Overview & Investment Thesis:

- One of the world's oldest (150 years) and most international banks with a network of over 1,750 branches and outlets and 85,000 employees (129 nationalities) in 71 countries and territories across the globe, leading the way in Asia, Africa and the Middle East with only 2,000 employees based in the UK.
- 8th consecutive year of delivering record income and profits.
- Derives more than 95% of its operating income and profits from Asia, Africa and the Middle East.
- Positioned in some of the fastest growing markets of the world and has the strong capital base, liquidity and customer relationships required to make the most of this opportunity. It believes it can deliver double-digit growth income in 2011 and beyond.
- The Group's focus is on the basics of banking and its strategy is to become the world's best international bank leading the way in Asia, Africa and the Middle East and; to seize the opportunities arising from growth, regulatory reform and/or economic turbulence.
- 2010 delivered diverse and well spread income and profit - five individual markets delivered over $1 billion of income and India outpaced Hong Kong to become the group's largest market by profits for the first time. This coincided with its listing of its Indian Depository Receipts on the Bombay and National Stock exchanges - the first listing by an international company in India.
- Networks include: Hong Kong (77 branches/ 240 ATM's); Korea (418 branches/1,667 ATM's); China (61 branches/124 ATM's); Taiwan (89 branches/412 ATM's).
  - Indonesia is the largest economy in South East Asia and 4th largest population in the world; regarded as a fast growing country, the Group has a network of 28 branches and a 45% stake in Permuta Bank, which has 280 branches.
  - Extending its distribution reach beyond its current 94 branches in India is a key priority.

Consumer Banking

- Consumer Banking serves more than 14 million customers across Asia, Africa and the Middle East where the Group has the competitive advantage to build significant market positions while delivering strong financial performance.
- The transition from product-led to customer-focused developed distinctive customer value propositions for private, priority, small and medium sized enterprises and preferred customers.
- In Consumer Banking, the Group has been reshaping to focus on building deep, long standing multi-product relationships with customers and rebalancing the mix from unsecured to secured lending. Around 60% of the portfolio is in mortgages, with an average loan-to-value ratio of approximately 51% (2010 - 48%).
- **Private Banking** (part of Consumer Banking division): Singapore is the main hub. From its inception in 2006 and with the benefit of the American Express Bank acquisition in 2008, Private Banking now has $46 billion of assets under management, ranking it as the 6th largest private bank in Asia.

Wholesale Banking

- Wholesale Banking supports corporate and institutional clients with services in trade finance, cash management, lending, securities, foreign exchange, debt capital markets and corporate finance.
- Focus is on providing responsive, innovative and creative solutions to its clients making it the leading international bank of choice in Asia, Africa and Middle East. Growing intra-Asian trade and trade between emerging markets - between Asia, Africa and Middle East and Latin America - are becoming a key engine of growth in the group's market.
- Wholesale Banking has been transformed through a client-led strategy, adding services such as credit derivatives, debt capital markets and corporate advisory to its long-standing cash management and lending business. The Group's strong growth, supplemented with strategic and disciplined acquisitions and alliances, continues to deliver results and create shareholder value.
- The Group's Wholesale strategy is to deepen client relations. In 2010, income from its top 50 clients grew 18% (2009 grew 38%).
- Portfolio is predominately short term with 67% of loans and advances having a contractual maturity of less than 1 year.
- Standard Chartered is one of the leading debt capital market players in Asia (excluding Japan and Australia).
- The Group seeks to enhance its franchise through capability acquisitions. These include Cazenove's Asian equity business (acquired January 2009), now renamed Standard Chartered Securities. This was the beginning of a deliberate strategy to build a relevant equities business across key markets.

Business Description:

Group's operations are carried out through two divisions. Consumer Banking provides credit cards, personal loans, mortgages, deposit taking and wealth management services to individuals and small to medium sized enterprises. Wholesale Banking provides corporate and institutional clients with services in trade finance, cash management, lending, custody, foreign exchange, debt capital markets and corporate finance. In 2010, the Group acquired the custody business of Barclays Africa and the consumer finance business of GE Capital (Hong Kong) and GE Commercial Financing (Singapore) Limited.

