

Risk

Richard Goulding

Group Chief Risk Officer

Leading the way
in Asia, Africa and the Middle East



Forward looking statements

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Investor trip 2010 agenda - Day 4

09:30 – 10:00	Group opening and introduction to the management team	Richard Meddings
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10:00 – 11:00	Group Risk	Richard Goulding
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11:00 – 12:00	Capital & Liquidity	Pam Walkden
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12:00 – 13:30	Lunch with the SCB management team	
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13:30 – 14:30	Technology & Operations	Jan Verplancke
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14:30 – 15:30	People	Tracy Clarke
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15:30 – 15:45	Tea & coffee break	
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15:45 – 17:00	Group perspectives, trip wrap up & Group Q&A	Richard Meddings
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17:00	Trip concludes	
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19:30 – 23:00	Dinner at Masala Kraft, The Taj Mahal hotel	Attendees with late departures
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Current headlines

BoE Governor calls
for tougher banking
regulations

Currency wars
threaten global
economic recovery

International
economy:
A display of disunity

Runaway commodity
prices reach highs

Global Trade Wars: China turns up the heat

India hikes
interest rates to
check inflation

Rising
wages
changing
the game
in China

World oil prices rise on
weakening dollar

Middle East
economies
growing again

Capital inflows destabilising
emerging market currencies
and inflating asset prices

Will QE2 accelerate
US economic growth ?

IMF says sovereign risk a threat to recovery

- Operating from a sound position
 - Diversified portfolio across countries and products
 - Portfolio quality indicators stable, loan impairment charges in both businesses continue to improve
 - Well positioned for growth in our markets
- Supporting growth opportunities within Group risk appetite
 - Wholesale Banking - retaining portfolio quality and diversity while deepening client relationships
 - Consumer Banking - selectively growing unsecured lending
- Disciplined approach to managing risks
 - Strong risk management culture, mature risk governance structure
 - Ongoing vigilance with risk appetite & stress testing

Operating from a position of stability

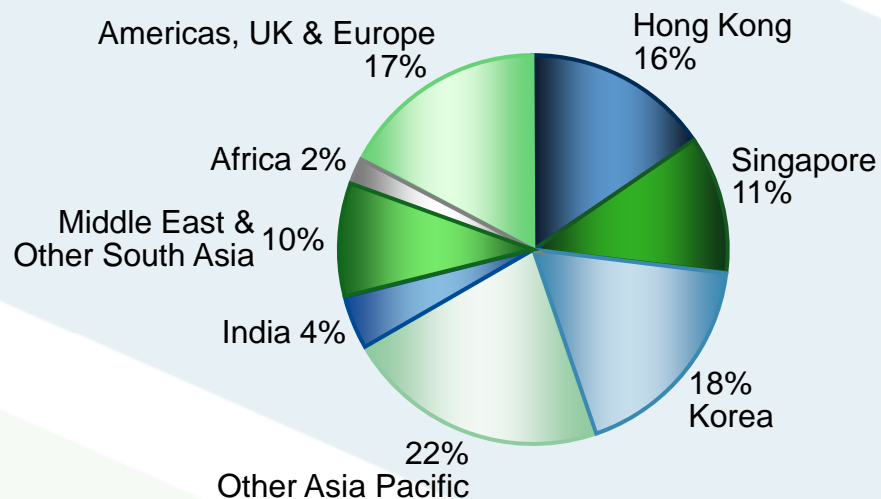
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■ Diversified risk exposure

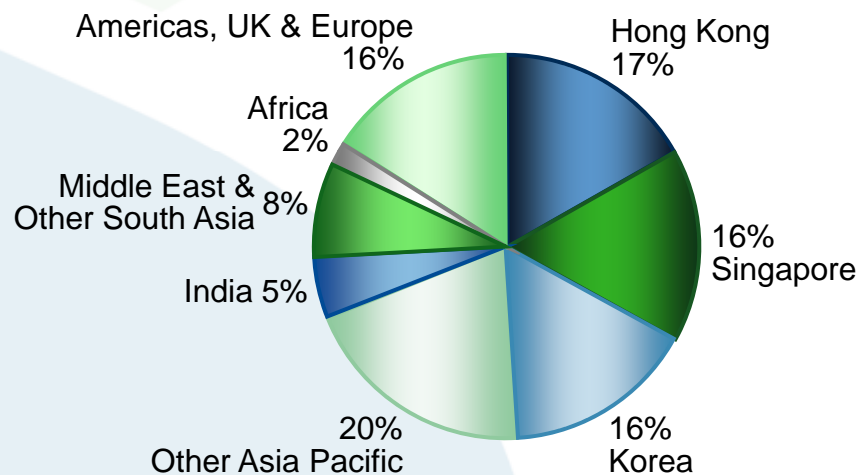
- Growth in loans and advances evenly distributed across geographies
- No single country with more than 20% of loans and advances to customers
- Major footprint countries in Asia constitute 54% of portfolio

Loans & advances - December 2008



Total: US\$179bn

Loans & advances - June 2010



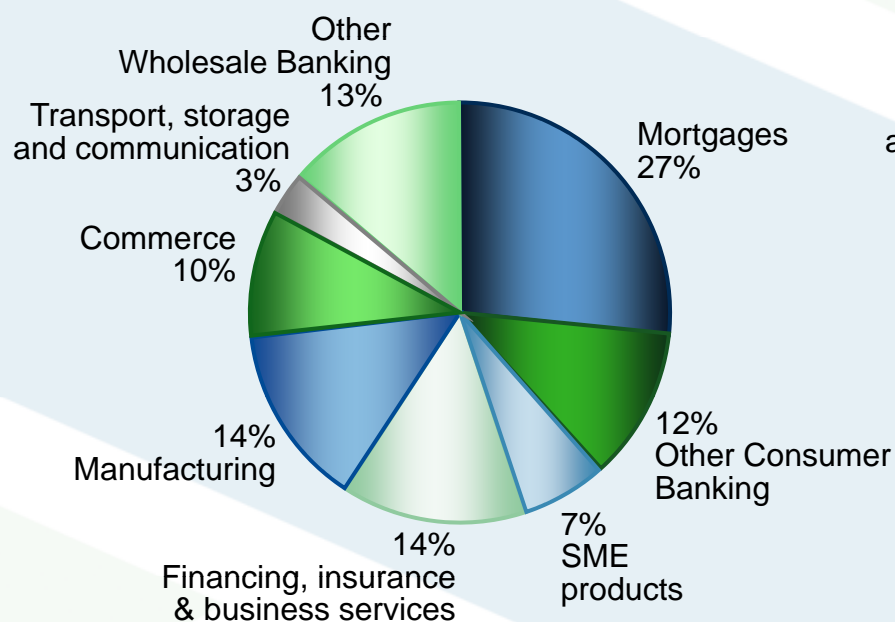
Total: US\$220bn

Source: SCB data

Group portfolio

- Risk exposure diversified across WB industry groups and CB products
- Low exposure to asset classes outside our core markets / clients

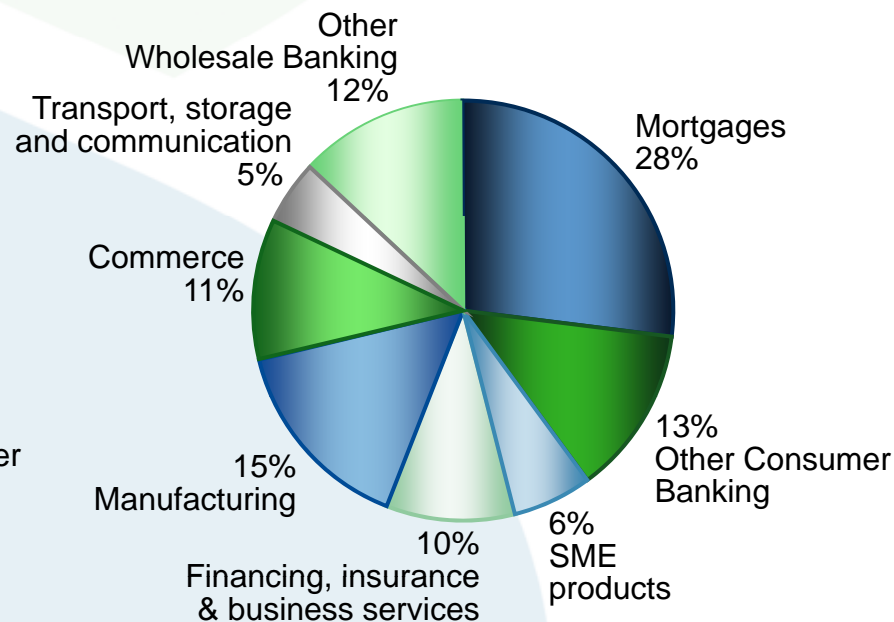
Loans & advances - December 2008



Total: US\$179bn

Source: SCB data

Loans & advances - June 2010



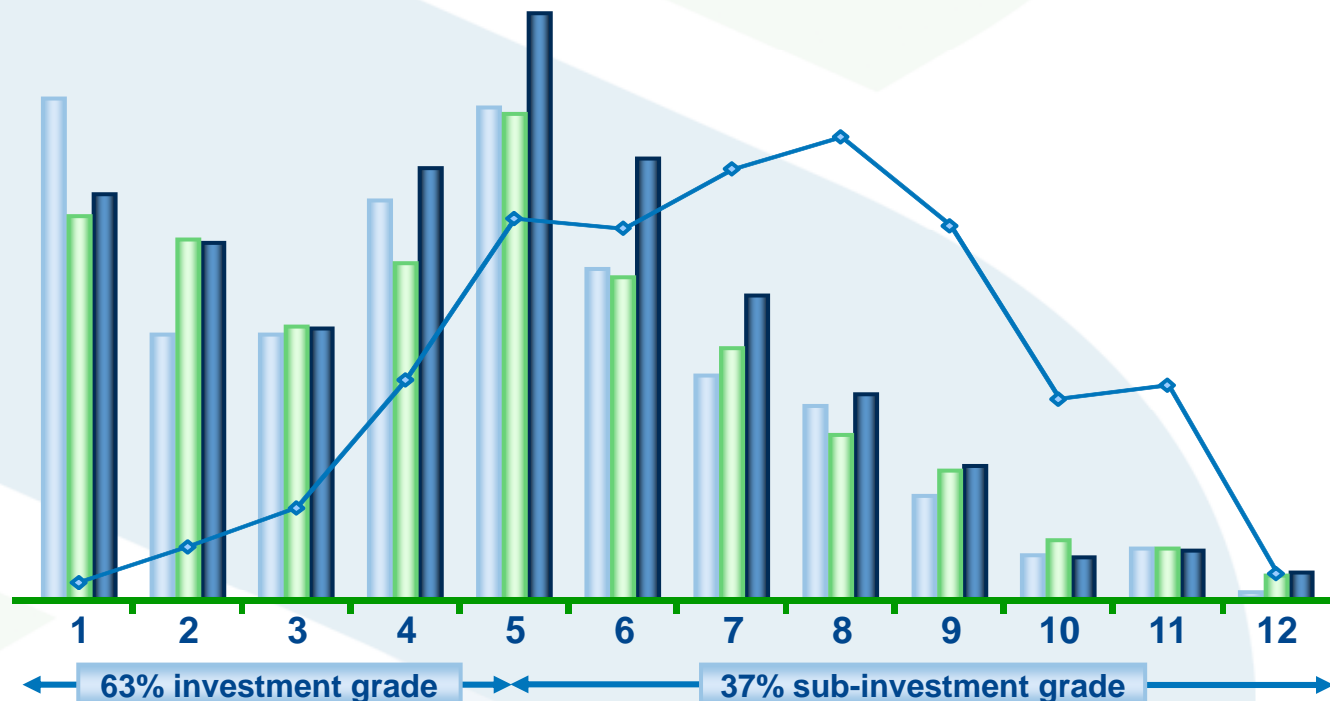
Total: US\$220bn

WB portfolio quality

- Majority of exposures continue to be with investment grade counterparties
- Certain degree of negative migration during the financial crisis

LGD distribution trend

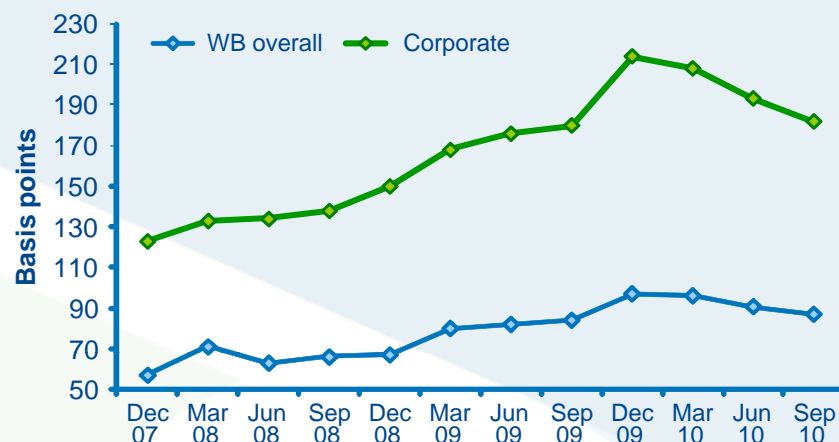
■ Dec 2008 LGD ■ Dec 2009 LGD ■ Sep 2010 LGD ◆ Sep 2010 number of customers



Source: SCB data

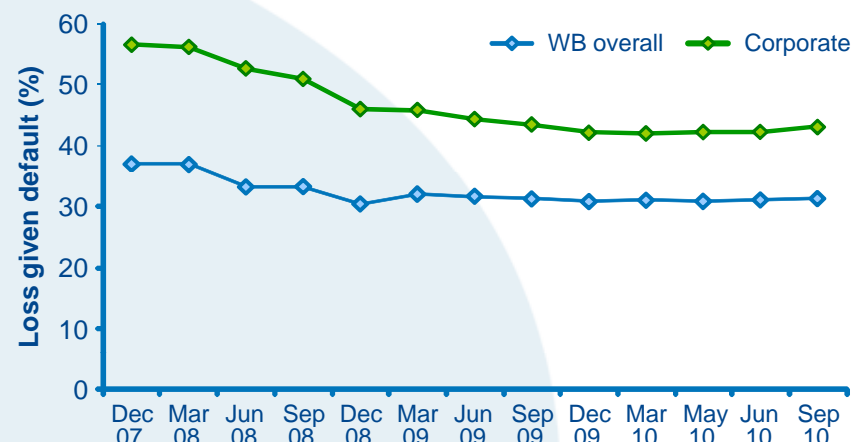
- Overall credit quality improved in 2010, driven by improvements in the corporate book
- Management actions implemented at inception of financial crisis were effective in:
 - Maintaining a conservative risk appetite for new exposures
 - Reducing LGD by increasing collateral coverage

