Forward looking statements

It is possible that this presentation could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Standard Chartered undertakes no obligation to revise or update any forward looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.
Context

**STRATEGIC RATIONALE**

- Overcome obstacles to organic growth
- Achieve local scale
- Acquire capabilities
- Create options for future growth
- Deliver shareholder value

**EXAMPLES**

- KOREA FIRST BANK
- Hsinchu International Bank
- PermataBank
- Union Bank
- ANZ Grindlays Bank
- ANZ
- SUNARATCHA Nakornthon Bank Public Company Limited
- Asia Trust
- Travelex
- Fleming Family & Partners
- China Bohai Bank

ALL ACQUISITIONS
Strategic rationale

Extends geographic reach

Significant synergy potential

Fast-tracks the Private Bank

Enhances Financial Institutions
Far sighted and disciplined

- Identified target early
- Detailed DD
- Disciplined on price
- Swift and robust execution
The scale of the challenge

- Multiple geographies
- Multiple businesses
- Multiple functions
- AEB’s dependence on AMEX
- Integrating across the matrix
How we approached the challenge

- Assigned our best people
- Planning started on signing
- GMC oversight
- Central PMO
- Established a matrix managed structure
Integration

Very good progress

- Legal amalgamation on track
- Integration and restructuring progressing well
- Synergies and benefits coming on line
## Financial performance

### H1 2008 performance*

<table>
<thead>
<tr>
<th></th>
<th>CB</th>
<th>WB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>135</td>
<td>130</td>
<td>265</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(123)</td>
<td>(75)</td>
<td>(198)</td>
</tr>
<tr>
<td><strong>Loan / other impairment</strong></td>
<td>(13)</td>
<td>(3)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Profit pre integration expense</strong></td>
<td>(1)</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td><strong>Integration Expense</strong></td>
<td>(40)</td>
<td>(25)</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>(41)</td>
<td>27</td>
<td>(14)</td>
</tr>
</tbody>
</table>

* Performance reflects ownership of American Express Bank from 29 February 2008
Outlook for 2009

Expect to complete integration early

- Strong positive delta (approx. US$200m) at operating profit level arising from:
  - Lower integration cost (approx. US$100m)
  - Step-up in synergies (approx. US$100m)
## Outlook for 2009

### Lower integration costs

<table>
<thead>
<tr>
<th>Business Area</th>
<th>2008 Forecast</th>
<th>2009 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redundancy &amp; retention</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Technology and operations redundancy</td>
<td>61.1</td>
<td>11.2</td>
</tr>
<tr>
<td>- Other redundancy</td>
<td>27.9</td>
<td>6.6</td>
</tr>
<tr>
<td>- Indonesia severance</td>
<td>13.7</td>
<td>0.3</td>
</tr>
<tr>
<td>- Stock options</td>
<td>6.6</td>
<td>0.0</td>
</tr>
<tr>
<td>- Stay pay</td>
<td>6.1</td>
<td>8.6</td>
</tr>
<tr>
<td>- Operations</td>
<td>6.8</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Technology &amp; operations</strong></td>
<td>16.9</td>
<td>37.6</td>
</tr>
<tr>
<td>- Technology</td>
<td>14.6</td>
<td>35.2</td>
</tr>
<tr>
<td>- Operations</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Core integration team</strong></td>
<td>51.3</td>
<td>17.3</td>
</tr>
<tr>
<td>- CB core team</td>
<td>8.3</td>
<td>2.2</td>
</tr>
<tr>
<td>- WB core team</td>
<td>5.2</td>
<td>1.7</td>
</tr>
<tr>
<td>- GTO core team &amp; other support</td>
<td>37.8</td>
<td>13.4</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>33.5</td>
<td>6.7</td>
</tr>
<tr>
<td>- Amalgamations</td>
<td>8.3</td>
<td>0.2</td>
</tr>
<tr>
<td>- Premises/refurbishment</td>
<td>4.9</td>
<td>4.5</td>
</tr>
<tr>
<td>- Rebranding</td>
<td>6.0</td>
<td>0.5</td>
</tr>
<tr>
<td>- Other*</td>
<td>6.1</td>
<td>1.5</td>
</tr>
<tr>
<td>- AEFM liquidation/write down of investment</td>
<td>8.1</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total Integration</strong></td>
<td>162.8</td>
<td>72.9</td>
</tr>
</tbody>
</table>

