

# Leading the way

in Asia, Africa and  
the Middle East



## Notice of Annual General Meeting 2007

### **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should consult a stockbroker, solicitor, accountant or other appropriate independent professional adviser.

If you have sold or transferred all of your shares please pass this document, together with the Annual Report or Annual Review and (if applicable) the proxy form, to the person who arranged the sale or transfer so that they can pass these documents on to the person who now holds the shares. If you are not sure what to do, please contact an independent professional adviser. If you have sold or transferred some, but not all, of your shares you should contact the person who arranged the sale or transfer without delay for advice on what action you should take.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Notice of the Annual General Meeting of Standard Chartered PLC to be held at The Plaisterers Hall, No. 1 London Wall, London EC2Y 5JU on Thursday 3 May 2007 at 12 noon London time (7.00pm Hong Kong time) is set out on pages 5 to 8 of this document.

Whether or not you propose to attend the Annual General Meeting, if you are an ordinary shareholder please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received not less than 48 hours before the time of the holding of the Annual General Meeting.

26 March 2007

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# Letter from the Chairman

**To ordinary shareholders and, for information only, preference shareholders**

26 March 2007

Dear Shareholder

I am pleased to be writing to you with details of our Annual General Meeting (“AGM”), which we are holding on Thursday 3 May 2007 at 12 noon London time (7.00pm Hong Kong time) at The Plaisterers Hall, No. 1 London Wall, London EC2Y 5JU. The formal notice of our AGM starts on page 5 of this document.

At the AGM, I will present a review of the year’s results and current business and there will be an opportunity for you to ask questions on the Company’s performance and on each of the resolutions as set out in the notice.

If you would like a question or questions to be addressed at the AGM please fill in and return the form on page 39. We will endeavour to address any questions raised when the item of business to which the questions relate is under consideration by the Meeting. Any questions submitted that are not relevant to the business of the Meeting will be forwarded for the attention of an appropriate executive. Submitting a question in this way does not affect your rights as a shareholder to attend and speak at the Meeting.

## **Voting Arrangements**

We are changing our voting arrangements for this and any future AGM. In previous years, voting on resolutions was decided by a “show of hands”. This method is no longer considered best practice as only those shareholders that are able to attend the AGM vote on the resolutions put to the Meeting. Voting at this year’s AGM will be by way of a poll, using an electronic system so the shares voted, whether in person or by proxy, are taken into account when determining the results of each resolution put to the Meeting. After the AGM, the results of the polls will be announced to the London Stock Exchange and the Hong Kong Stock Exchange and published on the Company’s website and in the newspapers in Hong Kong. A more detailed explanation of the electronic poll voting system is set out on page 10 of the notice.

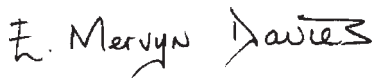
If you are not able to attend the AGM but would like to vote on the resolutions, please fill in the proxy form (or voting instruction form for ShareCare members) sent to you with this document and return it to our registrars as soon as possible. They must receive it by 12 noon London time (7.00pm Hong Kong time) on Tuesday 1 May 2007.

Explanatory notes on all the business to be considered at this year’s AGM appear on pages 11 to 19 of this document. The directors consider that all the resolutions to be put to the Meeting are in the best interests of the Company and its shareholders. Your Board will be voting in favour of them and unanimously recommend that you do so as well.

## Temasek

In addition to the notice of AGM, this document contains information regarding transactions with Temasek Holdings (Private) Limited ("Temasek"), the Company's substantial shareholder. This is set out in the following letter from your Board.

Yours sincerely



E Mervyn Davies CBE  
Chairman

Standard Chartered does not contact its shareholders directly to provide recommendation advice, nor does it appoint third parties to do so. As required by law, our shareholder register is available for public inspection. As Standard Chartered cannot control the use of information obtained by persons inspecting the register, please treat any approaches purporting to originate from Standard Chartered with caution.

The Standard Chartered PLC's Hong Kong branch register is administered by Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for enquiries, telephone: +852 2862 8555).

As at the date of this document, the Board of Directors of the Company comprises:

Chairman:	Evan Mervyn Davies CBE
Executive Directors:	Peter Alexander Sands, Michael Bernard DeNoma, Richard Henry Meddings, Kaikhushru Shiavax Nargolwala; and
Independent Non-Executive Directors:	Sir CK Chow, James Frederick Trevor Dundas, Valerie Frances Gooding CBE, Rudolph Harold Peter Markham, Ruth Markland, Paul David Skinner, Oliver Henry James Stocken and Lord Adair Turner.

