CB collaborate to originate proprietary deals for our investor clients

How are we going to improve our Global Banking business?





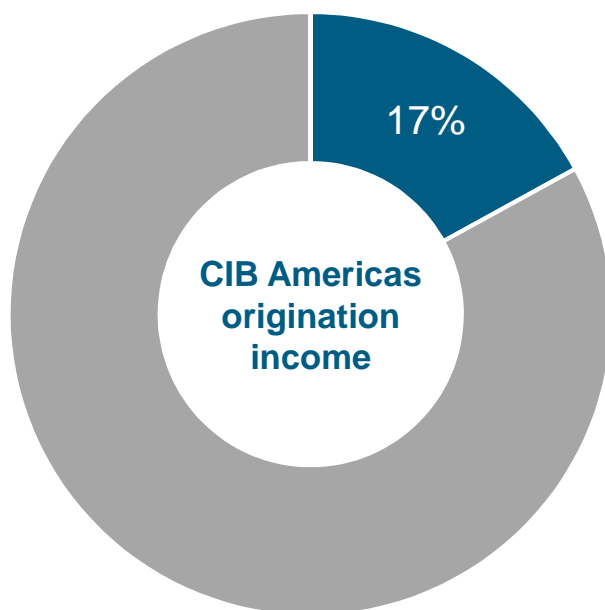
Clients

Focus: Americas

What do we do in the Americas?

The Americas

17% of income is originated from clients with headquarters in the Americas (only 37% of this income is booked domestically)



Major origination center with a diverse client base covering Corporates and Financial Institutions



Strong credit quality with an investment grade portfolio



US dollar clearing as a strategic product: 3rd largest non-US bank by volume



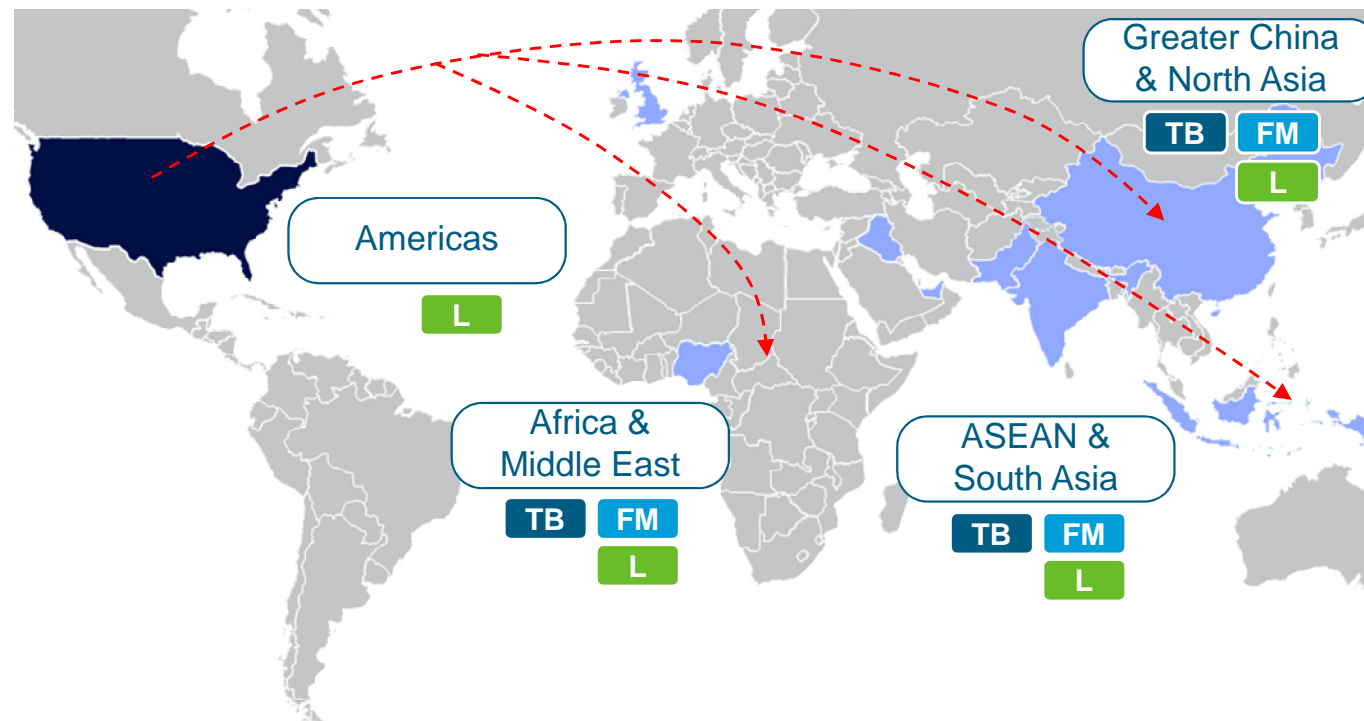
Leading market share in Latin America for payments, trade and debt capital markets



Focused on where we can add value by delivering our network; not competing for domestic US business

Why do clients choose us in the Americas?

Multinational medical devices and pharma company in the US



Why did we win this mandate?