Note: Does not include amortisation of intangibles

Approx. US$100m
On track to deliver 2009 commitments

<table>
<thead>
<tr>
<th>External commitment</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROI &gt;10%</td>
<td>✔</td>
</tr>
<tr>
<td>EPS Accretive</td>
<td>✔</td>
</tr>
<tr>
<td>Cost synergies &gt;US$100m</td>
<td>✔ *</td>
</tr>
</tbody>
</table>

* + Tens of million > commitment
Korea

David Edwards
CEO & President, Korea
Agenda

- Korea overview
  - Sound economy
  - Strong fundamentals

- SC First Bank
  - Challenges & opportunities
  - Vision & strategy
  - The next phase: transformation

- Financial performance
<table>
<thead>
<tr>
<th></th>
<th>2006A</th>
<th>2007A</th>
<th>2008F</th>
<th>2009F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP growth (real % YOY)</strong></td>
<td>5.0%</td>
<td>4.9%</td>
<td>4.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Inflation rate (% YOY)</strong></td>
<td>2.2%</td>
<td>2.5%</td>
<td>4.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Current account (% to GDP)</strong></td>
<td>0.7%</td>
<td>0.0%</td>
<td>-1.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Interest rate (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Target rate (7-day repo rate)</td>
<td>4.50%</td>
<td>5.00%</td>
<td>5.25%</td>
<td>NA</td>
</tr>
<tr>
<td>- 3M CD rate</td>
<td>4.86%</td>
<td>5.82%</td>
<td>5.83%</td>
<td>NA</td>
</tr>
<tr>
<td>- 3Y Government bond</td>
<td>4.92%</td>
<td>5.74%</td>
<td>5.74%</td>
<td>NA</td>
</tr>
</tbody>
</table>

*as of 30 September 08  
Source: IMF, SCB estimates
Strong fundamentals

- **Economy**
  - Large mature market
  - High currency reserves

- **Regulatory**
  - Improving supervisory framework
  - International supervisory standards – IFRS
  - Deregulation

- **Financial Services**
  - Financial holding companies
  - Low loan impairment levels
  - Mortgage lending controls
Challenges and opportunities

**Challenges**

- Global economic slowdown
- Korean Won
- Banking industry
  - FX products
  - Wealth management

**Opportunities**

- Asia/Korea’s relative strength
  - Shift in economic power to east
  - Lower leverage
  - Strong reserves
- Korea’s aspirations
  - Regional financial hub
- SC First Bank’s 2012 vision
A platform for growth

- 6th largest branch network
  - 374 branches; >2,100 ATMs
  - >6,300 employees

- Customers
  - >3.8m customers
  - >0.9m credit cards
  - >1.0m Internet Banking

- Total assets: US$ 65bn*

- Total income: US$ 1,564m**

SCFB has scale and room to grow

* Based on IFRS as at 30 June 2008
** Based on IFRS as at 31 December 2007
2012 vision

Holding company

Customers

“Korea’s best financial partner for growth”

Performance

Employees

1. Holding company
2. Customer First
3. Branch network
4. WB-CB collaboration
5. Branding & communication
6. Performance management
7. Leadership
8. IT investment
9. Risk management
10. Operational efficiency
11. Customer deposits
12. Productivity

“Korea’s best financial partner for growth”
Transformational change progressing well
Korea financial performance

