

Standard Chartered's Investor Event
China
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Delivered by:
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Jean Lu: Thank you, Ben. I'm setting up the scene. This is Jean. I'm China CEO. In the next 15 minutes, I'm going to walk you through our China business. What you have seen in our financial results is only part of our China story. And we will – today, we will go much beyond that. And hopefully after this session, you will have a holistic picture of our China business and a deeper understanding of what China business means to the bank.

Okay. In a bit macro, Eddie, Ben have talked a lot. But you know this, all the headlines of property market and China retail sales in the short-term, long-term, there was an ageing population. Banking industry, it's NIM compression. But you have to agree with me that China economy has been very, very resilient.

It's still the number two global economy, contribute 30% of world GDP growth. And China is still the top manufacturing nation, leading in 220 industries, more than that actually. It's a deep and complete cost-efficient supply chains.

And then we can look at the goods trades. Number one goods trade nation. And so I don't want to elaborate that. But everybody in China, including government, knows that this is not sustainable, and China need to go out and go to the destination market to invest.

And then Ben has talked about, for 13 consecutive years, China has been the top three outward FDI country, which means that China government continues to encourage outbound instead of a cut down.

And then if you look at the China growth, it's quite a significant 5%, 6%, 4% even is not that bad. It's quite decent. But what is the driver? We're no longer talking about garment, clothes and shoes. This time we're talking about AI industry, and we talk about energy transition-related industries and also, we talk about humanoid robotics and all the other kind of related industries.

And so what does that mean to us? China continues to drive economic transformation and keep the market opening. And that provide us the huge constructive opportunities with scale.

I always remind my colleagues, whenever we think about China, we think about China's scale. And this provide us the great certainty on – instead of uncertainties. In the middle, we see that Chinese companies go global, China's globalisation. This is quite certainty for us. There are three phases we can a bit to reflect.

The first one is the China companies, especially SOEs, go upstream to seek natural resources, metal mining and go out to developing markets, to build roads and bridges. And very selectively, there were manufacturing companies like home appliances, for example. They're very competitive in the home market and then they go outside to become the China multinationals a few years ago.

And then we come to the third stage, the third stage, especially after COVID, everybody wants to go out, especially those the top tier in the respective industries. They want to go out. They have a global ambition. They know that China reaching out by export to other markets is not sustainable.

And then we talk about technology innovation and industry upgrade. In the very famous China 15th five-year plan, this is a top priority. This is a national agenda. And we see tremendous high-quality companies come out, new economy companies, we call them. And then they provide us the huge client base.

And then the wealth diversification. We heard Eddie, we heard Judy and Ben talk about wealth. And household deposit, everybody talks about that. There is a huge amount. When we talk about US\$25 trillion equivalent on RMB household deposit and that household deposit, given the low interest environment in the coming years, that will sustain for a while that a lot of the deposit will be – have already been squeezed out from the term deposit, for example. And then that will be our – the good base of our wealth customers and also the base of our money.

And then the most interesting is that I always remind everybody that in the next few years, we will see the first ever and the largest China intergeneration family wealth transfer. So that's very, very interesting ever since the 40 years of China opening and the reform. So we're talking about the legacy, insurance and wealth diversification. This is a huge opportunity for us. We have to pivot to that.

And net-zero transition. For China, this is a very, very serious. It's a national agenda as well. On the back, it is not only about climate, it's about energy transition. And for the market access and RMB, I think Eddie has talked a lot. I just skipped that part. But I want to highlight is Hong Kong has been designated as the RMB liquidity hub, product hub and also for speaking of my clients, and they all seek Hong Kong and further Singapore, of course, and the connector and the gateway from China to the rest of the world.

Okay. Then what does that mean to us is that everybody can do that. Why SCB? So in two years, we're going to celebrate 170 years anniversary of SCB non-stop consecutive operation in China. So we are – we have the longest operating history among all the Chinese banks and foreign banks, full stop.

So we're highly reputable and respected as a trusted and leading international bank in China. In China, everybody needs to operate with licence. We have all the licences we want. And then especially for – I want to mention that bond futures. We're still the first and the only – still up to now is the only foreign bank have the bond futures licence to facilitate our customers.

And then China has already been, for years, the largest network contributor and originator for SC Group. So we have to thank to the very unique SCB One Bank culture. It's easy to say, but it's very hard to implement. But in SCB, we are WRB, CIB, onshore, offshore. We really – with the mechanisms and culture, we really work together to provide one-stop banking services to our clients.