Industry Growth Drivers/Trends:

- As the world's fastest growing region, Asia is expected to drive incremental growth in the global recovery and demand for financial products.
- Increasing percentage of world population (particularly in developing countries) are middle income earners demanding increasing numbers of financial products.
- Global macro-economic transition from west to east has gathered pace. The financial crisis accelerated this trend and accentuated the imbalances between over-consuming western economies and high-saving emerging markets. Rebalancing requires structural and international cooperation and may take time. Last year, developing markets accounted for one-third of global GDP but two-thirds of the world's growth.
- By 2030, the Group envisages the world's 5 largest economies would be those of China, US, India, Brazil and Indonesia. It anticipates the majority of its markets growing at between 5% and 8% over this period.
- The links between China, Hong Kong and Taiwan are developing rapidly with a profound impact on trade and capital flows - into which the Group is positioned to seize the individual markets and Greater China opportunities.
- Intra-Asia trade and investment flows are growing quickly - just 10% of world trade in 2000 to just under 20% last year - with a projected share of over one-third of all global trade by 2030.
- On average, each of the Group's consumer banking customers buys only 1.4 products, the Group believes there is significant scope to increase this 'cross-sell' ratio.
- Geared into fast-growing Asian markets across the region with 'western quality' management and standards of corporate governance and disclosure.

Competitive Advantages:

- Strongly liquid and well capitalized, a beneficiary of 'flight to quality' - a significant net lender in the interbank money markets.
- At no point during the financial crisis did the Group take capital from any government or liquidity support from any central bank. Its ability to respond to regulatory change is better than many competitors.
- Notably strong shareholder support underpins the Group's growth strategy.
- Experienced management team concentrates on both exploiting Group's strengths and risk averse growth.
- The focus on clients and customers, the obsession with the basics of banking, the emphasis on acting as one bank are key elements of the Group's culture and brand.
- Standard Chartered's brand has strengthened during and after the financial crisis.
- The Group recognizes that banking is intrinsically digital and so can be transformed through technological inovation.

Competitors:

- Global: HSBC, Santander, BBVA, Barclays, UBS, Credit Suisse, BNP Paribas, ING, JPMorgan
- Regional: National Australia Bank, Australia & New Zealand Banking Group, Bank of China, Industrial and Commercial Bank of China, State Bank of India, ICICI, Hang Seng.

Barriers to Entry:

- Governance and regulatory compliance costs include Basel III, IT and capital.
- Extensive branch network and global investment banking underwriting capability - prohibitively expensive to replicate.

Customers:

- Diversified customer base with no single customer concentration.
- Diversified loan portfolio. No single country accounts for more than 20% of loans and advances to customers or operating income.
- 23 markets now deliver over $100 million of income and15 markets over $100 million in profit. All 8 geographic segments deliver over $1 billion income in 2010.

Officers and Directors:

Senior Management Team - Board Appointed: Chairman, John Peace; Group CEO, Peter Sands (ex Group Finance Director); Group Finance Director, Richard Meddings (ex COO Barclays Private Clients); Group Executive Director, Consumer Banking, Steve Bertamini (ex Chairman & CEO of GE North East Asia); Group Executive Director, Wholesale Banking, Mike Rees; Group Executive Director & CEO, Asia, Jaspal Bindra.

Board of Directors:

- **16 member board** – 10 are non-executive and independent.
- John Peace, Chairman since August 2007 and is also Chairman of Experian PLC and Burberry Group PLC. Chairman of Board's Audit Committee (Rudy Markham), Remuneration Committee (Ruth Markland), Board Risk Committee (Jamie Dundas) and Brand and Values Committee (Paul Skinner) are independent and non-executive.
- Directors are from a diverse range of backgrounds (i.e. law, politics, healthcare, retail, energy and finance).

Ownership:

Temasek 15.5%, Aberdeen 9.4%, BlackRock 5.3%, Blackrock Investment 4.7%, Legal & General 4.0%, Vanguard 2.5%, Dodge & Cox 2.2%, Fidelity 1.8%, Scottish Widows 1.7%, Norges Bank 1.4%, BNP Paribas 1.3%.