Richard Hill
CFO, Korea
<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 2007</th>
<th>H1 2008</th>
<th>YOY %</th>
<th>Constant Currency YOY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>801</td>
<td>867</td>
<td>8↑</td>
<td>14↑</td>
</tr>
<tr>
<td>Expenses</td>
<td>560</td>
<td>568</td>
<td>1↑</td>
<td>7↑</td>
</tr>
<tr>
<td>Working profit</td>
<td>241</td>
<td>299</td>
<td>24↑</td>
<td>31↑</td>
</tr>
<tr>
<td>Loan impairment provisions</td>
<td>46</td>
<td>90</td>
<td>96↑</td>
<td>107↑</td>
</tr>
<tr>
<td>Operating profit *</td>
<td>195</td>
<td>209</td>
<td>7↑</td>
<td>13↑</td>
</tr>
<tr>
<td>Cost income ratio</td>
<td>70%</td>
<td>66%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Korea (excluding AEB) results based on IFRS
Restructuring our cost base

- **Staff productivity**
  - Remove 30% of Head Office roles
  - Dynamic performance management

- **Property**
  - Extract value from property portfolio
  - Investment in branch infrastructure

- **Investment in new business streams**
  - Securities license
  - Rapid Wholesale Banking expansion
## Consumer Banking highlights

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 2007</th>
<th>H1 2008</th>
<th>YOY %</th>
<th>Constant Currency YOY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>607</td>
<td>605</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Expenses</td>
<td>444</td>
<td>437</td>
<td>(2)</td>
<td>4</td>
</tr>
<tr>
<td>Working profit</td>
<td>163</td>
<td>168</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Loan impairment provisions</td>
<td>46</td>
<td>81</td>
<td>76</td>
<td>86</td>
</tr>
<tr>
<td>Operating profit</td>
<td>117</td>
<td>87</td>
<td>(26)</td>
<td>(22)</td>
</tr>
<tr>
<td>Cost income ratio</td>
<td>73%</td>
<td>72%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Korea Consumer Banking results based on IFRS
## Wholesale Banking highlights

<table>
<thead>
<tr>
<th>US$\text{m}</th>
<th>H1 2007</th>
<th>H1 2008</th>
<th>YOY %</th>
<th>Constant Currency YOY %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>190</td>
<td>262</td>
<td>38</td>
<td>46 ↑</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>116</td>
<td>131</td>
<td>13</td>
<td>19 ↑</td>
</tr>
<tr>
<td><strong>Working profit</strong></td>
<td>174</td>
<td>132</td>
<td>77</td>
<td>87 ↑</td>
</tr>
<tr>
<td><strong>Loan impairment provisions</strong></td>
<td>0</td>
<td>9</td>
<td>-</td>
<td>- ↑</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>74</td>
<td>122</td>
<td>65</td>
<td>75 ↑</td>
</tr>
<tr>
<td><strong>Cost income ratio</strong></td>
<td>61%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Korea Wholesale Banking results based on IFRS (excluding AEB)
Incremental offshore revenue

* 22% growth comes from American Express Bank acquisition in 2008
### Balance sheet highlights in US$

<table>
<thead>
<tr>
<th>US$m</th>
<th>H1 2007</th>
<th>H2 2007</th>
<th>H1 2008</th>
<th>H1 08 vs H2 07 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loans</td>
<td>42,710</td>
<td>41,726</td>
<td>37,905</td>
<td>(9)</td>
</tr>
<tr>
<td>Other assets</td>
<td>20,508</td>
<td>19,239</td>
<td>26,596</td>
<td>38</td>
</tr>
<tr>
<td>Total assets</td>
<td>63,218</td>
<td>60,965</td>
<td>64,501</td>
<td>6</td>
</tr>
<tr>
<td>Customer deposits*</td>
<td>35,037</td>
<td>30,893</td>
<td>31,078</td>
<td>1</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>23,636</td>
<td>25,552</td>
<td>28,882</td>
<td>13</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>58,673</td>
<td>56,445</td>
<td>59,960</td>
<td>6</td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>4,545</td>
<td>4,520</td>
<td>4,541</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities and shareholder’s equity</td>
<td>63,218</td>
<td>60,965</td>
<td>64,501</td>
<td>6</td>
</tr>
</tbody>
</table>

SCFB balance sheet based on IFRS results
* Customer deposits including customer CDs
## Balance sheet highlights in KRW