## Standard Chartered PLC

1 Aldermanbury Square  
London EC2V 7SB

Registered Office as above  
Registered in England and Wales 966425

# Letter from the Board

To ordinary shareholders and, for information only, preference shareholders

26 March 2007

Dear Shareholder

## Continuing Connected Transactions

We refer to the Announcement dated 26 March 2007 in relation to the connected transactions, including the Ongoing Banking Transactions, entered into between the Company and its subsidiaries (hereinafter defined as the “Group”) and Temasek or any of its associates since Temasek became a substantial shareholder of the Company on 20 July 2006. By virtue of its greater than 10 per cent stake in the Company (in holding a 12 per cent stake) and the 20 per cent stake held by two of its associates in three minor subsidiaries of the Company, Temasek, together with its associates, are related parties and connected persons of the Company for the purposes of the related party rules under the UK Listing Rules and the connected transaction rules under the Hong Kong Listing Rules respectively. This means that where any member of the Group enters into a transaction with Temasek or any of its associates, we may, depending on the size or nature of the transaction, be required to comply with the reporting, announcement and independent shareholders’ approval requirements of these Rules.

The Rules are intended to ensure that there is no favourable treatment to Temasek as a substantial shareholder or to its associates to the detriment of other shareholders of the Company. While the Company will ensure that this is the case, the Board believes that strict compliance with the Hong Kong Listing Rules in respect of transactions with Temasek/its associates would be impractical and unduly onerous and would, in fact, be to the detriment of Shareholders as a whole by unduly restricting the Group’s business. Accordingly, we are asking the Independent Shareholders to approve the Waivers which have been obtained from the Hong Kong Stock Exchange in this respect and also certain other matters relating to transactions with Temasek and its associates which would exempt the Company from strict compliance with certain aspects of the Hong Kong Listing Rules and permit the continuance of certain transactions with Temasek and its associates. Further details on these Waivers and other related matters are given on pages 14 to 19 of this document. The related party rules under the UK Listing Rules are less onerous and the Company is able to comply with them without the same restriction to its business.

## Background on Temasek

Temasek is a substantial investment company that has a diversified portfolio of investments spanning various industries. The Group itself has substantial banking and related businesses in many of the countries in which Temasek and its associates operate and the Group has entered into and would wish to continue to enter into an extensive number of banking and other financial services transactions with Temasek and its associates in the ordinary course of its business. Such transactions have been, and would continue to be, on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and Shareholders as a whole. Our imperative from a business perspective is not to impede these dealings but to establish a process which allows such ordinary course business transactions to continue on the same basis as before Temasek became a substantial shareholder of the Company and to develop this business as opportunities may arise, so far as this would be in the Group’s interest. Further information on Temasek is set out on page 20 in Appendix 1.

In accordance with the Hong Kong Listing Rules, an Independent Board Committee comprising Mr R H P Markham, Mr J F T Dundas, Ms R Markland and Lord Turner has been formed to advise the Independent Shareholders in respect of the Resolutions. Commerzbank AG Hong Kong Branch, an Independent Financial Adviser, has also been appointed to make recommendations to the Independent Board Committee and Independent Shareholders on the Resolutions. Their opinions and recommendations are set out in Appendices 2 and 3 on pages 23 and 36.

Temasek and its associates will abstain from voting at the AGM in respect of Resolutions 20 to 22. Temasek and its associates control the exercise of 12 per cent of the voting rights of the Company.

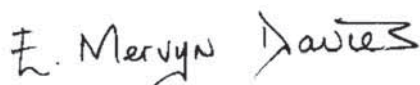
## Recommendation

After taking into account the principal factors and reasons considered by the Independent Financial Adviser and its advice, the Independent Board Committee is of the opinion that the issues for which Independent Shareholder approval is being sought are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Resolutions.

## Additional Information

Definitions of the terms used in all sections of this document relating to the Continuing Connected Transactions are set out in Appendix 4 on pages 37 to 38.

Yours sincerely



On behalf of the Board  
E Mervyn Davies CBE  
Chairman

As at the date of this letter, the Board of Directors of the Company comprises:

Chairman:	Evan Mervyn Davies CBE
Executive Directors:	Peter Alexander Sands, Michael Bernard DeNoma, Richard Henry Meddings, Kaikhushru Shiavax Nargolwala; and
Independent Non-Executive Directors:	Sir CK Chow, James Frederick Trevor Dundas, Valerie Frances Gooding CBE, Rudolph Harold Peter Markham, Ruth Markland, Paul David Skinner, Oliver Henry James Stocken and Lord Adair Turner.

