

The key to our performance in 2006 was organic growth. To improve performance, we must innovate and diversify to meet the needs of our customers and clients

In 2006 Standard Chartered built on its record of consistent performance, once again achieving strong financial results for shareholders while investing for the future.

As in previous years, the key to the Group's performance was organic growth from its existing businesses. At the heart of driving sustainable organic growth are diversity and innovation in products and services, combined with balance in geographies and increasing scale.

The Group combined organic growth in 2006 with investments and acquisitions to achieve scale and create future growth in key markets, in line with its stated strategy of seizing these opportunities when they add to shareholder value.

Innovation and transformation

Standard Chartered operates in some of the world's fastest-growing and most dynamic markets in Asia, Africa and the Middle East. To improve our performance in these markets, we must innovate and diversify to meet the needs of customers and clients.

In 2006 Consumer Banking had a bumper year of product launches, and Wholesale Banking continued its record of groundbreaking transactions.

Consumer Banking has diversified by building wealth management, personal loans, services for small and medium enterprises (SMEs) and consumer finance onto its traditional mortgage and credit card product range. In 2006 the pace of change accelerated with more than 230 new wealth management product launches compared with 120 in 2005.

We completed the branding of Standard Chartered Private Bank to serve high net worth clients. The service was launched in Korea in November 2006 and will be extended to other key markets in 2007.

Innovative SME products that helped drive Consumer Banking's performance included the XtraSaver savings account in Singapore – with its flexible cashback feature – and the rolling out of SME Express Trade, a one-stop trade finance service, across the network.

Wholesale Banking has been transformed in recent years by adding more sophisticated, higher-value services such as credit derivatives and corporate advisory to its long-standing cash management and lending business.

In 2006, strategic and value-added services continued to increase as a share of income, and Wholesale Banking achieved

broad-based, consistent growth across all client groups. Client income growth was strongest in key strategic markets such as China, Hong Kong, Korea, India and the Middle East.

This transformation is reflected in the 2006 deal league tables. We rose to first place in Asia-Pacific syndicated loans and entered the top 10 in Asian bonds (both excluding Japan and Australia) for G3 (United States/Japan/Germany) currencies. Wholesale Banking's progress attracted outside recognition with more than 70 awards across its product groups.

Growth in China

The rapid development of our business in China demonstrates the strength of our organic growth strategy.

We have operated uninterrupted in China for almost 150 years and our business there continues to thrive as China emerges as an economic power and opens its financial markets. At the end of 2006 we had 11 branches, eight sub-branches and three representative offices, giving us one of the largest networks of the international banks in China.

We have made rapid progress in Wholesale Banking in China, based on our deep local relationships with companies and financial institutions. In 2006 income grew strongly and we established an onshore corporate advisory service.



» One-of-a-kind managers' conference

In August 2006, 900 branch managers from 31 countries travelled to Jeju Island in Korea to take part in Standard Chartered's first Global Branch Managers' Conference as a platform for discussions, debates and sharing of best practice. The conference incorporated an Ironman triathlon, in which the managers were challenged to 'go the distance' in the same way that Standard Chartered employees go the extra mile for customers. We believe the conference is the only one of its kind in the world among financial institutions.

In 2006, Wholesale Banking was named as one of two pioneer market makers for renminbi futures contracts at the Chicago Mercantile Exchange, the largest regulated market for foreign exchange.

In 2007, opportunities will open up in Consumer Banking as China eases limits on providing services such as mortgages, credit cards and wealth management to Chinese citizens in local currency. In December 2006 we were the first international bank to apply for local incorporation – a key step towards approval to offer these products.

In October we gained approval to provide Qualified Domestic Institutional Investor (QDII) services to Chinese investors seeking to invest in overseas investment products. In December we launched our first QDII product, which broke new ground by allowing investors to allocate assets actively.

To complement our organic growth strategy, in 2005 we took a 19.99 per cent stake in China Bohai Bank, the country's first new national joint-stock commercial bank since 1996. China Bohai Bank opened in February 2006 and now has seven outlets and is making good progress.

Expansion in North East Asia

China increasingly trades with other markets in North East Asia and in 2006 we became the leading international bank in the region.