<table>
<thead>
<tr>
<th>KRW bn</th>
<th>H1 2007</th>
<th>H2 2007</th>
<th>H1 2008</th>
<th>H1 08 vs H2 07 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loans</td>
<td>39,465</td>
<td>39,068</td>
<td>39,647</td>
<td>1</td>
</tr>
<tr>
<td>Other assets</td>
<td>18,949</td>
<td>18,014</td>
<td>27,819</td>
<td>54</td>
</tr>
<tr>
<td>Total assets</td>
<td>58,414</td>
<td>57,082</td>
<td>67,466</td>
<td>18</td>
</tr>
<tr>
<td>Customer deposits*</td>
<td>32,375</td>
<td>28,925</td>
<td>32,507</td>
<td>12</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>21,839</td>
<td>23,925</td>
<td>30,209</td>
<td>26</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>54,214</td>
<td>52,850</td>
<td>62,716</td>
<td>19</td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>4,200</td>
<td>4,232</td>
<td>4,750</td>
<td>12</td>
</tr>
<tr>
<td>Total liabilities and shareholder’s equity</td>
<td>58,414</td>
<td>57,082</td>
<td>67,466</td>
<td>18</td>
</tr>
</tbody>
</table>

SCFB balance sheet based on IFRS results
* Customer deposits including customer CDs
**Customer Advance to Deposit ratio 2008***

* Customer Advance to Deposit ratio based on IFRS net of Securitised Retail Mortgage portfolios

**Capital adequacy 2003 to 2008**

** BIS 1 ratio expressed under K GAAP
Improving margins

**Consumer Banking**
- Mortgage
  - Index H1 07
  - H1 07, H2 07, H1 08
- CCPL
  - Index H1 07
  - H1 07, H2 07, H1 08
- CB deposit
  - Index H1 07
  - H1 07, H2 07, H1 08
- SME
  - Index H1 07
  - H1 07, H2 07, H1 08

**Wholesale Banking**
- Assets
  - Index H1 07
  - H1 07, H2 07, H1 08
- Liabilities
  - Index H1 07
  - H1 07, H2 07, H1 08
- Bank total Net Interest Margins
  - Index H1 07
  - H1 07, H2 07, H1 08
Conservative loan portfolio

KRW tn

2005: 36.7 tn
2006: 36.5 tn
2007: 39.1 tn
H1 08: 39.6 tn

- Blue: Loan to household
- Light Blue: SME
- Green: WB

* Based on IFRS
## Stable asset quality

### Loss rates*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>H1 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.0</td>
</tr>
<tr>
<td>Cr Card &amp; P Loans</td>
<td>1.29</td>
<td>1.70</td>
<td>1.16</td>
<td>1.80</td>
</tr>
<tr>
<td>SME</td>
<td>0.12</td>
<td>0.47</td>
<td>0.73</td>
<td>1.43</td>
</tr>
<tr>
<td>Wholesale Banking</td>
<td>0.10</td>
<td>0.06</td>
<td>0.00</td>
<td>0.23</td>
</tr>
<tr>
<td>Total customer assets</td>
<td>0.16</td>
<td>0.24</td>
<td>0.20</td>
<td>0.40</td>
</tr>
</tbody>
</table>

* Loss rate (%): Loan impairment divided by total customer assets

### NPL and coverage ratios**

<table>
<thead>
<tr>
<th></th>
<th>NPL%</th>
<th>Coverage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>NPL Ratio</td>
<td>85.29</td>
</tr>
<tr>
<td>2006</td>
<td>NPL Coverage Ratio</td>
<td>103.63</td>
</tr>
<tr>
<td>2007</td>
<td>NPL Coverage Ratio</td>
<td>131.58</td>
</tr>
<tr>
<td>H1 08</td>
<td>NPL Coverage Ratio</td>
<td>162.02</td>
</tr>
</tbody>
</table>

* NPL ratio: % NPL to total customer assets
* NPL coverage ratio: Loan loss reserve divided by NPL

