

Business Review

Performance

The stable economic outlook for our key markets and our strong liquidity and balance sheet give us the confidence to pursue our key strategic priorities.

Standard Chartered had another year of record performance in 2007 on the back of the targeted investments made in previous years in our key growth markets in Asia, Africa and the Middle East. The Group crossed several notable milestones during the year:

- Record earnings: Operating income exceeded \$11 billion and profit before tax surpassed \$4 billion, both for the first time
- Broad-based growth: Headline income grew 28 per cent, with organic income growth accelerating to 23 per cent, a record high
- EPS growth: Normalised earnings per share increased 15.8 per cent to 197.6 cents
- Strong markets: For the first time, profit before tax surpassed \$1 billion in Hong Kong and \$500 million each in India and the Middle East and Other South Asia (MESA) region
- Strong balance sheet: The Group's liquidity and capital positions remained comfortably above targets throughout 2007, despite the market turbulence, reflecting our vigilant and prudent approach to risk management
- Private banking: Launched The Standard Chartered Private Bank, with offices now

spread across 11 locations in seven markets worldwide

- Acquisition of American Express Bank, which is due to be completed in the first quarter of 2008, will further boost the Private Bank and Transaction Banking
- Islamic Banking: Launched Saadiq, our global Islamic Banking brand, in the UAE, Malaysia, Pakistan and Bangladesh
- Taiwan: Rebranded all Hsinchu branches overnight following amalgamation in June
- China: Incorporated in China, launched local renminbi banking services and increased the number of outlets to serve local customers

The record performance in 2007 ushers in a very special year for the Group. This year Standard Chartered will celebrate 150 years of its presence in India and China.

In 1858, when we set up our first branches in Calcutta and Shanghai, India and China were among the world's largest economies. The world has turned full circle and Asia's two most populous economies are again among the biggest drivers of the global economy.

This is a huge opportunity for Standard Chartered. We are in the right place at the right time. The Group aims to leverage its

knowledge, relationships and branch network to lead the way in Asia, Africa and the Middle East and become the world's best international bank.

The stable economic outlook for our key markets and the Group's strong liquidity and balance sheet give us the confidence to pursue our key strategic priorities:

- Sustaining organic momentum
- Delivering growth from our acquisitions
- Continuously improving the way we work
- Building our leadership
- Reinforcing the brand

These priorities will allow us to pursue growth, value creation and the strategic business opportunities thrown up by the current market dislocation.

This report explores some of these priorities to assess our performance in 2007 and to lay out how we aim to make progress in 2008.

Organic growth

Here, the numbers speak for themselves. Our income soared 28 per cent to \$11,067 million, driving up profit before tax by 27 per cent to \$4,035 million.

Most of our regions delivered strong performances as business conditions in



Private Bank global launch

The Standard Chartered Private Bank offers an open architecture and best-of-breed products, besides delivering first-class service to high net worth clients. Headquartered in Singapore, it spans across 11 locations in seven markets.



Expanding network in Indonesia

PT Bank Permata, jointly owned by Standard Chartered and PT Astra International, is leading the way in Indonesia. We had 256 branches and six Islamic Banking centres across the country at the end of 2007.



志高昂
悉力以赴
spirit our courage

Standard
Chartered
渣打銀行



出類拔萃 以您
www.standa

Road West
拿道西

Kowloon (E)
九龍(東)
Kowloon (W)
九龍(西)

Leading across our growth markets

Our strong local presence in Hong Kong

Leading across our growth markets



Dubai's first dedicated SME Banking centre

In 2007, we opened Dubai's first dedicated SME Banking centre, in Jebel Ali. This centre is part of the next phase of the Group's strategy to further grow and develop the SME market segment. It will build on our established presence in the region and ensure our customers have access to the right advice from the right people.

Income growth from MESA region

Up 33%



Strengthening our pole position in India

We strengthened our position as the largest international bank in India by being the first to open full-service branches in Siliguri and Jalgaon. Both these branches are an integral part of Standard Chartered's strategy to continue to reach out to new Wealth Management and SME customers in regional centres. We now have 83 branches across 33 cities in India.

Employees nationwide

18,000

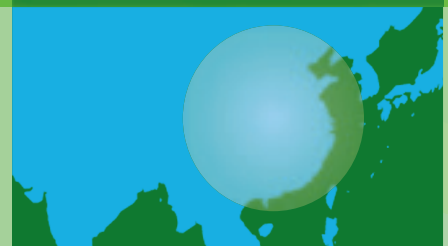


New Shared Services Centre in China

We opened our first Shared Services Centre in Tianjin. This centre will solidify the foundations of Standard Chartered's back office operations and enhance the efficiency of our services. It is also reflective of our commitment to China where the number of outlets rose by 17 in 2007 to a total of 38. This includes 13 branches, 23 sub-branches and two representative offices in the country.

