

Chairman's Statement

“Our geographic diversity is deliver good performance”



The underlying business is doing well and the strategic investments made in recent years are delivering results.

I am pleased to report another strong performance for Standard Chartered.

- Profit before taxation, including the post-acquisition results for SC First Bank (formerly Korea First Bank), is up 19 per cent to \$2,681 million.
- Income is up 27 per cent, up 14 per cent on an underlying basis, excluding SC First Bank.
- Strong earnings per share (EPS) growth, with normalised EPS up 23 per cent.

As a result of this strong performance, the Board is recommending an annual dividend of 64.0 cents.

The underlying business is doing well and the strategic investments made in recent years are delivering results. The progress with SC First Bank in Korea is especially pleasing.

**Governance**

Governance across the Group is robust. In addition to the established Committees of the Board we now have a Corporate Responsibility and Community Committee, focused on the environment, diversity and inclusion, community and social investment. Activities in the area of corporate responsibility have measurable, positive commercial impacts and are very much part of the fabric of the Bank.

Non-Executive Director Mr Ho KwonPing has played an important part in the governance of the Group and he will retire from the Board at the conclusion of this year's Annual General Meeting.

KwonPing has served for more than nine years on the Board and I would like to thank him for the valuable contribution he has made during this important period for the Group.

**Economic outlook**

Recent years have witnessed a buoyant world economy. Our regions have benefited from this, enjoying strong growth. Yet what is more encouraging is that an increasing number of countries – across Asia, Africa and the Middle East – are taking advantage of this favourable environment to push through structural reform. This is important if these countries are to achieve faster, sustainable growth and be able to weather any future global slowdown.

In the Middle East, there is greater investment in infrastructure aimed at economic diversification. Across Asia, moves towards deepening domestic financial markets are key to the drivers of economic growth, shifting from a reliance on exports to domestic demand.

Exports are strong in Hong Kong and South Korea, but it is the sustained turn-around in consumer spending that is key to their current growth. As a result, in general, Asian growth rates are expected to remain well above those of OECD countries.

We are witnessing, at first hand, cyclical strength and structural change.

**Strategic progress**

Such strong and sustainable growth enhances our existing franchise and allows us to take full advantage of the acquisitions we have made in recent years.

# helping us to

In Thailand, where we have been present for over a century, we took the opportunity in 1999 to invest in 75 per cent of Nakornthon Bank. In 2005 we bought the remaining 25 per cent stake. Standard Chartered Bank (Thai) plc, as it is now known, is well positioned as a locally incorporated bank with international strengths and standards.

Similarly, we have had a long presence in Indonesia, a country with 240 million people. In 2004, with our consortium partner PT Astra, we took a controlling stake in Bank Permata. Permata is a consumer bank with more than one million customers, 300 branches and over 7,000 staff. The combination of Permata and our own branch offers us great access to this growing market.

In India, we bought Grindlays in 2000 and this strategic acquisition changed the nature of our presence in that market. We are now India's largest international bank and we have major ambitions. Already we have over two million Consumer Banking customers and 800 top corporate relationships. With the economy's consistently high rate of growth we expect to see even more opportunities ahead.

In China, we established our presence as the first foreign bank almost 150 years ago. In September 2005, in the presence of Chinese Premier Wen Jiabao and UK Prime Minister the Rt. Hon. Tony Blair MP, Standard Chartered signed the documents that allowed us to take a strategic stake in China Bohai Bank.

This is the first bank to be granted a national licence since 1996 and in February 2006 it opened its first branch.

Such a strategic investment is just one part of our approach to taking a leading position in this emerging economic giant. Our organic operations continue to prosper. Our long experience of China has allowed us to focus on the opportunities offered by rapid growth, including those in the Pearl River Delta, one of the world's fastest growing economic zones which accounts for about one-third of China's exports.

Finally, South Korea, which is Asia's third largest economy with a population of 47 million. In 2005 we made huge progress following our acquisition of Korea First Bank and SC First Bank, as it is now called, is well positioned for Korea's future economic development.

In all our markets we have strong business relationships and extensive networks, which are serving us well as the pace of change and number of business opportunities increase. Our international network is allowing us to benefit from new trade corridors emerging between our regions.

We are in growing markets and our geographic diversity is helping us to deliver good performance.

#### Well positioned

Overall, many current economic conditions and trends are advantageous for us. We are well positioned and our management teams

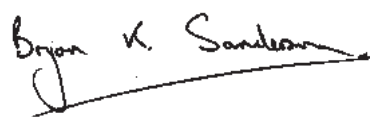
are focused on creating shareholder value.

Standard Chartered is ideally placed to maximise the existing and future opportunities presented by our markets. In addition to the growth presented by major Asian markets, many of our businesses in the Middle East, South Asia and Africa are developing rapidly.

Our management teams, at country and at Group level, balance strong local and international leadership. This ensures international standards are met, local practices are respected and market opportunities are leveraged. We offer the ability to invest in growth, mainly in Asia, with good regulation.

#### Summary

Standard Chartered's 2005 results demonstrate another strong performance. We are in markets with economic conditions that present us with opportunities to build on our performance track record. It is particularly pleasing to note that SC First Bank, our Korean acquisition, became EPS accretive in the second half of 2005. We are seeing the re-investment of petrodollars, strong economies all over Asia and, on the whole, increasing economic maturity in our markets. These conditions play to our strengths. We are executing our strategy well and making good progress. I am confident of the Group's prospects going forward.



**Bryan Sanderson, CBE**  
Chairman  
2 March 2006

## Highlights of 2005

# \$2,681m

Profit before taxation

# \$6,861m

Income

# 153.7 cents

Normalised earnings per share

# 18.0%

Normalised return on ordinary shareholders' equity

# 64.0 cents

Dividend per share