** NPL & Coverage ratios based on FSS guideline

---

* Loss Rates based on IFRS

** NPL & Coverage ratios based on FSS guideline
Summary

- Clear vision & strategy
  - One-One vision
  - Strengthen through Diversity

- Good business momentum

- Strong fundamentals
  - Liquidity
  - Capital
  - Risk profile
Key highlights

- **Group well capitalised**
  Core Tier 1, Tier 1 and Total capital ratios of 6.1%, 8.5% and 14.9% respectively reported at 30 June 2008

- **Strong liquidity position**
  Net lender to the interbank markets ~US$11bn net lender on average during Q3
  Customer assets funded by stable customer deposits ~ AD Ratio of 85% as at 30 June 2008

- **Strong risk and capital management culture**
  Advanced Internal Ratings Based (IRB) approach granted under Basel II

- **Access to capital markets**
  US$7bn of Capital and funding raised since July 2007 at attractive rates despite the dislocation in the market
Well capitalised

- Ratios within target ranges

- Changes in Core Tier 1 driven by Basel 2 and AEB

- Group remains within target capital ranges under stress scenarios
Capital ratios continue to be managed within existing target ranges

No regulatory requirement to increase capital targets as a result of the market dislocations
Risk Weighted Assets

- Impact of transition to Basel II broadly neutral on credit risk
- Overall increase in risk weighted assets due to operational risk
SCB applies a prudent measure of Core Tier 1

Preference share and innovative Tier 1 capital not included
Standard Chartered outperforms the average S&P’s ‘A+’ rated bank

Source: Bankscope, Barclays Capital; RoAE = Return on Average Equity
Stress

Scenario 1: Debt securities
- Credit spread stress test assessing impact of a parallel shift in credit spreads at an overall portfolio level for rating, tenor and product
- Ratings migration stress test assessing impact of all AAA assets migrating to A and all other assets migrating downwards by 3 notches, e.g. an A rated asset migrating to BBB

Scenario 2: 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 3: De-pegging of currencies
- Stress test assessing impact of peg breaks of the HKD and Gulf state currencies

Scenario 4: Slowdown
- Scenario analysis assessing the impact of a deterioration in economic activity in 2009 from slowing growth and higher unemployment on the Group’s core markets and its portfolios
- Management actions to mitigate the impact of the downturn scenario on the Group’s risk exposures and earnings

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 during the period through to the end of 2009. Management actions have been identified which would be executed should these or other scenarios be observed in the Group’s markets, to minimise the impact on the Group’s capital.
Contents

- Key highlights
- Capital management
- Liquidity risk
Objective

- Ensure we are in a position to meet outflows at all times
- Ensure we are in compliance with regulatory liquidity ratios at all times

Governance
- Group ALCO is responsible for strategic liquidity
- The Liquidity Management Committee is responsible for operational liquidity
- The liquidity policy is set by Group Treasury
- ALM manages liquidity within the limits and policies
“Prevention is better than Cure”

- **Maximum cumulative outflow:** The amount of net cash inflow/outflow from all on-balance sheet and off-balance sheet items over the next 30 calendar days

- **Wholesale borrowing limit:** A limit governing the amount which ALM can raise in the Wholesale/Interbank market, including intra-group and custodial funds

- **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
Focus

- Regular Liquidity Management Committee meetings
- Regular updates to senior management
- Pricing
- Discipline on committed facilities
SCB remains liquid

- **SCB has a broad range of funding sources**
  - Customer deposits are 53% of total funding
  - CASA grew 27% YOY; 12% since FY 2007

- **June 2008**
  - Liquid Assets Ratio of 22.8%
  - Advances/Deposit ratio of 85%

- **Market appetite for SCB remained strong throughout 2007/08**
  - Between H1 2007 and H1 2008, SCB incrementally raised its issued debt securities and long term debt levels by US$10bn at market rates

Liquid Assets Ratio = (Cash & T.Bills + Net Interbank Position + Marketable Securities) / Total Assets
### Group Advances / Deposit ratio