Weighted average probability of default



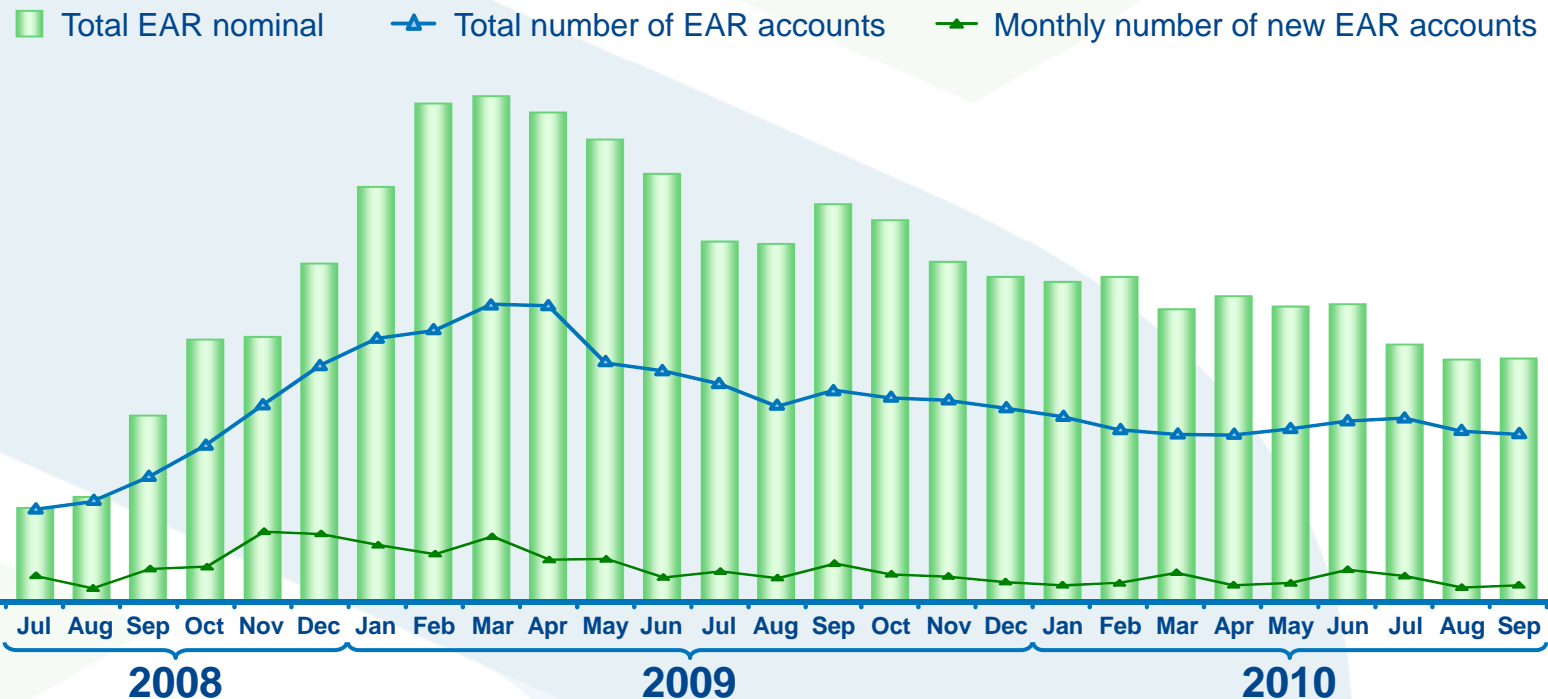
Source: SCB data

Loss Given Default



- Early alerts in 2010 remained at a lower level compared to 2009
- No particular concentration in any geography or industry

Early alert trend

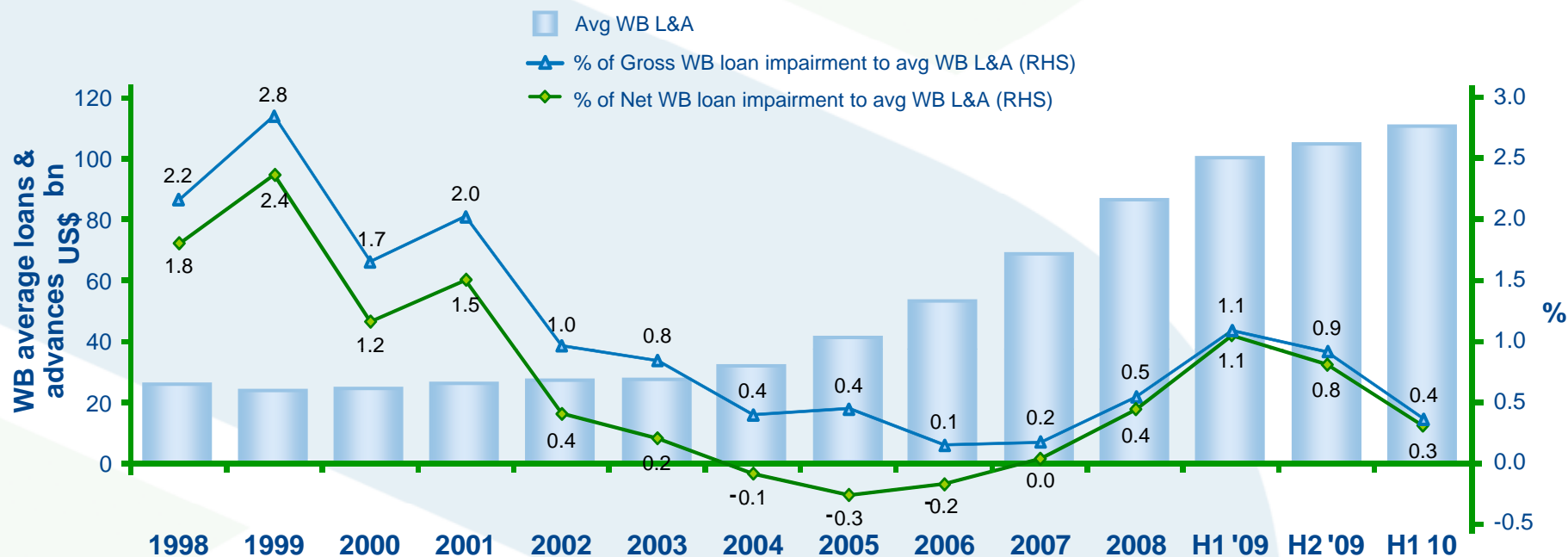


Source: SCB data

WB loan impairment

- Overall loan impairment well below peak in 1999, reflecting:
 - Anticipation and firm management action, and
 - Governments' responses to economic conditions

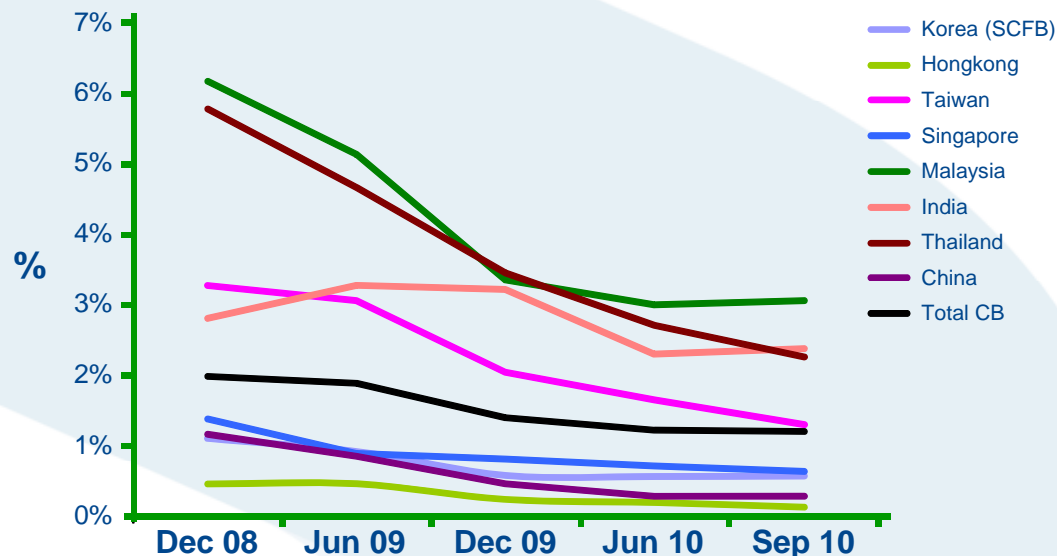
Loan impairment trend



Source: SCB data

- Delinquencies continue to show a stable or improving trend across major footprint countries
- Largest markets show lowest delinquency rates reflecting
 - Higher proportion of exposure to secured products, and
 - Effective utilisation of credit bureau information

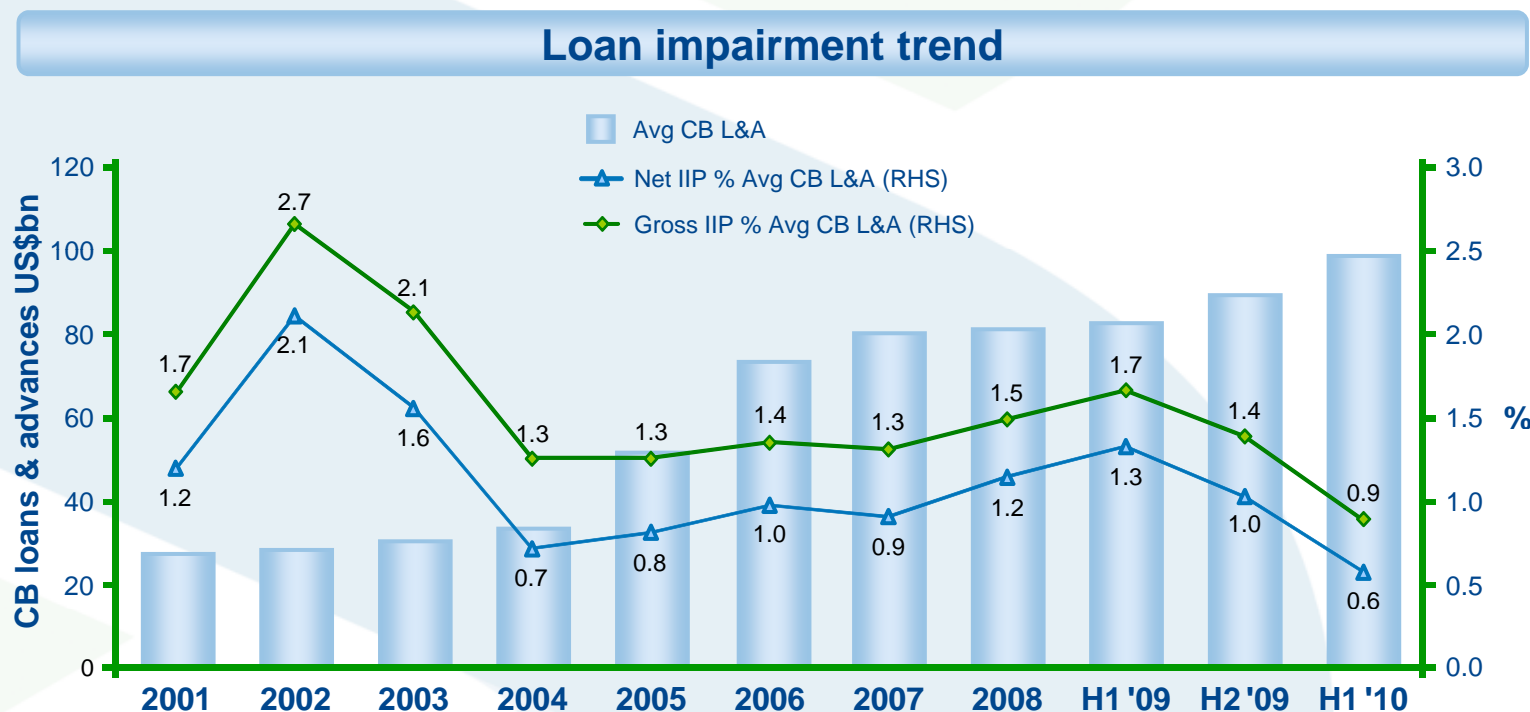
Top CB countries: 30+ days past due delinquency trend



Source: SCB data

CB loan impairment

- Downward trend in loan impairments in H1 '10, after peaking in Q2 '09 as a result of:
 - Decisive intervention by regulators in our markets
 - Improving macro-economic conditions
 - Combined with our disciplined approach to risk management



Source: SCB data

Supporting growth opportunities within risk appetite

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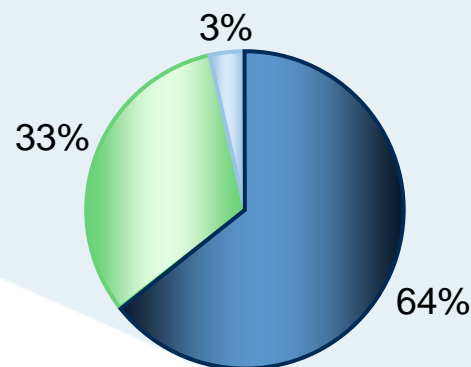


WB Risk exposure growth

- Re-alignment of exposure within client segments
- Increased focus on exposure to better rated counterparties and collateralised transactions

