

“Standard Chartered is making good and investing for future growth”

Through the disciplined execution of our strategy and the hard work of our teams around the world, we have delivered another set of strong results:

- We are driving strong organic growth, supported by balance between and within our businesses, and by our geographic diversity.
- SC First Bank in Korea is performing well.
- We are maintaining our discipline in managing expenses and risk.
- We are continuing to invest for the future.

Since the first half of 2001 normalised earnings per share have grown by 16 per cent (compound annual growth rate) and income has grown by 14 per cent. Our track record is clear and we are proud of the performance culture we have built across the Group.

Delivering on management agenda

At the beginning of the year we stated the priorities for 2006:

- Accelerate growth in both businesses, focusing on priority markets
 - Deepen client relationships in Wholesale Banking
 - Enter new customer segments in Consumer Banking
- Drive growth and performance in Korea
- Excel in service and innovation
- Lead by Example in corporate responsibility

In each of these areas we are making good progress.

Wholesale Banking

In Wholesale Banking, growth is coming from deepening of client relationships, as a broader product array and more effective cross-selling lead to increased client income. The transformation of Wholesale Banking continues.

These results demonstrate that our network gives us a clear competitive advantage. Our ability to originate and deliver complex cross border transactions is also driving income growth.

As a result, we are becoming a leader in many geographies with a range of innovative products, services and transactions. We are currently in the top two for All Asian currencies fixed income transactions and the top three for Asia-Pacific syndicated loans. Our project finance business, started in 2003, is now in the top two across Asia (ex-Japan, Australia). We launched our India mergers and acquisitions (M&A) advisory group just under three years ago, and it is now the leader in cross border M&A in that market. In July, in Malaysia, we concluded the first ever Islamic Banking cross-currency swap transaction in the country. We now offer a 'round the clock', 24 hour trade processing service in several markets – an example of our innovation in more traditional banking services.

Consumer Banking

In Consumer Banking, we have achieved widespread, double-digit growth across an increasingly broad footprint. Our increased focus on segments such as Small and Medium Enterprises (SME) and Wealth Management is delivering good results, with SME customer assets up 15 per cent and Wealth Management income up 46 per cent.

Consumer Banking's priorities continue to be product innovation, service excellence and investment for the future.

In product innovation, we have led the market with HIBOR-based mortgages in Hong Kong this year. Other product launches across our network include Express Trade for SME clients in six markets and the launch of the Manhattan credit card in its fifth major market.

We are continuing to focus on customer service. For example, in the United Arab Emirates, the Bank now offers a guaranteed one-day turnaround time for delivery of a new Manhattan or Gold Credit card, and we are now the leading issuer in UAE.

We continue to invest for the future – in new products, more branches and ATMs, in our infrastructure and in the skills of our people.

Korea

In Korea we said we would drive growth and performance. Korea had a good first half and we continue to achieve growth with a stream of successful product launches. In Consumer Banking we provided products and account services for over 500,000 new customers. In Wholesale Banking overall, income has grown by 28 per cent over consecutive half years and we continue to see strong growth in client income.

Service and innovation

We remain determined to excel in service and innovation. Our Outserve programme has achieved a great deal, and we are now building on our established approach and studying leading businesses in other industries to find new ways to

strategic progress

improve our performance. The operations team plays a significant part in our Outserve journey – for example, we now offer service guarantees on a range of banking services in a number of markets, which is creating competitive advantage.

Across the Group we continue to focus on business efficiency and expense management. We are creating the room to invest and we are making significant progress in improving the infrastructure of the Bank. The upgrading of our core banking platforms and consolidation of our data centres continues. All of these elements ultimately add to the efficiency of our business and the quality of our service.

Leading by Example

Finally on the 2006 agenda, we continue to take steps to Lead by Example in corporate responsibility, not just by funding long-term programmes such as Seeing is Believing and Living with HIV, but also by ensuring that we build a sustainable business and take a long term view of the consequences of our actions. Delivering a sustainable business means attracting high quality staff, offering the right products and services, contributing to a sustainable environment and ensuring that we have the trust of customers, shareholders, employees and other interested groups. We seek to support sustainable economic development through social inclusion, environmental protection and good governance. In a world in which companies' actions are increasingly under scrutiny, these elements are becoming more interlinked.

We are making good progress with our priorities and the management agenda will continue to drive our growth in the second half of 2006.

