A conservative balance sheet

- Liquid and diverse balance sheet
- Customer deposits exceed customer loans
- Net lender to the inter-bank market
- Over 70% of wholesale banking assets < 1 year

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to customers</td>
<td>Customer deposits</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>Debt securities held</td>
</tr>
<tr>
<td>Cash, T-Bills</td>
<td>Shareholder funds</td>
</tr>
<tr>
<td>Other assets</td>
<td>Subordinated &amp; other borrowed funds</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>Bank Deposits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>11%</td>
</tr>
<tr>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>7%</td>
<td>8%</td>
</tr>
</tbody>
</table>

![Asset and Liability Pie Charts]

2
<table>
<thead>
<tr>
<th>Year</th>
<th>Core Tier 1</th>
<th>Tier 1 Capital</th>
<th>Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>15.2%</td>
<td>8.8%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2008</td>
<td>15.6%</td>
<td>9.9%</td>
<td>7.5%</td>
</tr>
<tr>
<td>H1 09</td>
<td>15.8%</td>
<td>10.5%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Proforma H1 09</td>
<td>16.6%</td>
<td>11.5%</td>
<td>8.4%</td>
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</tbody>
</table>

* all figures are cumulative %
### Successful access to capital markets

#### Recent Capital Issuance

<table>
<thead>
<tr>
<th>Currency</th>
<th>2008</th>
<th>2009 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollar</strong></td>
<td>Rights issue US$2.7bn</td>
<td>Equity placement US$1.7bn</td>
</tr>
<tr>
<td><strong>Euro Dollar</strong></td>
<td>Senior US$25m T1 US$925m</td>
<td>Senior US$1.5bn T1 US$1.5bn</td>
</tr>
<tr>
<td><strong>Euro</strong></td>
<td>Senior EUR 750m LT2 EUR400m</td>
<td>Senior EUR 1.25bn</td>
</tr>
<tr>
<td><strong>GBP</strong></td>
<td>LT2 GBP 500m LT2 GBP 200m</td>
<td>Senior GBP 200m(^{(1)})</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Senior AED 1bn LT2 SGD 450m LT2 JPY10bn LT2 KRW 350bn</td>
<td>Senior SGD 55m Senior HK$1.58bn LT2 KRW 300bn</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>US$7.9bn</td>
<td>US$7.0bn</td>
</tr>
</tbody>
</table>

\(^{(1)}\) As part of Exchange of GBP 284m LT2
Strongly liquid

A/D ratio consistently below 100%

78.4%

Net interbank lender

Net lent US$bn

Jun-08 Sep-08 Dec-08 Mar-09 Jun-09 Sep-09

12.3 16.3
Focus on quality deposits

- SCB able to seek actively higher quality deposits

  - Retail Current Accounts
  - Corporate Operating Accounts – CASA (SME, Mid-Market, Cash Mgt)
  - Retail Savings Accounts
  - Retail TDs (Excel & Priority)
  - Corporate Savings Accounts
  - Private Bank TDs
  - Corporate TDs (Mid-Market, Local Corp)
  - Wholesale TDs (Global Corporate)
  - Central Bank TDs and Central Bank Call Account
  - Debt securities issued (CDs / CPs)
  - Interbank borrowing

Mix based on behavioural stickiness and profitability
Contractual liquidity mismatch

3 months or less
3 months to 1 year
1 to 5 years
More than 5 years

US$bn

Source: Standard Chartered interims 30 June 2009
Capital and leverage position
strong versus peers*

**Strong capital position**

- Core Equity Tier 1 ratio
- Tier 1 ratio
- Total capital ratio

<table>
<thead>
<tr>
<th>Bank</th>
<th>Core Equity Tier 1 ratio</th>
<th>Tier 1 ratio</th>
<th>Total capital ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank D</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Bank B</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Bank A</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Bank F</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>SCB**</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Bank C</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Bank E</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Bank G</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Bank I</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Bank H</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Stable leverage ratio better than UK peers**