- **Coordinated RMs at client HQ and clients' international locations**
 - Client serviced locally in c.10 markets
- **Local capabilities and network in Africa and the Middle East**
 - Main cash bank in Nigeria
 - Lead bank in the Middle East and Pakistan
- **Leading emerging markets FX solutions**
 - Client's top 2 tri-party repo bank
 - Client's top 5 bank for FX flow business

Transaction Banking (TB)

- Partner for cash and trade advisory businesses in the Middle East, Pakistan and Africa

Financial Markets (FM)

- FX flow business exceeding \$3bn notional per year
- Key provider of 'triparty' repos

Lending (L)

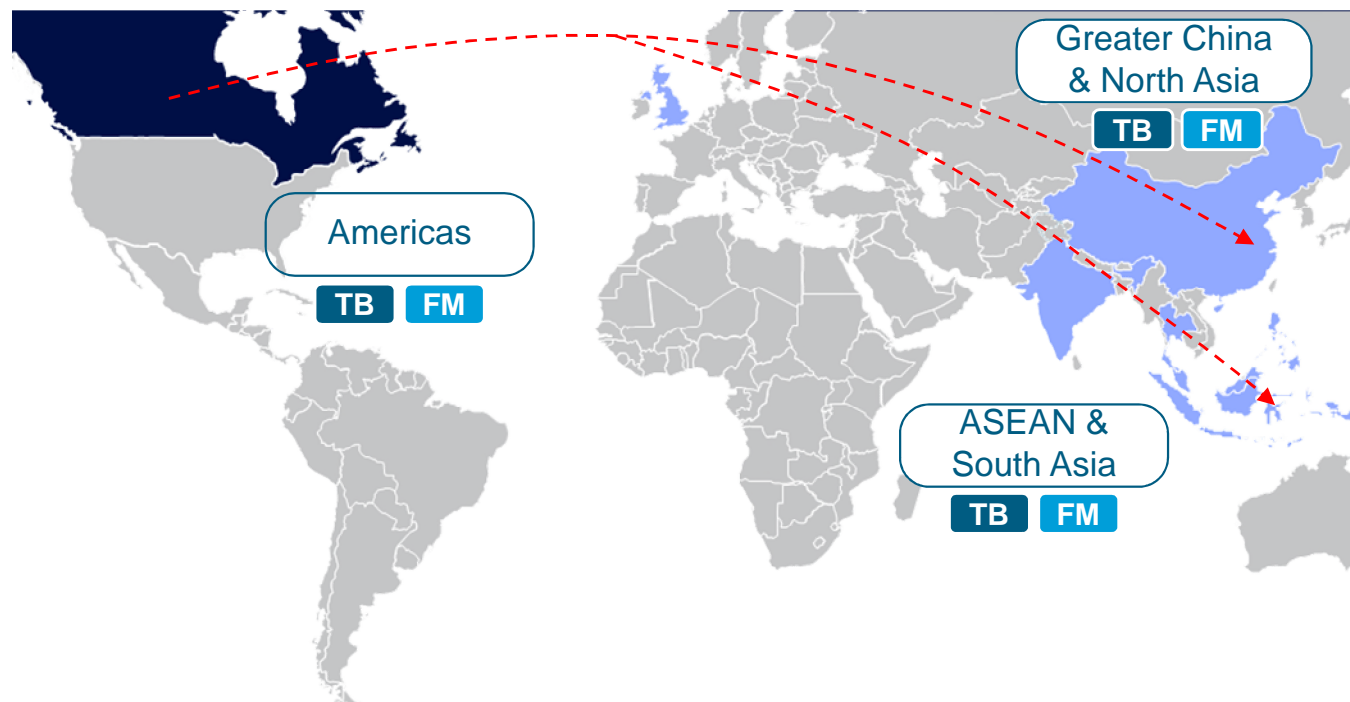
- Participant in the client's \$10bn revolving credit facility

How did we execute this differently?

- Used deep on-the-ground presence and local knowledge in Africa and the Middle East as a competitive differentiator
- Leveraged strong counterparty rating to rapidly grow tri-party and FX businesses

Why do clients choose us in the Americas?

Global life insurance and financial services provider in Canada



Transaction Banking (TB)

- Standby Letters of Credit in place for the client's reinsurance subsidiary
- Cash and custody partner in Hong Kong and South East Asia

Financial Markets (FM)

- Joint lead manager for SGD and Formosa issuances
- FX Options, Rates and Credit across US, Hong Kong, Indonesia and Singapore

Why did we win this mandate?

- **Expertise in Asian DCM and access to a large and diverse investor base**
 - Client's first choice lead arranger for debt capital issuance in Asia
- **Ability to provide a broad array of emerging markets FXRC instruments**
 - Client serviced in 13 markets
 - Diverse partnership across products
- **Retail distribution network for investment products**
 - Distribution arm for the client's wealth management products in Hong Kong

How did we execute this differently?

- Investors & Insurance global coverage allows us to bring more value-add
 - Business task force established to drive global partnership
 - Trusted adviser for ongoing strategic discussions



Product Groups

Transaction Banking

What do we do in Transaction Banking?

Clients



Corporates and Institutions

77%

International corporates, banks, investors, insurers, etc



Commercial

22%

Local corporates, SMEs, High net worth individuals



Retail

1%

Individual consumers

Products



Cash

54%

Payments, collections, account services, treasury advisory, liquidity management, clearing



Trade

37%

Documentary trade, open account trade, FI trade



Securities Services

9%

Custody and clearing, fund services

Role of Transaction Banking



Foundation of client relationships - provides 'stickier', flow-based annuity business



Platform for cross-sell deepens relationships, especially FM



Source of stable funding for the Bank



Rich source of client and ecosystem data

Banking the **ecosystem**

Transaction Banking

Why do clients choose us in Transaction Banking?

