Leading the way
in Asia, Africa and the Middle East

Richard Goulding
Group Chief Risk Officer

Today’s objectives

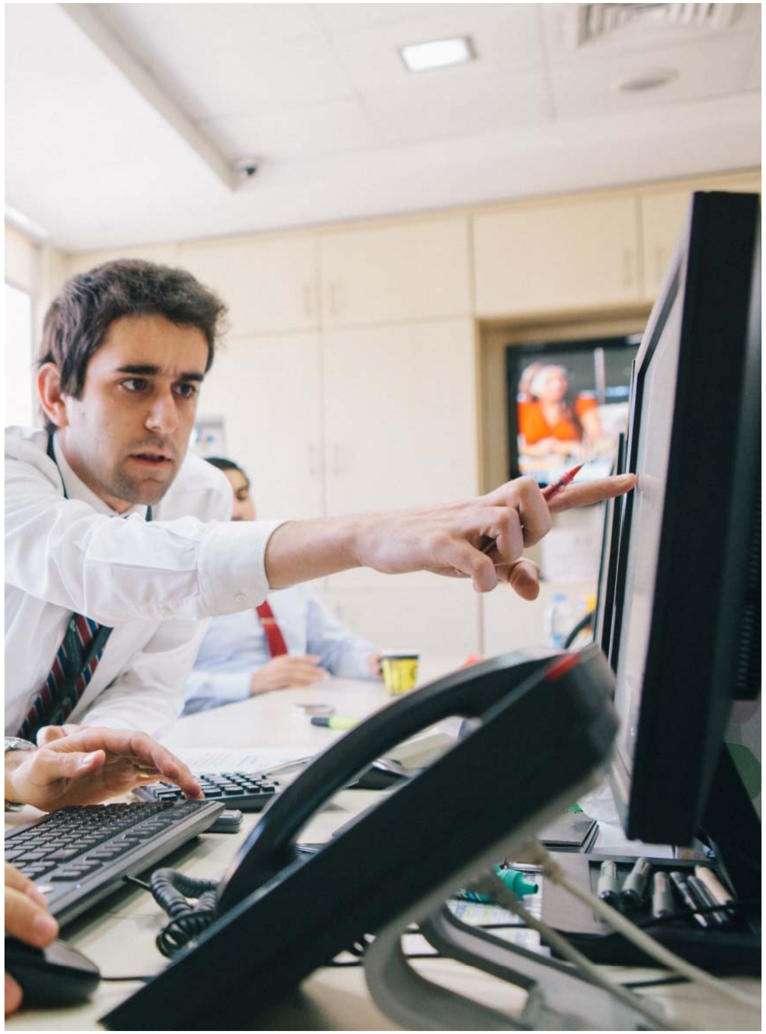
Standard Chartered

- Demonstrate the very strong foundations of Risk Management of Standard Chartered
  - ✓ Controlling risk to remain within risk appetite
  - ✓ Working with the front line to optimise the revenue/ impairment equation
- Show the importance of our diversification, short tenor profile, application of collateral, early and proactive risk management, and use of market risk which is client focused
- Address your key concerns: Credit concentrations, India, China, Commodities, Korea - by looking specifically at the way we have been managing risks in these areas
- Provide context for my belief that the future loss experience is likely to be more muted than might be assumed from the external environment

Risk management – active and thoughtful

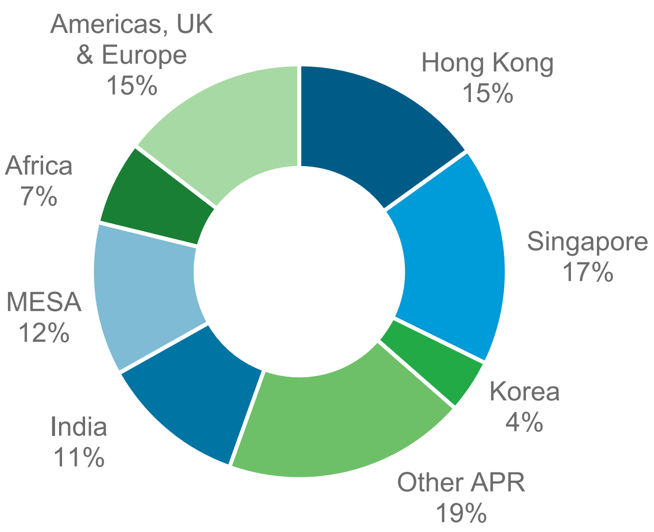
Built on 5 strong foundations

- Diversification
- Tenor
- Collateralisation
- Discipline
- Client driven market risk



Strong foundations
Wholesale Banking diversification

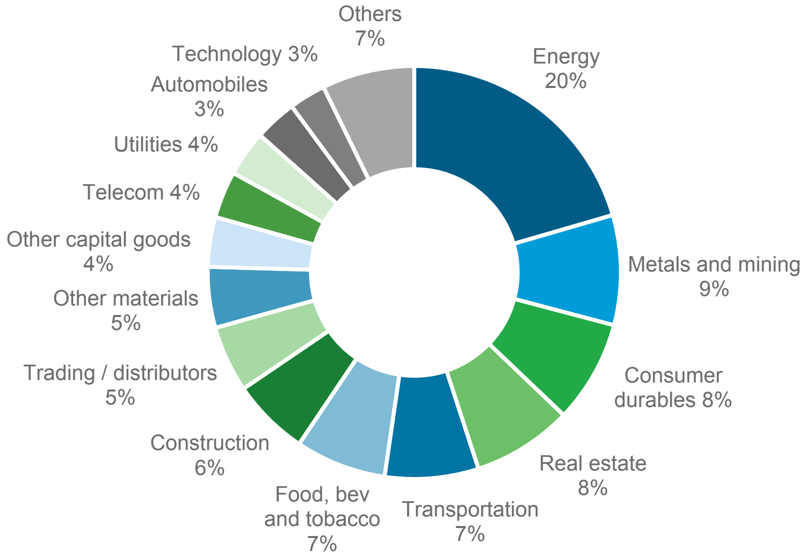
Loans and advances by geography



- Highly diversified by geographic spread
- No single region accounts for more than 20%
- 10 years ago Hong Kong accounted for 20% and now down to 15%

Note: Total loans and advances to customer as at 30 June 13

Corporate exposures



- Highly diversified by sub industry, client and geography
- Largest exposure is energy, accounting for 20% of net nominal

Note: Net nominal at 30 June 13 (defined as total assets, contingents and net negative MTM of derivatives)