<table>
<thead>
<tr>
<th>US$bn</th>
<th>H1 2007</th>
<th>H2 2007</th>
<th>H1 2008</th>
<th>YOY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loans</td>
<td>151.9</td>
<td>154.3</td>
<td>174.7</td>
<td>15</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>160.2</td>
<td>179.8</td>
<td>205.5</td>
<td>28</td>
</tr>
<tr>
<td>Customer loans to deposits %</td>
<td>95</td>
<td>86</td>
<td>85</td>
<td></td>
</tr>
</tbody>
</table>

YOY %: Year-over-Year percentage.
Country Advances / Deposit ratios

As at 30 September 2008
Medium term funding ratio

- Medium term funding (MTF) ratio = \( \frac{\text{Deposits > 1 year}}{\text{Assets > 1 year}} \)

- Group behavioural medium term funding ratio is approximately 110%

- Group contractual medium term funding ratio:
  - H1 2007 : 36%, H1 2008 : 45%
Cumulative net position (inflow-outflow) %

% of balance sheet

Call 1 week 1 mth 3 mth 6 mth 12 mth > 1 year

Local currency
Foreign currency

Cash positive
SCB remains a net lender to the inter-bank markets

On average, US$11bn net lent to the inter-bank markets in the last 3 months
Liquidity stress tests

Every SCB unit is required to maintain sufficient liquidity to survive a SCB Specific Stress Event without recourse to Group for further support.

Compliance is achieved through the management of cashflows 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

SCB runs Liquidity stress test on a daily basis locally in each country.

Every country needs to be cashflow positive throughout the stress period.
## Stress assumptions - outflows

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Stress period outflow assumption</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbank</td>
<td>Partial rollover</td>
<td>➢ Higher price could induce some lending to SCB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Interbank will quickly react but also restore limits soon</td>
</tr>
<tr>
<td>Custodial &amp; Vostro A/cs</td>
<td>70 - 80%</td>
<td>➢ Sole relationships will constrain fund outflows</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Largest monthly decline in custodial was 60% in major countries</td>
</tr>
<tr>
<td>Corporate Current &amp; Savings</td>
<td>25 - 35%</td>
<td>➢ Operational balances will remain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Operational balances will remain to a higher degree in comparison to Corporate Deposits</td>
</tr>
<tr>
<td>Retail Current &amp; Savings</td>
<td>10 - 20%</td>
<td></td>
</tr>
<tr>
<td>Term Deposits</td>
<td>Partial rollover Corporate -15 - 25% Retail – 40 to 60%</td>
<td>➢ Auto rollover feature ensures partial rollover of maturing depos</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Higher pricing also enables retention</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Rollovers scaled down to factor-in early uplifts</td>
</tr>
<tr>
<td>Assets</td>
<td>Assumptions</td>
<td>Rationale</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Corporate Loans / SME Loans</td>
<td>Repaid on maturity / Rollover allowed in exceptional cases</td>
<td>➢ Rollover of trade finance and operational facilities may be needed for sole / dominant banker relationships on exceptional basis</td>
</tr>
<tr>
<td>Overdrafts / Credit cards</td>
<td>No acceleration of repayment or drawdown by customer</td>
<td>➢ Acceleration of repayments would be difficult to achieve and have serious adverse reputational fallout</td>
</tr>
<tr>
<td>Other Retail loans</td>
<td>Repaid on maturity</td>
<td>➢ No change expected in customer behaviour</td>
</tr>
<tr>
<td>Swaps / Forwards</td>
<td>Contractual maturity</td>
<td>➢ No change expected in contractual flows</td>
</tr>
<tr>
<td>Undrawn Commitments</td>
<td>Scheduled drawings</td>
<td>➢ No change expected in customer behaviour</td>
</tr>
<tr>
<td>Contingencies</td>
<td>No outflow</td>
<td>➢ No change expected in contingent items</td>
</tr>
</tbody>
</table>
Strong liquidity

- A well defined framework
- Customer deposits exceed customer assets
- Net lender to the inter-bank market
- Robust stress testing
Key messages