Banking the ecosystem success stories

📍 300+ spokes¹

American
Conglomerate

📍 20+ spokes¹

Chinese
Telecom



Standard Chartered will benefit from stickier business, a better understanding of the risk profiles of buyers / suppliers and collecting and analysing data behind every client transaction

What differentiates us?

- Overall client franchise across Business / Commercial Banking and CIB, with TB as core product platform
- Asia, Africa and the Middle East network from MNCs to SMEs (scale in local markets)
- Market leader in cash, trade and FX – volume and capabilities

Why is ecosystem banking important?

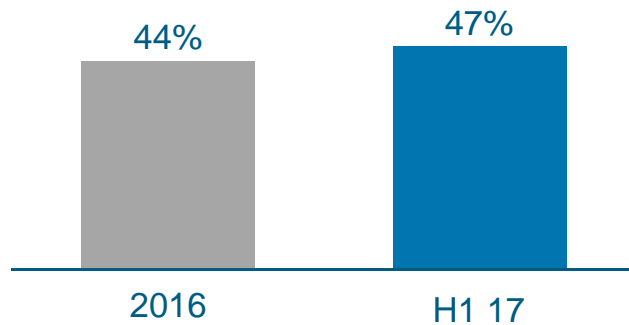
- In order to grow, our clients need a sustainable ecosystem (network of buyers and suppliers)
- We support their ecosystem with financing if required, but mainly by lowering working capital by making payments and processes digital and more efficient
- Data around our clients' ecosystem ultimately brings transparency and insights on their business

How are we going to improve our Transaction Banking business?

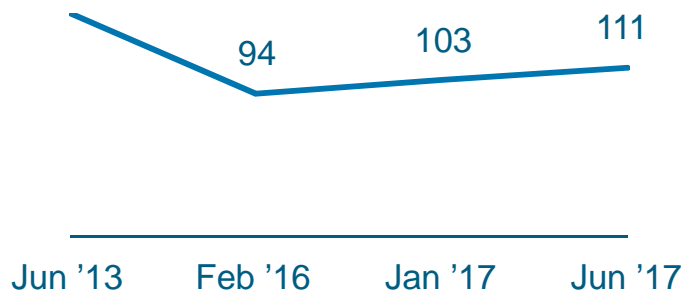


How are we measuring progress in Transaction Banking?

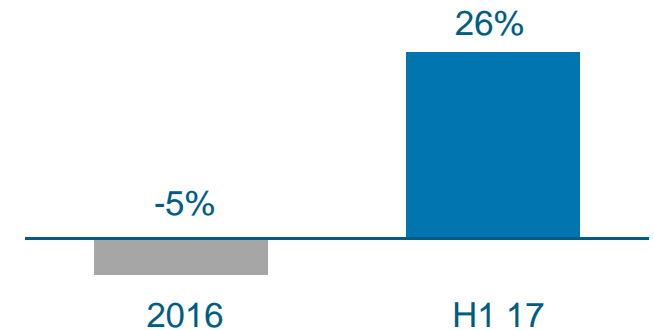
Cash: Increasing OPAC¹ mix
OPAC liabilities to total liabilities (%)



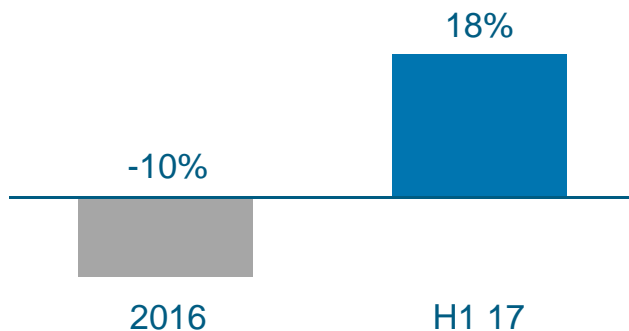
Trade: 7 consecutive quarters of growth
Trade assets and contingents (\$bn)



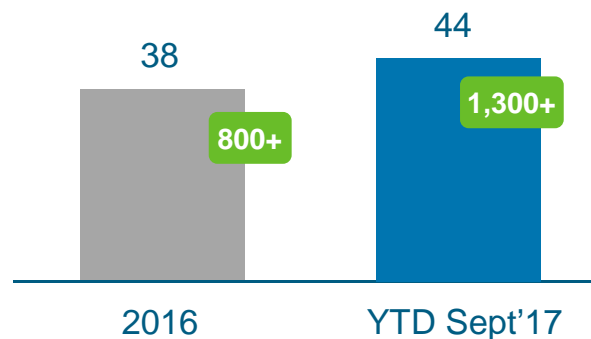
Securities Services: Strong AuM growth
YoY growth in AuM (%)