Strong foundations
Wholesale Banking industry diversification

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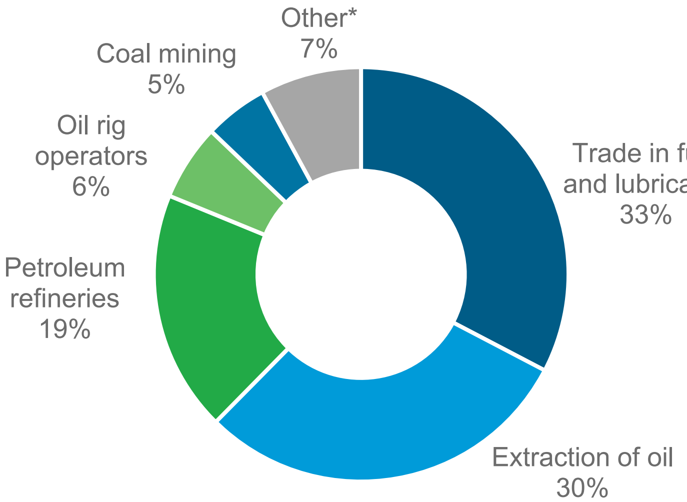
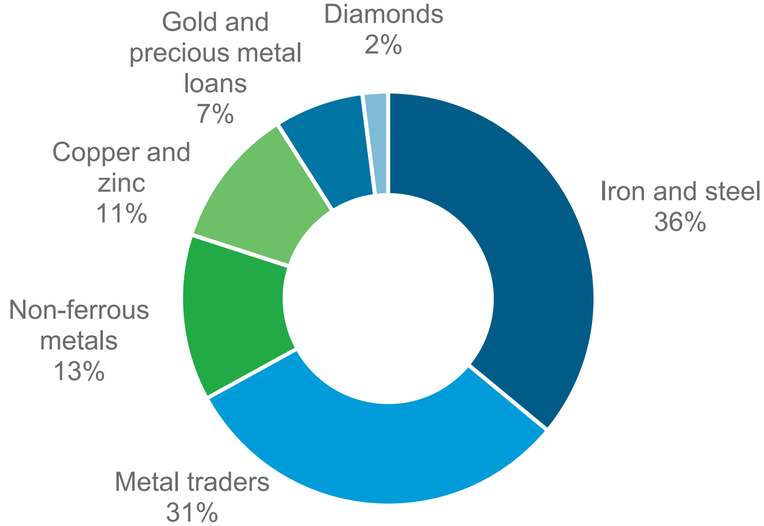
Energy



- 20% of net nominal
- Spread over 350 client groups
- 68% of exposures have tenor <1 year
- Largest exposures to global oil majors or government supporteden tities

Note: Net nominal at 30 June 13
** Includes manufacturing, repairs and support services for the petroleum industry*

Metals and mining

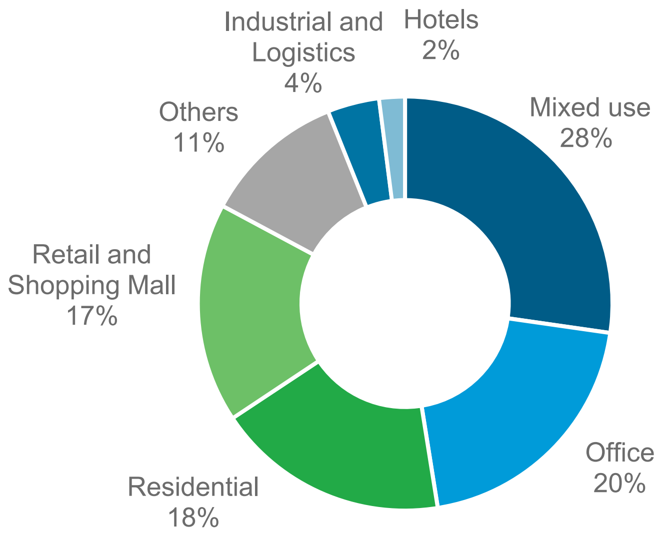


- 9% of net nominal
- Spread over 650 client groups
- 67% of exposures have tenor <1 year
- 41% of exposures are trade related

Note: Net nominal at 30 June 13

Strong foundations
Wholesale Banking industry diversification

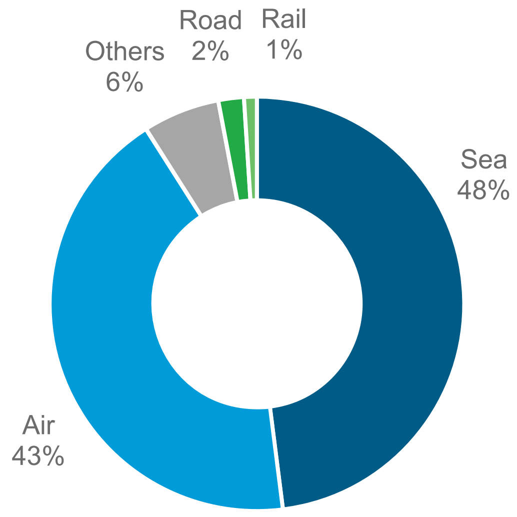
Real estate



- 8% of net nominal
- Spread over 120 client groups
- Geographically highly diversified
- Overall LTV* of 38%