- Low exposure to risky asset classes and segments

- Portfolio quality indicators remain stable and good by historical standards

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

- Robust risk governance and strong risk organisation
Risk principles

- Risk management is a shared responsibility
- The risk function: upholding the integrity of risk – return decisions
Key messages

- Low exposure to risky asset classes and segments

- Portfolio quality indicators remain stable and good by historical standards

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

- Robust risk governance and strong risk organisation
Strength through Diversification

- 28% of Group’s loan portfolio in retail mortgages – strongly collateralised
- Less than 25% of Consumer Banking portfolio is unsecured
- No mass market retail business in USA, UK or Europe
- Wholesale Banking has low exposure to:
  - Securitised assets
  - Leveraged loans
  - Commercial real estate
  - Hedge funds
- Market risk tightly managed with minimal exposure to level three assets
Income and assets well diversified

Income H1 08: US$ 7bn

SCB income is well diversified...

Loan portfolio H1 08: US$ 177bn

...as is the loan portfolio
Key messages

- Low exposure to risky asset classes and segments
- Portfolio quality indicators remain stable and good by historical standards
- Anticipation, vigilance and discipline enabling us to manage well in challenging risk environment
- Robust risk governance and strong risk organisation
Delinquency trends for top CB countries stable to improving in 2008

Material product portfolios showing no signs of stress
More than 60% of the Consumer Banking portfolio in mortgages

Spread across a number of countries

Mortgage portfolio well collateralised

More than 94% of mortgages in Hong Kong and South Korea have Loan to Value (LTV) ratio below 70%

<table>
<thead>
<tr>
<th>Geography</th>
<th>Korea</th>
<th>Hong Kong</th>
<th>Taiwan</th>
<th>Singapore</th>
<th>India</th>
<th>China</th>
<th>Malaysia</th>
<th>Other</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>
<td>N.A.</td>
</tr>
<tr>
<td>SCB policy LTV cap(^1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>Average LTV</td>
<td>46%</td>
<td>49%</td>
<td>58%</td>
<td>48%</td>
<td>63%</td>
<td>40%</td>
<td>49%</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

\(^1\) Global Policy, higher LTV offered on exception basis; subject to regulatory cap.
\(^2\) Hong Kong portfolio with LTV > 70% are insured
Wholesale Banking – leading portfolio quality indicators

Problem accounts (GSAM) vs. WB total nominal exposure

- % Problem credit net nominal exposure
- WB nominal exposure

Early alert nominal exposure vs. WB total nominal exposure

- % Corporate EAR nominal to WB nominal

8 years

WB Nominal in US$bn

% Problem Credit Net Nominal to WB Nominal
Credit risk exposure concentrated with good quality clients

Counterparty credit quality migration in the portfolio is being actively monitored and managed
Managing exposure to banks

- Counterparties individually credit graded – over 85% investment grade
- Each bank counterparty classified into 3 risk categories to reflect:
  - Level of government support
  - Liquidity position
  - Capital position
- Exposure managed in relation to risk categorisation and credit grade
- Significantly increased monitoring
- Some losses relating to specific US financial institutions - not material to the Group
## Asset Backed Securities

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Carry value (US$ m)</th>
<th>Dec-07</th>
<th>Jun-08</th>
<th>Sep-08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RMBS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Alt-A</td>
<td></td>
<td>88</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>US Prime</td>
<td></td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>UK Other</td>
<td></td>
<td>1,798</td>
<td>1,499</td>
<td></td>
</tr>
<tr>
<td><strong>CDOs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDO of ABS</td>
<td></td>
<td>126</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Other CDOs</td>
<td></td>
<td>392</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td><strong>CMBS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US CMBS</td>
<td></td>
<td>154</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>Other CMBS</td>
<td></td>
<td>939</td>
<td>796</td>
<td></td>
</tr>
<tr>
<td><strong>Other ABS</strong></td>
<td></td>
<td>2,015</td>
<td>2,059</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>5,514</td>
<td>4,961</td>
<td>4,044</td>
</tr>
</tbody>
</table>

