

Enabling development

“It may be hard to see how a simple loan of \$150 could help reduce poverty, but it has been shown that a 10 per cent increase in private credit relative to the size of the economy can lift three per cent of the population out of poverty.” Gareth Bullock, Group Executive Director, Middle East, Africa, Americas and Europe

“Of the 1.2 million people Standard Chartered supported through microfinance loans this year, 80 per cent are women. This was their first step to financial independence.” Jaspal Bindra, Chief Executive Officer, Asia

2007 Highlights

\$170m

current microfinance portfolio, which doubled in 2007

41

the number of microfinance partners who work with the Bank to provide credit

1.2m

people benefited from microfinance loans; 80% are women

As a provider of financial services, Standard Chartered has the opportunity to unlock the full economic potential of our markets, empowering individuals, families and communities and to stimulate grassroot enterprise. By offering financial services tailored to the Islamic community, we also ensure that faith is not a barrier to the financial development of individuals and businesses.

Microfinance

The goal of microfinance is to make sure individuals, families and communities move from subsistence loans to enterprise loans, and eventually graduate to accessing formal banking services. Microfinance provides the poor with an opportunity to grow their enterprises, increase income, pay for emergencies and invest in the health and education of their families.

Standard Chartered has been attracted to microfinance because of several factors: the market opportunity is tremendous; there is a replicable and scalable business model in place; there are a growing number of robust Microfinance Institutions (MFIs) intermediaries; and investors see this market as a great way to earn sustainable profits. As a result, in September 2006,

at the Clinton Global Initiative, the Bank committed to establish a \$500 million microfinance facility over a five-year period. This facility will provide MFIs, development organisations and fund managers with credit and financial instruments as well as technical assistance. It is expected to benefit four million borrowers across Asia and Africa.

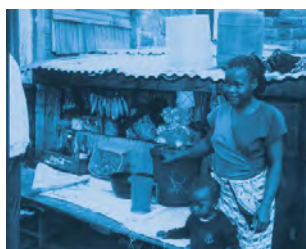
In 2007, the Bank delivered \$170 million of this commitment in four ways:

1. Partnering

We partnered with MFIs, providing them access to local currency funding, transaction banking services and products from our Global Markets business. We are now working with 41 partner MFIs who follow a range of business models, including individual lending, the Grameen model, lending to self-help groups and micro-enterprise financing. Our network now covers 13 countries across Asia and Africa.

2. Training and capacity building

We frequently engage with microfinance experts to invest in technical assistance and capacity building for the microfinance



Providing FX solutions in Kenya

Standard Chartered worked with microfinance client, Faulu Kenya Limited, to manage the potential foreign exchange risk from a \$7 million commitment the MFI received from an international investor. The microfinance loans will benefit many small business owners in Kenya.



Supporting start-up MFIs in India

Standard Chartered partnered with Opportunity International and World Vision to provide cross-border security solutions to independent start-up MFIs in India.



Financing farmers in China

Standard Chartered, in strategic partnership with Esquel, aims to assist cotton farmers in China to enhance productivity, increase income and improve living standards.

This is the first time a foreign bank has been involved in establishing a complete microfinance programme lending directly to farmers in China. Standard Chartered and Esquel will launch a pilot operation in Baishaiirike village, Wuluquele town and Awati County in the Akesu District of China's Xinjiang Uygur Autonomous Region. Standard Chartered will contribute by setting up the credit policy framework, credit assessment and loan management processes and cooperation strategies with credit cooperatives. This joint programme will initially provide working capital loans, without pledge or guarantee, to local cotton farmers. The loans will be disbursed through an entrustment loan arrangement with the local Awati Credit Cooperatives.

For more information visit:

www.standardchartered.com/sustainability

sector. Some examples of initiatives in 2007 include:

- Holding a workshop in India on the use of cash management tools for MFIs; and
- Sponsoring Srijan – a microfinance business plan competition – which sought to identify and incubate MFI start-ups.

We plan to formalise a technical assistance strategy in 2008. In partnership with experts, we hope to provide training, technical assistance and thought leadership to MFIs in areas where the Bank has natural skills sets such as credit, operations, processes and governance.