Note: Net nominal at 30 June 13
** Loan to Value*

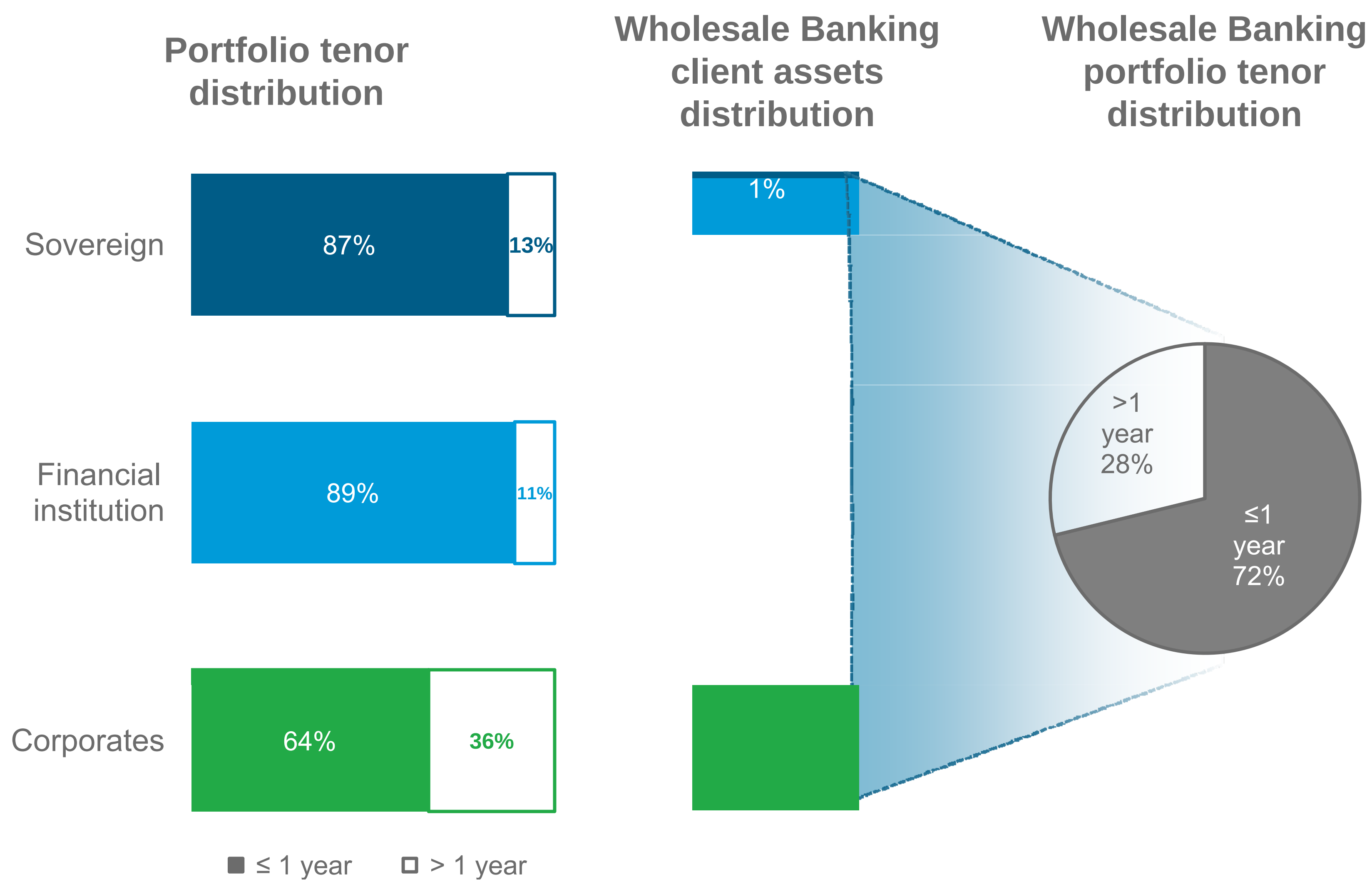
Transportation



- 7% of net nominal
- Spread over 400 client groups
- Highly collateralised

Note: Net nominal at 30 June 13

Strong foundations
Wholesale Banking short tenor



Note: Client assets include loans and advances and contingents to corporates, FIs and sovereign; and exclude ALM and derivates MTM

Strong foundations
Wholesale Banking risk mitigation

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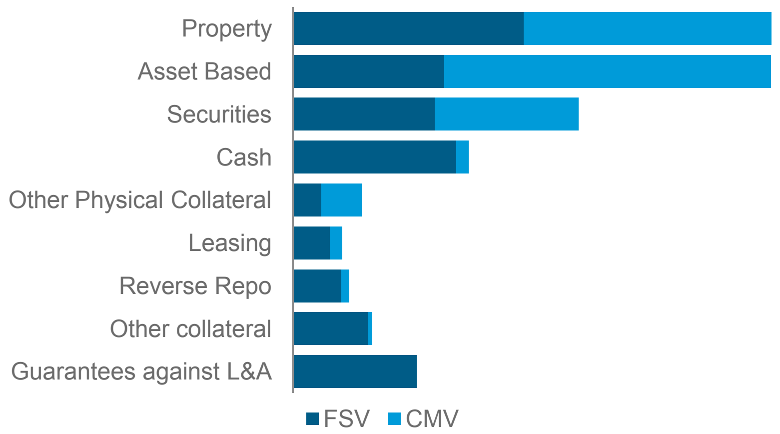
Collateral and guarantees against loans

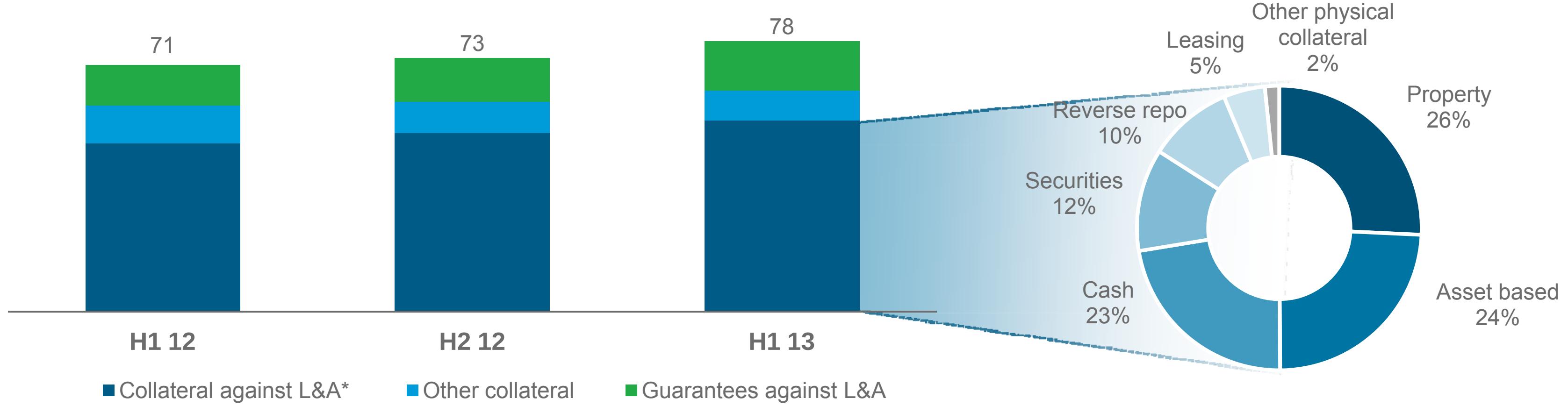
- Higher collateral for longer term and non investment grade loans
- Diverse collateral mix
- Average haircut 44% of current market value
- FSV are conservative, calibrated to downturn and back tested