Standard Chartered fulfilled a long-held ambition to expand in Taiwan by buying Hsinchu International Bank in December for \$1.2 billion. The acquisition gives us an additional 83 branches and over 3,300 Mandarin-speaking employees in this key market, with its young population and growing trade links with China and Hong Kong.

Hong Kong, our biggest market, achieved strong growth with income increasing in both businesses. Consumer Banking showed renewed momentum, fuelled by a strong performance in wealth management and expansion in SME services. We led the way in customer service as the first bank to announce six-day opening.

Wholesale Banking in Hong Kong achieved strong income growth and invested in client relationships in the fast-growing Global Markets business and increased its client count by 25 per cent.

Standard Chartered bought SC First Bank in Korea, another key North East Asian market, in 2005. The business is performing well as it introduces new products and services.

In 2006 SC First Bank launched 104 new wealth management products and gained about 400,000 new accounts. SC First Bank has revolutionised the market for SMEs in Korea with Business Instalment Loans and has sold \$686 million of these products, the highest sales in the Group.

Wholesale Banking has a huge opportunity in Korea to provide more sophisticated services for local and international companies. SC First Bank has gained new corporate clients and these generated 75 per cent of income in 2006.

Standard Chartered also became one of the first market makers for Korean won futures at the Chicago Mercantile Exchange.

Other Asian growth markets

Asian markets across our network showed strong growth as their economies expanded and Asia-linked trade flows increased.

In 2006 the world woke up to the confidence and dynamism of India as foreign direct investment surged and India's companies looked abroad for expansion. India presents many opportunities for Standard Chartered, which opened in Calcutta in 1858 and is India's biggest international bank in terms of branch network.

Both Consumer and Wholesale Banking achieved strong income and profit growth in India, based on product innovation and increased client income.

Wholesale Banking's performance was led by strategic products such as transaction banking, rates and foreign exchange. The corporate finance business is advising on acquisitions as Indian companies expand overseas, including Tata Steel's takeover of Thailand's Millennium Steel in 2006.

Consumer Banking in India opened 30 consumer finance centres, 18 automated teller machines (ATMs) and a branch in Mumbai. The growth of the business was fuelled by wealth management, SMEs and personal loans.

In 2006 we led the way in urging the United Kingdom (UK) to support a free trade agreement between the European Union (EU)



»Enhanced Web Bank

Standard Chartered's Web Bank transaction banking clients were given enhanced features, including single sign-on access and user-friendly navigation, markedly improving the internet banking experience. Web Bank provides one channel across client segments, geographies and products, offering cash, trade, supply chain and securities, rates and foreign exchange initiation capabilities for companies to better manage their working capital.



»24-hour service assurance

As part of its drive to enhance customers' experience, Standard Chartered launched a first-of-its-kind customer service initiative in India by promising to provide assistance within 24 hours of receiving an SMS text message from the customer. If an enquiry is not dealt with after 24 hours, the customer receives compensation.



»Credit card evolution

The first-in-market Standard Chartered Platinum Access card marked a step forward in the evolution of the Singapore credit card market in response to changing consumer trends. The card automatically converts any purchase above S\$100 into a two-year fixed instalment plan, giving customers flexibility and control over their spending and payments.

and India as part of a wider drive to promote trade liberalisation between Britain, the EU and Asia. We were part of British Chancellor of the Exchequer the Rt. Hon. Gordon Brown MP's delegation to India and we hosted the Rt. Hon. David Cameron MP, the UK Conservative leader, at a seminar for business leaders in Mumbai.

In Singapore we had positive momentum throughout 2006. Consumer Banking performed strongly as it grew in SMEs and wealth management, and Wholesale Banking delivered strong performance resulting from investment in new product capability.

The Group is increasingly diverse and well balanced geographically with many more markets acting as substantial profit drivers than in the past. Standard Chartered now has seven markets that produce more than \$100 million of profit compared with five in 2003.

Malaysia is one such market and produced a strong performance in 2006 based on innovation in Consumer Banking and market-leading transactions in Wholesale Banking, with particular progress in the growing market for Islamic banking services.

