STANDARD CHARTERED PLC – GROUP CHIEF EXECUTIVE'S REVIEW

We have had another strong set of results for the first half of 2005.

We now have a track record for good performance and for keeping our promises to our shareholders. We will continue to do so.

In the first half of 2005, we delivered against a balanced scorecard of growth and performance. Profit before tax, including KFB, was $1,333 million, a 20 per cent increase from $1,107 million. On an underlying basis, profit before tax was up 15 per cent. On a normalised basis, cost-income ratio improved to 52.6 per cent. Earnings per share saw an increase from 57.1 cents to 75.2 cents.

Our Progress

At the beginning of the year, we set out our top priorities for 2005:

- Expand Consumer Banking customer segments and products;
- Continue Wholesale Banking transformation;
- Integrate Korea First Bank and deliver growth;
- Accelerate growth in India and China;
- Deliver further technology benefits;
- Embed Outserve into our culture.

We are making real progress in achieving our priorities.

As a Group, we have come a long way in the past few years, doubling profits and earnings per share in three years, and achieving our target return on equity.

We have changed the shape of our business:

- While Hong Kong remains a key market, it is now part of a bigger, geographically balanced bank.
- Eleven of our geographies now deliver over USD100 million in income.
- Profits in the Middle East and South Asia region (MESA), including the United Arab Emirates (UAE), have grown sevenfold over the past 10 years.

The momentum in both businesses remains strong, with income and profit growth across almost all our markets.

We have confidence that this performance will continue, as we focus on our markets, our products, our service, our people, and on delivering good returns from our acquisitions and alliances.

Our Markets

There are opportunities in nearly all of our markets. To take three examples:

India

We are the largest international bank, we hold top five positions in many of our market segments, and we are the third most profitable multinational. Our service centre in Chennai is a leader in business processing.

Our acquisition of Grindlays in 2000 gave us scale, and we have added to this. We now have 78 branches in 30 cities. In the first half of 2005, our operating profit has exceeded the profits we made for the full year of 2001.

We are continuing to invest in growing our footprint to benefit from the scale and potential in India.

China

In China we have a three-strand growth strategy – organic growth, selective strategic investment, and taking advantage of the many opportunities in the Pearl River Delta, one of the world's fastest growing economic zones.

Our Consumer Banking business was launched in 2003 and is already on track to break even this year. In the past six months, we have launched 12 new products, trebled our assets over end 2004, and doubled the number of permanent staff – from less than 200 to almost 400 this June – to meet the demand we see in the market.

We now provide Consumer Banking services in Shanghai, Shenzhen, Beijing and Guangzhou - amongst some of the most important and wealthy cities in China.

Wholesale Banking has been profitable for the last two years in China. Income is up approximately 50 per cent, year on year. We are now expanding corporate advisory and other Global Markets services.

But it is not only the giant economies of India and China that are contributing to our growth.

Middle East and South Asia

The economies in the Middle East and South Asia region are doing very well, partly due to strong commodities and oil prices.

We are very pleased with our performance in MESA. We made a decision to invest in both infrastructure and talent, to strengthen our wealth management business, and to upgrade our project finance and debt capital markets capabilities. These investments are paying off.

Our income in the first half this year grew 25 per cent over the same period last year.

As countries like the UAE and Qatar look to increase their role in the world, we see further growth opportunities.

We also have opportunities in capturing the trade and investment flows between our markets. The pattern of trade flows is changing with rapid growth in intra-Asia and Afro-Asia trade.

The Asian regional financial hubs of Hong Kong and Singapore remain core to these opportunities.

We have seen a return to growth in Hong Kong, where tight discipline on expenses and risks has delivered record growth in operating profit.

Singapore is a very challenging market with a highly competitive environment leading to strong margin compression.

We are taking action to reposition our business in Singapore while taking the lead in product innovation to win market share.

Our Products

Product innovation has become a driver of our organic growth.

So far this year, we have launched 200 new product variations across 15 markets in Consumer Banking, ranging from Small and Medium Sized Enterprises (SME) loans in Pakistan to personal loans in South Africa.