Collateral current market value (CMV) and forced sale value (FSV) – US$bn



Collateral regulatory view (US$bn)

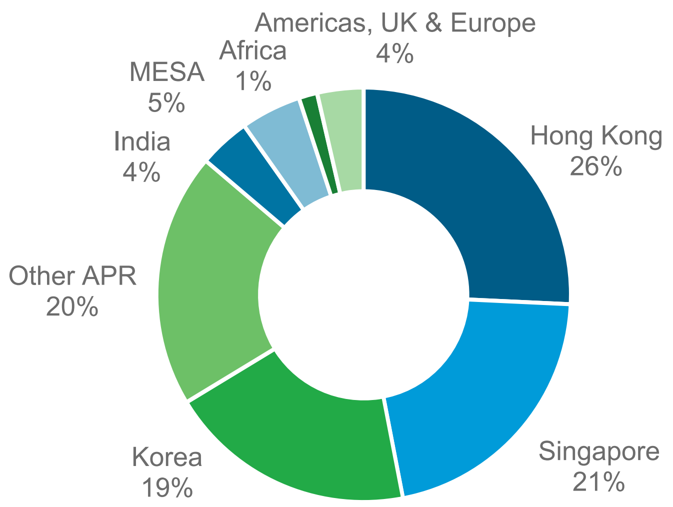
Type of collateral



** Per annual accounts*

Strong foundations
Consumer Banking asset mix

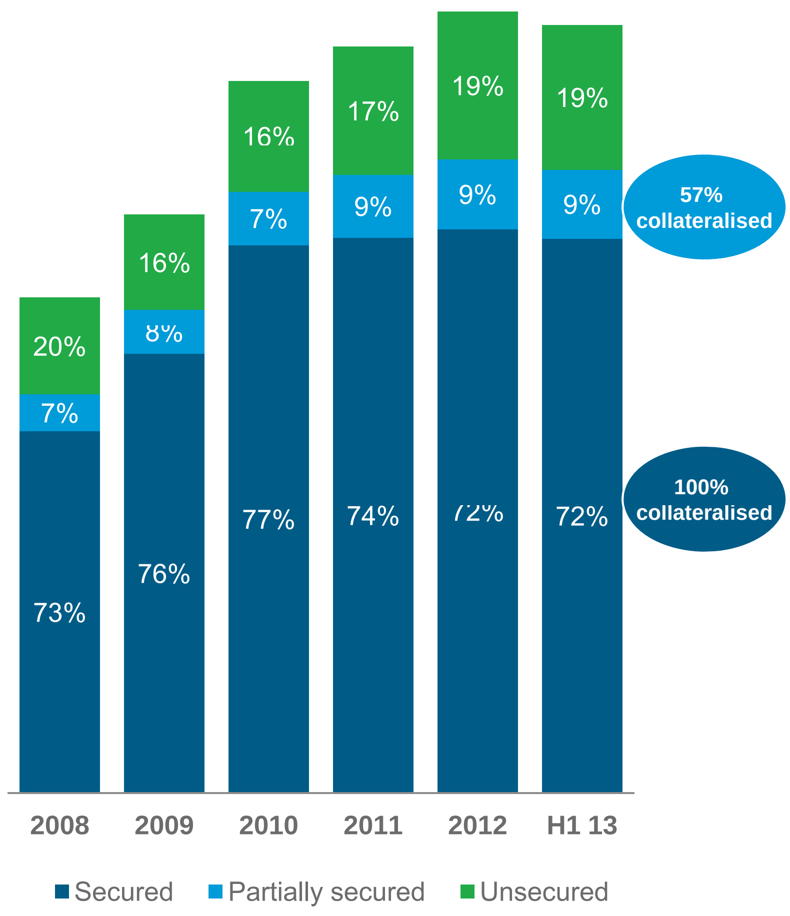
Loans and advances by geography



Note: Total loans and advances to customer as at 30 June 13

- Diversified by geography
- 10 years ago Hong Kong accounted for 50% - now 26%
- Secured assets include retail and SME mortgages each with 47% LTV

Loans and advances to customers



Strong foundations
Market risk

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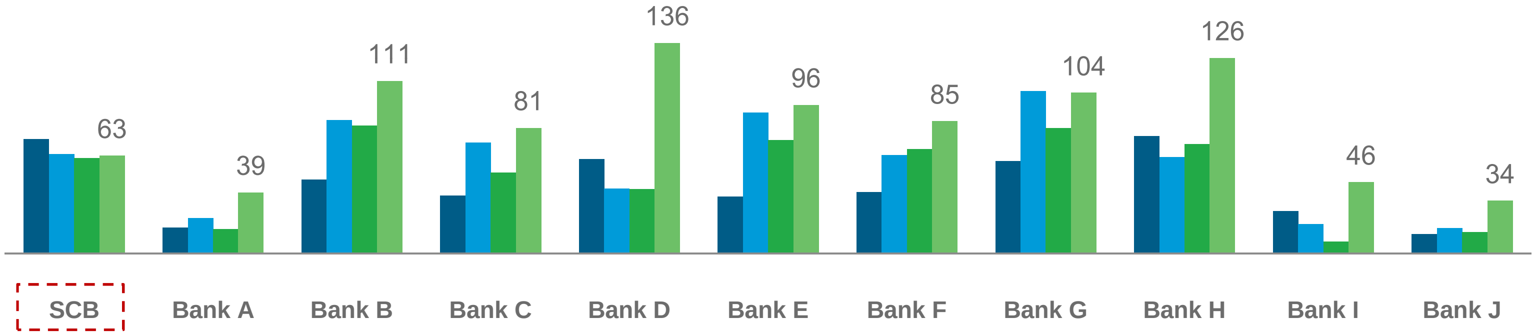
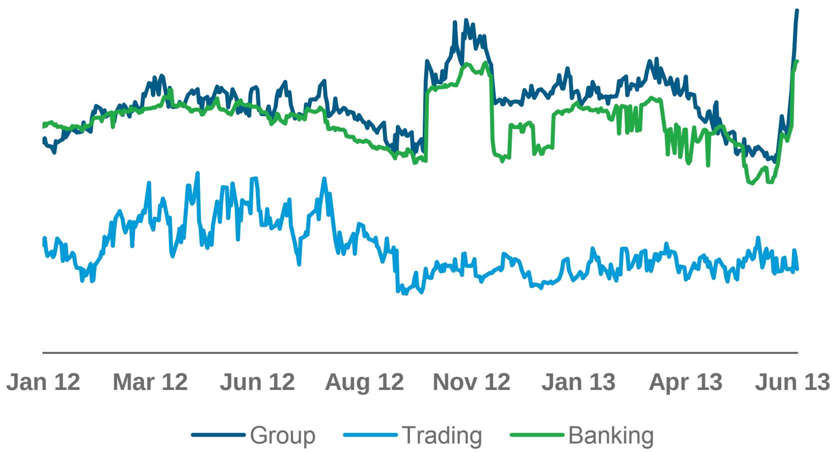
Daily trading income / average VaR (%)