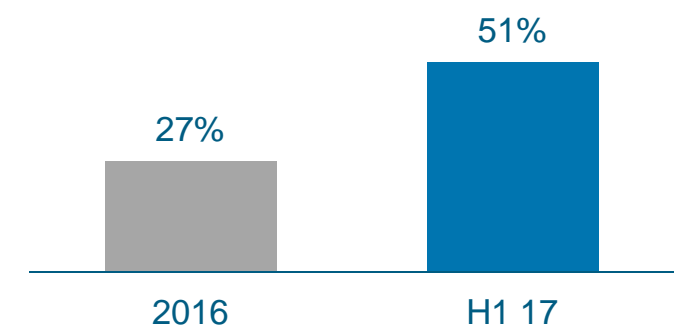
Strong revenue growth
Correspondent Banking revenue growth (%)



1300+ spokes from 44 programmes
Banking the Ecosystem (# of programmes)



51% of new-to-bank Commercial Banking clients come via the Ecosystem





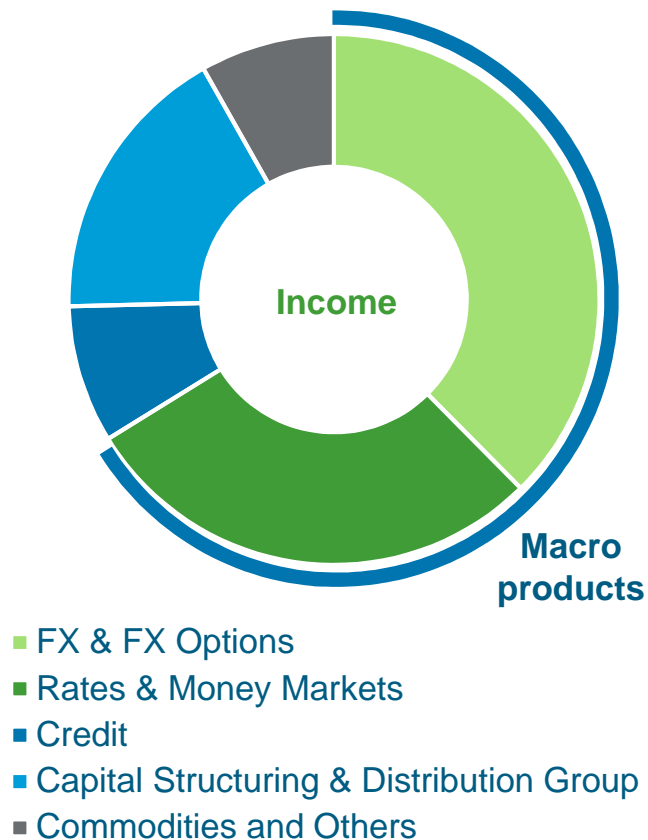
Product Groups

Financial Markets

What do we do in Financial Markets?

Financial Markets

Macro products are the largest contributor to Financial Markets income



Facilitate clients' risk management needs in FX, Rates, Credit and Commodities, specialising in EM



Significant financing franchise to meet clients' needs, while giving investors access to our footprint



Access to tailored channels i.e. e-commerce (S2BX and SCALE), Voice, Aggregator Engines, etc.



Raise liquidity for the Group via money market, structured note issuance and corporate term deposits



External: Regulatory changes require significant investment in technology, and low market volatility continues to be a drag



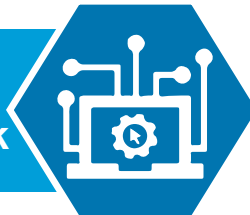
Internal: Complexity of regions, segments and products is both an opportunity and a challenge for cross selling

Why do clients choose us in Financial Markets?



Large and diverse client base

**Technology to manage,
transform and distribute risk**



**Franchise rather than risk
driven business**

Example: OECD Corporate

- Client increasingly sells products in EM economies
- Client's FX flow converted into US dollars by SCB
- Leveraging SCB's local knowledge, ability to execute and service
- Provide daily insight into markets from trading
- Regular contact with research
- Transact via an e-network and voice channel
- Support companies in client's ecosystem

Example: Asia Financial Institution

- Provide client access to credit exposure with EM names that cannot be accessed without a license
- Source the underlying risk and provide client a leveraged return
- Counterparty credit risk managed via US dollar Credit Support Annex
- Client wants access to specific illiquid sectors; we originate assets with clients who require funding and then distribute this credit risk to the client
- Connecting origination via reverse enquiry is a direct result of the originate-to-distribute model

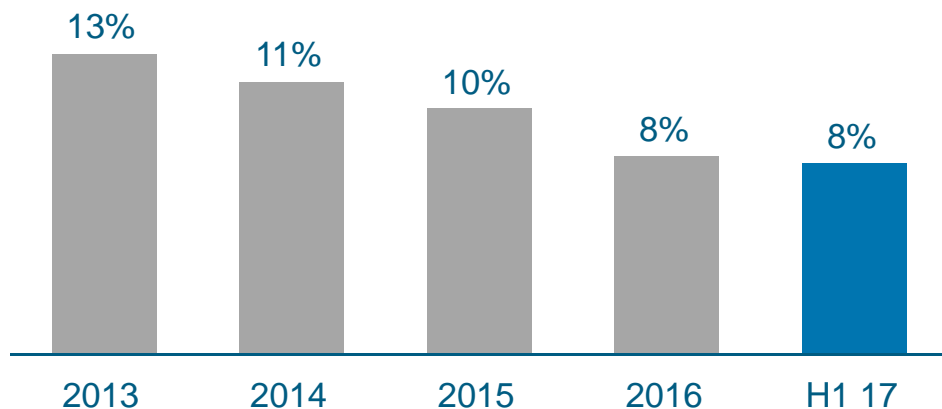
How are we going to improve our Financial Markets business?