- **ABS portfolio currently approximately 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**
Country Risk concentrations

Cross-border asset exposure is well diversified and reflects SCB core markets

Cross-border country risk exposures
(representing 1% or more of total assets)

<table>
<thead>
<tr>
<th>Country</th>
<th>US$m</th>
<th>% of Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>20,000</td>
<td>4.44%</td>
</tr>
<tr>
<td>India</td>
<td>15,000</td>
<td>3.78%</td>
</tr>
<tr>
<td>Singapore</td>
<td>10,000</td>
<td>3.55%</td>
</tr>
<tr>
<td>Korea, South</td>
<td>5,000</td>
<td>3.21%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td>2.95%</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td></td>
<td>2.56%</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td>1.15%</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td>1.1%</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td>1.05%</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td>1.05%</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>1.05%</td>
</tr>
</tbody>
</table>

* numbers above bars represent cross-border asset exposure as a percentage of total assets
Market risk is tightly managed

- Absolute size of market risk low compared to peers
- Relative size of market risk in line with other conservative peers
- SCB VaR increased in 2008 - primarily due to increased market volatility
- Minimal levels of proprietary trading within Financial Markets
- Level 3 assets to equity ratio low
Key messages

- Low exposure to risky asset classes and segments
- Portfolio quality indicators remain stable and good by historical standards
- Anticipation, vigilance and discipline enabling us to manage well in challenging risk environment
- Robust risk governance and strong risk organisation
Anticipation and vigilance

- Increased focus on inter-relationship between risks
- Tightened underwriting policies and standards
- Review of early alert process to ensure that it remained robust
- Enhanced approach to management of Financial Institution counterparty exposures
- Enhanced monitoring and control of distribution pipeline
- Increased frequency of stress testing with more severe scenarios
- Disciplinary framework re-emphasised
Anticipation - Stress testing framework

- Country Stress Tests
- Group-wide Scenario Selection
- Aggregated Analysis
- Stress Tests and Impact Studies

Management Action

Risk Type Owners

Business Management

Country Management

Stress Testing Forum

Group Risk Committee

80
Recent stress tests

- Debt securities
- Property exposures
- De-pegging of currencies
- Oil price shocks (high and low)
- Banks and financial institutions
- Transportation sector
- Small exporters
Key messages

- Low exposure to risky asset classes and segments

- Portfolio quality indicators remain stable and good by historical standards

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

- Robust risk governance and strong risk organisation
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

Richard Goulding
Group Chief Risk Officer
(GMC member)

Singapore

- Group Chief Credit Officer
  - London

- Group Head, Market Risk
  - London

- Chief Operating Officer
  - London

- Deputy Group Chief Risk Officer
  - Hong Kong

- Chief Risk Officer, Wholesale Banking
  - Singapore

- Chief Risk Officer, Consumer Banking
  - Singapore

- Group Head Special Assets Management
  - Hong Kong

- Deputy Group Chief Credit Officer
  - London

- Head, Portfolio Risk
  - Singapore

- Chief Risk Officer, Private Banking
  - Singapore

- Chief Risk Officer, China
  - China
Strengthened capabilities – AIRB approval

- SCB approved by the FSA to use Advanced IRB and CAD II models
- AIRB approvals obtained from other regulators wherever sought
- Significant investments in analytical resources, models and data…
- …leading to 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>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced - IRB</td>
<td>Advanced - IRB</td>
<td>Internal Models (CAD II)</td>
<td></td>
<td>Basic Indicator Approach</td>
</tr>
<tr>
<td>Foundation - IRB</td>
<td>Standardised</td>
<td>Standardised</td>
<td>Standardised</td>
<td>The Standardised Approach</td>
</tr>
</tbody>
</table>

Note: IRB is Internal Ratings Based

SCB’s approaches shaded in green
Summary

- Low exposure to risky asset classes and segments
- Portfolio quality indicators remain stable and good by historical standards
- Anticipation, vigilance and discipline enabling us to manage well in challenging risk environment
- Robust risk governance and strong risk organisation