Time to market is vital and we are shortening this. Our "M wallet", launched earlier this year in India, is the first mobile phone credit card in the country, and took just 90 days from concept to launch.

A fresh approach to traditional products can also help give us competitive advantage in mature markets. Singapore's e-saver is an on-line savings product, and a first of its kind in the market. The product has no minimum balance, no monthly fees, no fixed term, no passbook – but a very competitive interest rate. The overwhelming response from customers has enabled us to reach our 18 month target in just two weeks. This is just one of 15 new products launched in Singapore in the first half.

In Wholesale Banking, we have launched over 30 products in over 20 markets including Fund Services, Yield Enhancing FX Solutions and Renewal Energy Financing.

An example of a product we invested in a few years ago and is now paying off is B2BeX, our award-winning Internet platform for trade services. It was launched at the end of 2002, when many other institutions were viewing trade banking as in decline.

In the first six months of 2005, more than 80,000 purchase orders and 5,000 letters of credit issuances, with a value of about USD750 million, were sent over the platform. Transaction activity is up approximately 50 per cent over the same period a year earlier.

In an increasingly commoditised industry, where some products are under margin pressure, you have to keep innovating. These are just three examples. But having the right products in the right markets needs to be matched with the right service levels.

Our Service

Outserve is our initiative to improve service through the effective measurement and use of customer feedback to drive process improvements.

There are over 400 process improvement initiatives completed or in progress this year throughout the Group, in sales, risk, finance, middle office and operations functions.

Over 600 staff have already been trained in our process improvement methodology, and 90 per cent of all staff worldwide have completed their introductory Outserve training.

One example of how this is adding value is in Thailand, where Consumer Banking has completed an Outserve project with one of our SME loan products. As a result of this project, they have improved their processing time dramatically, increasing fivefold the percentage of loans they can process within the target time. In the first month, loan volumes for the product increased nearly 40 per cent.

Outserve is becoming a part of our culture and is already contributing to the bottom line today, but we still have more to do.

Our People

You can only create innovative products and give the right service, if you have the right people.

We spend a huge amount of time on developing people. Any growing company needs a relentless focus on talent management, whether it is recruitment, development, or succession planning.

The Group is a very diverse organisation. We are in 56 countries and territories, have 80 nationalities among our staff and 45 nationalities in our senior management team, giving us a multi-lingual, multi-national, multi-cultural mix that is a huge advantage.

Having strong general managers, able to move across businesses and across countries, is critical. Last year we made 200 cross border moves around the group at senior manager level, and so far this year we have already moved over 170 people.

We not only have a wealth of talent in the company. We are also able to attract strong people from the marketplace, and at all levels.

We spend at least a day each quarter on succession planning for the top 100 jobs in the company. The next generation of this Group's top management has been identified, and they are very strong. We have great talent across the organisation - that's what really gives us confidence in our continued performance.

Our Investments

In the last 12 months, we have supplemented organic growth with selective acquisitions and alliances that extend our customer or geographic reach, or broaden our product range. Let me update you on how three of these – PT Bank Permata Tbk (Bank Permata), Standard Chartered Nakornthon Bank, and Asia Commercial Bank - are performing.

Bank Permata

As part of a consortium with PT Astra International Tbk, we took a controlling interest in Bank Permata to extend our market penetration in Indonesia. Bank Permata is a key investment because it is a strong consumer bank with over one million customers, more than 300 branches, as well as other distribution channels including mobile, internet and call centres. Bank Permata's first half results for this year are very encouraging – it has contributed $35 million of income and $11 million of operating profit to our Group's results.

It is a well-managed bank, and we have now appointed a new Chief Executive who is one of our very senior international bankers with experience in Indonesia. We will be introducing further products and our own management infrastructure to allow us to grow assets and returns.

Standard Chartered Nakornthon Bank
It has been six years now since we bought a majority stake in Nakornthon Bank in Thailand. In May this year we purchased the 24.97 per cent owned by Thailand's Financial Institutions Development Fund, taking our total ownership to over 99 per cent.