- Net Leverage ratio
- Gross leverage ratio
- (Tier 1 / total assets less intangibles less derivative MTM)
- General leverage ratio
- (Tier 1 / Total assets less intangibles)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Net Leverage ratio</th>
<th>Gross leverage ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank H</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Bank C</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Bank B</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Bank A</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Bank D</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Bank F</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>SCB**</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Bank I</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Bank G</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Bank E</td>
<td>20%</td>
<td>22%</td>
</tr>
</tbody>
</table>

*As at 30 June 2009    ** SCB on proforma basis including US$1.7bn equity raised in August 2009
Liquidity stronger than most peers*

*As at 30 June 2009  ** SCB on proforma basis including US$1.6bn equity raised in August 2009  † LAR calculated
Standard Chartered outperforms its rating

**Standard Chartered’s**
- CDS performs better than “Aa” CDS index
- Senior issues are trading tighter than “Aa” senior financials
- RoE better than Moody’s “Aa1” rated institution

Source: Bloomberg - RoE based on latest published information for 176 banks globally with market cap of over US$2.5bn (as at September 09)
Long standing governance structure on capital and liquidity

**LIQUIDITY**
- Group Management Committee court / board
- Group Asset & Liability Committee
- Liquidity Management Committee
- Group Treasury
- Country Asset & Liability Committee
- ALM

**CAPITAL**
- Capital Management Committee
- WB CMC
- CB BSF
Liquidity risk constantly evaluated

- **Maximum Cumulative Outflow:**
  The amount of net cash inflow/outflow from all On-Balance Sheet and Off-Balance Sheet items under normal conditions over the next 30 calendar days. Normal conditions mean BAU customer behaviour for withdrawal and repayment of Assets/Liabilities.

- **Wholesale Borrowing Limit:**
  A limit governing the amount which the Treasury operation can raise in the Wholesale/Inter-bank market, including Intra-group and custodial funds. Typical to cover short term liquidity.

- **Swapped Funds:**
  Non-domestic funds swapped into local currency

- **Advances/Deposit Ratio:**
  Corporate and Retail Loans as a % of the Corporate and Retail deposits

- **Commitments Guideline:**
  Amount of Customer Un-drawn Committed Facilities

- **Medium Term Funding Ratio:**
  Ratio of liabilities with maturity > 1 year to assets with maturity > 1 year
Scenario 1: High inflation
- The fiscal response to the global downturn, including quantitative easing and lowering of interest rates, gives rise to dramatic increases in inflation across many of the Group’s major markets, further adversely impacting retail consumption, investment, export trade, household and corporate defaults.

Scenario 2: US dollar devaluation
- Prolonged shift in sentiment towards the US resulting in a significant devaluation in the US dollar - 40% devaluation against the Euro and 29% against the Yen - examining the impact of both sharp and gradual declines in the US dollar on the Group’s business plans.

Scenario 3: Mortgage portfolios
- Property price stress test assessing the impact of a 40% decline over the next 12 months in residential and commercial property prices.

Scenario 4: De-pegging of currencies
- Stress test assessing impact of peg breaks of the HKD and Gulf state currencies.

Scenario 5: Economic slow-down
- Scenario analysis assessing the impact of a deterioration in economic activity from slowing growth and higher unemployment on the Group’s core markets and its portfolios.

STRESS RESULTS:
The results of the various stress scenarios evaluated indicate that the Group would remain strongly capitalised should it experience these types of scenario over the next 2-3 years. Management actions have been identified which would be executed should such scenarios be observed in the Group’s markets to minimise the impact on the Group’s capital.
Liquidity stress testing

- Every unit is required to maintain sufficient liquidity to survive a name specific stress event without recourse to the Group for further support.

- Compliance is achieved through the management of cash-flows and the holding of marketable securities.

