

Report of the Directors

The directors have pleasure in submitting their report and the accounts of the Company and its subsidiaries for the year ended 31 December 2005.

Activities

The Company is a holding company co-ordinating the activities of its subsidiary undertakings which are principally engaged in the business of banking and the provision of other financial services.

The Chairman's Statement on pages 4 and 5, the Group Chief Executive's Review on pages 6 to 11 and the Financial and Business Reviews on pages 12 to 37 contain a review of the business of the Group during 2005, of recent events and of likely future developments.

Results

The results for the year are set out in the consolidated income statement on page 64.

Share Capital

During the year 3,525,788 ordinary shares were issued under the Company's employee share plans at prices between nil and 743 pence. On 23 May 2005, 11,700,000 new ordinary shares were issued to the 1995 Employee Benefit Trust at a price of 985.6 pence per share. These shares were issued to enable the Trust to satisfy exercises of options under the Company's Restricted Share Scheme, Performance Share Plan and Executive Share Option Schemes. Further details of the employee share plans and the Employee Benefit Trust can be found in note 40 to the accounts.

On 13 May 2005, 2,522,654 ordinary shares were issued instead of the 2004 final cash dividend. On 14 October 2005, 1,735,708 ordinary shares were issued instead of the 2005 interim cash dividend.

On 14 January 2005, 117,902,943 new ordinary shares were issued as a result of an institutional placing, at a price of 920 pence per share. These shares were issued to partially fund the acquisition of Korea First Bank (now called Standard Chartered First Bank Korea Limited).

On 12 January 2006, 3,401,290 new ordinary shares were issued as partial consideration for the Group's 20 per cent investment in Fleming Family & Partners Limited, at an average price of 1301 pence per share. Further details of these issues of ordinary shares and other matters relating to the Company's share capital can be found in note 37 to the accounts.

During 2005, the Company repurchased and cancelled 3,000 of its 8.9 per cent preference shares of \$5 each. Following this repurchase and cancellation 328,388 US dollar preference shares remain in issue. Further details of this repurchase of US dollar preference shares can be found in note 37 to the accounts.

There were no repurchases of the Company's ordinary shares or sterling preference shares during 2005.

Dividends

The directors recommend the payment of a final dividend for 2005 of 45.06 cents per ordinary share to be paid on 12 May 2006 to shareholders on the register on 10 March 2006. The 2005 interim dividend of 18.94 cents per ordinary share was paid on 14 October 2005, making a total of 64 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in sterling, Hong Kong dollars or US dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2006.

Substantial Shareholdings

As far as the directors are aware there were no shareholders as at 31 December 2005, with an interest in more than ten per cent in the Company's issued ordinary share capital.

At 2 March 2006, the Company had been notified of the following interests of three per cent or more in its issued ordinary share capital.

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Fidelity Investments	114,833,806	8.7004
Goodwood Park Hotel Limited*	64,180,842	4.8627
The estate of Tan Sri Khoo Teck Puat	61,663,304	4.6719
Glen Holdings (Private) Limited*	60,762,549	4.6037
Legal and General Investment Management Limited	52,851,306	4.0043
The Capital Group Companies Inc	52,419,701	3.9716

* Glen Holdings (Private) Limited is 100 per cent owned by Goodwood Park Hotel Limited, therefore the interest shown for Goodwood Park Hotel Limited includes the number of shares shown for Glen Holdings (Private) Limited.

Loan Capital

Details of the loan capital of the Company and its subsidiaries are set out in note 36 to the accounts.

Fixed Assets

Details of the fixed assets of the Company are set out in note 22 to the accounts. Details of the fixed assets of the Group are set out in notes 22, 24 and 25 to the accounts.

Report of the Directors continued

Directors

The directors of the Company at the date of this report are listed on pages 38 and 39. All of the directors held office throughout the year.

Miss V F Gooding was appointed as a non-executive director with effect from 1 January 2005 and was elected by the shareholders at the 2005 Annual General Meeting (AGM). Mr C A Keljik retired as a director on 5 May 2005.

Mr E M Davies, Mr M B DeNoma, Mr R H P Markham, Mr B K Sanderson and Mr P A Sands retire from office by rotation and will offer themselves for re-election at this year's AGM, in accordance with the Company's articles of association.

Mr H E Norton and Sir CK Chow have completed nine years' service on the Board and will therefore offer themselves for re-election at this year's AGM, in accordance with the recommendations of the Combined Code.

Mr Ho KwonPing having completed nine years' service on the Board will retire at the conclusion of this year's AGM.

Mr Davies, Mr DeNoma, Mr Sanderson and Mr Sands have service contracts with a notice period of one year. Sir CK Chow, Mr Markham and Mr Norton are non-executive directors and do not have service contracts.

Directors' Interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2005 are shown in the Directors' Remuneration Report on pages 49 to 61.