We have recently announced our plan to integrate our branch into Standard Chartered Nakornthon Bank.

With the integration, we will have a strong competitive advantage as one of only two international banks with a meaningful domestic branch network.

It is encouraging to see income growth of over 40 per cent and profits growing over 20 per cent across a range of products already in Thailand.

We have ambitious plans for the future.

Asia Commercial Bank
In June, we purchased a minority stake in Asia Commercial Bank (ACB), one of the two joint stock banks in Vietnam. With a population of over 80 million people, Vietnam is one of the fastest growing economies in Asia, enjoying GDP growth of over seven per cent.

It is an attractive consumer market, fast-growing albeit from a small base. ACB gives us a foothold, and a great opportunity to learn and grow with the marketplace.

Korea First Bank

Our most important strategic step this year has been the acquisition of Korea First Bank (KFB). We have said KFB will be EPS accretive in 2006, and we will deliver on this.

Since completing the acquisition ahead of schedule in April 2005, we have made a good start on integration.

We are clear on the areas we must address:

- We are aligning both management and governance;
- We are integrating two cultures – and this includes building productive working relationships with our key stakeholders;
- We are expanding the product range at KFB, and moving quickly and effectively to bring new products to the market.

Management and governance
We have implemented our management model for Consumer and Wholesale Banking, and filled most key roles. We have put in place our assessment processes for performance management, and Korea is now part of our Group-wide monthly performance tracking reviews.

The Asset and Liability Committee is reshaping the balance sheet, focusing on integrating policies, and reviewing capital and liquidity structures. The Risk Committee has already finalised the risk governance framework for KFB.

This is a good beginning.

Culture
After extensive consultation with our staff and customers, we have announced our new brand name, and in September (subject to regulatory approvals), KFB will become SC First Bank and we will rebrand our 400 branches.

We integrated both communications networks on Day One, and all KFB staff now receive the same communications as all our Standard Chartered staff.

We have begun a staff engagement programme around the Group's brand and shared values, with a number of joint events for Standard Chartered and Korea First Bank staff such as celebrating Korea Day around our network, and holding a Family Day in Korea for staff and families.

We are clear about the challenges of integration and it will take time to embed our processes and standards and to get the culture right. So far, our engagement of key stakeholders is going well. Our regulatory relationships are in good shape. Our relationship with the union is important to us. I have had the opportunity to meet many staff and many of our key customers, and we are receiving very positive response from both.

Products

There are gaps in product offerings, and we have moved quickly to address the most immediate of these.

In Wholesale Banking, the new dealing room – the largest in Korea – has gone live with our international standard risk controls and processes in place. We have extended new FX limits, we are launching a full suite of Global Markets products by year-end, and we are linking KFB's domestic cash management channels with Standard Chartered's international transaction banking network.

In Consumer Banking, we launched KFB's first Personal Loan product on 18 July. It is the first of its kind in Korea to provide immediate approval by mobile phone and has been very well received. We have identified offshore mutual funds, foreign currency deposits, and Bancassurance as immediate opportunities to expand our presence in Wealth Management.

And, we are building on KFB's excellent reputation in mortgages with our newest product that combines a mortgage loan with insurance. All of these actions are already having a positive impact on KFB results.

We have made a good start, with staff and customers engaged. KFB is a strong bank with great potential.

Outlook

Standard Chartered is performing well and we are taking advantage of the momentum in our businesses.

We are confident in our ability to continue to drive forward performance despite challenges to global business from terrorism, high liquidity affecting margins, oil price uncertainty, and asset bubbles, mainly in real estate, in certain parts of the world.

There is cause to remain cautious on the outlook for risk. However, the economic environment in our markets is good.

Overall:

- We are well-placed in growing markets;
- The balance of our businesses and products has never been better; and
- Our acquisitions and alliances are doing well. In particular, we are already seeing progress with KFB.

We are showing we have the ability to consistently deliver performance across a range of market conditions. We look forward to continuing this in the second half.

Mervyn Davies CBE
Group Chief Executive
8 August 2005