Investing for growth

The last few years have seen focused and accelerated investment, in key markets and on targeted products, which is now paying off and generating excellent returns. We are continuing to invest in distribution, infrastructure, product innovation and people. Organic income growth in the first half of 2006 was strong and produced approximately two thirds of the Group's increase in income. We now have 16 markets producing first-half income in excess of \$50 million.

The Bank is increasingly well balanced. Our spread of geographies and business activities helps us to weather storms and ensure our continued performance; for example, the unsecured loan impairment charge in Taiwan has been offset by strong growth in many of our other markets.

Our growth story can be highlighted by three major geographies.

India

In India, in the first half of 2006 our income grew by 26 per cent and operating profit by over 50 per cent over the same period a year before. We have opened 16 of our new consumer finance

Our Priorities

Accelerate growth in both businesses, focusing on priority markets

- Deepen client relationships in Wholesale Banking
- Enter new customer segments in Consumer Banking

Drive growth and performance in Korea

Excel in service and innovation

Lead by Example in corporate responsibility

GROUP CHIEF EXECUTIVE'S REVIEW continued

centres in major Indian cities so far this year. This gives us a network of 81 branches, 185 ATMs, and 21 consumer finance centres. We now have over 14,000 employees in India, in the businesses and the Group's shared service centre in Chennai. In Wholesale Banking in India, our client income in the first half of 2006 was more than the total client income for all of 2004. We have increased the number of locations where we offer services to local corporates from 16 to 33 and almost doubled the number of relationship managers.

The opportunities presented by India's young population and its dynamic business environment are huge. India is an emerging economic giant, we have a major presence in the market and it plays a key part in our future growth plans.

Africa

Africa is benefiting from high commodity and energy prices. It is a diverse continent, including several economies forecast to grow at six per cent or more – including Nigeria, Tanzania, Ghana, Zambia and Botswana. In parts of our Africa franchise we have significant market shares, and in others we are building our presence – for example in Nigeria, where we are seeing very strong momentum. We are uniquely positioned as the only international bank with a strong presence in both Asia and Africa and we are benefiting from emerging Africa-Asia trade corridors, particularly involving China.

MESA

The MESA region continues to grow well, with income up 25 per cent, and we have seen particularly strong income growth in the first half from Pakistan and the UAE. We are the largest international bank in growing markets such as Bahrain, Jordan, Pakistan and Bangladesh, and the region is an area of key management, investment and strategic focus for us.

Standard Chartered is a leading bank in Abu Dhabi and Dubai, where the potential is huge. The new Dubai International Financial Centre (DIFC) will be a world-class regional capital markets centre and provide a gateway for flows into and from the region. Standard Chartered was the first commercial bank to be licensed when DIFC opened in September 2004. We have a new building in the DIFC Gate Precinct and will locate 500 staff there later this year.

Alliances and acquisitions

Alliances and acquisitions actively support our growth story, often through niche and infill acquisitions. A recent example is the announcement in June of our agreement to purchase a 25 per cent stake in First Africa, a leading pan-African corporate finance advisory business, which will bring new opportunities for Wholesale Banking. Where we see that shareholder value can be created, either through better market penetration, major synergies or extended product reach, we will make major acquisitions such as Korea First Bank. Our first-half results for

Korea demonstrate our ability to make investments and generate good returns.

Investing in the Brand

Our brand recognition continues to grow, not only in established markets such as Hong Kong but also in our newer markets like Korea. This year we have strengthened the brand further by investing in a new campaign that reflects the Bank's values and our customers' aspirations.

Diversity

An important feature of the Bank is its diversity, not just of products and geographies but of people. We now have 27 nationalities in our top management population of 400, up from 22 nationalities in 2005 and we have 22 nationalities represented in our current graduate intake. As the world becomes one market, leading businesses will increasingly distinguish themselves through their international understanding and their talented workforces. We are, and will continue to be, one of those businesses, strengthening our management teams to ensure we have the right people in place to create, and then capitalise on, opportunities.

Outlook

The Group has made strong progress in the first half of 2006. The outlook is positive, and we expect continued good income momentum. We will maintain our focus on expense management and expense growth should be broadly in line with income growth for the full year. We will continue to take a balanced approach to risk, whilst recognising the changes in the external environment.

In summary

We are confident that we can continue to build on our track record of strong performance. Standard Chartered is well positioned in dynamic markets, making good strategic progress and investing for future growth. We are optimistic about the future.



Mervyn Davies, CBE
Group Chief Executive
8 August 2006