How are we measuring progress in Financial Markets?

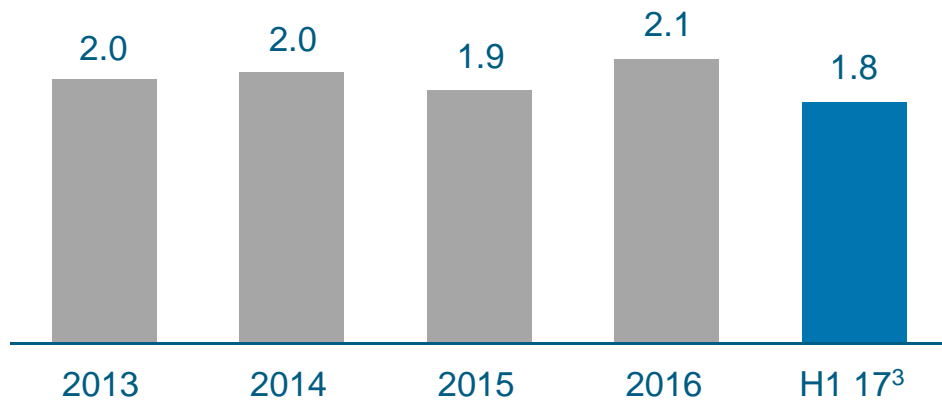
We have strong positions in FICC with room to regain share

FICC market share in Asia ex Japan & Australia¹ (%)



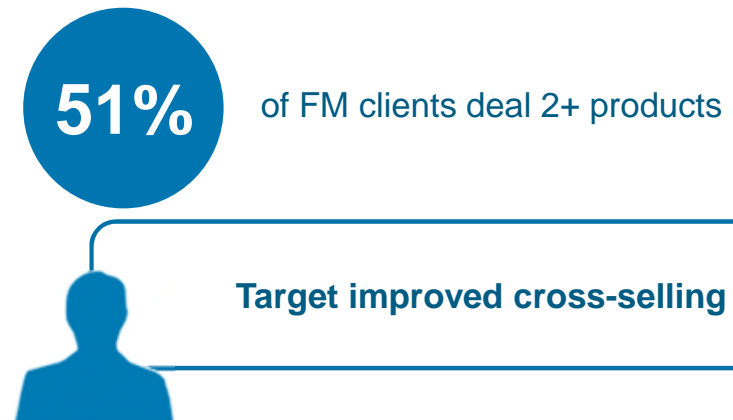
We have potential to improve FM productivity

Revenue per head² (\$m)



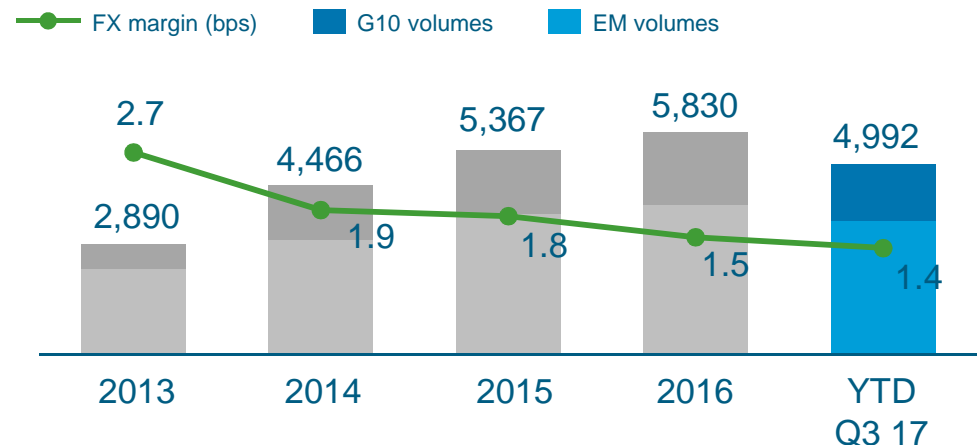
We are shifting away from mono-product relationships