3. Innovative products and structures

We leverage our alliances with development organisations and multilateral and bilateral agencies to participate in innovative risk management solutions and asset distribution deals. We are currently seeking investor participation to distribute microfinance assets through capital markets structures such as securitisation, asset assignments and local currency bond issuances. This will enable us to accelerate our support to MFIs and will provide a platform for investors to participate in the microfinance sector in Asia and Africa through our network. At the same time, we are keen to ensure MFIs have access to alternate sources of funds.

“We began our relationship with Standard Chartered Bank a year ago and have seen our credit lines grow substantially within this period. They represented some really innovative thinking with their loan facility – for example, by stressing that it be used in states where our operations were still new. They're also fairly creative with their industry initiatives, including governance workshops for MFIs and an upcoming microfinance bond issue.”

Mr N.V. Ramana, Group CEO, BASIX



Loan syndications for Bangladesh's largest MFI

The \$55 million loan to BRAC by a consortium led by Standard Chartered which included development organisations was unusual being a seven-year unsecured facility.

4. Policy advocacy

We also engaged with governments and regulators to look at ways to strengthen regulatory frameworks within the microfinance industry.

For example, Standard Chartered organised a workshop on the role of corporate governance in managing growth for the microfinance sector in India. We took the lead with the objective of building a multi-stakeholder perspective on corporate governance and enhancing the adaptability of MFIs to their new governance framework. The seminar, targeted at the top management of leading MFIs in India, engaged thought leaders, academics and industry heads, with the objective of encouraging best practices in corporate governance in this sector.

Islamic finance

Islamic Banking is a growth sector, expanding 15 per cent a year. Standard & Poors estimates that \$750 billion in assets are under shariah-compliant management. The World Bank reports that more than 300 institutions provide shariah-compliant financial services. Banks with shariah-compliant products can provide financial services to people whose faith prevents them from using conventional financial products.

Currently, Standard Chartered provides Islamic Banking services through its Wholesale and Consumer Banking businesses in four countries – the UAE, Pakistan, Bangladesh and Malaysia.

Innovative products and services

The Bank has also completed a number of significant transactions in Saudi Arabia, Bahrain and Singapore. Some of these transactions were the first of their kind in market. Examples of innovation include an alternative investment product based on yield differentials for emerging markets and

G10 currencies. This is a true first-to-market structure which provides Islamic investors with the opportunity to participate in asset investment strategies that were previously not available to them.

Governance

Standard Chartered has a Shariah Supervisory Board which includes two eminent scholars in the field of Islamic banking. They act as independent advisors, guiding the Bank on ways to develop and execute products and transactions in accordance with shariah principles.

We are also actively involved in shaping the industry by engaging with regulatory bodies

in different countries. For example, we are working with the Islamic Finance Experts Group in the UK, a task force of the Hong Kong Government and the Advisory Council of Dubai International Financial Centre for Islamic Finance to develop Islamic regulations and solutions.

More information on the following topics is available on our website:

- How we take decisions on microfinance;
- Our governance structure;
- Approach to Islamic banking; and
- Clinton Global Initiative.

Our goals and achievements in 2007

Our goals for 2007	Status	What we have done
To develop and implement a training programme for our microfinance customers in East Africa and South Asia	Ongoing	Three events in the form of training, seminars and conferences were hosted in South Asia
To originate microfinance assets of up to \$200 million across Africa, Asia and the Middle East	Completed	Originated microfinance assets over \$200 million. Portfolio outstanding is \$170 million as at December 2007
To penetrate new markets for microfinance	Completed	We now support MFIs in 13 countries across our network (from 10 in 2006)
Distribute \$125 million of microfinance assets across investors	Ongoing	Distribution in progress, expected to complete in H1 2008

Our priorities in 2008

- To formalise a training and technical assessment strategy and build partnerships with microfinance experts and technical assistance providers to facilitate training and thought leadership
- To expand our microfinance initiatives into new markets, including China, the Philippines and Nigeria
- To expand our geographical reach of Islamic Banking products where we see demand



Saadiq Credit Card

The Bank launched the Saadiq Islamic Credit Card in the UAE, Pakistan, Bangladesh and Malaysia. The card operates on the 'Ujrah' principle; cardholders only have to pay a monthly fee if they do not clear outstanding balances.

“Standard Chartered is one of our most innovative supporters. They led in a landmark deal – a seven-year term loan facility of \$55 million to us. It will help us extend credit to 400,000 borrowers, changing the lives of over two million people in Bangladesh.”

S.N. Kairy, Finance Director, BRAC