- The Liquidity Stress test period is sufficiently long to allow:
  - A conservative view of the time for various customer groups to react.
  - The Bank can respond to the full period of the crisis.
  - Stress tests are calculated on a daily basis locally in each country.
  - Each country needs to be cash-flow positive throughout the stress period.
Low refinancing risk*

SCB capital and senior funding maturity profile

US$bn

2009 2010 2011 2012 2013

0.5 1.6 1.7 1.5 2.7

* The refinancing profile includes the effect of callable instruments. The profile should not be construed as the issuer having made a decision with respect to any callable securities that are included in the profile.
FSA New Liquidity Regime Published in October 2009

- The Reporting and Quantitative Requirements will come into effect for SCB from 1st October 2010

- The key themes from the original Consultation Paper (CP08/22) still apply:
  - Self-sufficiency for UK firms
  - FSA will set required amounts for Liquid Asset Buffer and Funding Profile constraints
Evoluion of the regulatory environment

- Leverage ratios
- Living wills
- Capital
Evolution of the regulatory environment

RWA by Category

Market risk
Standardised
Operational risk
Model based
Credit risk

30/06/09
81%
19%
31/12/08
73%
27%
Key messages

- Strong foundations of capital and liquidity

- Market is differentiating - strong interest in our name

- Minimal refinancing risk

- Engaging constructively in the regulatory dialogue
Q & A
Key messages

- Diversified portfolio with low exposure to risky asset classes and segments

- Portfolio quality indicators are stabilising and remain good by historical standards

- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base

- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Key messages

- Diversified portfolio with low exposure to risky asset classes and segments

- Portfolio quality indicators are stabilising and remain good by historical standards

- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base

- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Strength through diversification

- 28% of Group’s loan portfolio in retail mortgages - strongly collateralised with average LTV 50%
- 75% of Consumer Banking portfolio is fully secured
- No mass market retail business in USA, UK or Europe
- Wholesale Banking has a diversified geographical, customer and product mix
Income and assets well diversified

Income H1 09: US$8.0bn

- America & UK: 13%
- Africa: 7%
- Middle East & South Asia: 14%
- India: 11%
- 16% Hong Kong
- 9% Korea
- 19% Other APR

Wealth Management & Deposits: 14%
Mortgages & Auto Finance: 7%
Lending and portfolio management: 5%
Transaction Banking: 16%
Global Markets: 43%

SCB income is well diversified...

Loan portfolio H1 09: US$185bn

- America & UK: 16%
- Africa: 2%
- Middle East & South Asia: 10%
- India: 4%
- Other APR: 20%
- 16% Hong Kong
- 15% Singapore
- 17% Korea

Mortgages: 27%
Other Wholesale Banking: 16%
Other APR: 20%
Manufacturing: 13%
Financing insurance & business services: 12%
SME: 7%
Commerce: 10%
Governments: 3%
Other Other consumer banking: 12%

... as is the loan portfolio
Low exposure to higher risk assets

- Low exposure to:
  - Securitised assets
  - Leveraged loans
  - Commercial real estate

- Minimal exposure to level three assets
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Carry value (US$ m)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec-07</td>
<td>Jun-08</td>
<td>Dec-08</td>
<td>Jun-09</td>
<td>Sep-09</td>
</tr>
<tr>
<td>RMBS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Alt-A</td>
<td>88</td>
<td>59</td>
<td>57</td>
<td>49</td>
<td>48</td>
</tr>
<tr>
<td>US Prime</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>UK Other</td>
<td>1,798</td>
<td>1,499</td>
<td>969</td>
<td>758</td>
<td>752</td>
</tr>
<tr>
<td>CDOs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDO of ABS</td>
<td>126</td>
<td>79</td>
<td>32</td>
<td>20</td>
<td>19</td>
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<tr>
<td>Other CDOs</td>
<td>392</td>
<td>335</td>
<td>306</td>
<td>292</td>
<td>291</td>
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<tr>
<td>CMBS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US CMBS</td>
<td>154</td>
<td>132</td>
<td>129</td>
<td>125</td>
<td>124</td>
</tr>
<tr>
<td>Other CMBS</td>
<td>939</td>
<td>796</td>
<td>525</td>
<td>485</td>
<td>491</td>
</tr>
<tr>
<td>Other ABS</td>
<td>2,015</td>
<td>2,059</td>
<td>1,740</td>
<td>1,268</td>
<td>1,202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,514</td>
<td>4,961</td>
<td>3,759</td>
<td>2,988</td>
<td>2,928</td>
</tr>
</tbody>
</table>