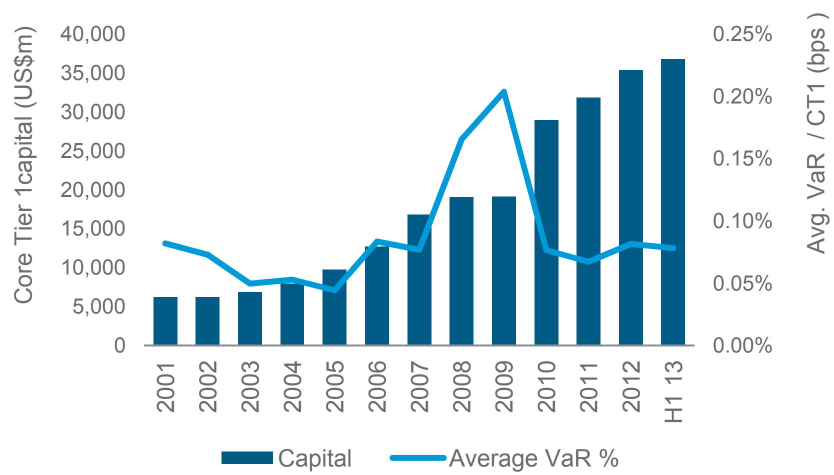
	SCB	Bank A	Bank B	Bank C	Bank D	Bank E	Bank F	Bank G	Bank H	Bank I	Bank J
Number of loss days in H1 13	1	6	N/A	N/A	0	7	6	N/A	N/A	2	13

2011 H1 2012 2012 H1 2013

VaR trend (US$m)



Average VaR / CT1 capital



** Core Tier 1 (CT1)*

Stress testing

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Events

- China reduced 2012 GDP growth forecast
- China's Industrial production grew at slowest rate since Sep 09
- IMF lowers the 2013 growth forecast for world trade volume
- North Korean test fires six missiles in three days
- China's economy grew at a slower pace of 7.5% in the Q2 13
- Copper prices fell by 20% in H1 03
- Fed indicates tapering of quantitative easing ("QE")
- Slump in gold prices
- Indian Rupee depreciates to 69

Timeline

2012
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

2013
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep

Stress tests

- Base metals price slump
- Sharp US$ appreciation
- Emerging Markets export slump
- PRA Capital Stress Test
  A collapse in world trade
  A severe stress in China
  A severe stress in India
- Conflict in the Korean peninsula (scenario analysis)
- Base metals and energy stress
- Group ICAAP Stress Test
  A world trade downturn
- The tapering of FED QE program
- INR sharp depreciation stress (Indian portfolio)
- India cross border stress

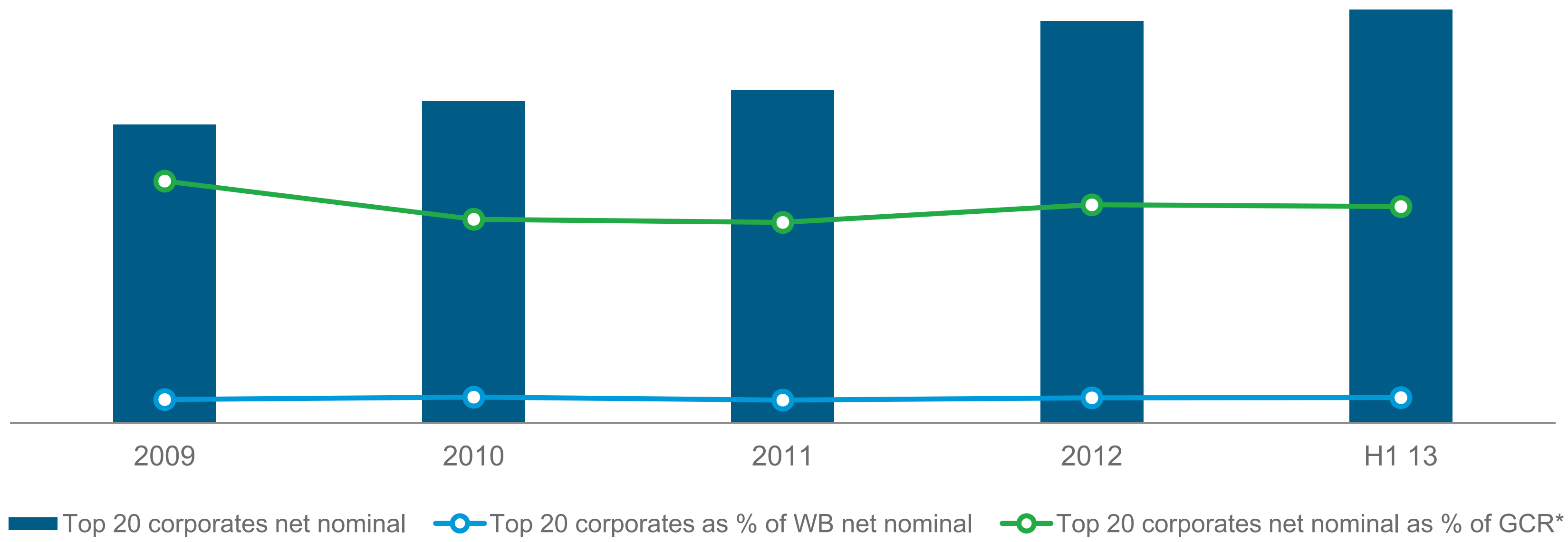
Portfolio reviews

India	China
Refinance risk	**Commercial real estate**
Mono-product clients	China deep dive
US$ appreciation (large clients)	**China Bank trade**
Clients with Europe exposure	Local corporate and middle market
Power sector contagion	**Commodity client (steel focus)**
Coal investigation	Parental support (non-contractual)
Renewable energy	**Holding companies**
Banks	China Bank CBN review
Contractor sector	**Privately owned enterprises**
Refinance risk update	Banks – Wealth Management product sold portfolio
Impact of RBI measures on Indian banks	**East China middle market segment**
Telecom and Mining	Ship building
Regional financial institutions	**Solar supplies and affiliates**
FM derivatives (counterparty credit risk)	Corporate governance and fraud review
	Steel sector

