

## STANDARD CHARTERED PLC

### SLIDE 1 - AGENDA (EMD)

Good morning, London. Good afternoon to those in Asia.

Thank you for joining us today on this conference call. You should all have access to the slides.

Since August 2007, we have seen extraordinary turmoil in global financial markets. And since August of this year the financial services industry has experienced what can only be described as unprecedented turmoil and challenges. No financial institution has been left unscathed.

Furthermore, these financial dislocations have created severe economic challenges first in the US and UK and now few countries in the world could claim to be immune.

But this is not the time to talk about the origin of this turmoil.

As the global economic environment has become more uncertain, with the prospect of continued volatility in financial markets, a slow down in almost every economy in the world, and new negative news almost every week, the Board has been very focused on the advantages of strong and demonstrable balance sheet strength, in terms of liquidity, capital and asset quality.

Moreover, we recognise that market expectations about levels of capital in the banking sector have been evolving rapidly, with greater focus on core equity and a general preference for higher levels of capital.

As a Board and management team, we've listened carefully to the views of our investors. We have always sought to manage our capital proactively, ensuring we are always well capitalised, raising capital when and where necessary to support the Bank's business and its balance sheet. Having considered the issues and explored

a number of options, we are confident that this rights issue is the right decision in the interests of our shareholders.

As you can see from our pre-close trading statement, we are still growing with record profits year-to-date. And while the turmoil presents us with some challenges, it also offers many opportunities for continued growth. We are confident today's rights issue will enable us to maximise these opportunities whilst providing even greater comfort on our overall balance sheet strength. We are strongly capitalised, and with your support we will be even stronger.

The Board believes that at this level of share price it is particularly important to provide all our shareholders with the opportunity to invest. Temasek, our largest shareholder, is supportive of this transaction, intends to take up its rights and is participating in the underwriting. We appreciate their continued support.

Richard will now provide some detail on today's pre-close trading statement and Peter will then give you a more detailed overview of the issue. Then we'll conclude and take your questions.

## **SLIDE 2 - PRECLOSE STATEMENT HIGHLIGHTS (RHM)**

Thank you Mervyn.

I hope you have all had a chance to read the pre-close trading statement we released earlier on today.

The sense you should have picked up from the statement is of a business in good shape despite the worsening economic backdrop. A business that is

- well positioned in markets we know well
- with broad income streams by business, geography and product
- which has a good grip of costs and an anticipatory approach to risk management.

- and a liquid, diverse and conservative balance sheet generating limited credit impairments.

There are four key messages you should draw out from the statement.

The first of these is income growth, which has been strong, especially in Wholesale Banking where we have very strong income momentum across all customer and product groups. We are continuing to make good progress in becoming a more important bank to our clients and our strong liquidity and capital positions are key enablers of this.

Consumer Banking income growth has slowed in the second half of the year, in the main reflecting the continuing slowdown in Wealth Management income. On an underlying basis, by which I mean excluding the impact of American Express Bank, Consumer Banking income is expected to be broadly flat on 2007.

The second key takeaway is credit quality. We have an anticipatory approach to risk management and we have positioned our loan books defensively for the economic slowdown. In both businesses, we have been for some time tightening underwriting standards, calling for more and better collateral and trimming exposures in our unsecured books. As a result, Consumer Banking impairment has continued to develop in line with expectations. In the Wholesale Banking loan book, impairments have risen from the low levels seen in 2007 reflecting, to some extent, the increasing stress in the Financial Institutions segment. Corporate loan book early alerts remain at low levels.

Third, we are continuing to manage expense growth in line with income growth. In Wholesale, we are continuing to invest in people and product capability. In Consumer Banking, we are continuing to invest, but we are creating capacity for this investment through a series of efficiency measures and headcount rationalisations. We have a firm grip of costs.

Finally, there are a number specific items which have impacted profit on a one-off basis. There has been a negative impact to profits of approximately USD300 million due to movements in the valuation of certain equity investments including some held by Principal Finance. This has been more than offset by the impact arising from the redesignation of debt instruments under IAS39 and the anticipated impact of a tender offer to buy back some Upper Tier 2 capital which was launched on 14 November 2008.

Turning now to our balance sheet...

### **SLIDE 3 - PRECLOSE STATEMENT HIGHLIGHTS (RHM)**

SCB's balance sheet remains liquid, diverse and conservative.

The Group continues to be strongly liquid with an A/D ratio materially below 100%. We are continuing to attract deposits across the franchise and are a net lender to the interbank market.

Our asset portfolio is diverse, with limited concentration to any individual market or sector. Our exposure to Asset Backed Securities (ABS), Commercial Real Estate and level 3 assets are all low. Our mortgage book which represents the majority of the Consumer Banking loan book has an average loan-to-value of 49%.

We remain well capitalised, and are within our stated target capital ranges of 7-9% Tier 1 and 12-14% Total Capital. Across all our geographies we are comfortably within the capital adequacy requirements of local regulators. As we have previously disclosed, we meet the capital requirements under the UK Government's banking sector scheme.

The second half of the year has seen significant volatility in currency movements which have a negative impact on the Group's Net Assets although the effect on capital ratios is partially mitigated by the revaluation of the foreign currency capital and foreign currency Risk Weighted Assets.

Turning briefly to our ABS portfolio.

The size of the portfolio continues to decrease, driven primarily by good levels of redemptions and was USD4.0 billion net of marks as at the end of October, down from just under USD5 billion net of marks at the end of June.

I will now hand over to Peter to take you through the rights issue in more detail.

