

24 November 2008

Standard Chartered PLC (along with its subsidiaries the “Group”) will be holding discussions with analysts and investors ahead of its close period for the full year ending 31 December 2008. This statement details the information that will be covered in those discussions.

Peter Sands, Group Chief Executive, commented, “Standard Chartered continues to deliver, with record profits to the end of October, despite the challenges arising from the global financial crisis. The diversity of our income streams, the strength of our balance sheet and our disciplined approach to risk have proved a robust platform for growth. Our markets in Asia, Africa and the Middle East, whilst not immune to the turmoil, appear relatively resilient. Standard Chartered is well positioned to continue to weather the economic uncertainties and to take advantage of opportunities as they emerge.”

All comparisons will be made on a full year basis unless otherwise stated.

### **Overall - Profit & Loss Account**

Standard Chartered has continued to perform strongly in the second half of 2008, building on our excellent first half results.

The global financial crisis is having an increasing impact on our markets. Economic growth is slowing in most countries, and we have seen increased volatility in local financial markets and liquidity conditions. However, GDP growth prospects in most of our markets remain much higher than in the West. These economies benefit from high levels of foreign exchange reserves, high natural savings rates, low levels of leverage, continued growth in domestic demand and determined actions by Governments and Central Banks.

At a Group level, income growth remains strong, driven by continued strong performance in Wholesale Banking across a wide range of products and customer segments. Consumer Banking revenue growth has slowed in the second half, with the run-rate of Wealth Management income below the levels seen in the first half of the year, and is continuing to slow.

Net interest margins remain broadly stable.

The Group continues to take a dynamic approach to managing expense growth. We continue to invest in strategic priorities, whilst at the same time taking action to drive efficiency in the existing cost base and to respond to the changing dynamics of our business. For the full year, and including American Express Bank (“AEB”), we anticipate that expense growth will be broadly in line with income growth. Excluding AEB, income growth is anticipated to significantly exceed expense growth.

The integration of AEB continues to make good progress. As previously stated, we expect AEB to have a negative impact on earnings in 2008 of some USD100 million, with integration expenses of some USD160 million in this first year more than offsetting underlying earnings.

Our commitment to continued development of the franchise and our confidence in the prospects for growth are demonstrated by the three small acquisitions announced in the last two months in Taiwan, Brazil and Hong Kong.

### **Overall – Balance Sheet**

The Group remains well capitalised and highly liquid, with a well-diversified and conservative asset base.

The Group continues to comfortably meet capital requirements across all of its geographies. Standard Chartered Bank, the UK authorised entity of Standard Chartered PLC, meets the capital requirements under the UK Government's banking sector scheme. The eligibility criteria for the scheme were for a total Tier 1 Capital of at least 8%, and Core Tier 1 Capital as defined by the FSA of at least 4% under a stress scenario.

On 14 November the Group launched a tender offer to buy back USD1.3 billion of Floating Rate Notes which qualify as Upper Tier 2 capital. The rationale for the tender offer was to optimise the capital structure. The tender offer closes on 3 December and any benefit to profit will be normalised out of EPS.

The second half of the year has seen significant volatility in currency movements, which have had a negative impact on the Group's Net Assets. The most significant is that arising from currency movements in the Korean Won. A movement of 50 Won changes the Group's Net Assets by approximately USD185 million. The effect on the capital ratios however, is less significant as the revaluation of foreign currency Risk Weighted Assets partially mitigates the impact of currency movements on the capital base.

The Group remains strongly liquid and we have continued to see a good inflow of deposits, resulting in a loan to deposit ratio materially below 100%. We continue to be a provider of liquidity to the interbank money market.

Asset quality in both businesses remains good and loan impairments are in line with expectations.

The balance sheet is conservative and diverse, with limited exposure to Asset Backed Securities (ABS), Commercial Real Estate and level 3 assets. The mortgage portfolio has an average loan-to-value of 49%.

The Group has elected to redesignate certain debt instruments following the amendments to IAS39 issued by the IASB in October, 2008. A total of USD 8.3 billion of illiquid assets has been redesignated from held-for-trading and available for sale ("AFS"), to AFS and loans and receivables. If this redesignation had not

been made the Group's pre-tax profits would have been lower by around USD 200 million, of which less than half related to the ABS portfolio.

Further details covering the ABS portfolio are set out in the Appendix to this document.

## **Business Performance**

### **Consumer Banking**

Consumer Banking has delivered modest income growth on a headline basis and on an underlying basis (excluding the impact of American Express Bank) income is expected to be broadly flat on 2007.

The average monthly income run rate in the second half of the year is lower than that seen in the first half of 2008. This is largely due to softness in Wealth Management, particularly from September onwards, driven by a fall-off in sales as consumers reacted to turmoil in the global financial sector.

Markets such as Singapore, India and Africa have performed particularly well, albeit growth has slowed in the second half of the year in line with reduced consumer confidence and pressure on asset margins. In Hong Kong, income is anticipated to fall from the levels seen in 2007, due primarily to the sharp slowdown in Wealth Management in the second half of the year and lower Prime HIBOR spreads affecting mortgage margins.

We have delivered good income growth in SME banking with particularly strong performances in India, Singapore and the UAE. SME assets have fallen, primarily due to actions taken to slow the growth in unsecured lending, and to tighten underwriting criteria as economic uncertainties increase.

Mortgage income has been adversely impacted by interest rate movements and intense competition.