China's staff growth

Up 100%



the Group's main markets continued to benefit from strong economic growth, good local currency liquidity and benign credit environments. In many markets we are seeing a clear re-pricing for risk.

As seen in recent years, it is the organic franchise that continues to drive performance. Of the total income growth of 28 per cent, approximately 80 per cent of the increase came from the organic business.

The underlying rate of income growth of 23 per cent is a record high with 2007 being the fourth consecutive year of accelerating double-digit organic income growth. This is a clear indication that our disciplined investment programme over the last few years is paying off.

What is also pleasing is the continued balance of income growth across both businesses – Consumer Banking and Wholesale Banking. We have two strong engines of growth, each of which contributed over \$1 billion of incremental income in 2007.

Consumer Banking

On a headline basis, Consumer Banking delivered income growth of 24 per cent and expense growth of 28 per cent, with profit before tax rising 27 per cent, reflecting healthy returns on our investments in our Wealth Management and SME Banking businesses.

Underlying income growth in Consumer Banking rose 15 per cent.

Income growth from the Consumer Banking business was well diversified with nine markets now contributing \$200 million or more in income, compared with only five markets in 2005. Wealth Management income now contributes over 45 per cent of total Consumer Banking income.

Other Asia Pacific region, with an income growth of 60 per cent and MESA region, with a growth of 38 per cent, performed particularly well.

Singapore, Malaysia, Africa and our recently relaunched UK business also generated double-digit income growth each with growth rates of over 20 per cent. Hong Kong saw a 17 per cent income growth while India had a 26 per cent income growth.

We invested in distribution capabilities, key for both SME Banking and Wealth Management, with over 70 new branches in Pakistan, China, Korea, Africa and Hong Kong and over 600 new and upgraded ATMs.

As a result of these expansions and new investments, Consumer Banking expenses rose 28 per cent, or 20 per cent on an underlying basis. Almost half of the underlying growth can be attributed to the accelerated investment in future growth.

We continued with product innovation and over the course of the year launched more than 1,500 global product initiatives across Wealth Management and SME Banking. We also launched Consumer Transaction Banking to deepen our capabilities to meet customers' needs through all channels, including the internet and mobile phones.

Our presence in the UAE received a boost with the opening of Dubai's first dedicated SME Banking centre in Jebel Ali.

The Standard Chartered Private Bank has now been rolled out across a total of 11 locations in seven markets and we have had significant success in building a strong team and attracting new clients and assets.

The acquisition of American Express Bank, which is scheduled to be completed in the first quarter of this year, will turbo-charge this effort by adding 19 markets, key booking centres, 120 relationship managers and over \$22 billion of private banking assets under management.

To summarise for Consumer Banking, we maintained double-digit income momentum; growth remained broad-based, reflecting the breadth and scale of our franchise; we have

a confident investment agenda for future growth; and the asset quality is excellent.

Wholesale Banking

Wholesale Banking had an outstanding year. Across the spectrum, the Wholesale Banking business, whether viewed by product, by customer segment or by geography, fired on all cylinders.

Income grew 34 per cent, again underpinned by strong growth in client income of 37 per cent as we continued to deepen client relationships, increased cross-sell and shifted to higher value products.

Profit before tax grew 27 per cent on a headline basis and 28 per cent on an underlying basis.

The Wholesale Banking strategy is clearly working well. We have focused on deepening client relationships and we are seeing good results as we become a core bank to more of our clients. As an example, income from our top 50 clients was up over 50 per cent year on year and income from our top 10 clients was up over 85 per cent year on year.

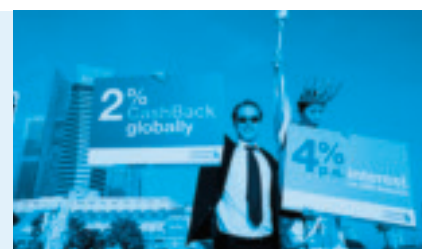
Turning to costs, expenses grew by 31 per cent. A good portion of the investment was focused on higher staff compensation as we strengthened our teams with product specialists, in areas such as Corporate Advisory, and with relationship managers to enhance our sales coverage.

We are also scaling up our product offering and capabilities, such as Principal Finance, Equity Derivatives, Commodity Derivatives and Convertibles.

In 2007, we launched our global Islamic Banking brand, Saadiq, in the UAE, Malaysia, Pakistan and Bangladesh, seeking to capitalise on the growing demand for specialised financial services in these markets.



Starting Vietnam Consumer Banking
We opened Consumer Banking branches in Ho Chi Minh City and Hanoi. We will focus on strengthening banking services and bringing international banking solutions to our customers.