Cross-sell



We are growing FX volume

FX volumes (\$bn) and margins (bps)⁴

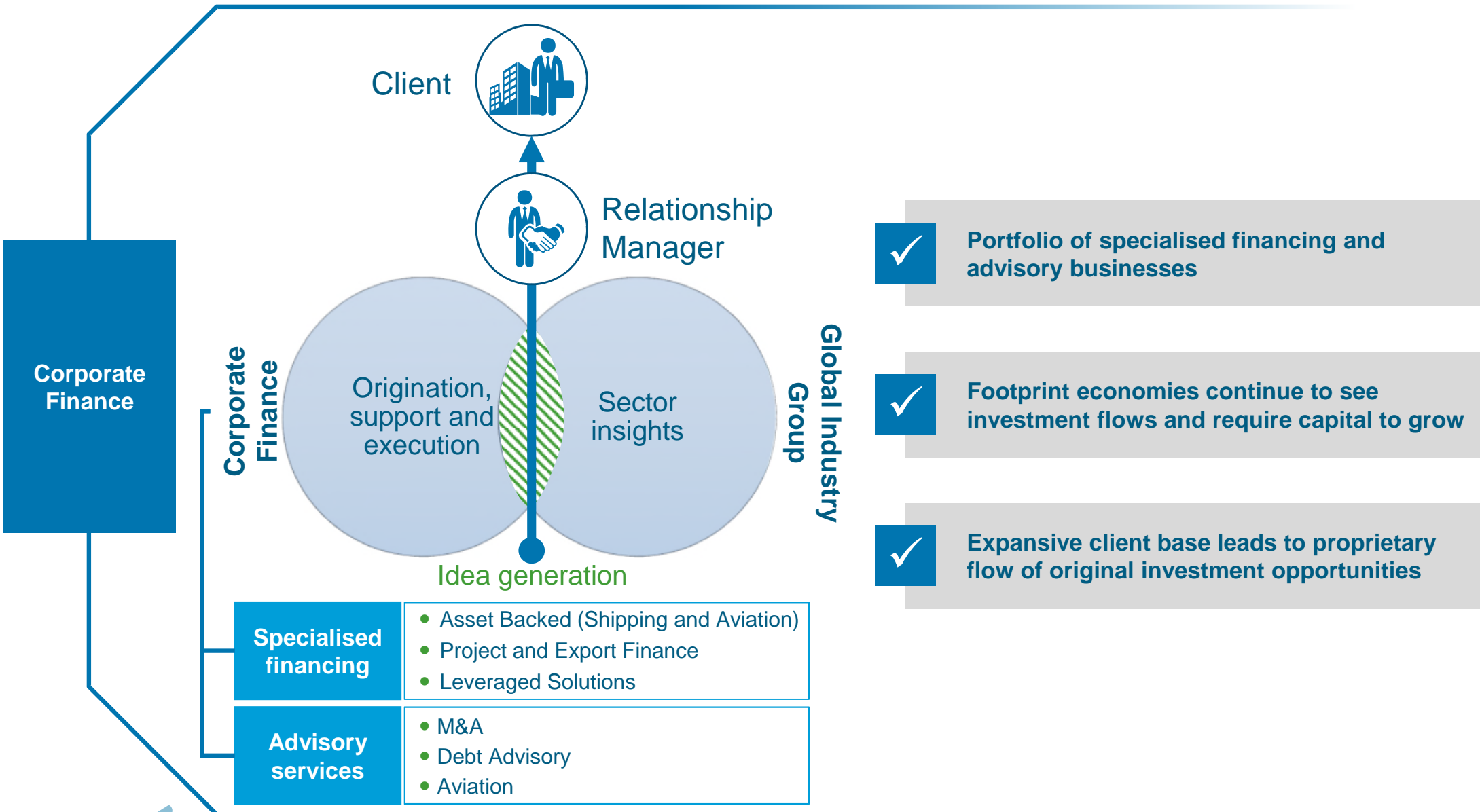




Product Groups

Corporate Finance

What do we do in Corporate Finance?



Why do clients choose us in Corporate Finance?

European client's transformative energy project in Africa

1

Refocus to support OECD client into our network

- Strong oil and gas expertise
- Africa know-how and local presence

2

Enhanced structuring and distribution capabilities

- Sole adviser on a complex hybrid structure
- Ability to draw and channel liquidity from European and Asian banks with limited hold position

Multilaterals and ECAs¹

European Banks

Asian Banks

European client in Africa

3

Full banking capabilities to support clients beyond just the transaction

- TB: Project accounts, escrows, multilateral Letter of Credit
- FM: Hedging, in-country support

How are we going to improve our Corporate Finance business?





Balance sheet optimisation

Credit and Portfolio Management

What do we do in Credit and Portfolio Management?

Mandate



Reinforce 1st line ownership of risk and origination discipline



Reduce P&L volatility while improving returns



Optimise liquidity and capital resources to support growth

Credit and Portfolio Management



Liability optimisation

- Cost of funds – improve proportion of quality liabilities
- Grow local currency liabilities to support Network and FI businesses

Asset optimisation

- Client returns framework
- Nuanced decision making through Regional / Global Capital Allocation Forum (RCAF / GCAF)

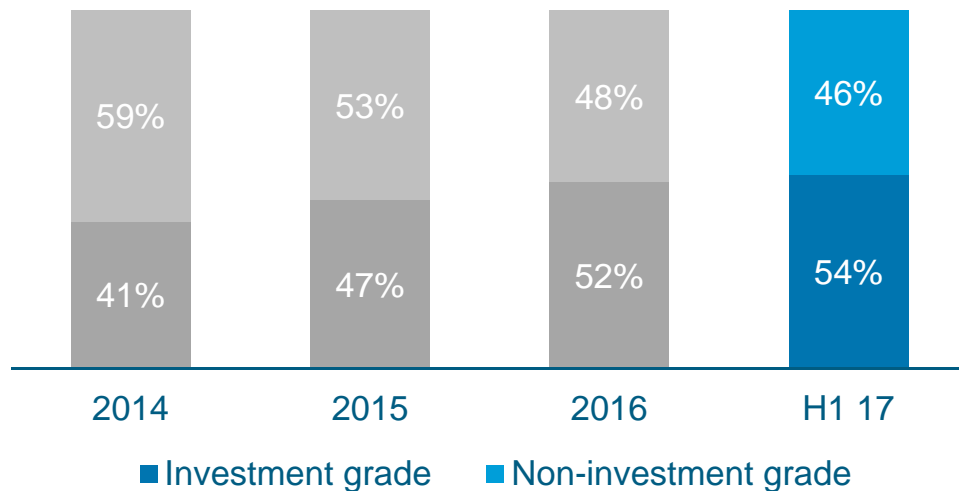
Distribution

- Risk driven - managing credit migration
- IFRS9 – Stage 2 migration
- Finalisation of Basel reforms uncertain