Capital Allocation/Uses:

Portfolio of consumer/retail and wholesale/commercial business is planned and managed for long-term maximization of total shareholder return. Standard Chartered's consistent performance is supported by a strategy of organic growth and geographic diversification made manifest via a progressive dividend policy. By standardizing platforms, re-engineering processes and hubbing activity into its principal shared services centres in Chennai, Kuala Lumpur and Tianjin, it has driven down technology and operating running costs, as a % of income from just over 12%, 6 years ago to less than 8.1%. Its objective is to relentlessly improve efficiency to have more headroom for investments. Carefully selected acquisitions are helping the bank to grow in key markets such as India, South Korea, Indonesia, Pakistan and Taiwan. In October 2010, the Group successfully raised over $5.5 billion via a rights issue, for three reasons: to respond to the change in investor sentiment about required levels of capital; to provide a buffer to meet regulatory requirements; and to give the Group greater room to take advantage of potential opportunities. Over recent years, the Group has simultaneously increased its income earnings per share, capital ratios and total dividends paid out. Exposure to Portugal, Ireland, Greece and Spain is less than 0.5% of assets and exposure to sovereign debt in those countries is negligible.

Key Products:

- Comprehensive range of financial services worldwide which benefits from long-term trend of increasing international connectivity. Continues to lead as the primary and secondary transaction banker in its footprint (according to East and Partners' survey of 930 corporates in Asia).
- Strong national franchises and market shares via the provision of personal/business loans, mortgages, deposits and cards.
- Accredited widely across its key markets in Asia, Africa and Middle East as a top 3 bank in trade finance, foreign exchange, custody, cash management and debt markets.

Portfolio Composition:

Business Mix	2008	2009	2010
Consumer/Retail Banking	27%	18%	22%
Wholesale/Commercial Banking	73%	82%	78%
Geographic Mix	**2008**	**2009**	**2010**
Hong Kong	22%	21%	18%
Singapore	13%	14%	12%
Korea	7%	6%	6%
Other Asia Pacific (including Malaysia)	15%	15%	18%
Total Asia Pacific	***57%***	***56%***	***54%***
Middle East and Other South Asia	14%	7%	14%
India	20%	21%	19%
Africa	7%	9%	9%
Americas, UK (Head Office) and Europe	2%	7%	4%
Total	***100%***	***100%***	***100%***
Group Sector Mix	**2008**	**2009**	**2010**
Mortgages	26%	28%	28%
Other	12%	12%	12%
Small and Medium Enterprises	7%	7%	7%
Total Consumer Banking	***45%***	***47%***	***47%***
Agriculture, Forestry and Fishing	1%	1%	2%
Construction	1%	1%	1%
Commerce	10%	11%	11%
Electricity, Gas and Water	1%	1%	1%
Financing, Insurance and Business Services	14%	11%	9%
Governments	3%	3%	2%
Mining and Quarrying	3%	3%	4%
Manufacturing	14%	13%	13%
Commercial Real Estate	4%	3%	4%
Transport, Storage and Communication	3%	5%	5%
Other	1%	1%	1%
Total Wholesale Banking	***55%***	***53%***	***43%***
Total	***100%***	***100%***	***100%***
Interest Earning Assets	**2008**	**2009**	**2010**
Trading Assets	23%	12%	13%
Loans to Banks	15%	17%	14%
Loans to Customers	57%	64%	65%
Financial Investments	5%	7%	7%
Customers: Loans/Deposits	76%	80%	80%

Financial Statement Summary: (US$m, years ended December 31)

Income Statement	2008	2009	2010
Net Interest Income	7,387	7,623	8,470
Other Income	6,581	7,561	7,592
Provisions for Credit Losses	(1,321)	(2,000)	(883)
Non-Interest Expenses	(8,080)	(8,054)	(9,099)
Taxes	(1,224)	(1,674)	(1,708)
Net Income	3,241	3,380	4,332
EPS	1.92	1.68	1.96
Diluted EPS	1.91	1.65	1.93
Dividend per Share	0.62	0.66	0.69
Balance Sheet			
Common Equity	20,683	25,973	36,932
Book Value per Share	10.91	12.82	15.73

Key Profitability Ratios and Figures:

Y/E September 30	2008	2009	2010
Core Tier 1 Capital	7.5%	8.9%	11.8
Tier 1 Capital Ratio	9.9%	11.5%	14.0
Total Capital Ratio	15.6%	16.5%	18.4
Efficiency Ratio (Costs/Income)	57.8%	53.0%	56.6
Provision for Credit Losses % of Average Loans	0.79%	1.05%	0.39
Loan Loss Reserve as % of Gross Loans	1.18%	1.82%	1.20
Loan Loss Reserve as % of Impaired Assets	66%	86%	58%
Return on Average Equity	15.2%	14.3%	14.1
S&P Senior Rating of Debt	A	A	A

Sourced from 2010 Annual Report.

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