- ABS portfolio currently approximately less than 1% of overall Group exposure
- Centralised management of the ABS portfolio
- ABS portfolio has reduced principally due to redemptions
- No sub-prime mortgage exposure and minimal US Alt-A exposure
Key messages

- Diversified portfolio with low exposure to risky asset classes and segments

- Portfolio quality indicators are stabilising and remain good by historical standards

- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base

- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Consumer Banking
Delinquency trends for top CB countries largely stable

Largest portfolios have been least impacted by crisis

Hot spots have stabilised
60% of the Consumer Banking portfolio in residential mortgages

Mortgage portfolio well collateralised; average LTV 50%

Only 2% of portfolio with LTV > 100% (US$1.0bn)

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>Singapore</th>
<th>India</th>
<th>China</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory LTV cap</td>
<td>60%*</td>
<td>70% 2*</td>
<td>No Cap</td>
<td>90%</td>
<td>No Cap</td>
<td>80%*</td>
<td>100%</td>
</tr>
<tr>
<td>SCB policy LTV cap</td>
<td>60%</td>
<td>70%</td>
<td>90%</td>
<td>85%</td>
<td>85%</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Average LTV</td>
<td>48%</td>
<td>35%</td>
<td>62%</td>
<td>57%</td>
<td>62%</td>
<td>56%</td>
<td>56%</td>
</tr>
</tbody>
</table>

1 Global policy, higher LTV offered on exception basis; subject to regulatory cap
2 Hong Kong mortgages with LTV > 70% are insured
3 High value properties and regions subject to lower LTV caps
### Consumer Banking loan impairment trend

<table>
<thead>
<tr>
<th></th>
<th>Q3 08</th>
<th>Q4 08</th>
<th>Q1 09</th>
<th>Q2 09</th>
<th>H1 09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI/ANR</td>
<td>0.00%</td>
<td>0.05%</td>
<td>0.13%</td>
<td>0.31%</td>
<td>0.22%</td>
</tr>
<tr>
<td>30dpd/ENR</td>
<td>1.20%</td>
<td>1.34%</td>
<td>1.22%</td>
<td>1.19%</td>
<td>1.19%</td>
</tr>
<tr>
<td>Loan book</td>
<td>46</td>
<td>47</td>
<td>47</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>(US$bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI (US$m)</td>
<td>1</td>
<td>6</td>
<td>16</td>
<td>40</td>
<td>56</td>
</tr>
<tr>
<td><strong>SME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI/ANR</td>
<td>1.21%</td>
<td>2.75%</td>
<td>2.31%</td>
<td>1.96%</td>
<td>2.13%</td>
</tr>
<tr>
<td>90dpd/ENR</td>
<td>2.06%</td>
<td>2.52%</td>
<td>2.54%</td>
<td>2.42%</td>
<td>2.42%</td>
</tr>
<tr>
<td>Loan book</td>
<td>12</td>
<td>12</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>(US$bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI (US$m)</td>
<td>39</td>
<td>85</td>
<td>60</td>
<td>54</td>
<td>114</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Including</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>personal</td>
<td></td>
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</tr>
<tr>
<td>loans &amp;</td>
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<td></td>
</tr>
<tr>
<td>credit</td>
<td></td>
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<td></td>
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<tr>
<td>cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI/ANR</td>
<td>1.89%</td>
<td>4.84%</td>
<td>3.90%</td>
<td>3.21%</td>
<td>3.50%</td>
</tr>
<tr>
<td>30dpd/ENR</td>
<td>2.95%</td>
<td>3.25%</td>
<td>3.37%</td>
<td>3.40%</td>
<td>3.40%</td>
</tr>
<tr>
<td>Loan book</td>
<td>22</td>
<td>22</td>
<td>21</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>(US$bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI (US$m)</td>
<td>130</td>
<td>264</td>
<td>185</td>
<td>208</td>
<td>393</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI/ANR</td>
<td>0.75%</td>
<td>1.70%</td>
<td>1.34%</td>
<td>1.35%</td>
<td>1.35%</td>
</tr>
<tr>
<td>30dpd/ENR</td>
<td>1.84%</td>
<td>2.07%</td>
<td>2.00%</td>
<td>1.92%</td>
<td>1.92%</td>
</tr>
<tr>
<td>Loan book</td>
<td>80</td>
<td>81</td>
<td>79</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>(US$bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LI (US$m)</td>
<td>170</td>
<td>355</td>
<td>261</td>
<td>302</td>
<td>563</td>
</tr>
</tbody>
</table>

