

5 May 2009

Standard Chartered today releases its Interim Management Statement (IMS) for the first quarter of 2009.

The Group has had a strong first quarter, delivering record levels of income and profit. Despite the challenging macroeconomic environment and the continuing difficulties in the financial markets, the Group remains in very good shape and we are selectively growing the business.

Consumer Banking has shown resilience in the first quarter, with average monthly income levels slightly below those of the second half of 2008, but marginally up on the levels seen in the fourth quarter.

Mortgages have performed well, benefiting both from a continued improvement in margins, especially in Hong Kong, Singapore, Taiwan and India and increasing volumes particularly in Korea. SME income has experienced margin compression reflecting the liability led nature of this business as well as the continuing move towards secured products, including the booking of more SME business under government guarantee schemes. Wealth Management income remains muted and we remain very cautious about the near term outlook. We continue to see stresses in certain markets and investor confidence remains weak. Consumer Banking continues to attract strong inflows of customer deposits. However, liability margins remain under pressure given the low interest rate environment.

Consumer Banking has maintained a strong grip on costs and headcount levels, whilst continuing with the drive towards product and process simplification as well as consolidation of call centres. As a result, the average monthly costs in the first quarter are running more than 10 per cent below the average for the second half of 2008.

Consumer Banking asset quality remains as expected and we are continuing to focus primarily on secured assets. Impairment in the first quarter is in line with the guidance previously given.

Wholesale Banking has had an excellent start to the year. Income is tracking significantly ahead of last year. Client income has grown strongly and remains the primary contributor to overall revenues. In addition, own account income reported very strong growth in the first quarter.

Wholesale Banking continues to gain market share with its strong cross-border capabilities being a key source of competitive advantage. Trade has performed

particularly well with record levels of income. The core commercial banking businesses of cash, trade and associated FX hedging remain a significant part of the Wholesale Banking business and have benefited from higher net interest margins and spreads, more than offsetting any decline in volumes.

Own account benefited from strong trading gains largely on the back of client generated transaction flows and effective management of positions in Rates and FX. Asset and Liability Management has had an excellent performance, reflecting high levels of liquidity, but also upward sloping yield curves in a number of our geographies.

Corporate Finance has had a very strong first quarter, having won a number of large mandates. The deal pipeline remains robust.

Whilst the markets remain uncertain and higher levels of volatility may result in further stress, asset quality in the corporate loan book remains good and we are currently seeing low levels of impairment. Early alert indicators have risen, reflecting increased vigilance, but are not showing any particular industry or geographic concentration.

Our Asset Backed Securities book is continuing to see good levels of redemptions, and the balance sheet carrying value has reduced from \$3.8 billion as at 31 December 2008 to \$3.4 billion at the end of the first quarter of 2009.

Overall, Wholesale Banking performance in the first quarter has been excellent, particularly given the challenging market conditions.

The Group remains well capitalised and we continue to improve the mix of our capital base. We remain disciplined in our management of RWA growth.

The Tier 2 tender and exchange offers announced on 6 April have now been completed. We received a take-up of 24 per cent on the buy back of the \$700 million of 8 per cent Lower Tier 2 notes and 42 per cent on the exchange of £675 million of 5.375 per cent Upper Tier 2 notes. A pre-tax profit of \$248 million will be recognised in respect of this in the second quarter. Had this transaction been completed as at 31 December 2008, it would have benefited Core Tier 1 by some 10 basis points.

The Group has maintained a strong liquidity position with an A/D ratio consistent with the year end position. We are continuing to see good inflows of deposits and remain a significant net lender to the interbank money market.

Overall, while the world clearly remains very uncertain, the Group has had a strong start to the year, with a record quarter in terms of both profit and income. We remain vigilant and continue to take a highly proactive approach to managing our balance sheet and the Group's capital and liquidity position remains excellent.

We look forward to providing a further performance update in our pre-close trading statement in June.

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