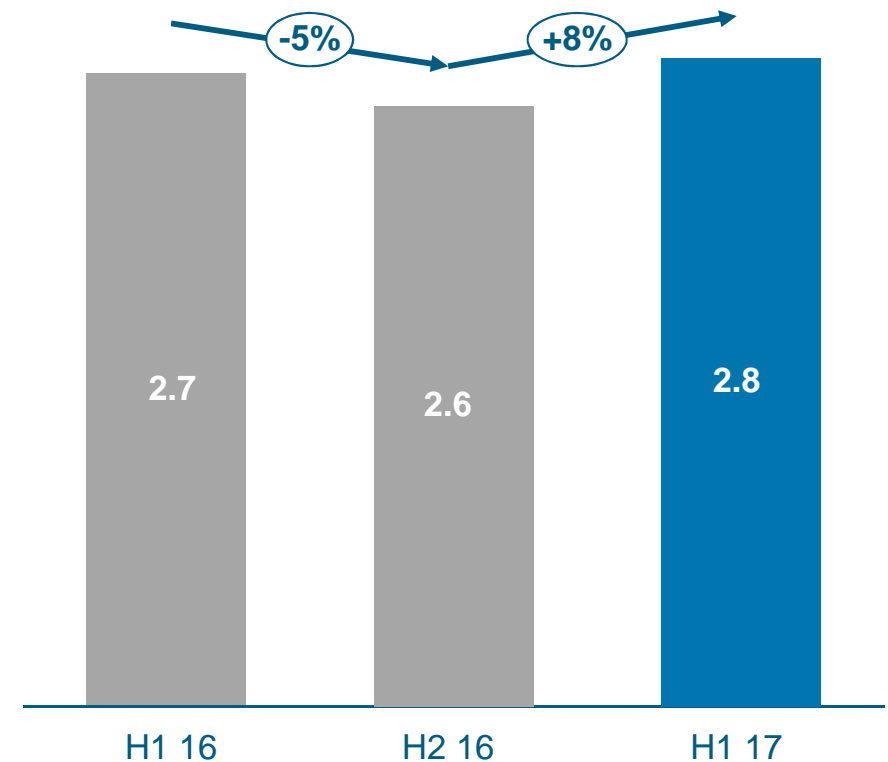
Aligning behaviour

How are we measuring balance sheet optimisation?

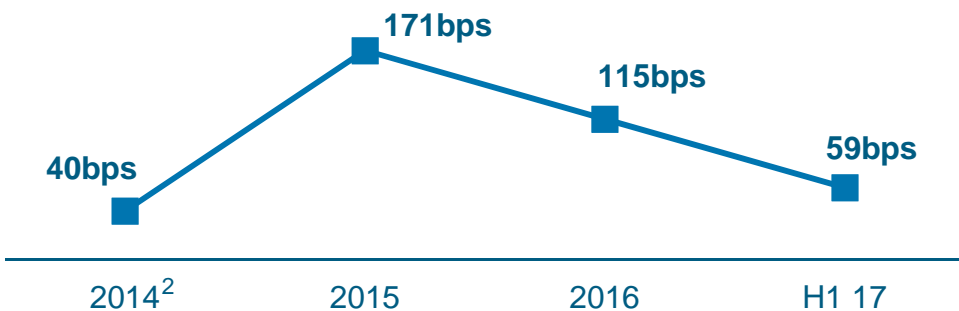
Distribution of exposure



Risk-adjusted revenue¹ (\$bn, HoH %)