Qualifying third party indemnities

At the 2005 AGM, the Company's articles of association were amended to reflect the changes in law, in respect of granting qualifying third party indemnities, brought about by the Companies (Audit, Investigations and Community Enterprise) Act 2004. In February 2006, the Company granted qualifying third party indemnities to the directors of the Company and of Standard Chartered Bank, subject to and on terms consistent with the Company's articles of association and the Companies Act 1985 (as amended by the Companies (Audit, Investigations and Community Enterprise) Act 2004). The indemnities remain in force at the time of this report.

Risk Management

The risk management objectives and policies of the Group, including its policy for hedging risk are set out in pages 28 to 36. The Group's exposure to credit risk is set out on pages 28 to 34, liquidity risk in note 47 to the accounts, and market risk in note 50 to the accounts. Company-only risks are managed as a part of overall Group risks.

Significant Contracts

There were no contracts of significance during the year in which any of the directors were materially interested.

Related Party Transactions

Details of transactions with directors and officers and other related parties are set out in note 51 to the accounts.

Employees

The Group employs almost 44,000 staff in 56 countries and territories. The average number of people employed by the Group in the United Kingdom during the year was 1,276 and their total remuneration for the year was \$315 million. Employees in all the territories where the Group operates have the opportunity to participate in the Group's all-employee sharesave schemes. This encourages their contribution to the Group's performance. Further details of the sharesave schemes are given on page 18 and in note 40 to the accounts.

The employment policies of the Group are designed to meet the relevant social, statutory and market conditions and practices in each country where the Group operates. The Group communicates systematically with its employees on a wide range of issues. This is done by briefings to managers who are encouraged to hold subsequent meetings with staff and by circulars, publications and videos.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom by providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled every effort is made to ensure their employment continues, with appropriate training where necessary. Further details of the Group's employees can be found in the Business Review on pages 12 to 21.

Areas of Operation

The Group has over 1,200 branches and corporate offices, as shown on pages 140 and 141.

Major Customers

Taken together, the five largest customers of the Group account for 1.53 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2005.

Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions with their suppliers in the economies where they conduct business. It is the Group's policy to pay creditors when the amounts fall due for payment.

Standard Chartered PLC is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding for the Company at 31 December 2005. For the Group's operations in the United Kingdom, there were 56 days' purchases outstanding at 31 December 2005.

Community Investment

The Group recognises its responsibility to invest in the communities where it operates and to act as a good corporate citizen. In 2005, the Group gave \$7.7 million to fund the work of non-governmental organisations (of which \$1.3 million was given to United Kingdom registered charities, focusing on supporting their work outside the United Kingdom). Further details of community projects can be found in the Business Review on pages 12 to 21.

HIV/AIDS Policy

The Group is committed to addressing social, health and human rights issues confronting its employees, their families and the communities in which it operates. The Group recognises that the principal competitive advantage of any business is gained through its employees, and this advantage is only sustainable if they are healthy, skilled and motivated. HIV/AIDS directly and indirectly impacts the Group's staff and therefore its business.

A policy on HIV/AIDS has been developed by the Group to be adopted across all the countries in which the Group operates and will apply to all staff and their families in a manner consistent with existing medical cover. A copy of the Group's HIV/AIDS policy is available to shareholders on the Company's website at: www.standardchartered.com/corporateresponsibility

Environmental Policy

The Group recognises that it should minimise any adverse impact of the conduct of business on the environment. It therefore aims to manage its businesses according to best practice with regard to the use of energy and other resources and by disposing of waste responsibly, by encouraging its customers to ensure that their products, processes and businesses do not damage the environment unnecessarily, and by taking environmental considerations into account in business decisions.

A copy of the Group's environmental report is available to shareholders on the Company's website at: www.standardchartered.com/corporateresponsibility

Social, Ethical and Environmental (SEE) Responsibilities

A report on SEE responsibilities can be found on page 48 and further details of the Group's policies on SEE risk can be found on the Company's website: www.standardchartered.com/corporateresponsibility

Corporate Governance

A report on corporate governance is included on pages 44 to 48.

Auditor

A resolution will be proposed at the 2006 AGM to reappoint KPMG Audit Plc as the auditor of the Company.

The directors have taken all necessary steps to make themselves and KPMG Audit Plc aware of any information needed in preparing the audit of the 2005 Annual Report and Accounts and as far as each of the directors is aware, there is no relevant audit information of which KPMG Audit Plc is unaware.

Annual General Meeting

The Company's AGM will be held at 12 noon (UK time) (7.00pm Hong Kong time) on Thursday 4 May 2006 at the Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB. Details of the business to be transacted at the AGM are included in the accompanying Chairman's letter to shareholders.

By order of the Board

C B Brown

Group Company Secretary
2 March 2006