*NOTE: LI - Loan impairment, ANR - Average net receivables, ENR - End period net receivables*
Loan impairment trends increased but have stabilised and remain below previous cyclical peaks.
Wholesale Banking
Credit risk exposure concentrated within good quality clients

64% Investment grade

36% Sub-investment grade
Pace of negative credit grade migration has slowed

Levels of loss given default have been improving gradually since December 07; reflecting actions taken to mitigate risk and also improve capital efficiency
Wholesale Banking portfolio quality

- Trend in Early Alert accounts driven by consciously conservative approach to Early Alert classification providing early visibility of potential problem accounts.
Anticipation and firm management action has mitigated impact on impairment levels which remain below previous cyclical peaks.
Other Risks
Cross-border asset exposure is diversified and reflects SCB core markets

Country Risk covers the risk that the bank will be unable to obtain payment from its customers/third parties on their contractual obligations, as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency.

NOTE: Percentages at column tops represent cross-border asset exposure as a percentage of total assets.
Market risk

- Absolute level of market risk low compared to peers
- Relative level of market risk in line with other conservative peers
- SCB VaR increase during 2009 is primarily due to increased market volatility

Average VAR (97.5% / 1-day)

Market Risk vs. shareholder book value
No dedicated proprietary trading teams. Trading revenues are derived exclusively from market making activities supporting client business flows

Quality of earnings is consistent and strong; no loss days in H1 09

Level 3 assets are low and a small percentage of net book value
Well defined operational risk and assurance process enabling anticipation, management and mitigation of events embedded at all levels.

Provides an integrated approach to loss prevention.
Key messages

- Diversified portfolio with low exposure to risky asset classes and segments

- Portfolio quality indicators are stabilising and remain good by historical standards

- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base

- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Risk management is a shared responsibility

The Risk function:

- Manages enterprise wide risks through a robust and rigorous Risk Management Framework
- Upholds the integrity of risk – return decisions
- Ensures risk is only taken within appetite and agreed authority
- Anticipates future risks while maximising awareness of all risks and the inter-relationship between risk types

Risk Appetite, an expression of the amount of risk the Group is prepared to take, plays a central role in development of strategic plans and policy
Annual budget / strategy board - agreement of risk appetite statement and review of strategic plans against the risk appetite statement

Review risk appetite assessment (RAA) of key portfolios assessed through bottom up analytical approach

Define portfolio standards and scorecard cut-offs to manage the risk and risk / reward profiles of the portfolio

Implementation of the agreed strategy to achieve the desired risk return profile
Robust risk governance structure

Standard Chartered PLC Board

Group Asset and Liability Committee (GALCO)
- Liquidity Management Committee
- Tax Management Committee
- Capital Management Committee

Group Risk Committee (GRC)
- Group Market Risk Committee
- Group Operational Risk Committee
- Group Reputational Risk & Responsibility Committee

Audit and Risk Committee

Group Credit Committee
- Consumer Banking Risk Committee
- Wholesale Banking Risk Committee
- Wholesale Banking Underwriting Committee
Highly experienced risk senior team
Strong analytics capabilities

- SCB approved by the FSA to use Advanced IRB and CAD II models
- AIRB approvals obtained from other regulators wherever sought
- Significant investment in analytical resources for Basel II being leveraged to drive better informed decisions