#### **SLIDE 4 - RATIONALE (PAS)**

Thank you Richard and Mervyn

Let me start by reinforcing what Richard has said about the pre-close statement. Whilst not unscathed by the financial crisis, the Bank continues to make good progress and is performing strongly. We continue to grow income and profits. We have a conservative, well-diversified balance sheet, and are highly liquid. We are well-capitalised, comfortably within our target ranges and meeting all regulatory capital adequacy requirements

So why raise more capital?

Three reasons:

First, we are mindful that amidst all this turbulence, investors are looking for banks to hold more capital, and particularly core equity. And, as Mervyn said, we listen to our investors

Second, we do see merit in having more capital than we strictly need simply as a buffer in these extraordinarily uncertain times. Whilst we remain confident that our markets will be less affected than those in the West, they will not be immune and we don't pretend to be able to forecast precisely how marked or prolonged the slow down will be

And finally, perhaps most importantly, having more capital will give us even greater flexibility to take advantage of the growth opportunities emerging from the turmoil, both organic and inorganic. Whilst economic activity is slowing down across most of our markets, we see many opportunities to win market share at attractive risk-adjusted margins. Many of our competitors are in disarray, lacking capital or liquidity, or distracted by problems.

At this point in the crisis, balance sheet strength is as much a source of competitive differentiation as product capability, network or brand. We start from a position of strength. And with this rights issue, we make the Bank even stronger.

We thought hard before deciding to launch a rights issue. Asking our shareholders for more money is not a step we take lightly. But given the extraordinary events of the last few months and weeks, we are absolutely convinced that this is the right thing to do for our shareholders

This rights issue is not like most of those by other banks

It's not to fill a hole in the balance sheet or to repair a capital base eroded by losses. Profits for the first ten months of the year were at record levels.

It's also not because we're deeply gloomy about future prospects. We're not complacent by any means. 2009 will be full of challenges for any bank, anywhere in the world. That's why we see merit in having something of a capital buffer. But we also see significant opportunities to deepen our relationships with clients and take market share

It's probably also worth saying that it's not to create a "war chest". While we do see opportunities for acquisitions, the core of our strategy remains organic growth. For instance, the economic turmoil is encouraging Asian suppliers to return to more traditional forms of trade finance, a key area of strength for us. Acquisitions have to be financially attractive and strategically compelling. They have to complement our organic strategy, help us achieve things

that are difficult to do organically. We will not change our disciplined approach. Over the last few weeks we have done a few such smaller acquisitions: Asia Trust in Taiwan, Lehman's in Brazil and most recently, Cazenove Asia. We may well do more, but you shouldn't be seeing this as the primary driver for this rights issue

So this rights issue is about building from strength, giving us a buffer, enhancing our growth prospects, creating future upside

We have deliberately chosen to raise capital through a rights issue, respecting pre-emption, to give all our shareholders the opportunity to participate. Given the frankly depressing level of the share price, and levels of pricing prevailing in preference and debt capital markets, such as they are, any other route to raising significant sums of capital risks severe dilution or shareholder value destruction.

We are delighted that Temasek, our largest shareholder, is supportive of this transaction, intends to take up its rights and is participating in the underwriting. We welcome this strong indication of their support for the Bank and our strategy.

Let me take you through the key transaction terms.

## **SLIDE 5 - PROPOSED TRANSACTION(PAS)**

Today we announced that we are raising GBP1.8 billion, or USD2.7 billion at today's exchange rate by way of a rights issue of 470 million new shares at a price of 390 pence per share on the basis of 30 new ordinary share for every 91 existing ordinary shares.

The issue price of 390 pence represents a 48.7 per cent discount to Friday's closing price and a 41.6 per cent discount to the theoretical ex rights price. Qualifying shareholders who do not take up their rights in full would have their shareholdings diluted by up to 24.8 per cent.

This transaction has been fully underwritten.

**SLIDE 6 - CAPITAL MANAGEMENT (PAS)**

Adjusting for the proceeds of the rights issue, the pro-forma core tier 1, tier 1 and total capital ratios as at 30 June 2008 would have been 7.4 per cent, 9.8 per cent and 16.7 per cent, respectively

These figures are obviously well above our target ranges of 7-9 per cent for tier 1 and 12-14 % for total capital and all regulatory requirements. We have no plans to change our target ratios. We were well capitalised. Now we are very well capitalised.

**SLIDE 7 - TIMETABLE (PAS)**

We are launching this rights issue today. The Prospectus will be published on 26 November. The rights take-up period will run until 17 December.

**SLIDE 8 - CONCLUSION (PAS)**

So to summarise...

Whilst we have not been unscathed by the financial crisis, our performance remains resilient. We continue to grow profits. We have multiple, diverse sources of income growth. We are managing costs and investments with discipline. We are alert and pro-active in managing risk. Our balance sheet is in very good shape and will be even further strengthened by this transaction

Whilst our markets are slowing down – and we do expect bumps and surprises along the way – they are, on the whole, significantly stronger than most in the West, structurally sound, and continue to offer superior long-term growth prospects.

It is very difficult to predict what the next 12 months will bring.

But the management team and I are clear that we will not waiver from the strengths which have enabled us to weather the storm so far:

First, we will stick with our clear consistent strategy to lead the way in Asia, Africa and the Middle East. Doing business in markets we know intimately, with products we understand fully and with customers with whom we build deep relationships.

Second, we will continue to focus on the basics of good banking – proactive management of liquidity and capital, a disciplined approach to costs and investment and an anticipatory approach to risk.

Lastly, we remain very focused on the way we run the bank – one bank, one set of values and one culture.

We are confident that with this rights issue – and your support - Standard Chartered will be even better positioned, not just to weather the crisis, but to turn the turmoil to competitive advantage, creating value for you.

Thank you. We will now take any questions you might have