We have continued to invest in the franchise on a disciplined and highly selective basis, focusing on distribution and product capability. At the same time, in response to the challenging business dynamics, we have taken additional measures to reduce costs through headcount rationalisation and efficiency drives, and on an underlying basis, we anticipate that expenses will have fallen from the levels seen in the first half of the year. On a full year basis, growth in expenses is expected to exceed income growth on an underlying basis.

Asset quality in Consumer Banking remains strong, notwithstanding the deteriorating economic environment. Loan impairment is in line with expectations, with stress limited to specific portfolios and geographies, none of which are material to the Group. We are taking anticipatory action in response to economic uncertainties, tightening underwriting criteria, reinforcing collection resources and reshaping certain portfolios. As a result, assets have fallen marginally.

Consumer Banking continues to achieve accelerating liability growth across the franchise.

## **Wholesale Banking**

Wholesale Banking income momentum has remained very strong, both overall and on an underlying (excluding the impact of American Express Bank) basis in the second half of the year.

Income growth has been broad-based across all key client segments and across multiple products. Client-driven income has performed very strongly and continues to be the primary driver of Wholesale Banking income, with a particularly strong performance in cash management and trade.

We are deepening client relationships, repricing for risk and managing collateral more effectively and more extensively in response to changing competitive dynamics and greater market volatility. Our pipeline for Corporate Finance transactions remains strong, although the pace and timing of execution is being affected by the increasingly uncertain economic environment.

Own account income has continued to perform strongly, reflecting effective balance sheet management and the benefits of enhanced product capabilities. Principal Finance realisations have become more difficult as a result of market conditions.

We have continued to invest in Wholesale Banking, enhancing our product capabilities, reinforcing our infrastructure and broadening coverage, whilst also pursuing a range of initiatives to improve underlying efficiency. We anticipate cost growth will be below income growth for the full year.

Credit quality in Wholesale Banking remains good, although new impairments and early alerts have risen from the exceptionally low levels seen in recent years. The increase in early alerts is mainly as a result of increasing stress in the financial institutions segment, whilst early alerts in the corporate book remain at low levels. Recoveries and releases continue to be achieved, albeit at lower levels than in 2007.

We are being extremely vigilant about credit quality, taking anticipatory actions, and reshaping certain portfolios. In taking on new assets we are sensitive to the changing levels of appetite for primary and secondary distribution. Yet despite the disruption in global credit markets our syndication activities continue to perform strongly, with a good ongoing appetite for assets from our markets.

Through the second half of the year and accelerating through October, the dislocation in equity markets has placed downward pressure on the valuation of certain equity investments, including some of those in the Principal Finance business. The downward valuation impacts profits and was approximately USD300 million as at 31 October. We consider that the portfolio continues to be attractive on a fundamental valuation basis.

We have been very selective in growing Risk Weighted Assets (RWA), focusing on key businesses and customer segments. We anticipate RWA growth to be in low single digits on the first half of the year.

## **Korea**

We continue to make progress in reshaping and streamlining the business in Korea.

There continues to be volatility to income arising from the impact of accounting asymmetry on economically effective hedges with a charge to income of USD8 million as at the end of October.

The Korean Won has depreciated significantly during the year, which has had a negative impact on the headline results. However, on a constant currency basis, both income and profits are expected to show strong double digit growth.

On a constant currency basis, expenses are expected to grow at a substantially slower rate than income as we continue to address productivity issues in Korea. As part of our ongoing efforts to improve the efficiency of the cost base we launched a voluntary redundancy scheme in July. This will result in increased costs in 2008, but significant savings in 2009.

## **Conclusion**

In summary, the Group has good income momentum, although slower than in the first half. We are mindful of the potential impact of market volatility during the last few weeks of the year. We are continuing to manage expense growth in line with income growth. We continue to be proactive and disciplined in our management of risks. Despite the extraordinary events of the last few months, which have left no major financial institution unaffected, the financial performance and asset quality of the Group remain strong.

## Appendix: Asset Backed Securities

	30 Jun 2008	31 Oct 2008	30 Jun 2008	31 Oct 2008	
<b>Total exposures to Asset Backed Securities USD millions</b>	Notional value	Notional value	Carrying value	Carrying value	Fair value Note 1
RMBS					
US Sub-prime	0	0	0	0	0
US Alt A	89	86	59	59	48
US prime	2	2	2	1	1
UK/Other	1,562	1,112	1,499	1,059	1,027
CDOs					
ABS	264	212	79	44	39
Other CDOs	394	381	335	313	245
CMBS					
US CMBS	150	148	132	130	103
Other CMBS	904	708	796	596	576
Other ABS	2,221	1,940	2,059	1,774	1,674
<b>Total</b>	<b>5,586</b>	<b>4,589</b>	<b>4,961</b>	<b>3,976</b>	<b>3,713</b>
Charge to AFS reserve	(186)	(215)			
Charge to P&L	(130)	(153)			

Note 1: Fair value reflects the entire ABS portfolio including those assets redesignated to loans and receivables.

A conference call to discuss the contents of this announcement will be webcast live on Standard Chartered's website. To access the webcast follow this link <http://investors.standardchartered.com> from 09:00 GMT onwards. A recording of the webcast and a podcast will also be available shortly after the event.

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These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks and uncertainties include the effects of continued or increasing volatility in international financial markets, economic conditions both internationally and in individual markets in which Standard Chartered operates, and other factors affecting the level of Standard Chartered's business activities and the costs and availability of financing for Standard Chartered's activities.

Any forward-looking statement contained in this announcement based in past or current trends and/or activities of Standard Chartered should not be taken as a representation that such trends or activities will continue in the future. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed the historical or published earnings of the Company.

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