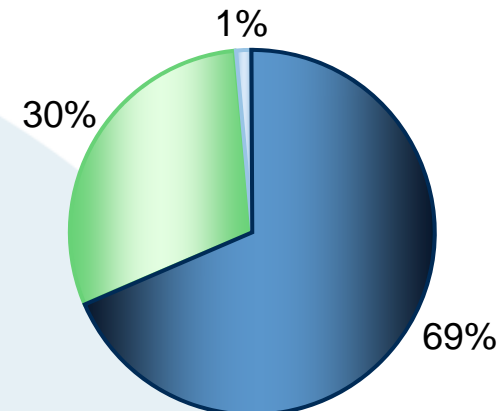
Loans and advances

Dec 2008



Total: US\$146bn

Jun 2010

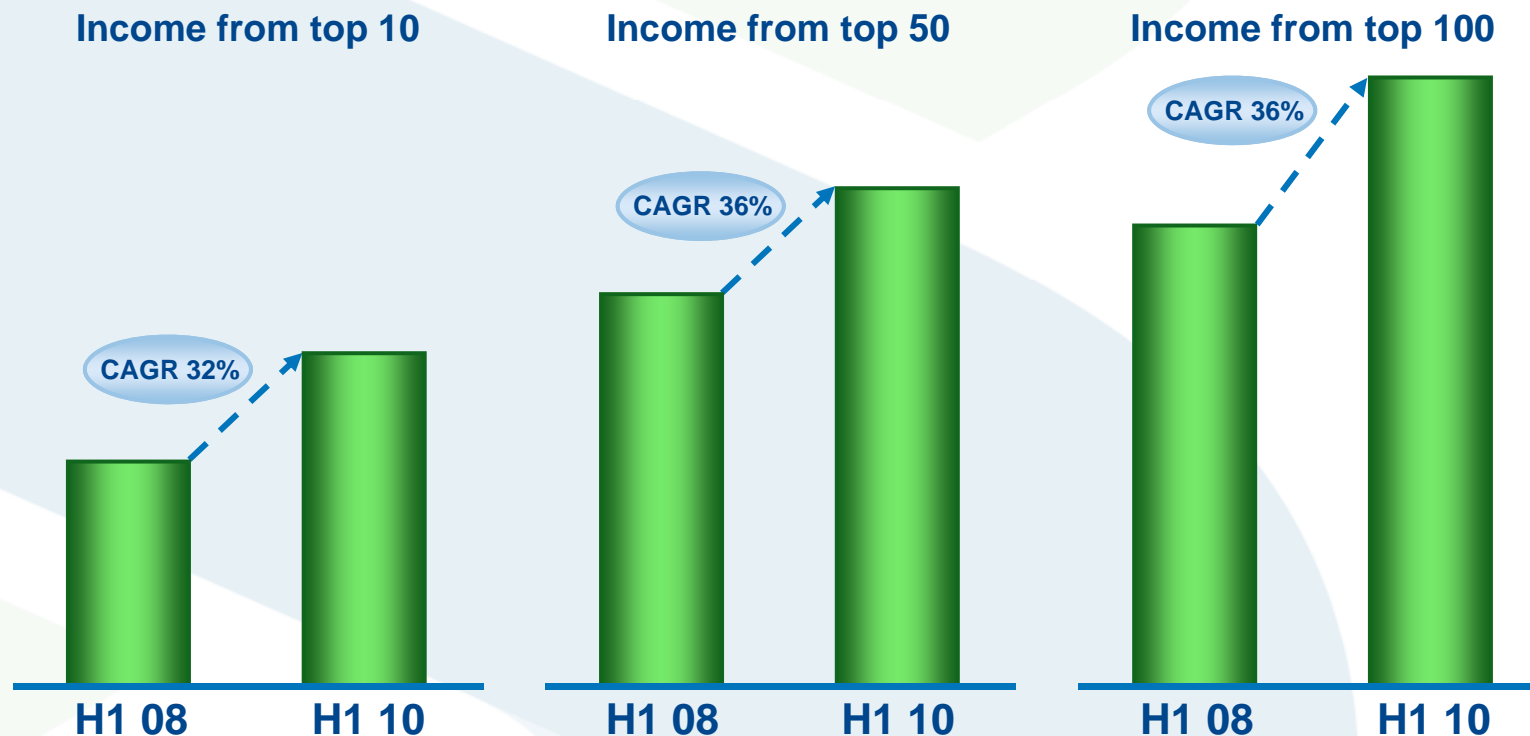


Total: US\$168bn

■ Corporates
■ Banks
■ Governments

Managing large WB client relationships

- Corporate large exposures continue to be low relative to overall WB
- Concentration levels are regulated by
 - Credit reference levels, portfolio standards, distribution



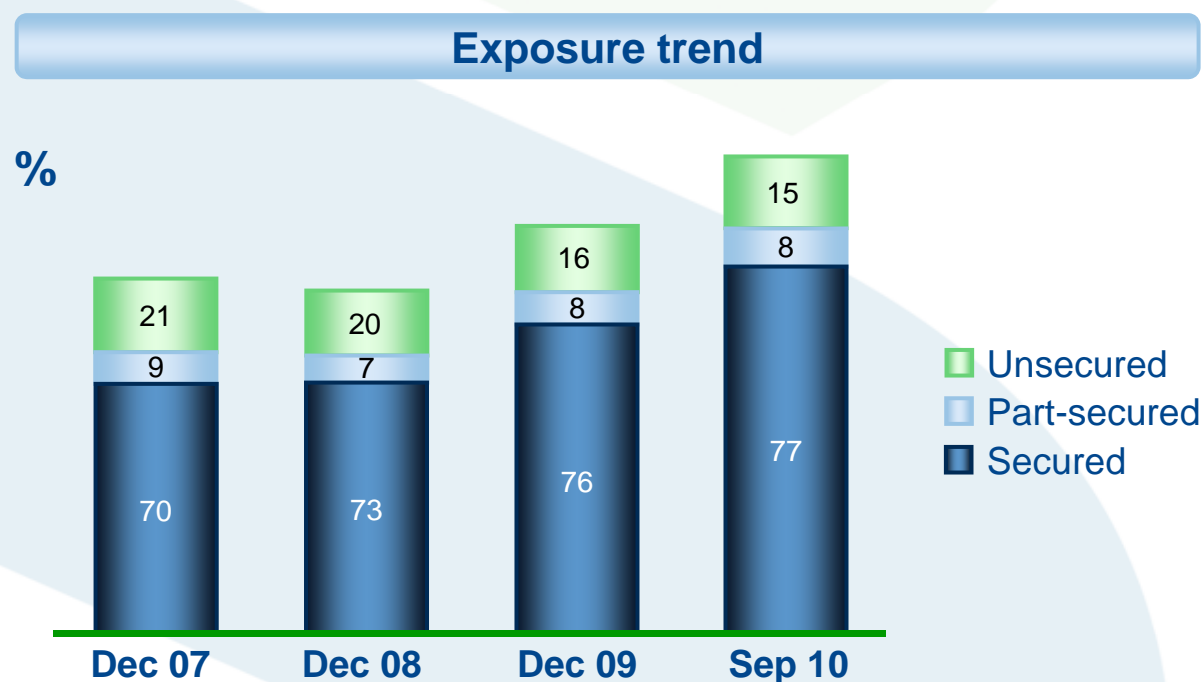
Source: SCB data Note: Not to scale

Supporting WB growth opportunities

- Increasing risk appetite in chosen markets and business segments
 - India
 - China
 - Local Corporates
- Supporting business growth opportunities through
 - Resetting industry portfolio limits to increase diversification
 - Risk mitigation through collateralisation and distribution
 - Portfolio growth planning techniques (risk appetite, portfolio standards)
- Leveraging our strengths
 - Know our markets well
 - Know our clients well
 - Careful in structuring transactions

CB portfolio product mix

- 85% of exposure in secured and partially secured products where loss rates are lower
- Mortgage portfolio well collateralised with average LTV of around 50%



Source: SCB data

- Continue focus on asset growth
 - Within risk appetite and disciplined portfolio management
 - Deepening relationships with existing customers
- Re-balance CB portfolio to capture market opportunities
 - Grow unsecured book within select geographies (after a period of focused growth in secured products)
 - Utilising credit bureau information
- Using improved risk management tools

Country	Credit Bureau
Hong Kong	✓
India	✓
Indonesia	✓
Korea	✓
Malaysia	✓
Singapore	✓
Taiwan	✓
Thailand	✓
UAE	X

Market Risk

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- Group VaR decreased since Dec '09, driven by reduction in volatility

VaR trend, Jan 2009 to 14 Oct 2010

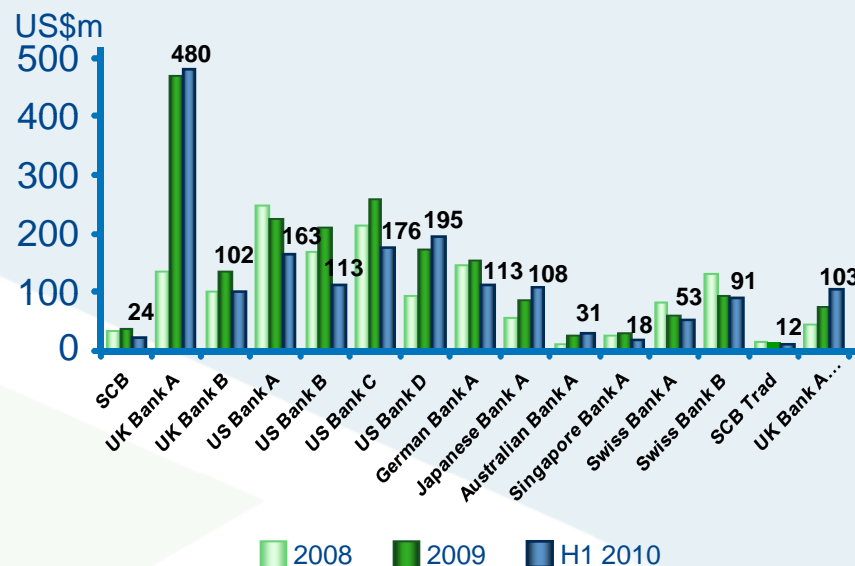


Source: SCB data

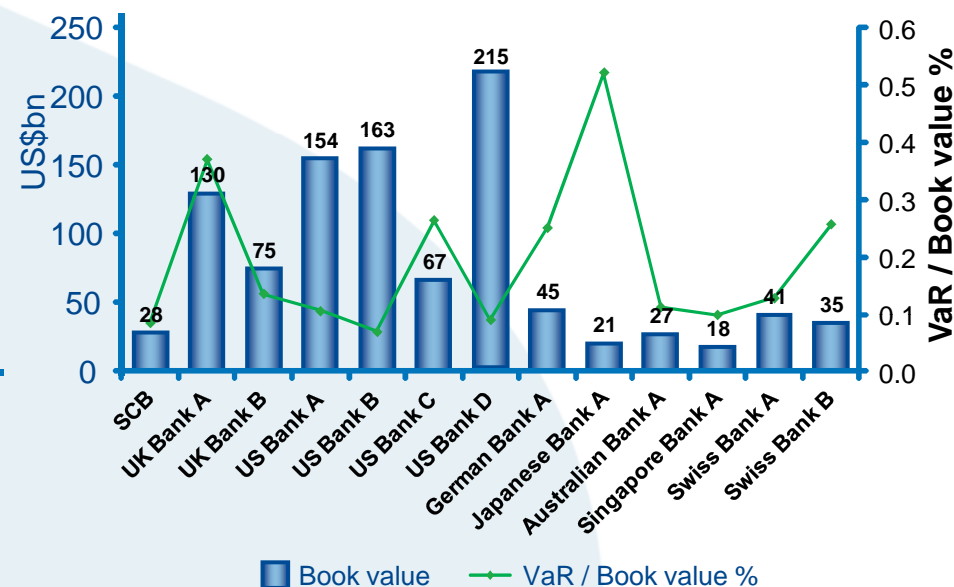
Market risk

- Absolute size of market risk low compared to peers; consistently low average VaR over the past 3 years
- Relative size of market risk in line with other conservative peers

Average VaR (97.5%/ 1 day)



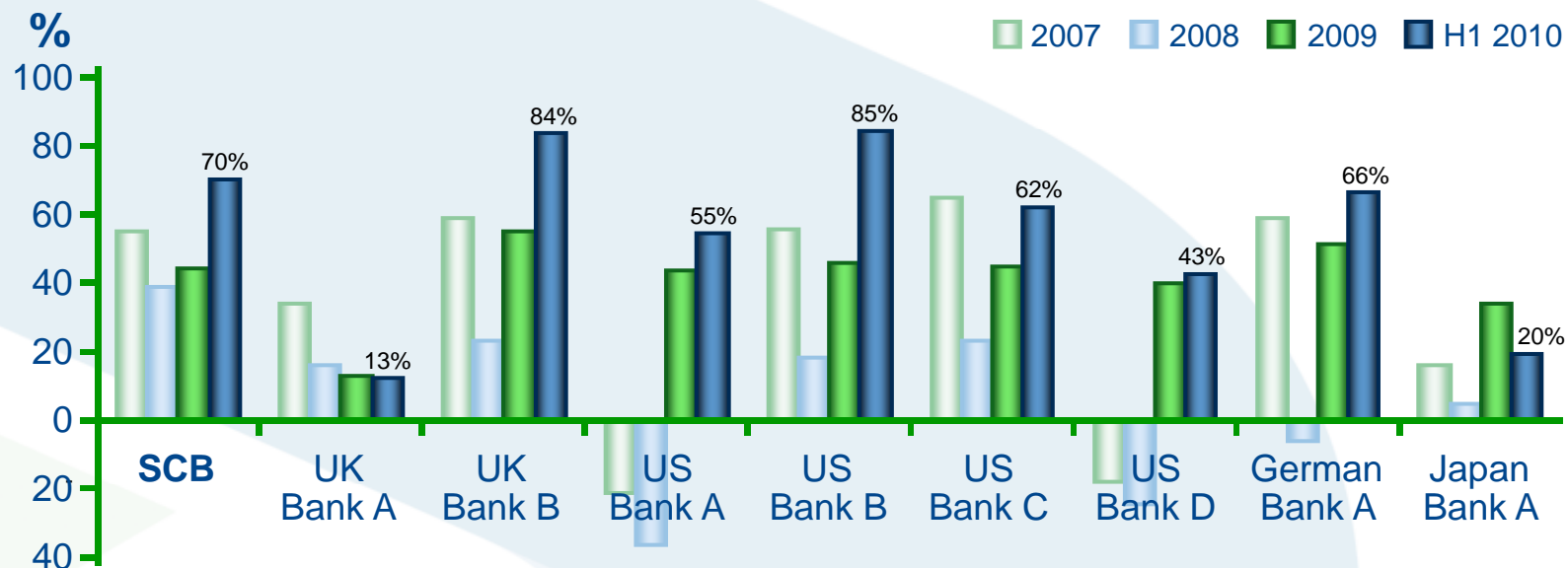
Market Risk vs Book Value



Source: SCB data

- No dedicated proprietary trading teams; majority of own account revenue derived from market making activities
- Daily trading revenues / average VaR most consistent over past 4 years