Innovative product promotions
We set the market abuzz in Singapore with our innovative way of promoting our products such as the e\$aver and Business\$aver campaigns and the XtraSaver 8% CashBack on debit cards.

We also set up new offices, such as in Geneva, to deepen our client relationships in markets which are getting more closely interlinked with our key markets of Asia, Africa and the Middle East.

Wholesale Banking's product capability was enhanced through acquisitions of several specialist businesses in 2007. These included Pembroke, a leading aircraft leasing, financing and management firm; Harrison Lovegrove, a global oil and gas advisory boutique; A Brain, a fund administration company in Korea; and, American Express Bank, which, once the deal is closed in 2008, will bolster our US dollar-clearing capabilities and expand our euro- and yen-clearing capabilities in Transaction Banking.

Wholesale Banking achieved significant productivity increases in 2007 with business-as-usual expenses growing far more slowly than client revenue and we are continually looking to improve the flexibility of our expense base.

To give a sense of this, performance related compensation now constitutes over 40 per cent of total Wholesale Banking staff costs, up from 24 per cent in 2004, 31 per cent in 2005 and 35 per cent in 2006.

Growth markets

Standard Chartered's outstanding performance in 2007 was a result of the strong growth in our biggest markets such as Hong Kong and India as well as in our fast-growing emerging markets such as China and Nigeria. We exceeded our performance targets in many markets by a good margin in a very difficult year for the banking industry in Europe and the US. Several of our markets set new records.

For instance, Hong Kong became the first of our markets to make over \$1 billion in profit before tax. Consumer Banking in Hong Kong saw a double-digit income

growth for the first time since 2001 driven by strong growth in SME Banking and Wealth Management.

The business in India, our second biggest market by profit, broke through \$1 billion in income for the first time in 2007. Profit before tax rose 71 per cent to \$690 million. India is now the Group's largest Wholesale Banking market.

China

China is increasingly becoming a major driver of income for the Group.

Income increased 73 per cent to \$498 million in 2007 with about three quarters being generated by the Wholesale Banking business. We were one of the first four international banks to locally incorporate last April.

Since then we have been investing to capture the opportunities afforded by the market reforms – such as providing local currency (renminbi) consumer banking services – and rapidly positioning our franchise as a business of scale and breadth.

In 2007, we doubled the number of staff in China from 2,100 to 4,300. Our local network expanded from 21 to 38 outlets. Profit before tax from China increased by 72 per cent in 2007 and is now about \$180 million.

Delivering growth through acquisitions

One of the key determinants of the success of our business is our ability to integrate acquired businesses. We have made tremendous headway in 2007.

In Korea, our business reported a three per cent headline income growth in 2007. But, excluding the impact of three one-off accounting adjustments and charges, income increased by 15 per cent.

Consumer Banking in Korea had strong growth in SME Banking and Wealth Management, offset by a fall in mortgage income. However, we are beginning to see

a modest revival in mortgage margins in our new business booked at the end of the year.

Wholesale Banking income momentum picked up as the investments in people and products began to pay off.

In Pakistan, where we acquired Union Bank in 2006, the economy continued to expand despite the uncertain political environment and this was reflected in our performance.

To give a sense of the momentum, on a comparable basis, income grew 17 per cent.

Profit before tax on the same basis fell 17 per cent, reflecting the impact of integration expenses as we continue to build out the platform for future growth.

We had particular success in cross-selling Standard Chartered products such as Islamic finance, commodity-related products and export finance to the Union Bank customer base. Our market share of the export finance business rose to 10 per cent in 2007, from three per cent prior to the Union Bank acquisition.

In Taiwan, following the amalgamation of Hsinchu and Standard Chartered's Taiwan operation on 30 June 2007, we were successful in selling Standard Chartered products through the Hsinchu distribution network.

Income in Taiwan in the second six months of the year was 10 per cent higher than in the first six months when no Standard Chartered products were sold through the Hsinchu platform. Expenses also increased half on half as integration commenced.

We remain confident that Hsinchu will be earnings-per-share accretive and deliver double-digit return on investment in 2008.

Continuously improving the way we work

As we build up our infrastructure in line with our growing business needs, we are aware that there are other sources of unique strength which can provide Standard Chartered a huge competitive advantage.



Tesco PLC's first Islamic financing programme
We managed the Islamic Sukuk issue for Tesco Stores (Malaysia) Sdn Bhd through their MYR3.5 billion conventional and Islamic notes programme. The issue was guaranteed by Tesco PLC.




First bank account in Africa designed for women
The DIVA Account offers discounts and lifestyle benefits designed especially for women. This is a first-to-market product which recognises the pivotal role played by women in the economic development of Africa.