Large corporate underwriting

- Careful selection of clients – resilience under stress
- Robust assessment of client business plans and industry risks
- Facilities are diligently structured
- Credit decisions on full underwrite, not just hold levels
- Ongoing Senior Risk Coverage

Top 20 corporate exposures



- The top 20 relationships are highly diversified
- On average each exposure is spread across 7 markets and 5 industries
- Remain broadly stable, both as a proportion of Group Capital resources and Wholesale Banking net nominal

** Group Capital Resource (GCR)*

India

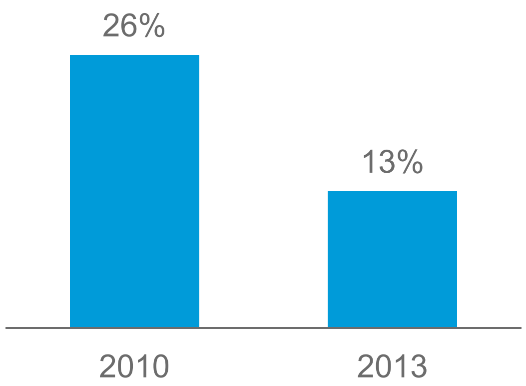
Issues	▪ 2G Licensing scandal (2011) ▪ Political Stasis (2012) ▪ Severe economic downturn (2013)
Actions taken	▪ India Working Group formed ▪ Closely managed top Indian corporate exposures aggregating to US$9.6bn ▪ Reduced corporate exposures by US$740m since Dec 2012 ▪ Stress tested portfolio across a comprehensive list of scenarios including a foreign exchange stress test

Onshore: **89%** of exposures are below 1 year tenor

Offshore: Over **90%** is US$ denominated

Overall portfolio: **57%** exposures are less than 1 year tenor

Telecom sector exposure



China

Issues	▪ Reduced growth ▪ Repositioning of economy

Actions taken

- Cut limits and exposures to Solar materials / equipment producers by 66% since April 2012
- Further shortened tenor of ALM placements to Chinese banks
  - 93% of the book <1 year and
  - 66% of the book <3 months vs. 36% as at August 2012
- Exited 16 commodity trader and producer clients

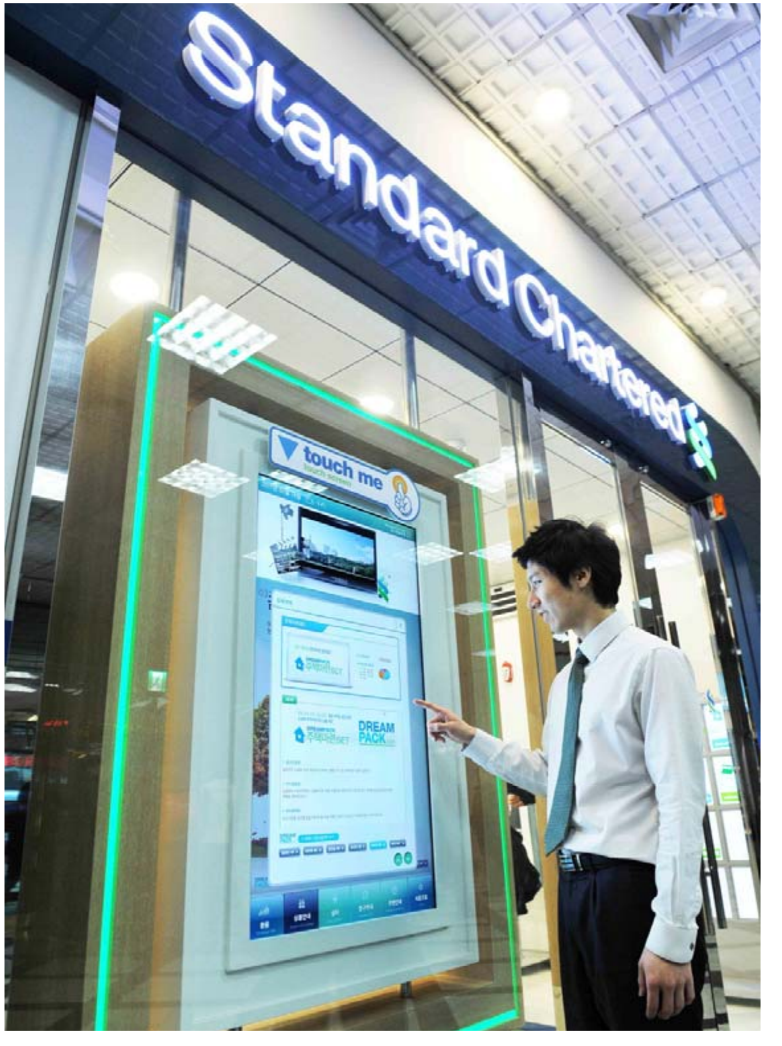
Commodities

Issues	▪	Falling commodity prices
	▪	Increased volatility
Actions taken since 2012	▪	Reduced exposures to commodity traders by US$900m
	▪	Exited 100 clients with aggregate exposure of US$800m
	▪	Improved tenor profile with 92% < 1 year
Producer commodity stress test	▪	20% to 50% price reduction - 2 year period
	▪	Only 4% of portfolio vulnerable under stress conditions