Daily trading revenues / average VaR



Source: SCB data and selected other banks' reports

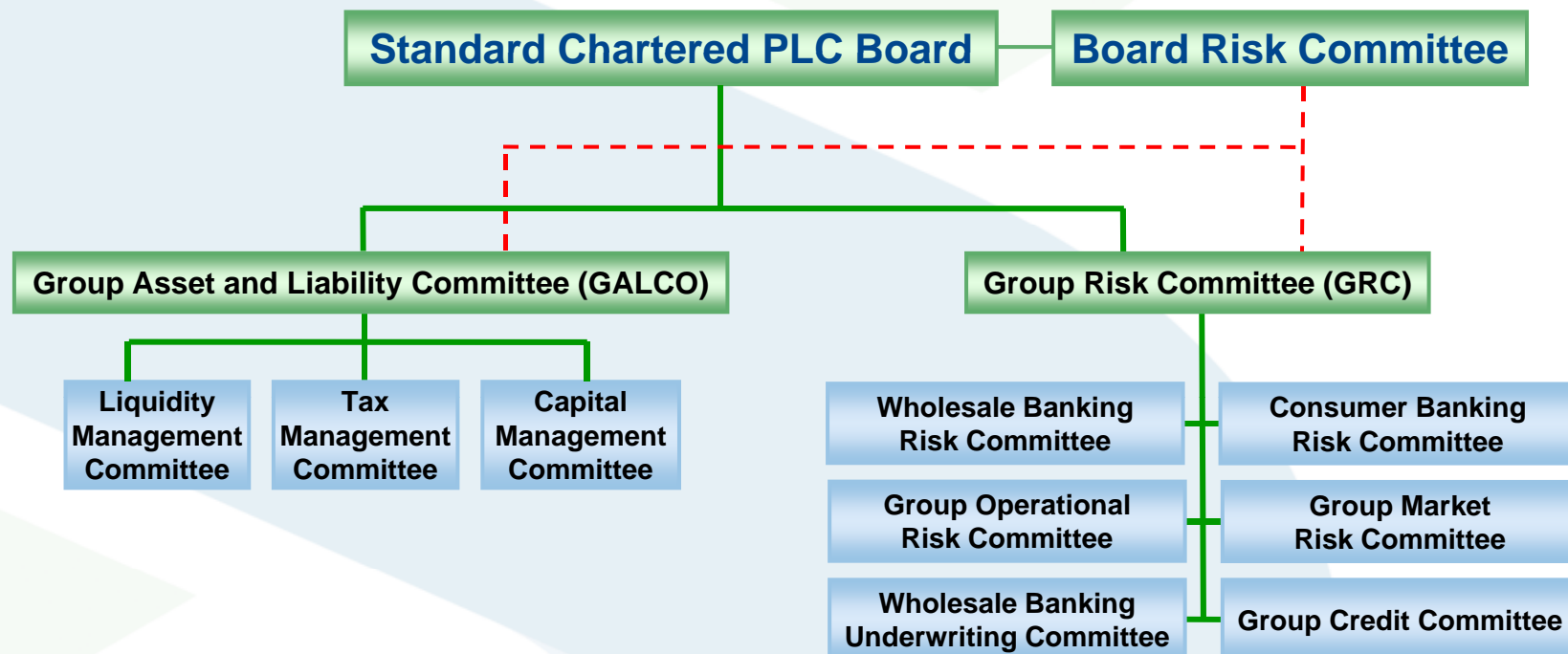
Disciplined approach to managing risks

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- Group's risk management principles overlay all risk policy and decision making:
 - Balancing risk and return
 - Responsibility
 - Accountability
 - Anticipation
 - Competitive advantage

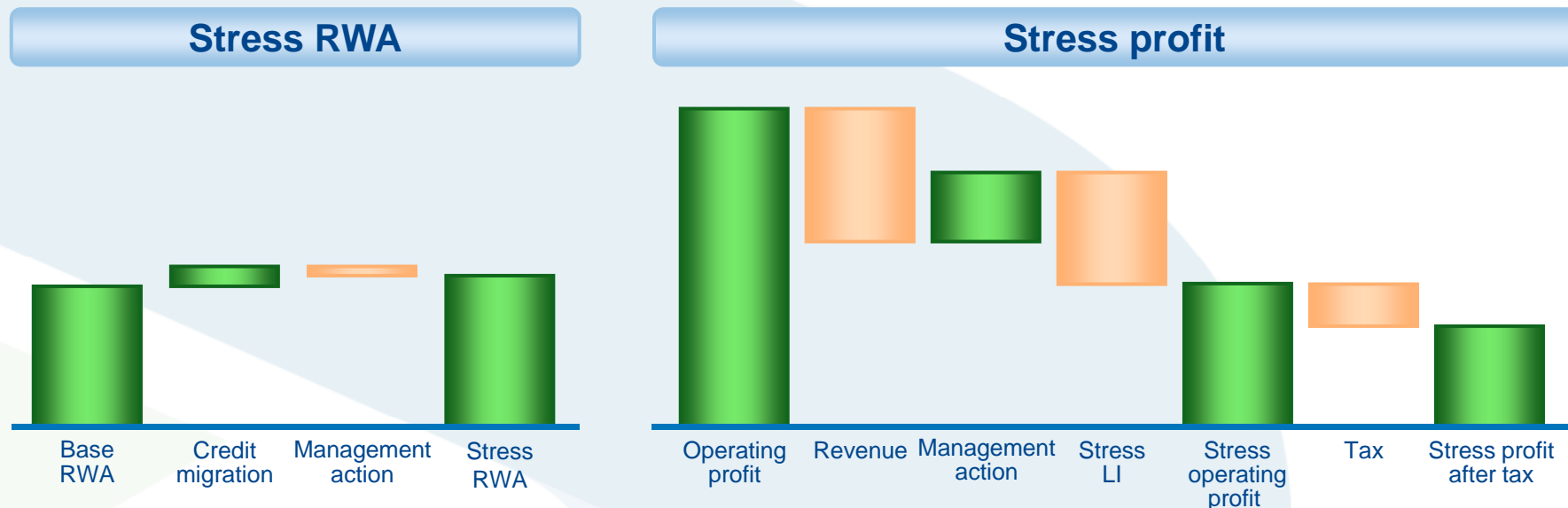
- Board Audit and Risk Committee split into 'Board Risk Committee' and 'Board Audit Committee' to strengthen governance and risk oversight
- Country Chief Risk Officers and country level risk committees provide in-country governance of all risk types



- Risk appetite is an expression of risk that SCB is willing to take in pursuit of our strategic objectives,
 - Reflecting our capacity to sustain losses, and
 - Continue to meet our obligations arising from range of different stress trading conditions

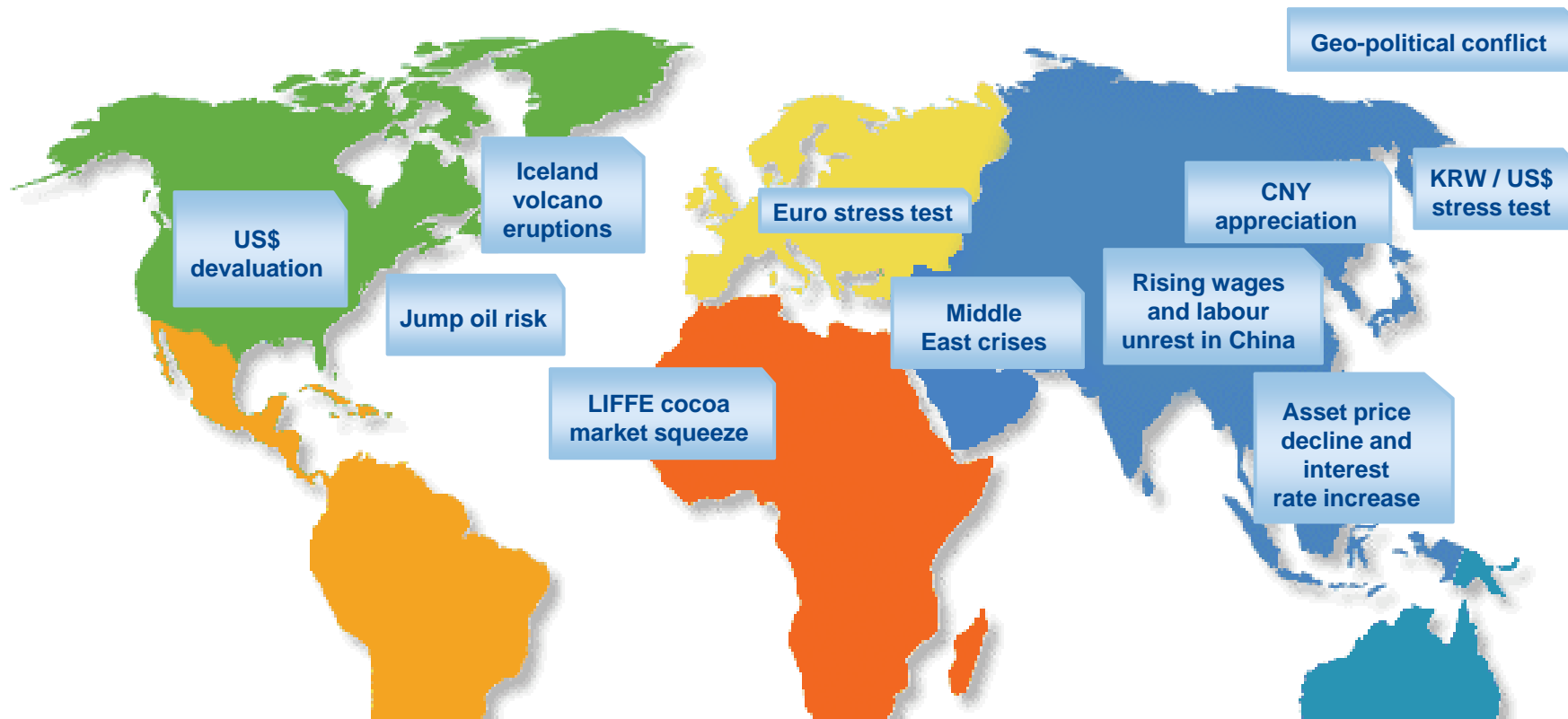


- Monitoring risk appetite through 'continuous stress analysis'
 - Quarterly review (financials), full review (ICAAP, strategy board), specific one-off reviews
 - Monitor risk appetite for volatility of earnings and capital ratios
 - Stress losses and stress RWA (impact on profitability, capital ratios)
 - Assess portfolio mix for capital demand
 - Bottom up, top down



- Coverage
 - All risk types
 - Group, country, business, portfolio specific
 - Macro-economic scenarios, specific event types
 - Impact on profitability, liquidity, business plans, operations
- Oversight
 - Governance through Board
 - Stress Testing Committee
- Stress testing scenario selection
 - Macro-economic
 - Geo-political
 - Physical
 - 'Deep dive'

Stress tests



- Operating from a sound position
- Supporting growth opportunities within Group risk appetite
- Disciplined approach to managing risks

Q & A

Capital and Liquidity

Pam Walkden

Group Treasurer

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We have never forgotten the basics

Basics of banking

Capital

Liquidity /
funding

Risk mgmt

Costs

Basics of banking

Risk Mgmt

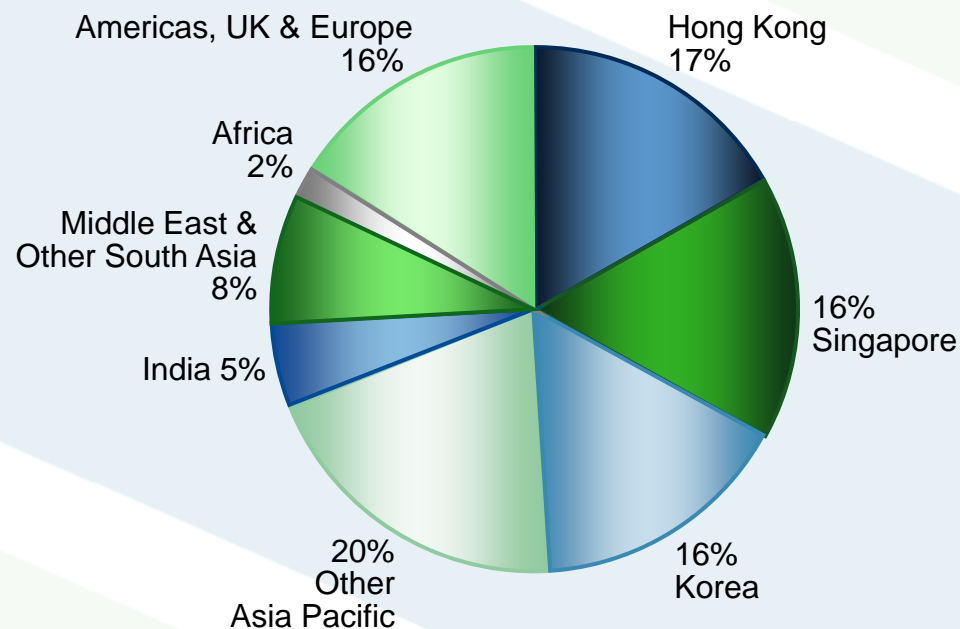
- Conservative & diverse balance sheet
- CB portfolio is highly secured
- WB portfolio has a short contractual maturity
- Minimal exposure to problem asset classes

Costs

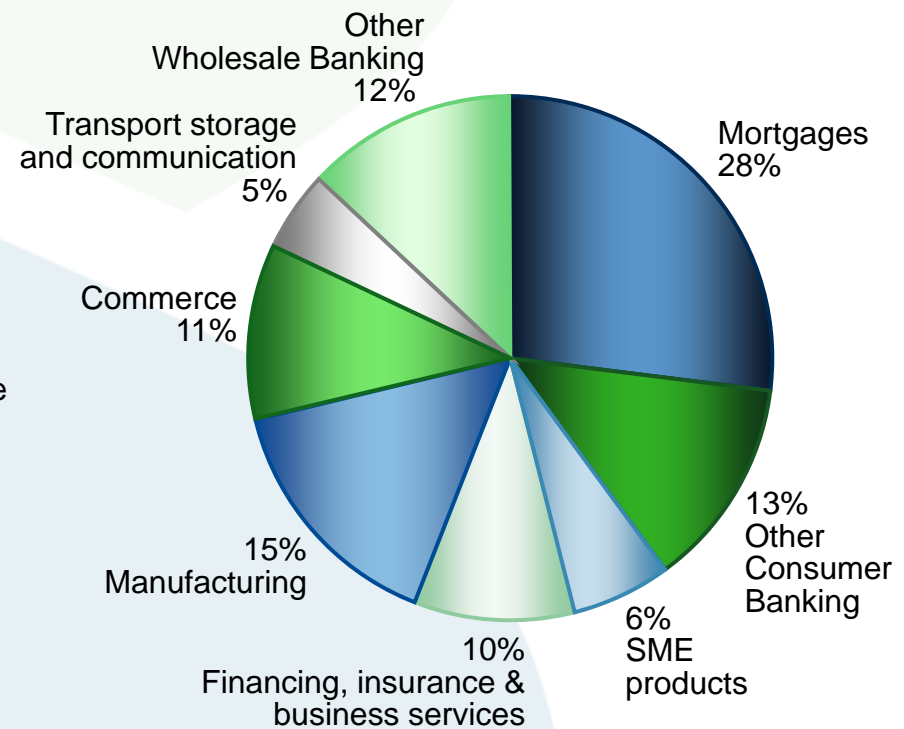
- Disciplined cost control in both businesses