<table>
<thead>
<tr>
<th>Basel II Approaches</th>
<th>Credit Risk Wholesale</th>
<th>Credit Risk Consumer</th>
<th>Market Risk</th>
<th>Operational Risk</th>
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</thead>
<tbody>
<tr>
<td>Standardised</td>
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<td>Standardised</td>
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<td>Basic Indicator Approach</td>
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<td>Foundation - IRB</td>
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<td>The Standardised Approach</td>
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<tr>
<td>Advanced - IRB</td>
<td>Advanced - IRB</td>
<td>Internal Models (CAD II)</td>
<td></td>
<td>Advanced Measurement Approach</td>
</tr>
</tbody>
</table>

Note: IRB is internal ratings based

SCB’s approaches shaded in green
Key messages

- Diversified portfolio with low exposure to risky asset classes and segments

- Portfolio quality indicators are stabilising and remain good by historical standards

- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base

- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Anticipation, vigilance and discipline

- Risk Appetite clearly linked to strategy and decision making
  - Based on measurements of earnings volatility and concentration risk
  - Stress testing activity intensified across the group, with increased frequency and varying levels of severity

- Proactive approach to risk; actions taken mitigating the impact of crisis through 2009 and beyond
  - Enhancement of EAR process to better enable differentiation of levels of risk concern
  - Specific reviews (counterparties with exposure > US$100m, large refinancing requirements)
  - Tightened underwriting criteria and control processes
  - Improved collections capacity and productivity
  - Enhanced process to trigger the initiation of a specific set of mitigating actions to potential future adverse market conditions
The stress testing process
- Risk appetite
- Identify key risks
- Impact on profitability and business plans
- Co-ordination, integration, inform senior management

Stress Testing Forum
- Led by risk function with business, treasury and finance participation
- Senior management engagement
- Monthly

Stress testing activity has been intensified at country, business and Group levels
- Forward looking scenarios
- Increased granularity
Recent stress tests

2009

- Pillar 1 ICAAP stress - high inflation scenario
- Strategy board - deep recession
- Cross border conflict between India and Pakistan
- Swine flu mutation
- US dollar significant depreciation

The Bank would remain adequately capitalised were it to experience any of the stresses analysed, including a 1 in 25 year event.

Forms an integral part of ongoing Risk Appetite analysis; informing strategy, limit setting and policy.
There have been significant positive changes in the external and internal SCB environment for consumer credit post Asian Crisis.

Overall, economic forecasts for SCB’s footprint countries anticipate a less severe outcome than in 1998-9, and the data for the year to date is proving stronger than feared.

In most of our markets government have implemented speedy fiscal and monetary initiatives to mitigate the impact – they have both the financial and political ability to do this.

Lower corporate indebtedness – Asian corporates are now less leveraged.

Levels of household debt in Asia are lower than that in the US and UK.
Well prepared and initiated management mitigation actions:
- Overall LGD is 31% in WB against 1998 actual LGD of 50%
- Selective tightening of criteria

Client centric strategy in WB against the product centric strategy in 1998

SCB has developed advanced risk segmentation tools and scorecards to enable originations which are within risk appetite

Unlike 1998, the biggest impact of the “Credit Crunch” is in US, UK and Europe, SCB has no consumer presence in these countries

C. 80% of the consumer portfolio is secured versus 61% in 1998

Mortgage book is well collateralised overall

Proactive risk management tools to ensure growth within risk appetite
Summary

- Diversified portfolio with low exposure to risky asset classes and segments
- Portfolio quality indicators are stabilising and remain good by historical standards
- Robust risk governance and strong risk organisation driving continuous improvement in capabilities from a strong base
- Anticipation, vigilance and discipline enable us to manage well in a challenging risk environment
Group perspectives
and wrap up

Richard Meddings
Group Finance Director
Key themes

- Wholesale Banking has built a platform for sustainable growth
- Consumer Banking transformation is underway
- Well positioned in Hong Kong
- Korea poised for recovery
Unique franchise and longevity of presence

Culturally diverse

Deeply embedded set of values

Well positioned in growth markets
2010

- We are watchful on the external environment
- Challenges remain in the West
- The Group is in great shape with strong foundations
- Financial commitments are intact
Key messages

- We are confident in the growth prospects in our footprint

- Our businesses are well positioned to benefit from the economic recovery

- We have selectively taken advantage of the crisis to build our capabilities

- We have a conservative business model with robust foundations