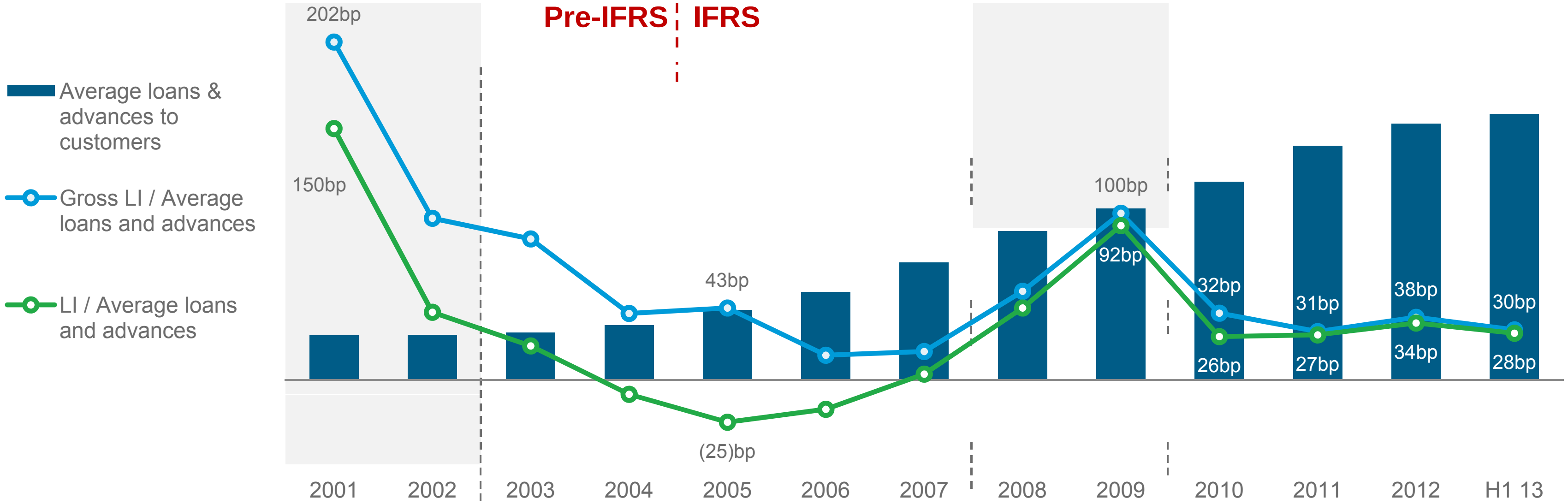
Korea retail unsecured

Issues	▪ PDRS* applications started rising in Q4 2011 and have continued to rise
Actions taken	▪ Jan 2012 – Increased bureau sub-prime scorecard cutoff ▪ Sep 2012 – Tightened unsecured debt income ratio and scorecard cutoff ▪ Mar 2013 – Further tightened unsecured debt income ratio and scorecard cutoff ▪ Aug 2013 – Decision to exit Select loan business
Observations	▪ Select loan had rational risk return characteristics despite its riskier nature ▪ Main competitors for this product were finance companies, who have comparably worse performance

**PDRS – Personal Debt Rehabilitation Scheme*

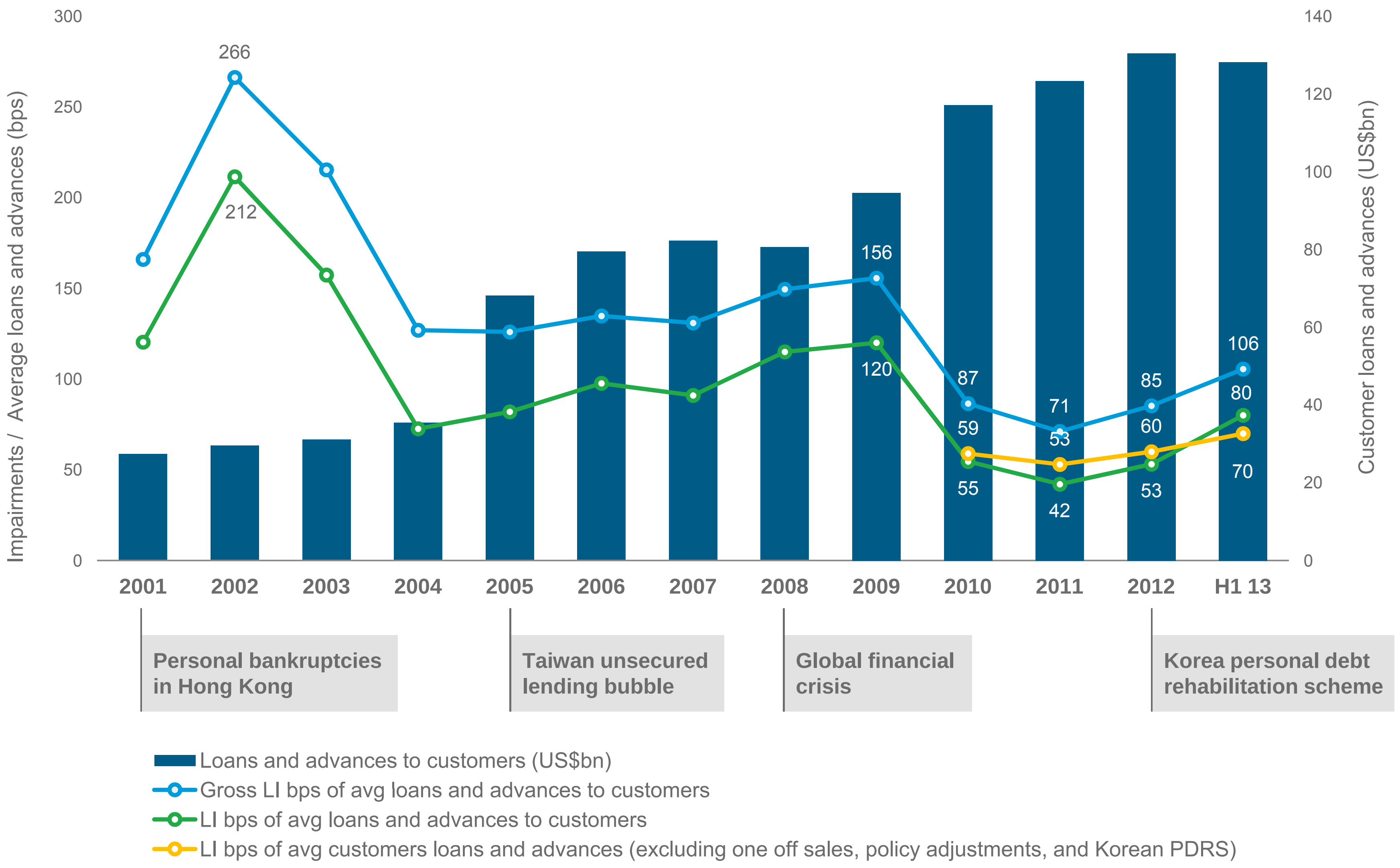


Wholesale Banking impairment experience



	Emerging Markets financial crisis	Benign (pre-IFRS)	Benign (IFRS)	Global financial crisis	Post traumatic stress environment
Median gross loan impairment (bps)	150	62	17	76	32
Gross loan impairment range (bps)	97 – 202	40 – 84	15 – 43	53 – 100	30 – 38
Median recoveries (bps)	54	48	No meaningful experience	9	3
Recovery range (bps)	52 – 56	14 – 71	No meaningful experience	7 – 10	1 – 7