A well diversified balance sheet

Loans & advances by Geography *
US\$220bn



Loans & advances by Industry groups and products *
US\$220bn

































* As of 30 June 2010

Basics of banking

Capital

- Well capitalised at a Core Tier 1, Tier 1 and Total Capital level
- Consistent equity generation throughout the crisis
- Basel III impact expected to be c100 bps

Fitch upgrade post the rights

	Jun-08	Oct-10			
	Fitch/Moody's/S&P	Fitch	Moody's	S&P	
Standard Chartered Bank	A+/A2/A+	AA- 	A2	A+	
Bank of America, NA	AA/Aa2/AA-	A+ 	A2 	A	
Barclays Bank Plc	AA/Aa1/AA	AA	Aa3 	AA-	
Goldman Sachs	AA-/Aa3/AA-	A+ 	A1 	A	
Citigroup	AA-/Aa3/AA-	A+ 	A3 	A	
Deutsche Bank AG	AA-/Aa1/AA	AA-	Aa3 	A+	
HSBC Bank Plc	AA/Aa1/AA	AA	Aa2 	AA	
JP Morgan Chase Bank	AA-/Aa2/AA-	AA-	Aa3 	A+	
Lloyds TSB Bank	AA+/Aaa/AA	AA- 	A1 	A	
Royal Bank of Scotland Plc	AA-/Aa2/AA-	AA-	Aa3 	A+	
UBS AG	AA-/Aa1/AA-	A+ 	Aa3 	A+	
Rating Upgrades/ Downgrades:  +1  -1  -2  -3  -4					

Not only is Standard Chartered the sole major international bank not to have been downgraded over the course of the global financial crisis, it further distinguishes itself as the only bank to have been upgraded by any of the rating agencies

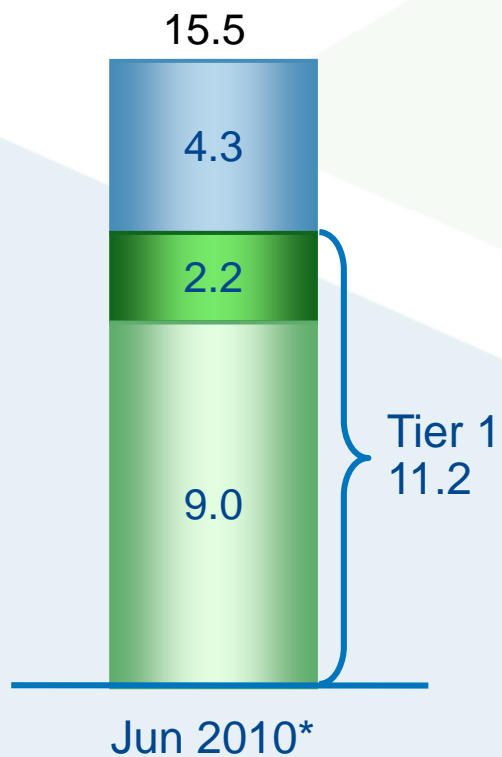
CDS reaction to the rights

	STAN	HSBC	BARC	LLOYDS	RBS
12th Oct 2010	83	66	109	151	149
1st Nov 2010	76	66	107	152	151
% change	8%	0%	1%	0%	-1%

Source: Bloomberg 5yr senior CDS

Capital impact of the rights

%



Core Tier 1



Tier 2

* Basel II basis

How did we get to a 100 basis point impact on Core Tier 1?

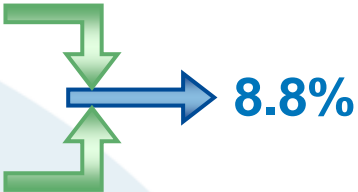
- Gross of any management actions
- 50 basis points relates to Core Tier 1 deductions
- 50 basis points relates to RWA add-ons including a degree of extra conservatism



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Equity generation

US\$bn	2008 & 2009 inclusive	
Increase in Core Tier 1	6.9	
External equity raising		
2008 Rights issue	(2.7)	
2009 Equity placing	(1.7)	
Internal equity generation	2.5	
Incremental Basel II RWA growth during the period	28.4	

Internal equity generation has supported a CT1 ratio of c9% on incremental RWA since the introduction of Basel II



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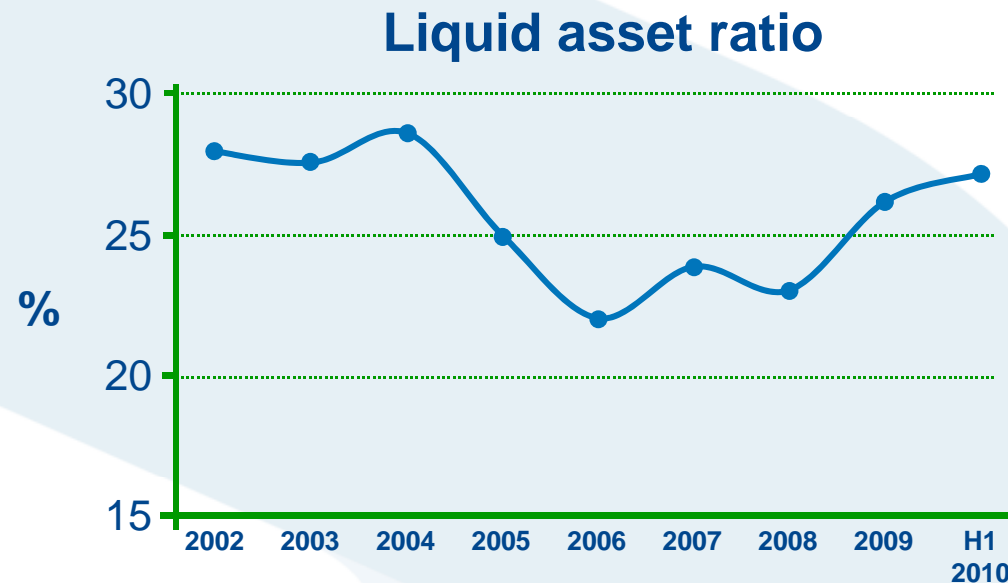
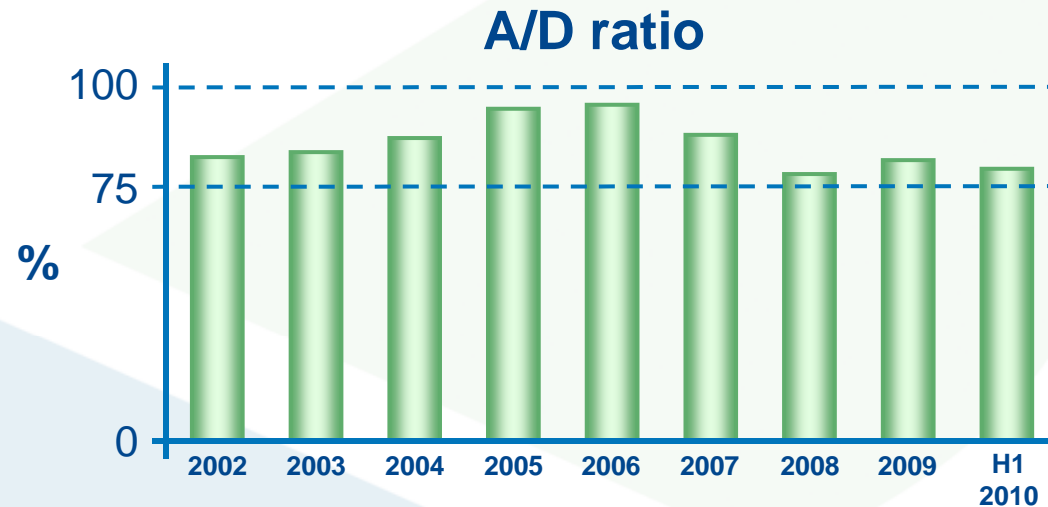


Basics of banking

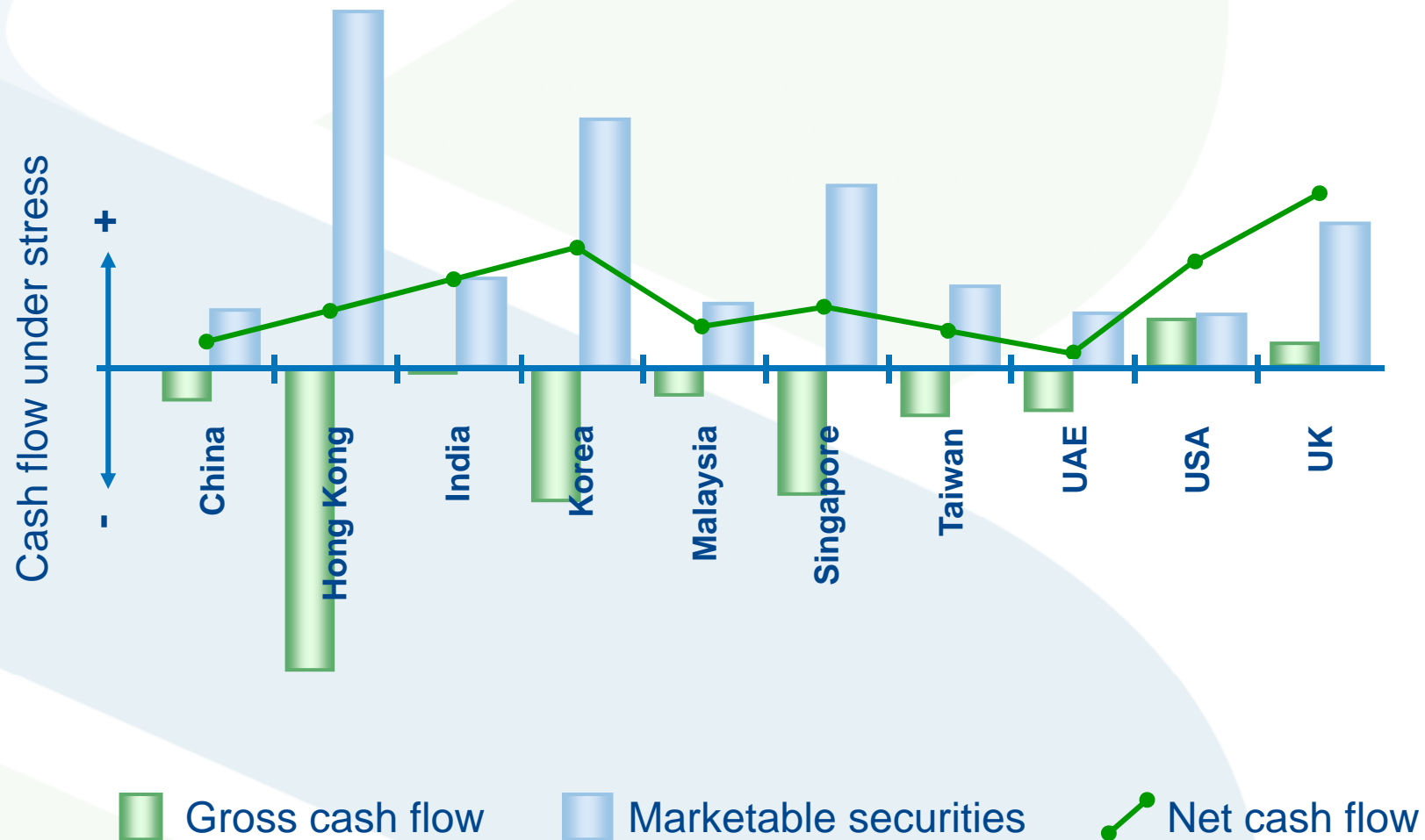
Liquidity

- Strong A/D ratio consistently sub 100%
- Consistently strong liquid asset ratio
- Balance sheet built on the right type of deposits
- Focus on management through the geographic lens