Along with United Arab Emirates (UAE) and Pakistan, Malaysia is one of our regional Islamic banking hubs. In 2006 we launched Islamic Business Instalment Loans and home loans in Malaysia. As well as being a business opportunity, Islamic banking brings financial products to those whose beliefs can exclude them from mainstream services.

In Indonesia, Standard Chartered's consortium with PT Astra International increased its holding in PT Bank Permata to 89 percent by buying an additional 25.9 per cent stake in the bank, strengthening Standard Chartered's position in this fast-growing economy.

African trade flows

Standard Chartered's markets are increasingly trading with each other, both within and between regions, and new trade corridors are a key element of the Standard Chartered growth story.

Africa plays an important role in these trade corridors by trading with Asian markets, and is an important part of the Group's strategy. Standard Chartered's business in the region performed strongly in 2006.



► Global commodity derivatives desks

As part of the continued growth of its global rates and foreign exchange business, Standard Chartered has established commodity derivatives desks in Singapore, Dubai and London. This adds another fast-growing service to Wholesale Banking's client offering for corporates and institutions across Asia and demonstrates Standard Chartered's drive to offer clients enhanced risk management capabilities.

In 2005 the Group increased its capital by \$140 million in Nigeria, the second-biggest economy in Sub-Saharan Africa, with its rich reserves of oil and gas.

Standard Chartered in Nigeria has doubled profit before taxation for three successive years and is now the second-biggest contributor to Africa's annual profit, up from 10th in 2003. Zambia, Ghana, Kenya and Botswana also performed well in 2006.

We are the only international bank with a strong presence in Asia and Sub-Saharan Africa and are therefore well placed to benefit from increases in trade and investment between the regions. In December we launched a desk to service SME clients looking to do business between China and Africa and hosted a networking seminar in Shenzhen for Chinese and African businesses.

To tap further into Africa's expanding investment flows, we took a 25 per cent stake in First Africa, a pan-African corporate finance adviser, with a view to increasing our holding in future.

Organic opportunity in MESA

Middle East and Other South Asia (MESA) has become an increasingly important part of the Group as its economies have grown and wealth has been reinvested in the region. Both businesses showed strong organic income and profit growth in 2006 while accelerating investment for the future.

Consumer Banking grew in SMEs, wealth management, cards and personal loans. Innovative Consumer Banking services included the first mobile ATM and sales centre in UAE and the Cricket Card, Pakistan's first sports affinity card.

Wholesale Banking increased client income strongly by providing additional services and innovative products to deepen client penetration, particularly in UAE, our biggest market in the Middle East.

Other Middle Eastern markets are growing quickly as they reinvest petrodollars or seek to diversify their economies. In Qatar, we were one of the first banks to be granted a commercial banking licence by the Qatar Financial Centre regulatory authority.

In September we bought 95.4 per cent of Union Bank of Pakistan for \$487 million – the country's biggest banking acquisition – consolidating our position as the largest international bank in this fast-growing market. Drawing on our experience of integrating SC First Bank in Korea, we rebranded Union Bank's 65 branches overnight.

Boosting the brand

In competitive markets, the trust placed in the Standard Chartered brand is important. In 2006 we launched the new corporate brand campaign, which included television advertising focused on teamwork and partnership, featuring our Seeing is Believing ambassadors Henry Wanyoike and Joseph Kibunja. Data shows that across the majority of markets measured, brand awareness has increased over the year.

The brand is showcased in our sponsorship of nine marathons across our markets, including the Greatest Race on Earth, a series of four Standard Chartered marathons in Nairobi, Singapore, Mumbai and Hong Kong in which teams compete for the biggest prize pool in world athletics of \$1.5 million. Research in 2006 showed that the marathons had a significant positive effect on our brand in those markets.



»Organic growth in China

The Group set up its first branch in Shanghai in 1858 and has an unbroken history of banking in China. At the end of 2006 Standard Chartered had one of the largest foreign bank networks in China with 22 outlets in 14 cities. With China opening its Consumer Banking market, Standard Chartered plans to have about 40 outlets in China by the end of 2007, subject to regulatory approval.



»Africa-China Trade Corridor

Standard Chartered launched the Africa-China Trade Corridor service to offer financial solutions to small and medium enterprises in China and Africa venturing abroad. Standard Chartered is the only international bank with a strong presence in China and Sub-Saharan Africa. With this initiative, we can further leverage on our network strengths and expertise and provide advanced banking services to SME customers looking to do business internationally.