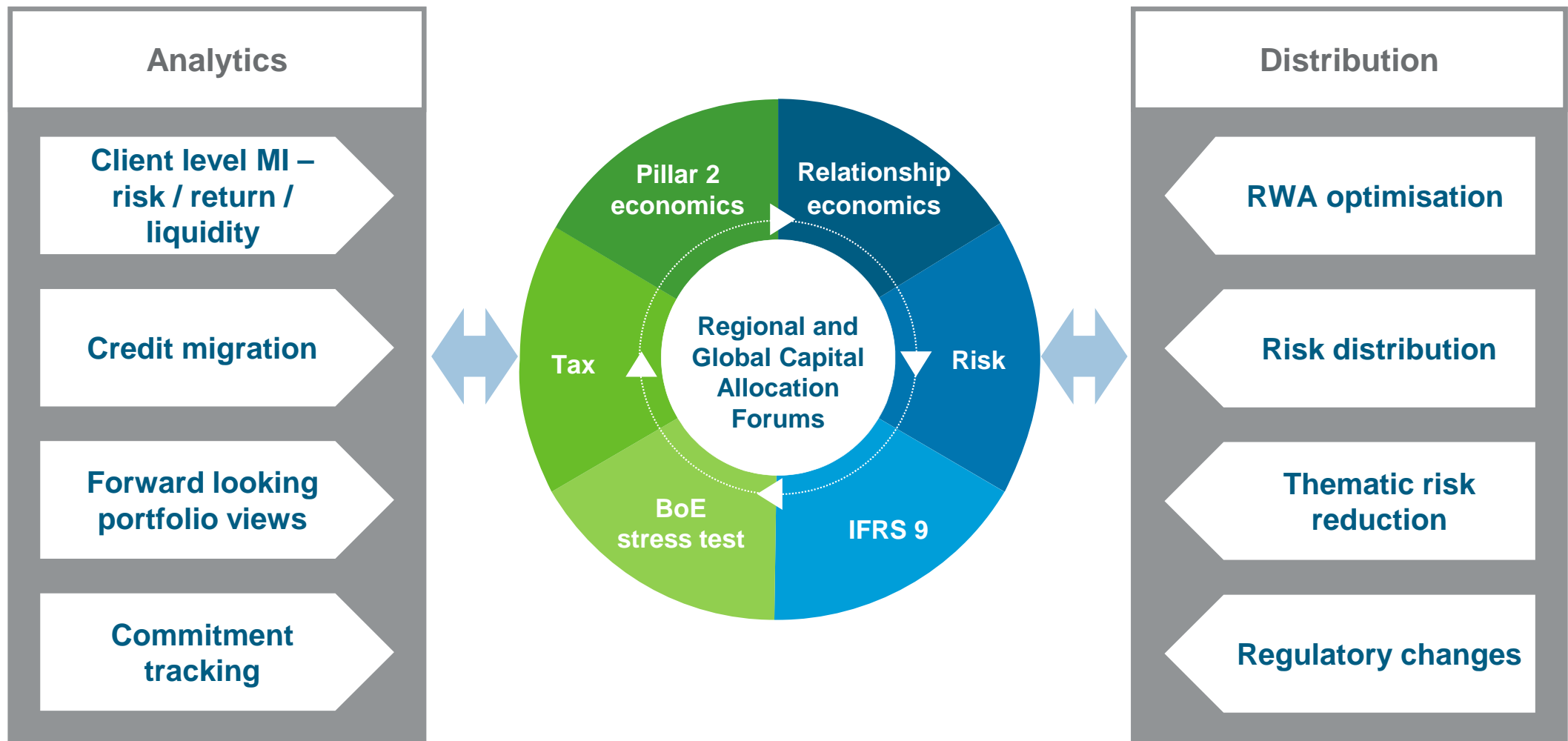


Loan impairments (bps)



How do we allocate capital in CIB?

Client decision framework



How are we changing behaviour?

Liability optimisation	Asset optimisation	Distribution
Align scorecards		
<ul style="list-style-type: none"> • Incentivising quality liability generation 	<ul style="list-style-type: none"> • Balanced incentives across revenue, returns, NFI and LI • Manage perennially low returning RWA 	<ul style="list-style-type: none"> • Managing credit migration through distribution • CSDG – fee based scorecard
Probability weighted pipeline	Regional and Global Capital Allocation Forums	
<ul style="list-style-type: none"> • Optimising liquidity buffers 	<ul style="list-style-type: none"> • Application of client returns framework • RM and product accountability through commitment tracking 	<ul style="list-style-type: none"> • Disciplined origination and conscious trade offs
Liability pricing framework	CPM MI ¹	Documentation discipline
<ul style="list-style-type: none"> • Reducing cost of funds through liability optimisation 	<ul style="list-style-type: none"> • Transparency on client performance across revenue, return and liability contribution 	<ul style="list-style-type: none"> • Preserving flexibility in distribution channels

END

Glossary

Acronym / term	Explanation
AAME	Asia, Africa and the Middle East
BoE	Bank of England
Bond Connect	China-Hong Kong bond connect
CAGR	Compound annual growth rate
CB	Commercial Banking
CF	Corporate Finance
CIB	Corporate & Institutional Banking
CIBM	China interbank bond market
CPM	Credit and Portfolio Management
CSA	Credit Support Annex
CSDG	Capital Structuring and Distribution Group
CTD	Corporate Term Deposits
Ecosystem	Clients' network of buyers/ suppliers, end-customers, service providers
EM	Emerging markets
FICC	Fixed Income, Currencies and Commodities
FSIG	Financial and Strategic Investor Group
FM	Financial Markets
FXO	FX Options
FXRC	Foreign Exchange, Rates and Credit

Acronym / term	Explanation
FXRC	Foreign Exchange, Rates and Credit
GCAF	Global Capital Allocation Forum
GCNA	Greater China & North Asia
GSAM	Group Special Asset Management
IFRS	International Financial Reporting Standards
MI	Management information
MiFID	Markets in Financial Instruments Directive
MNC	Multi-national Companies
OECD	Organisation for Economic Co-operation and Development
OPAC	Operating accounts that are high quality and more sticky
PE	Private Equity
RCAF	Regional capital allocation forum
RM	Relationship manager
RMB	Renminbi
S2BX	Straight2Bank Exchange
RoRWA	Return on risk-weighted assets
SCALE	Standard Chartered Aggregation and Liquidity Engine
SME	Small-to-medium enterprise