

Building the strong foundations for growth



“Standard Chartered has shown how its position in the world's growth markets and the strength of its balance sheet can deliver record results during turbulent times.”

Mervyn Davies, CBE, Chairman

I am delighted to report that Standard Chartered has delivered another year of record income and profits in 2007, showing the results of our investment programme over the last few years in our key growth markets of Asia, Africa and the Middle East.

- Profit before taxation rose 27 per cent to \$4,035 million
- Income increased 28 per cent to \$11,067 million
- Normalised earnings per share climbed 15.8 per cent to 197.6 cents

The Board is recommending an annual dividend of 79.35 cents per share.

These outstanding results are a reminder of Standard Chartered's transformation over the last few years and its enormous potential. Peter Sands and his team have done a great job in delivering these numbers against a backdrop of turmoil and dislocation in the global financial markets.

These are extraordinary times to be chairman and it has been a very unusual time for the banking and financial services industry: unprecedented losses; huge volatility; the recapitalisation of major banks. No international securities firm, investment company, insurance company or bank – ourselves included – has been unscathed.

My reflections are that the industry as a whole has learnt quite a few lessons: firstly, the overwhelming importance of liquidity; secondly, the need to price properly for risk; and, thirdly, the danger of over-complexity.

I am often asked for my views on what this turbulence will mean for our markets in Asia, Africa and the Middle East and the degree to which they have decoupled from western markets.

The global economy

What is clear is that the US economy is now facing a period of weaker growth. While there is some evidence of decoupling across our markets, a US slowdown will impact the rest of the world, dampen global growth, slow the pace of trade and will take the heat out of commodity markets.

If we look back at the last US slowdown in 2001, the export-oriented economies of Asia such as Hong Kong, Singapore and Malaysia were significantly impacted. Although growth rates in Asia will slow this time, the region now enjoys a degree of insulation and resilience due to stronger domestic demand, economic resurgence in China, growing trade links within Asia and strong policy response from governments and authorities.

It is easy to focus on China as the growth engine but we should not underestimate the diversification of the ASEAN economies, the catch-up potential of India, huge wealth creation in the Middle East and the infrastructure boom across the regions. The emergence of sovereign wealth funds in Asia and the Middle East is emblematic of the shift in wealth that is underway.

So while we forecast GDP growth rates will soften slightly in these markets in 2008, these economies will remain robust and their growth will be significantly higher than those expected in the US and eurozone.

Standard Chartered today is extraordinarily well positioned to seize these new realities thanks to its growing geographical reach, scale and the breadth of its products and capabilities developed in recent years.

We have a loyal and supportive shareholder base and, in my view, an exceptional management. In August, we welcomed John Peace to the board as deputy chairman and senior independent director and Sunil Bharti Mittal as an independent non-executive director. We also welcomed Gareth Bullock to the board as group executive director in August.

In September, Kai Nargolwala stepped down from the board after eight years. We would like to thank him for his significant contribution to the Group's success. We are also very grateful to Sir CK Chow, who will retire from the board this year after 10 years of dedicated service as a non-executive director.

In my last report to you I was cautious about the outlook, but I did not anticipate such extremes as we have seen since then. In the past six months we have witnessed big upheavals in our sector.

At Standard Chartered, we know that complacency kills. We are operating in a period of sustained uncertainty. We have learnt lessons in recent months and we are constantly reminded of the importance of preserving our liquidity and capital strength.

Summary

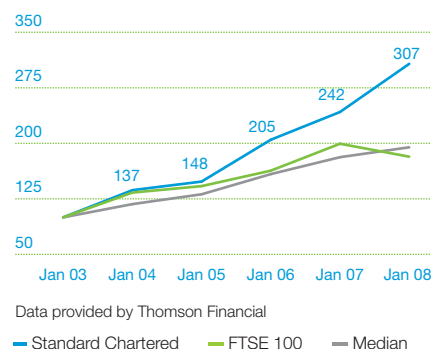
Banking remains a risk-based industry and we will remain prudent in our management and pricing of risk. At the same time, we are well placed to take advantage of the opportunities that will undoubtedly arise.

Standard Chartered has shown how its position in the world's growth markets and the strength of its balance sheet can deliver record results during turbulent times. We are not complacent about the future but are confident that we will deliver another strong performance in 2008.

Mervyn Davies

Mervyn Davies, CBE
Chairman
26 February 2008

Total shareholder return



Normalised earnings per share

197.6 cents

2006 – 170.7 cents

2005 – 153.7 cents

Dividend per share

79.35 cents

2006 – 71.04 cents

2005 – 64.00 cents