»Branch of the future

The state-of-the-art branch in VivoCity is by far the largest investment in a branch in Singapore. The VivoCity branch boasts many industry firsts such as the Qmatic advanced queueing system to reduce customer waiting time, self-service eKiosks with Internet Banking at the touch of a button, and all-in-one automated teller machines.

Our sponsorship of Afghanistan's cricket team was highlighted when the team toured the UK in 2006, competing against county sides and making many friends with their adventurous play.

Our operations in the Americas and the UK are important elements of our business. Our New York business is a leading dollar clearer, providing an important service to corporate clients and financial institutions trading in our markets.

The Group's businesses in Latin America position Standard Chartered to benefit as economies such as Brazil trade with countries in other regions.

The UK is a hub for the Group's global account management of European businesses and positions us competitively as these companies increasingly seek to trade in Asia, Africa and the Middle East.

The Group Head Office provides governance and regulatory standards across the Group as regulation of the financial services industry is tightened through initiatives such as the Basel II capital accord. Standard Chartered has always been based in the City of London and in 2006 we again sponsored the Great City Race, one of the biggest sporting events for the City of London's financial services industry.

Drive for service excellence

Standard Chartered promises to be The Right Partner to its customers and believes that service excellence is a key differentiator in competitive markets.

At the heart of the Group's service drive is Outserve Plus, a continuation of the Outserve initiative launched in 2003 to make Standard Chartered renowned for its customer service.

Outserve Plus will provide the framework for instilling a culture of continuous improvement and operational excellence across the Group.

In 2007 we will demonstrate progress against targets for customer loyalty in Consumer Banking and for being a core bank to Wholesale Banking clients. We will also establish a baseline

measurement for making life easier for employees, improve productivity and operational excellence, and introduce the key elements of Outserve Plus into daily practices.

Technology plays an important role in our drive to improve service for customers by enabling us to develop new products and speed up service.

We introduced service guarantees for cash and trade finance in nine major markets in 2006, promising delivery within a certain time period. In each market, this initiative increased volumes and also attracted higher-value business. Turnaround times for Business Instalment Loans were reduced to one day from four days.

In 2005 we joined with Singapore Management University to create an innovation centre. In 2006 we completed four projects, including the development of the eKiosk which features in the VivoCity branch in Singapore. We are working on more than 20 additional projects.

Improvements in technology also create efficiencies that allow us to invest in the business. Group Technology and Operations' costs as a percentage of income have fallen each year from 2003.

We made good progress in 2006 on our journey towards becoming the world's best international bank but there is much more that we must do.

At a time of rapid expansion, we have redoubled our efforts to improve the way we work to be The Right Partner to our customers, employees and communities. We believe these activities will distinguish us from competitors and form the bedrock of our future growth.



For more information about us and our wide range of innovative products and services, please log on to www.standardchartered.com

Driving Performance

Service excellence and product innovation will help us achieve our ambition to be the world's best international bank



▶▶ Record product launches

We continue to deliver on our strategy to drive organic growth through product innovation and excellent service. In 2006, we had a wide range of Consumer Banking product launches across our footprint. This was more than double the number of product launches rolled out in 2005. Countries such as Hong Kong, India, Korea, Singapore and United Arab Emirates led the way by testing new product concepts which were then launched in other countries. Global product capability, tapping into our international network, is a key element of Consumer Banking's growth strategy and helps differentiate us in our markets.

▶▶ Operational excellence drive

The quality of our service is a key driver of our success. Consumer Banking's Operational Excellence initiative aims to improve and simplify the way we work, resulting in faster service delivery, higher quality and greater capacity. By revolutionising our banking processes, we want to create a breakthrough in service for our customers and reduce the complexity of processes for employees.

▶▶ Meeting SME customer needs

SME Express Trade is a one-stop trade finance facility aimed at businesses that need a range of trade finance products. Express Trade was launched in early 2006 and has since been introduced in 14 countries across Asia, Africa and the Middle East. The service is an example of product innovation tailored to the needs of customers.