You want more services
and less complexity
we'll take you
straight there



Straight  Bank

- Fully integrated electronic platform across Global Markets and Transaction Banking
- The point of call for transacting, hedging and information
- Enhanced control and security
- Expanded range of products and services
- Choice of connection routes
- Open architecture for seamless integration

Standard
Chartered 

standardchartered.com

Leading with innovative products and services

Introducing innovative financial solutions in the Middle East

Leading with innovative products and services



Launching Saadiq in major markets

Through Saadiq, our global Islamic Banking brand which means truthful, we aim to capitalise on the growing demand for Islamic Banking and financial services for the benefit of our customers and stakeholders. We launched Saadiq in the UAE, Malaysia, Pakistan and Bangladesh in 2007. The launch was supported by a combination of policies and incentives that were put in place by governments and regulators in these markets.

Islamic Banking products developed to date

27



Starting US dollar China-bound payment service

The increasing importance of China to the global economy has attracted a lot of attention to US dollar payments into China. We identified this as a gap and promptly offered our clients the US dollar China-bound payment service with real-time access to New York payment systems. Through this service, we aim to streamline the end-to-end process, reducing turnaround time and allowing payments to reach the beneficiary within the local business day.

Global US dollar transactions cleared daily by Standard Chartered in New York

\$144bn



Introducing Straight2Bank

Straight2Bank is our one-stop proprietary electronic banking channel for corporate and institutional clients. The fully integrated end-to-end platform provides cash, trade and securities services through a single sign-on access. The enhancements provide clients with streamlined and straight-through processing of transactions, resulting in significant operating efficiencies and cost savings. This platform can be accessed by our clients from any location.

Growth in client base with trade facility as a result of Straight2Bank

Up 238%



The first is our processes, policies and procedures – the plumbing and wiring of the Group. This comes under our Outserve Plus umbrella where we strive to become operationally excellent by embedding a culture of continuous improvement throughout the Group. By doing this, we aim to delight customers with the quality of our service, make life easier for our staff and customers, and create capacity to enable the Group to grow on a sustained basis.

We will know we are succeeding when customers and clients tell us that we really understand their needs; our employees feel a deep sense of pride to work for the Group; and when we are widely acknowledged to have 'Best in Class' standards of operational experience.

We have already had several successes on this front. For example, in Singapore, the simplification of the account opening process has reduced the time taken to open accounts from 35 minutes to nine minutes.

In Wholesale Banking, we launched Straight2Bank, our one-stop proprietary electronic banking channel for corporate and institutional clients. The fully integrated end-to-end platform provides cash, trade and securities services through a single sign-on access.

The enhancements provide clients with streamlined and straight-through processing of transactions, resulting in significant operating efficiencies and cost savings. This platform was introduced in response to our clients' need for sophisticated transaction, hedging and information services through a single interface.

Our Key Performance Indicators (pages 16-17) show that our efforts are making a difference to our customers, employees and other stakeholders. For example, Wholesale Banking's Service Quality Index and Consumer Banking's Loyal and Positive Index have both risen in 2007 over the previous year. The Q12 ratio, which

indicates the level of employee engagement, also shows a steady improvement despite our rapid growth, both organically and through acquisitions.

Having dealt with the plumbing and wiring of the business, we need to redouble our focus on the second aspect of improving the way we work. This is about our culture, our values, the way we interact with each other and with our customers. Our culture and values allow us to collaborate across borders and across businesses, attract new hires, keep people in the Group and attract clients.

The challenge is to avoid getting too complacent about these values and taking them for granted.

Building the brand

We recognise that how we continue to build our brand in the coming months will have an impact on shareholder value creation.

We want to build our brand at the pace we are growing the business. A big part of brand building is our commitment to live the brand and values in everything we do. We continue to embed our brand promise, Leading by Example to be The Right Partner in our markets, into our business agenda.

The People and Sustainability sections of this review have more details about our initiatives in these areas.

So, leveraging our brand, values, culture and the way we work remain among the top priorities for this year. These are the key drivers of shareholder value for the Group.

All in all, we start 2008 in good shape with strong momentum. While the global environment is undoubtedly more challenging and there are many uncertainties in the world, our businesses are performing strongly and we are clear about our strategy and priorities. We are well positioned to meet future challenges.



Sri Lanka's first oil hedge

We structured and transacted Sri Lanka's first oil hedge with Ceylon Petroleum Corp. This reflects our commitment towards supporting the economic stability of the country.



Rebranding in Taiwan

Standard Chartered became the first international bank to gain an island-wide presence. Hsinchu branches were rebranded overnight, giving us the largest international banking network in Taiwan.