Historical liquidity strength

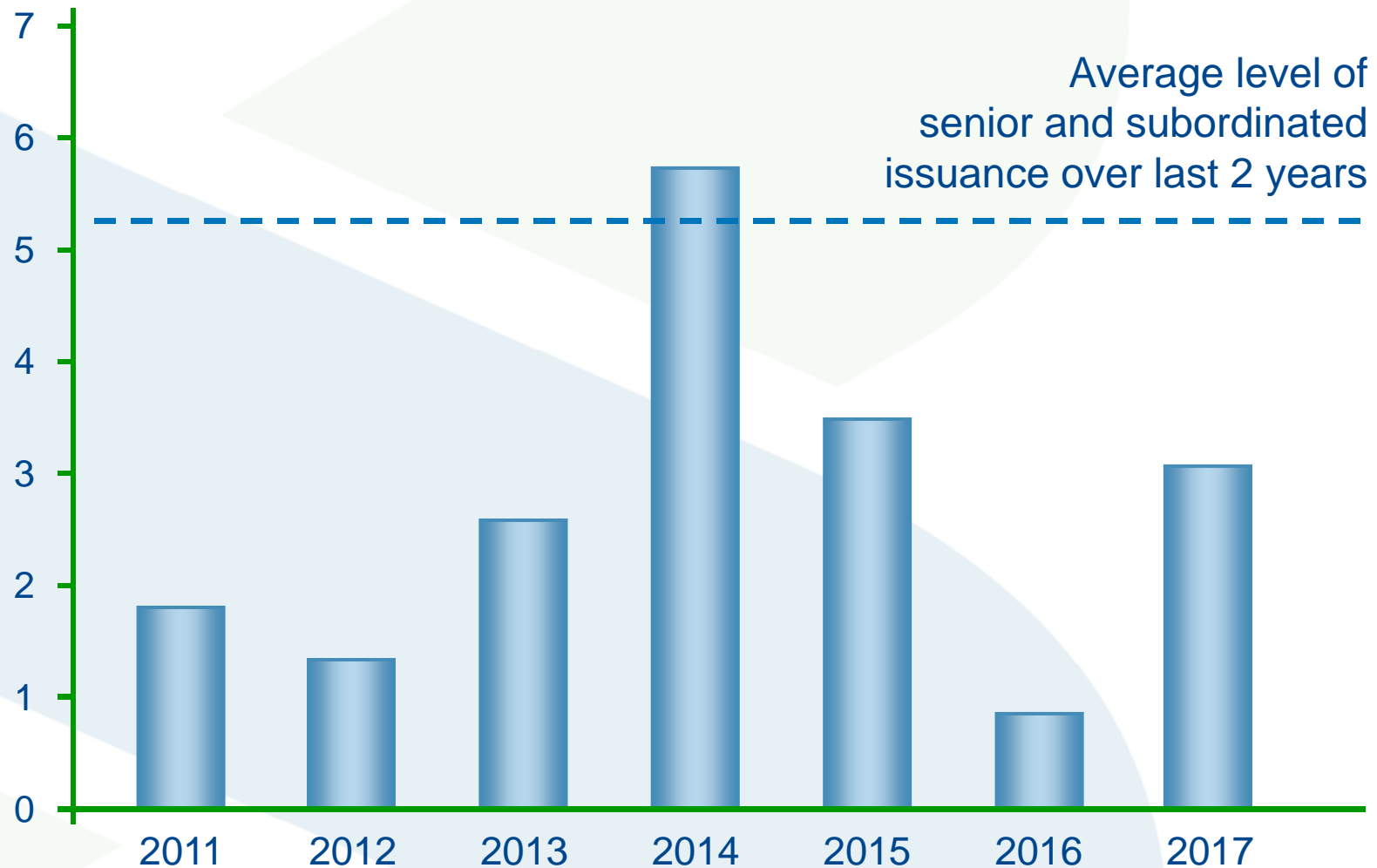


Strong through the geographic lens too

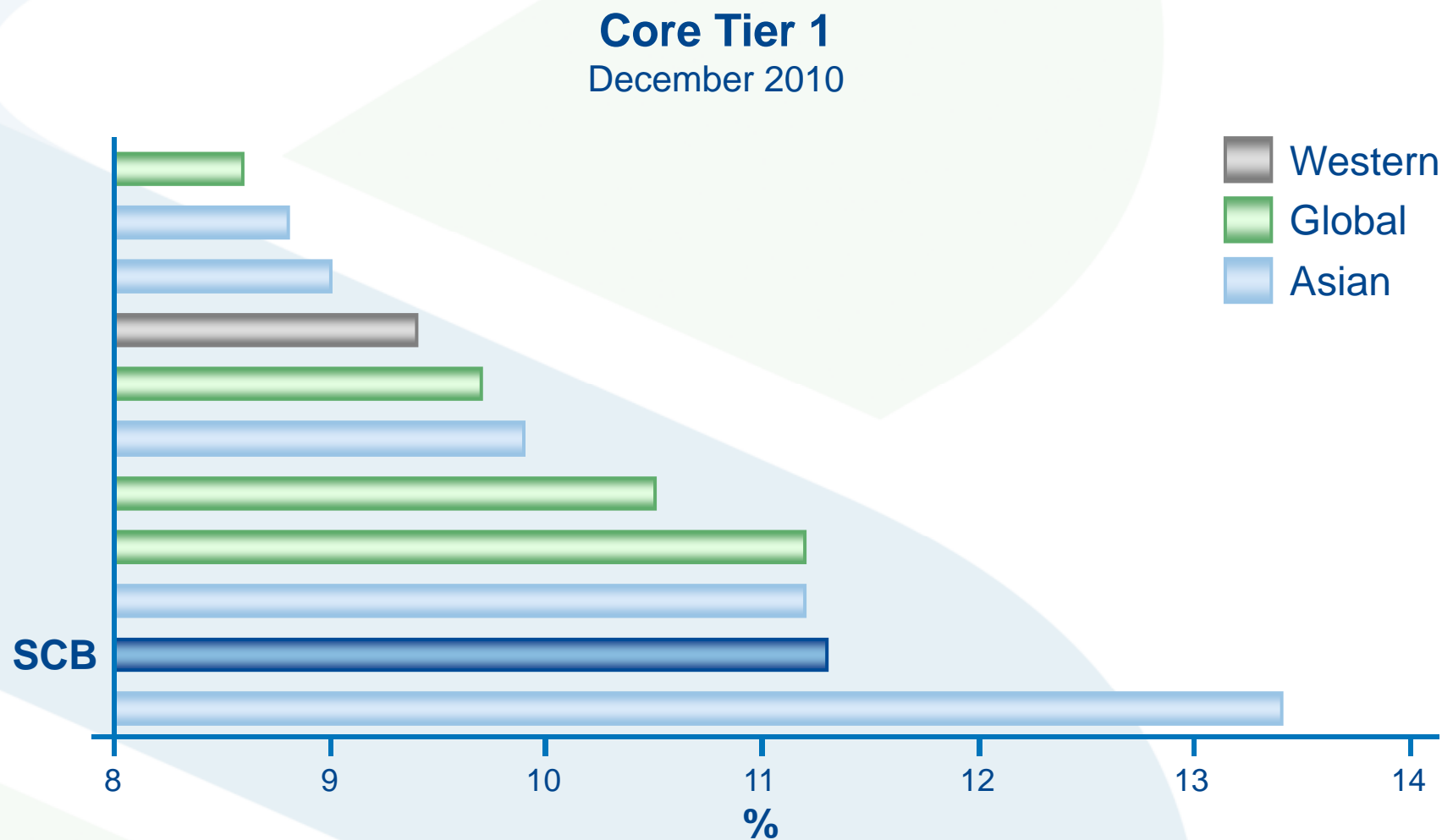


Limited refinancing need

US\$bn

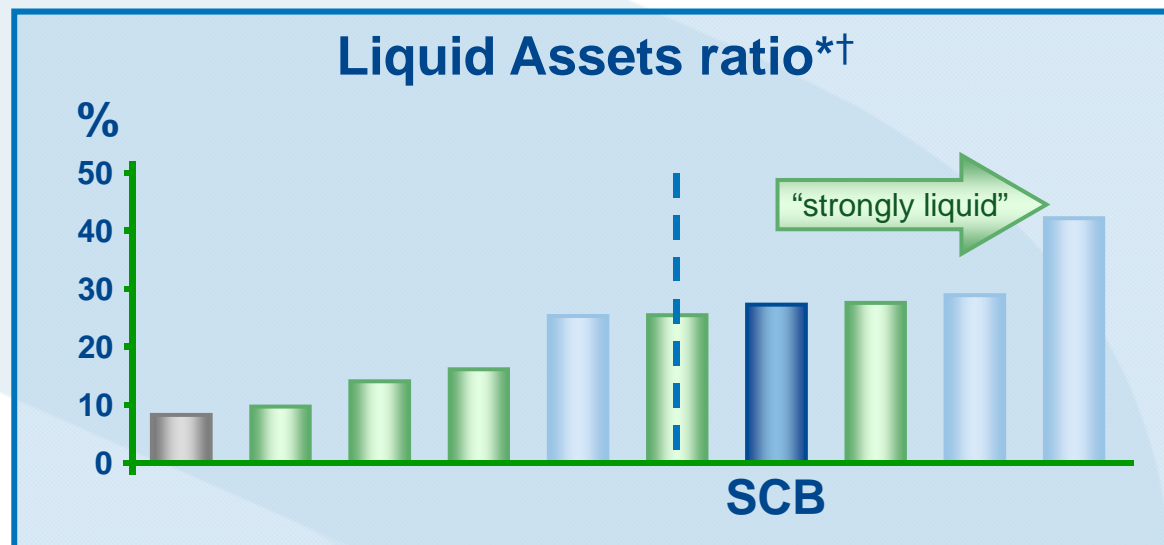
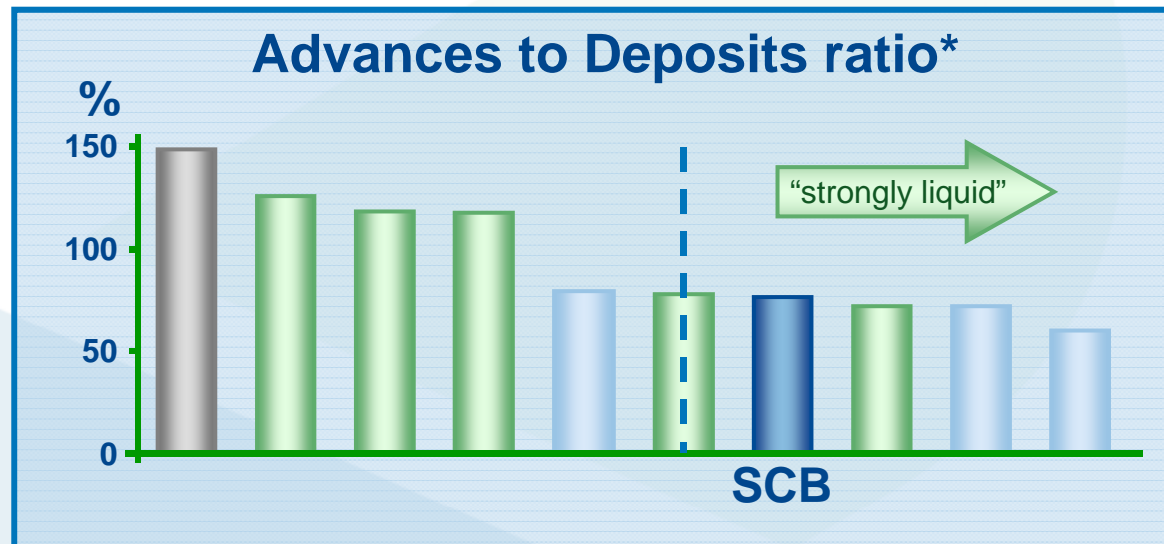


Capital: Where does this position us?



SOURCE: Estimates from KBW, Goldman Sachs on Basel II basis

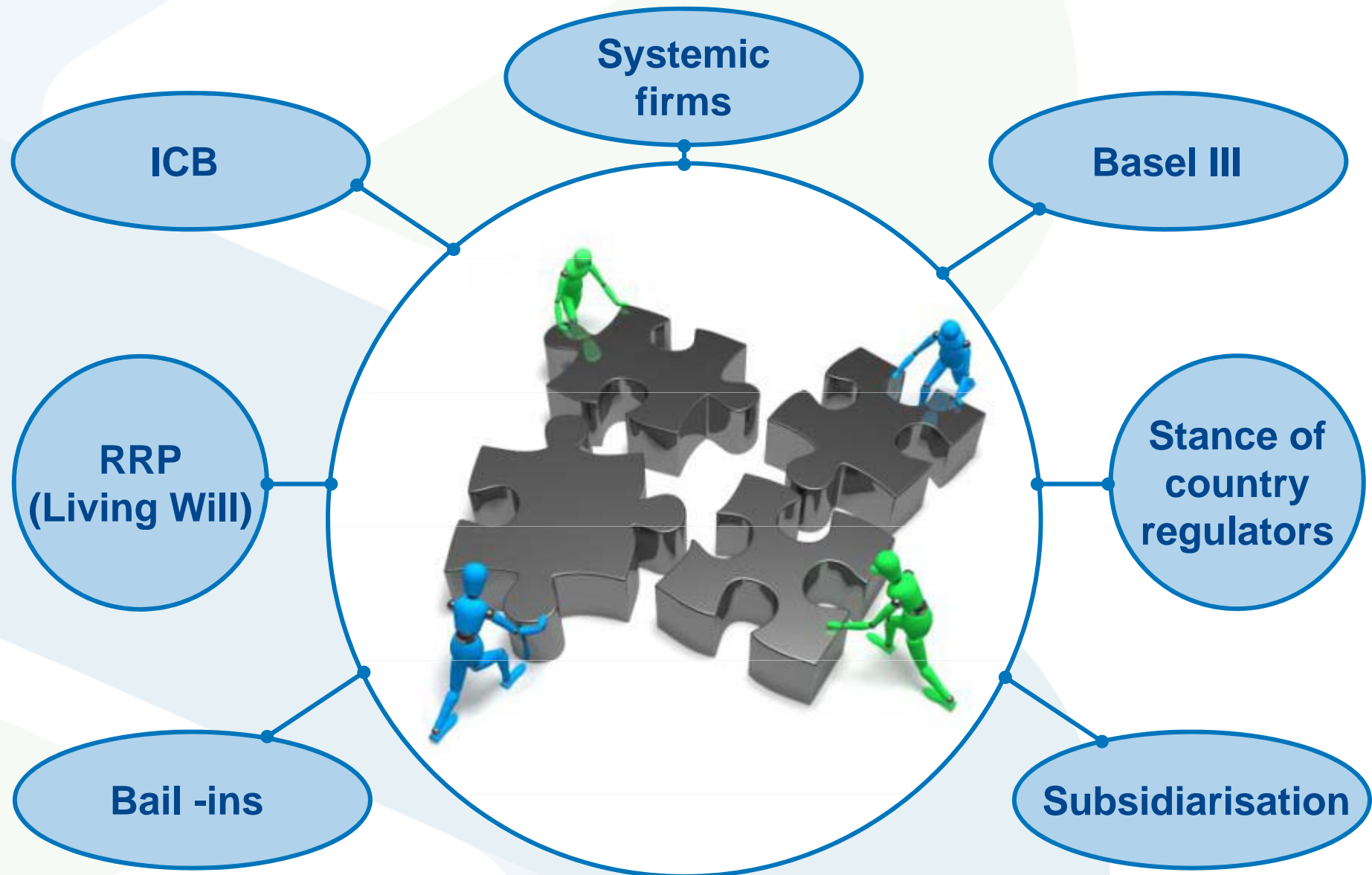
Liquidity: Where does this position us?