Consumer Banking impairment experience



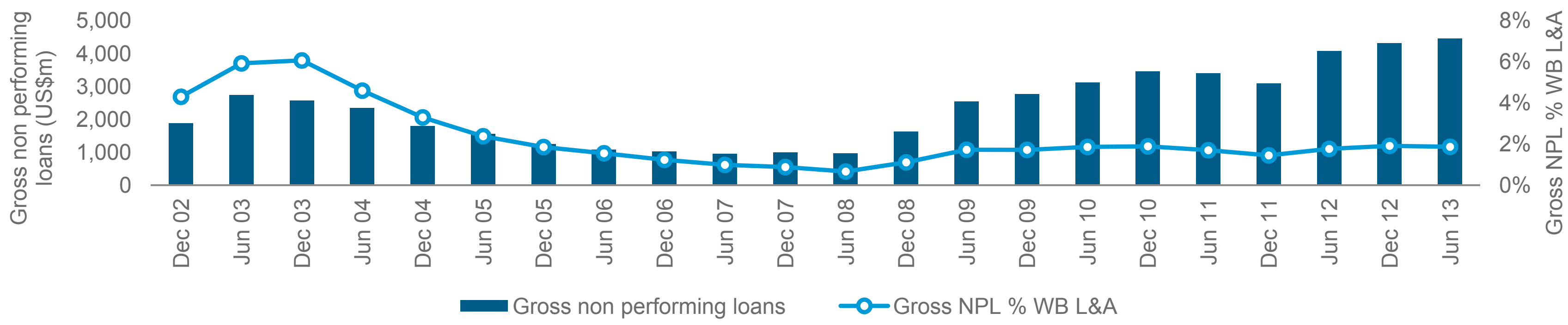
Outlook: Wholesale Banking

Early alerts trend

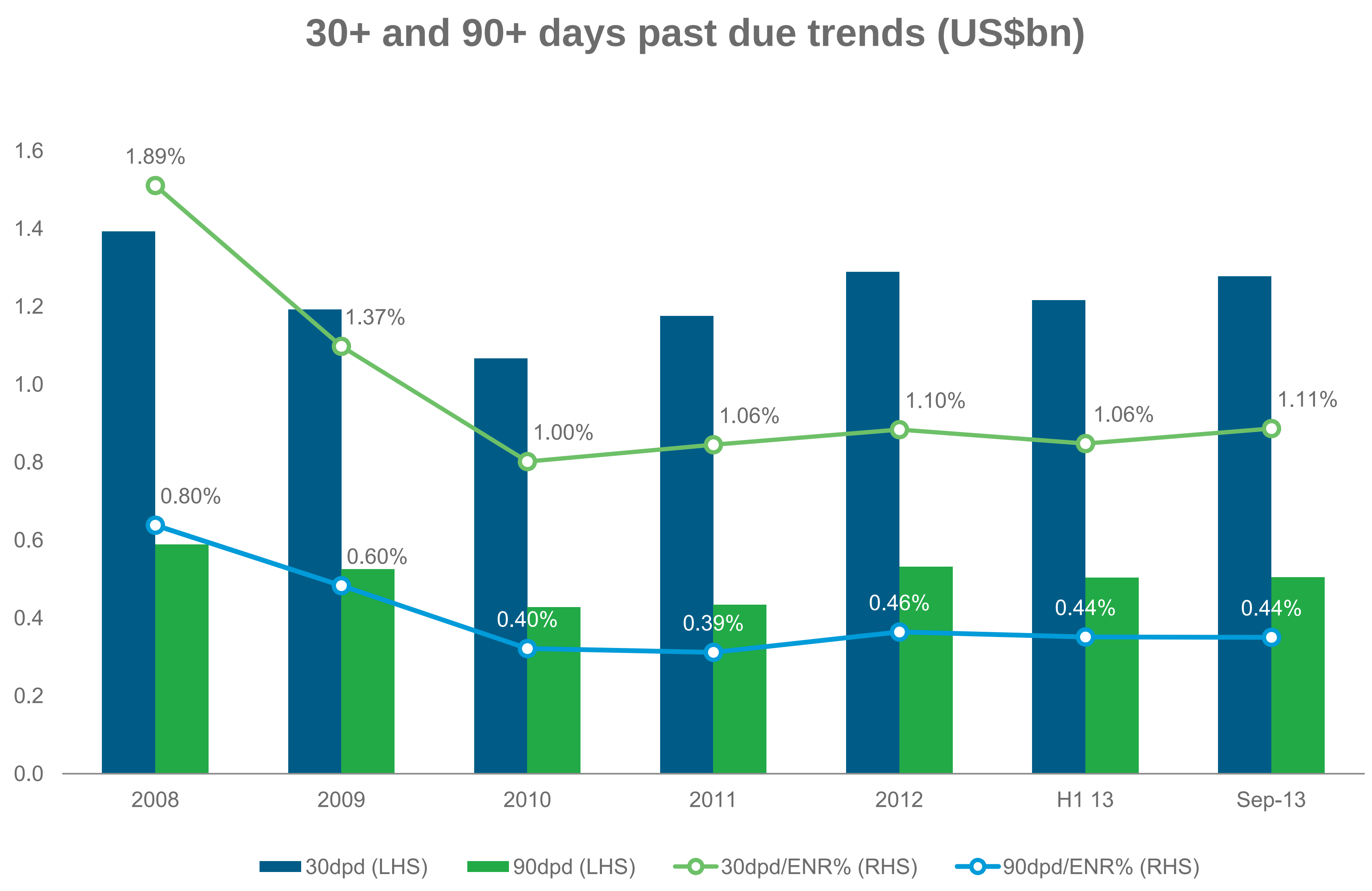
- Early Alerts (EA) is not a leading indicator of loss, but is an indicator of increased account scrutiny

Non performing loans trend

- Non performing loans as a % of Wholesale Banking Loans and Advances have been broadly flat at around 2% since 2009
- MESA accounts for 47% of the total NPL of US$4.5bn at June 2013



Outlook: Consumer Banking



Key messages

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- Our risk management is built on five strong foundations
  - ✓ High portfolio diversification
  - ✓ Short tenor
  - ✓ High degree of collateralisation of sub-investment grade exposures
  - ✓ A deeply embedded set of risk management disciplines
  - ✓ Utilisation of Market Risk only in support of client activities
- Active and early response to anticipated deteriorations in market conditions
- Consistent, well-structured and highly selective approach to large ticket corporate credit underwritings