

PRESS CUTTING

Dow Jones
15 December 2008 (pg1 of 2)

HSBC, RBS Among UK Firms Exposed To Madoff Fraud

LONDON -(Dow Jones)- U.K. banks and financial institutions, including HSBC Holdings PLC (HBC) and Royal Bank of Scotland Group PLC (RBS), on Monday said they were exposed to Bernard L. Madoff Investment Securities LLC, which allegedly lost \$50 billion in a giant pyramid scheme.

Madoff, the head of the New York-based investment firm, was arrested Thursday.

Monday afternoon, HSBC Holdings PLC (HBC) said it has provided financing to a small number of institutional clients who invested in funds with Madoff. On the basis of information currently available, the "potential exposure" is in the region of \$1 billion, making it the largest exposure unveiled by U.K. firms so far.

Moreover, the bank said some clients in its global custody business have invested with Madoff, but that it doesn't believe these arrangements should be a source of exposure to the group.

Earlier Monday, Royal Bank of Scotland Group PLC (RBS) said that it has exposure through trading and collateralized lending to funds of hedge funds that were invested into the Madoff firm.

"If as a result of the alleged fraud the value of the assets of these hedge funds is nil, RBS' potential loss could amount to approximately GBP400 million."

A person familiar with Barclays PLC's (BCS) investment banking operations, Barclays Capital, said its exposure to Madoff was "minimal" and that, in any case, it is "fully collateralized."

Man Group PLC (EMG.LN), the world's largest publicly traded hedge-fund manager, said it has \$360 million invested in two funds that are directly or indirectly sub-advised by Madoff Securities and for which Madoff Securities acts as broker-dealer executing the investment strategy.

Irfan Younus, research analyst at NCB Stockbrokers, said that "it will take time before the full scale of the losses become clear, but it is clear that, while manageable for most of the larger banks, losses could be substantial." An informal tally made by Younus shows financial institutions worldwide so far have \$24.1 billion in exposures to Madoff.

PRESS CUTTING

Dow Jones 15 December 2008 (pg2 of 2)

Steven Philippsohn, senior partner of London law firm PCB Litigation and chairman of the Commercial Fraud Lawyers Association, said that "this is the tip of the iceberg and an early example of the news that we are going to get very used to hearing during this recession. As the credit crunch bites, more and more problems will come to light...No institution is immune (from this type of fraud)."

Some firms were eager to remove any suspicion that they might be exposed. "Firms wouldn't usually disclose their exposures to single names (or lack thereof), but in this case I think they are keen to be transparent," one industry spokesman said.

Lloyds TSB Group PLC (LYG) said it has no direct exposure. "Madoff funds and sub-funds have never been on our recommendation list and we've had a sell recommendation on them for years," a spokeswoman said.

RSA Insurance Group PLC (RSA.LN), Standard Life PLC's (SL.LN) Standard Life Investments, F&C Asset Management PLC (FCAM.LN), Alliance Trust PLC (ATST.LN), Aberdeen Asset Management PLC (ADN.LN), Bluebay Asset Management PLC (BBAY.LN) and Friends Provident PLC (FP.LN) all said they have no exposure to Madoff. A person familiar said Prudential PLC (PUK) has no exposure, while HBOS PLC (HBOS.LN) declined to comment.

Standard Chartered PLC (STAN.LN), Aviva PLC (AV.LN), Legal & General Group PLC (LGEN.LN), Old Mutual PLC (OML.LN), Schroders PLC (SDR.LN) and the Pearl Group didn't immediately return calls for comment.

-By Ragnhild Kjetland and Andrea Tryphonides; Dow Jones Newswires; +44 207 842 9268; ragnhild.kjetland@dowjones.com