* As at 30 June 2010

† LAR calculated

Regulatory uncertainty remains



- Capital and Liquidity have been core pillars for some time - both are strong in absolute and relative terms
- Post the rights we can continue to focus on capturing growth rather than managing to higher capital ratios
- We engage in the regulatory debate from a position of strength

Q & A

Group Technology and Operations

Jan Verplancke

CIO, Group Head Technology and Operations

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- Cross border, cross product operational scalability
- Differentiated channel capabilities to enhance customer proposition
- Globally integrated, resilient and standardised back end systems
- Cost efficient product and services delivery

GTO's organisation design

Group CIO

Our technology and operations resources

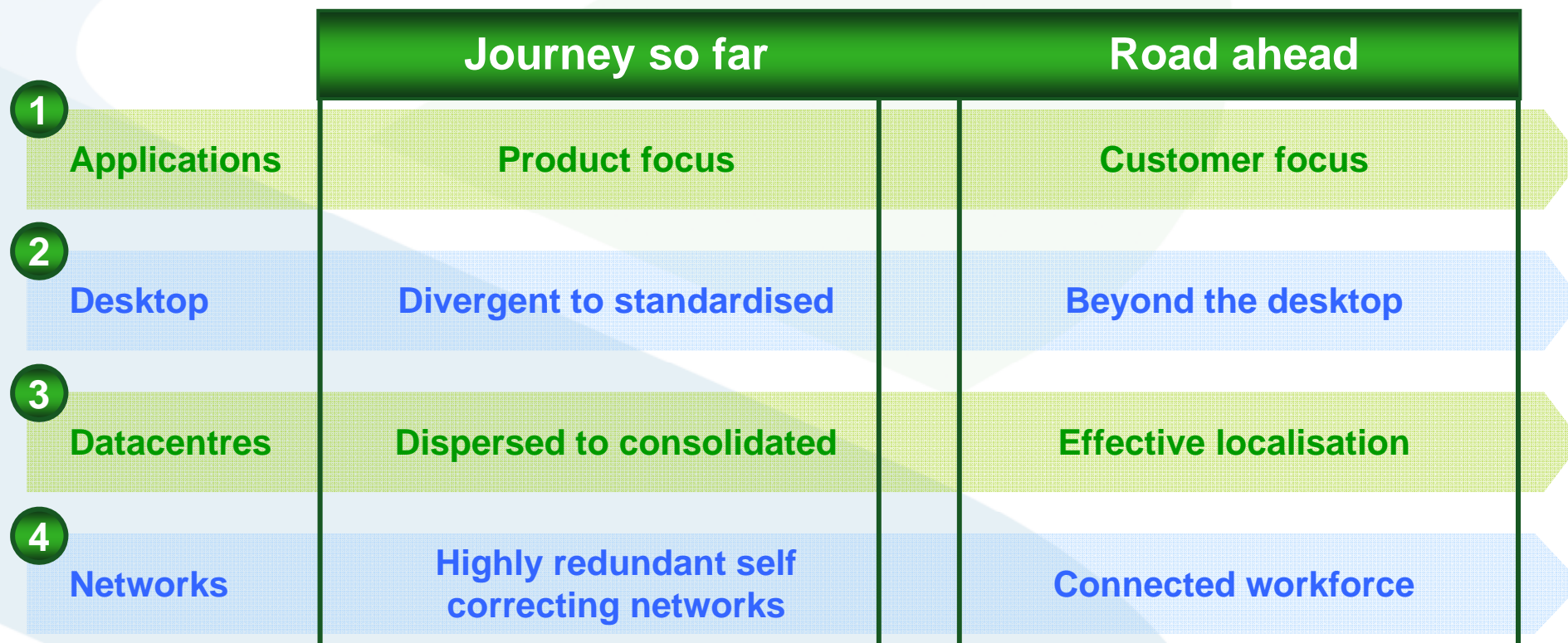
~250 high critically and another
~700 business systems

- 2 Global data centres (UK and Hong Kong) and 2 regional data centres in

regulation, size, skill or cost factors

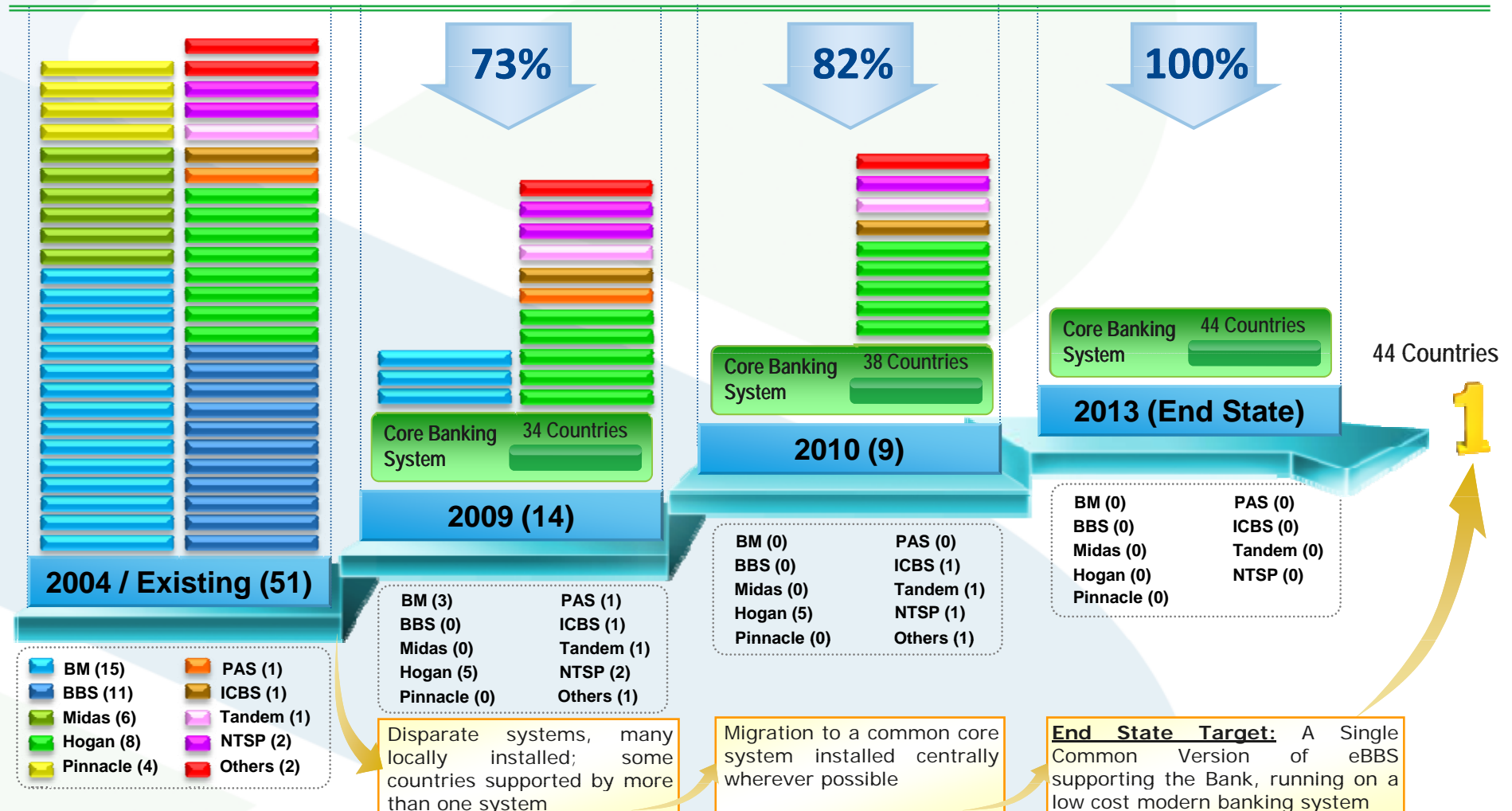
- Operations processes about 140 million transactions a year of which close to 2/3 are in hubs

The technology infrastructure journey continues to build stability and scalability

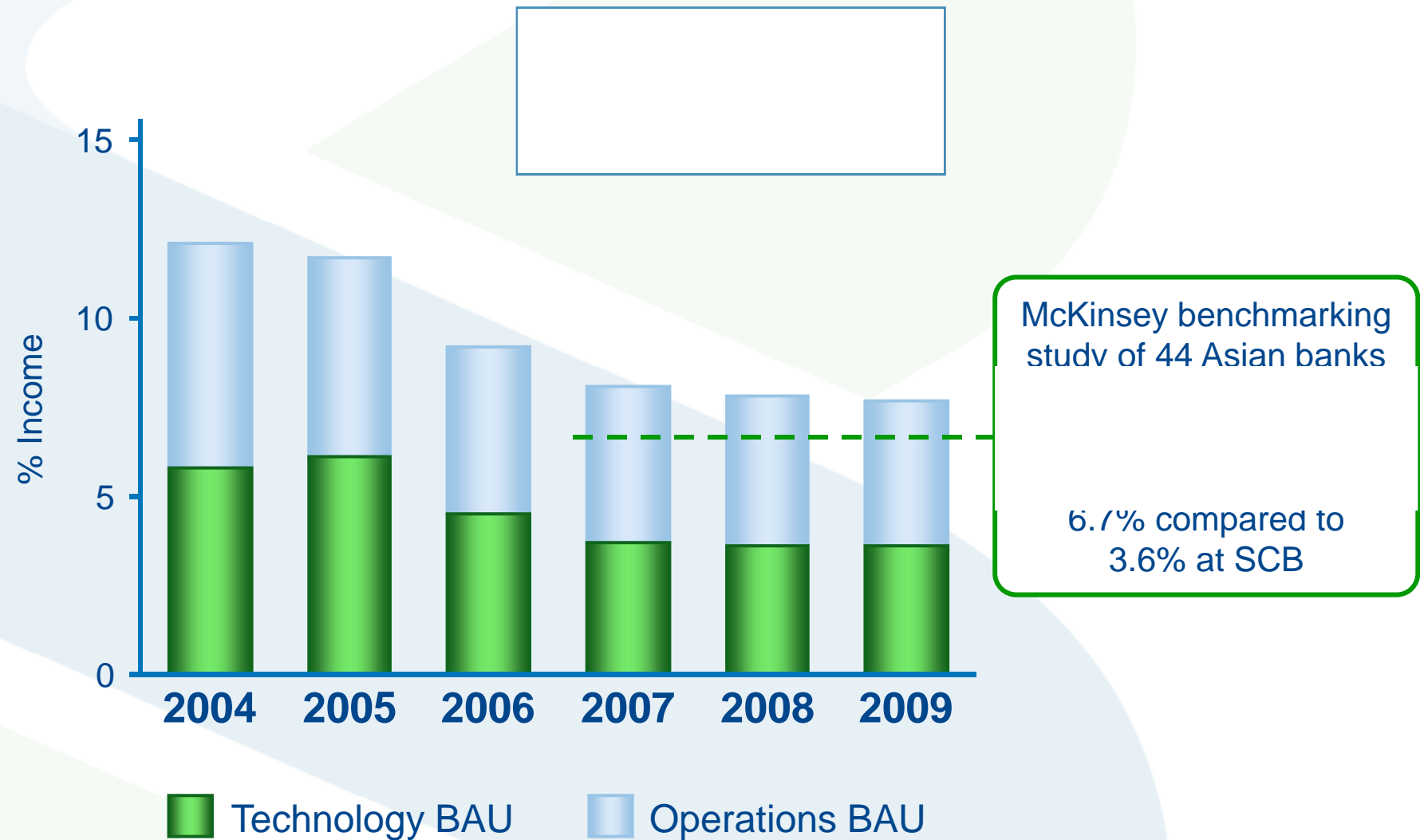


Stability in technology has improved from an average of 554 high severity incidents per month in 2004-05 to an average of 37 per month in 2010

Addressing legacy issues - core banking (eBBS) rollout



GTO cost efficiency trends



Sample operations projects enriching product and service functionality across geographies

eOps

- Build scalability through web based data entry while ensuring confidentiality
- Provide an opportunity to rural populations to participate in the digital economy
- Rollout - Q1 2011

Capture at Source (C@S)

- Digitise requests at customer touch points
- Data entered only once
- Rollout - pilot underway in Singapore and Hong Kong

Virtual Hub

- Hubs in India, Malaysia, China and Africa working in a concerted (loosely-coupled) manner
- Take advantage of time-zones and inter-country processing capabilities
- Benefits include reduced geo political risk and increased flexibility
- Rollout - already in place and continuing to build

Sample operations projects enriching product and service functionality across geographies

Consumer Banking

- Customer experience management system
- Innovative mobile and internet banking
- Customer origination system for standardising the loan application process
- Express Banking Centres (India and other key locations)
- Provision of multi-market, multi-currency 24x7 trading capability in stocks, warrants and exchange traded funds

Wholesale Banking

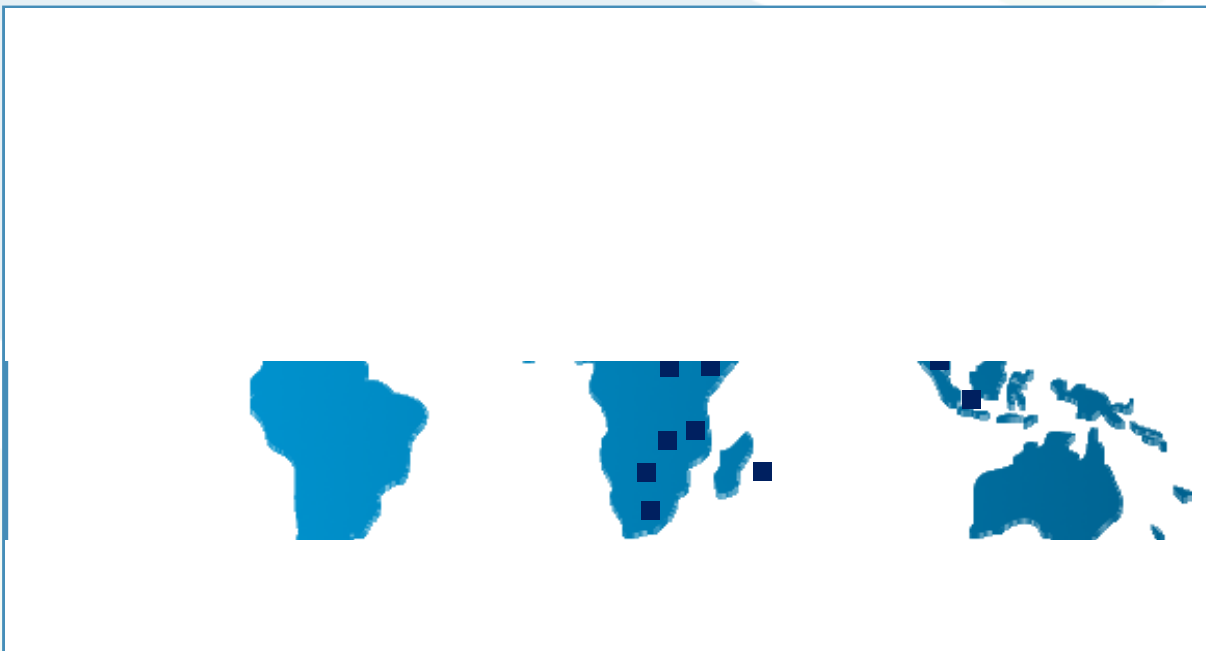
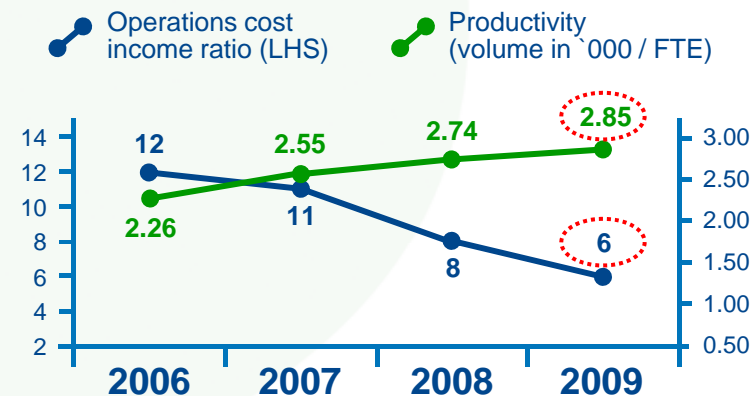
- Financial Markets cross asset class analytics, booking and risk engine
- Single global Trade Finance system
- Building new product lines (e.g., cash equities, Real Money Funds)