And I have to say that because Yihon commanded me to say that word by word and loud and clear. I have to satisfy him. So for us, our Chinese franchise is anything and everything we do with Chinese corporates, financial institutions and affluent individuals, as well as the China currencies, in and out of China.

Okay. And then a bit financial performance. You all have been familiar with the onshore performance. It's okay. It's 3% CAGR. And ex-rate is 6%, which is fine. But if you look at the first time is for you, I suspect that the network income. We have a very, very strong consistent growth in network.

And I mean, if you look at the income mix, you must find it quite familiar because that kind of – it's quite similar in the Manus' slides. So we grow very fast Global Markets and the Wealth Solutions. At the same time, Transaction Services are hit by the NIM compression, but still the anchor to our portfolio.

But on the top, you will see that we continue to drive portfolio transformation. Especially, we run down the personal unsecured lending portfolio. It's significant, but we are very determined to pivot everything to our affluent business.

If you look at the mix at the bottom, affluent has already contributed 56% to our WRB income. And then the non-interest income, non-interest income is already over 50% of our total revenue mix.

A bit deep zoom into the CIB. The CIB over the years has built up a very unique network to facilitate our China's going overseas. And if you just want to have a one quick number I want you to take away is that \$1 China CIB earned onshore has \$2.5 that they will book in offshore markets. So that's the strength of our – the beauty of our RMB and the CIB business.

If you look at the income related with the markets, it's very interesting. This is our observation that more and more Chinese clients, corporates and financial institutions, they like to bank with us in more than three markets. And the more markets they bank with us, the more income we could generate from the relationship. So technically, we're building up the sticky relationship with rising China multinationals.

And quite – everybody is familiar with the China supply chain shipped out and also the China plus one China plus N. But if you look at that, this is a very well reflected into our CIB portfolio. We have ASEAN, MENAP, Africa rising up quickly. GCNA, 8% is not a bad number, and it is the largest portion of our CIB revenue.

And the CIB. We continue to drive the portfolio transformation because the China economy is continuing to evolve. So for corporates, we pivot very much to the new economy sectors. Currently, it's 53% of revenue, CIB revenue globally, has already contributed by the new economy clients. We continue to accelerate the FY growth with a cross-border, cross-market and cross-asset solutions to our FI clients.

And then we continue to reinforce our leadership in sustainable finance, leveraging the Group and expertise on our transition finance, green finance especially. And then China CIB for years has been the top sustainable finance income contributor to the Group. If we look at the compound rate, it's quite significant.

WRB. We grow often with a wealth-focussed strategy. Sounds familiar, right? This is exactly Judy presented as a global WRB strategy. But we focus very much on the Priority Private and International Banking clients. And we have a wealth-focussed strategy.

If you look at the Wealth Solutions income, Affluent AUM and also the numbers of the clients of a Priority Private clients, which means that US\$1 million equivalent AUM with us and then the acquisition of the client base and then the outbound referrals from China. We refer clients to Hong Kong, Singapore, UAE elsewhere. So that growth, the momentum is very, very strong.

And the three differentiators we have to say, for our WRB business in China, the number one is open architecture. So we work very closely with our financial institution clients. We have a tailor-made, first-to-market products offering to our customers that has been very welcomed by our customers. And then we have a CIO office.

Starting from this year, we set up the CIO office in China to provide a very unique our bank, the views – the unique views to China equity market, bond market, even industry upgrading evolving to the global WRB clients.

And Judy mentioned a lot of Global Chinese. We have a very unique Global Chinese programme and proposition. Global Chinese will talk about these international entrepreneurs and professionals and their families. They have an increasing demand on the international banking, but they are under serviced.

They need friendly, the bank that they are familiar with and with the capabilities at global markets to provide them one stop. They're still deep rooted in China. But they have in – especially going forward with the kids grow up and they want to deploy their wealth in different markets. And we are welcoming this kind of wave.

So with that, I want to wrap up my session with the key messages, a bit long, but I have to really want you to take away as China's economy transformation provide us the very constructive opportunities with scale, larger scale. And we operate as a full ecosystem of our China business across onshore, offshore. We are accompanied by our very strong RMB capabilities.

We are at the top as a trusted foreign bank, foreign partner for China corporates, institutions, and often clients on their institutional internationalisation journey.

Thank you. Over to Mary.