Global roll out of a cost effective, scalable trade processing platform with rich functionality

Trade Finance - revenue & operations cost (US\$m)



Operations cost income ratio & productivity



By end 2010,
Trade Port will cover
36 out of 37 trade
finance booking
locations (countries)

Modernising Wholesale Banking across asset classes with focus on Risk

Key business benefits

- Single product-agnostic, multi-asset class pricing engine able to expand across all sales and trading
- A deal booking tool that front-ends position keeping and transaction processing systems
- Workflow engine to manage the life-cycle of deals across the Front Office , Middle Office and Back Office
- A market risk engine with industry-standard models and analytics, suitable for both complex and fast markets
- A scalable, integrated and resilient platform using a high performance global server grid

Single point of entry to customer information for 'staff-assisted' channel



Journey beyond the desktop to bring technology to the customer

Key business benefits

- Effective communication with clients and spotting blockages in transactions early – key in a flow business
- Relationship Managers can approve credit changes while on the move – faster execution of transactions
- Sales staff can view the entire Trade Finance portfolio of a client – driving business by improving utilisations vis-à-vis limits
- Viewing opportunities i.e. transactions which can be potentially converted into Assets and Contingents - driving revenue

Driving competitive differentiation through technology in Consumer Banking...

iPhone breeze



ATM refresh



Express Banking Centres



New branch design



High enablement of non branch channels in CB
(e.g., in Singapore ~16% of transactions are branch)

Video access to specialist advisers



...and by enhancing online / mobile banking capabilities

2010

Active online
customers

↑ 20% YTD
(~1.75 m)

Countries with
online banking

29
(95% of customer base)

Countries with
mobile banking

32
(98% of customer base)

E-statements

35% penetration

- Award winning electronic banking platform for corporate and institutional clients in our markets - 3rd consecutive year
- Fully integrated channels catered to our clients' needs
 - Straight2Bank | Web - Internet based electronic banking
 - Straight2Bank | Link - PC based banking with electronic connectivity
 - Straight2Bank | Access - Host to host connectivity, i.e. ERP systems
 - Straight2Bank | Mobile - Transaction authorisations on-the-go

SCB's award winning Straight2Bank platform is adopted by over 34,500 clients across 56 countries and handles up to 100,000 transactions per day

Introducing Straight2Bank Mobile
Anytime, Anywhere Authorisation is an industry first



- Cross border, cross product operational scalability
- Differentiated channel capabilities to enhance customer proposition
- Globally integrated, resilient and standardised back end systems
- Cost efficient product and services delivery

Q & A

People

Tracy Clarke

Group Head of Human Resources
and Communications

Leading the way
in Asia, Africa and the Middle East

Standard
Chartered 

People demographics

- The Bank employs close to 85,000 staff across 71 markets
- Close to 20,000 staff in India and over 15,000 across greater China
- Female representation at 45% globally
- Our staff represent over 125 nationalities
- 170 languages spoken across the Bank
- More than 700 people on international assignments

Our people strategy:

- Continually raise the bar on performance and reward
- Acquire, deploy and retain talent
- Reinforce and leverage our distinctive culture and values
- Build leadership capacity and capability
- Optimise the way we work

....to create sustainable competitive advantage

Our people challenges

- Increased competition across the industry
- Limited availability of talent in key markets
- Integrating and developing talent
- Retaining our culture and values as we continue to grow
- Balancing market, regulatory and union pressures on remuneration

Our remuneration framework

External Policy Views

- SCB practices already aligned to FSB and fully compliant with FSA
- Strong voice in regulatory discussions
- Key focus: ensuring a level playing field

Performance Culture

- Strong governance
- Reward for sustained performance
- Effective risk management
- Pay reflects our values

Rating Comparison	Average 2009 Bonus Differential
A to B	-14%
B to C	-23%

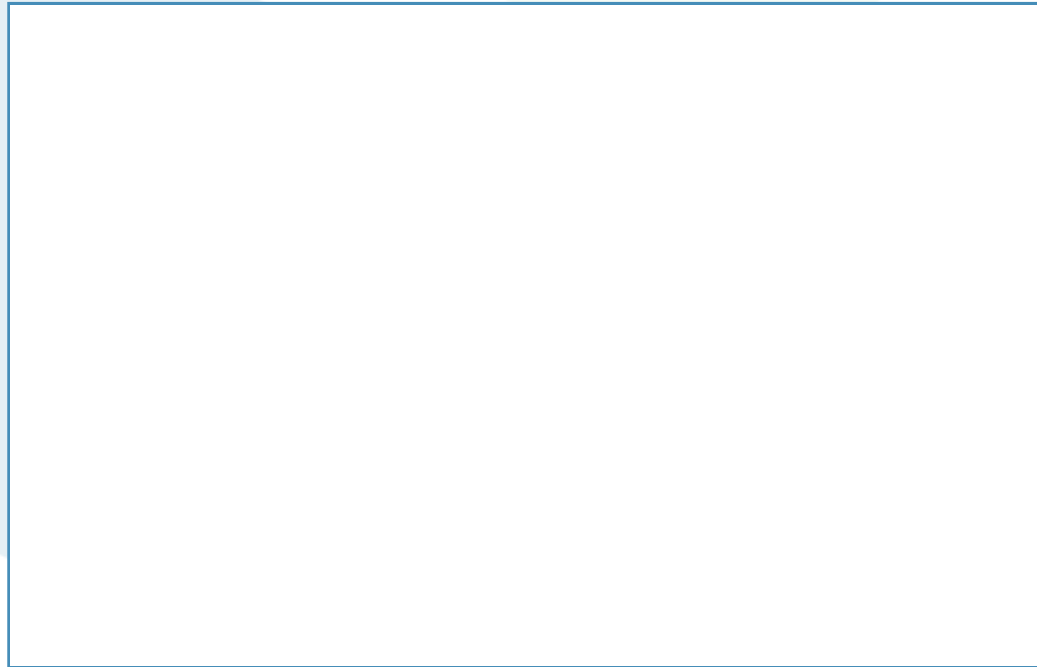
Talent challenge: focus on China

China aspirations:

- Significant revenue growth
- Expansion of our footprint
- Leverage greater China

China challenges:

- Expansion of competitors
- High attrition market
- Limitations in depth of talent



Turning talent into competitive advantage: CB academy

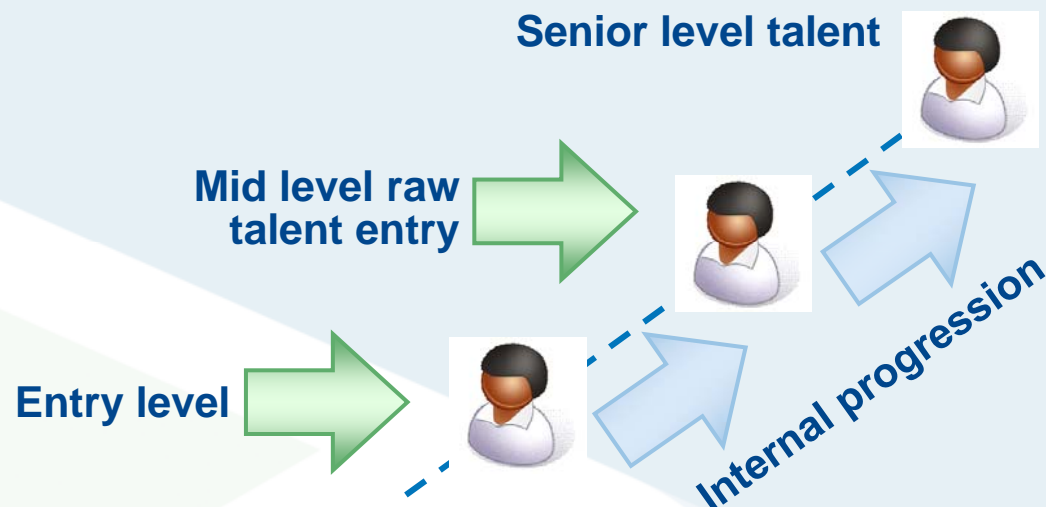
Mission: To build capability to effectively deliver on our CB business aspirations

Key statistics:

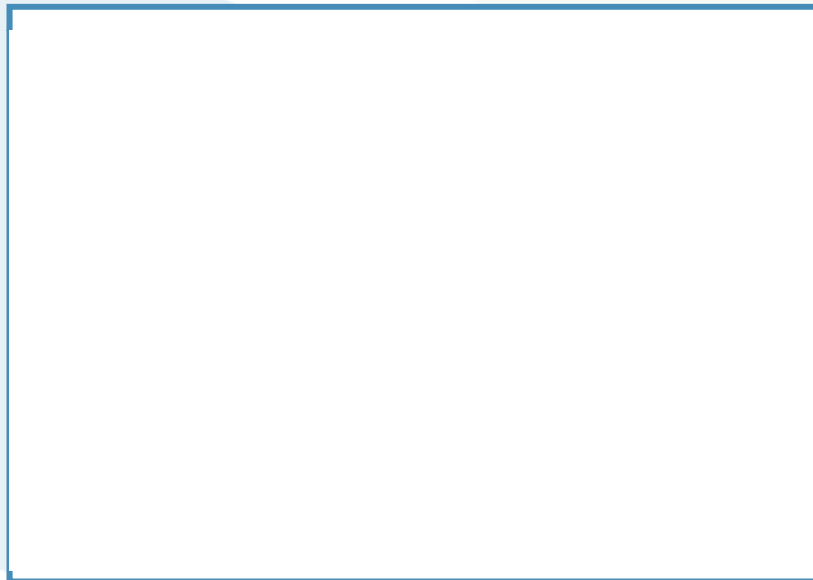
- 13 countries
- 140 trainers
- 95,500 learner days
- 92% of CB staff trained

Core programmes:

- Day 1 readiness: for new joiners in frontline roles
- Powered 2 perform: role certification to build capability in existing key roles
- Raw talent development programmes: focused development for non-bank and junior talent



**Our leadership population
has grown by 40% over
the last two years**



**64% of leadership appointments
driven by internal promotion**

Leadership Development

- Gallup leadership interview
- First 100 days support and “Fast Start” programme
- Executive development curriculum
- Bespoke leadership coaching for 163 leaders in 2010
- Team facilitation for 32 senior teams in 2010
- Executive succession planning

Embedding and nurturing our culture

CREATIVE - RESPONSIVE - INTERNATIONAL - COURAGEOUS - TRUSTWORTHY

LAUNCH

Interviews and
focus groups
with employees
and customers

Strong
leadership support

High profile values
linked activities

2002

EMBED

Ongoing activities
to bring the values
to life

Example behaviours
to add clarity

Embedded into
people processes

2003 - 2007

LEVERAGE

Leadership
role modelling

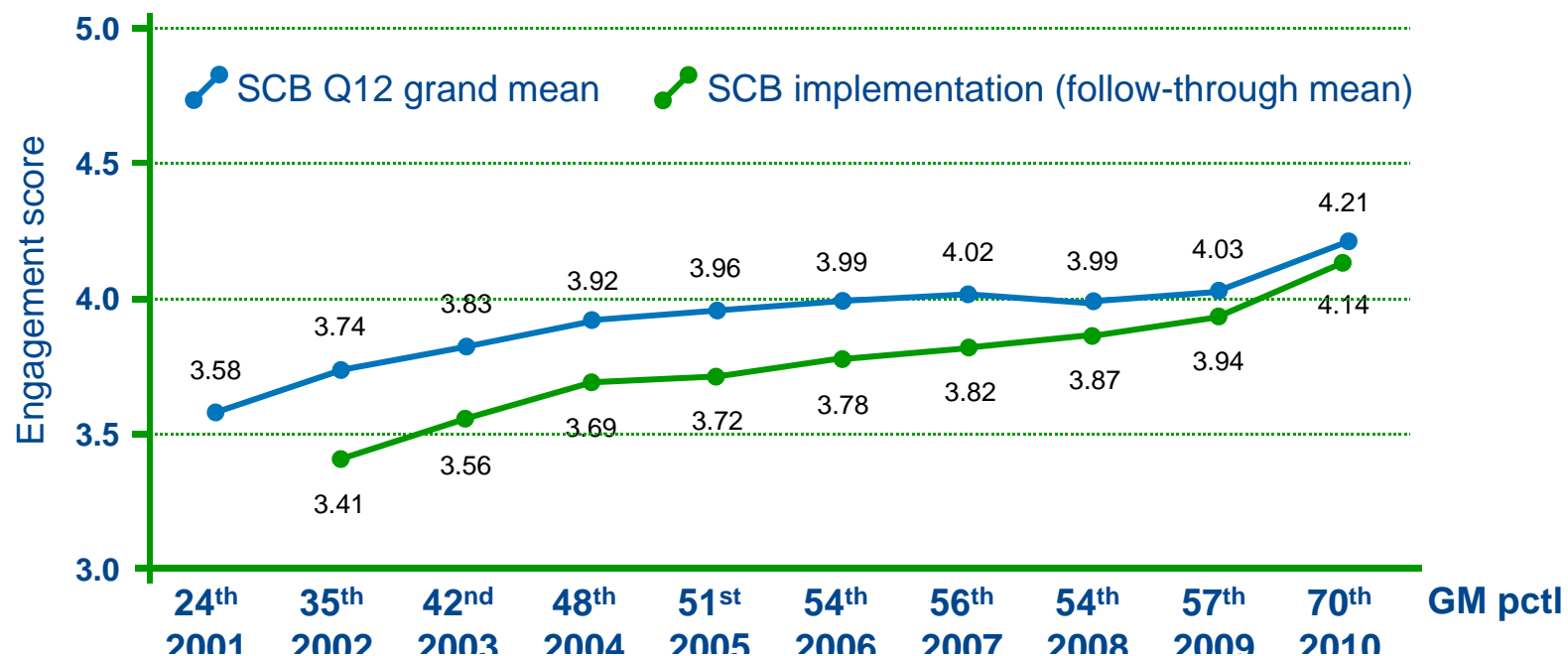
Refreshed link
with strategy and
new brand - new
example behaviours

Refreshed links
with performance
and reward

2008+

Building a highly engaged workforce

Employee engagement: 10 years of strong results



Engagement is a primary driver of employee retention

- Our focus remains on attracting and developing talent at all levels, across the Bank to support our growth aspirations
- Our culture and values and high levels of employee engagement are a source of competitive advantage
- “Paying for performance” is key to our culture and in working with regulators, we aim to ensure a “level playing field” across our footprint
- We are confident that our current leadership bench strength and our strong talent pipelines will continue to drive sustained performance

Q & A