## Standard Chartered PLC

1 Aldermanbury Square  
London EC2V 7SB

Registered Office as above  
Registered in England and Wales 966425

# Notice of Annual General Meeting 2007

This year's annual general meeting will be held at The Plaisterers Hall, No. 1 London Wall, London EC2Y 5JU on Thursday 3 May 2007 at 12 noon London time (7.00pm Hong Kong time). You will be asked to consider and pass the resolutions below. Resolutions 15 to 17 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

## Ordinary Resolutions

1. To receive the annual report for the year ended 31 December 2006.
2. To declare a final dividend of 50.21 US cents per ordinary share for the year ended 31 December 2006.
3. To approve the directors' remuneration report for the year ended 31 December 2006, as set out on pages 61 to 73 of the annual report.
4. To re-elect Sir CK Chow, a non-executive director retiring by rotation.
5. To re-elect Mr J F T Dundas, a non-executive director retiring by rotation.
6. To re-elect Ms R Markland, a non-executive director retiring by rotation.
7. To re-elect Mr R H Meddings, an executive director retiring by rotation.
8. To re-elect Mr K S Nargolwala, an executive director retiring by rotation.
9. To re-elect Mr P D Skinner, a non-executive director retiring by rotation.
10. To elect Lord Adair Turner, who was appointed as a non-executive director by the Board during the year.
11. To re-appoint KPMG Audit Plc as auditor to the Company until the end of next year's annual general meeting.
12. To authorise the Board to set the auditor's fees.
13. That the Board be authorised, generally and without conditions, to allot relevant securities (as defined in the Companies Act 1985), such authority to be limited to:
  - (a) the allotment (otherwise than under (b) or (c) below) of relevant securities up to a total nominal value of US\$138,476,606 (being not greater than 20 per cent of the issued ordinary share capital of the Company as at the date of this resolution);
  - (b) the allotment (when combined with any allotment made under (a) above) of relevant securities up to a total nominal value of US\$230,794,344 in connection with:
    - (i) an offer of relevant securities open for a period decided on by the Board:
      - (A) to ordinary shareholders on the register on a particular date (excluding any holder holding shares as treasury shares), in proportion (as nearly as may be) to their existing holdings (ignoring for this purpose both any holder holding shares as treasury shares and the treasury shares held by him); and
      - (B) to people who are registered on a particular date as holders of other classes of equity securities (excluding any holder holding shares as treasury shares), if this is required by the rights of those securities or, if the Board considers it appropriate, as permitted by the rights of those securities,
    - and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
  - (ii) a scrip dividend scheme or similar arrangement implemented in accordance with the articles of association of the Company;



- (c) the allotment of relevant securities pursuant to the terms of any existing share scheme of the Company or any of its subsidiary undertakings adopted prior to the date of this meeting,

such authorities to apply for the period from 3 May 2007 until the earlier of the end of next year's annual general meeting and 2 August 2008 unless previously cancelled or varied by the Company in general meeting, but, in each such case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require relevant securities to be allotted after the authority ends and the Board may allot relevant securities under any such offer or agreement, as if the authority had not ended.

- 14. That the authority granted to the Board to allot relevant securities up to a total nominal value of US\$138,476,606 pursuant to paragraph (a) of resolution 13 set out above be extended by the addition of such number of ordinary shares of US\$0.50 each representing the nominal amount of the Company's share capital repurchased by the Company under the authority granted pursuant to resolution 16 set out below.

### Special Resolutions

- 15. That if resolution 13 is passed as an ordinary resolution, the Board be given power to allot equity securities (as defined in the Companies Act 1985) for cash under the authority given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985, free of the restriction in section 89(1) of the Companies Act 1985, such power to be limited to:

- (a) the allotment of equity securities in connection with an offer of equity securities open for a period decided on by the Board:
  - (i) to ordinary shareholders on the register on a particular date (excluding any holder holding shares as treasury shares), in proportion (as nearly as may be) to their existing holdings (ignoring for this purpose both any holder holding shares as treasury shares and the treasury shares held by him); and
  - (ii) to people who are registered on a particular date as holders of other classes of equity securities (excluding any holder holding shares as treasury shares), if this is required by the rights of those securities or, if the Board considers it appropriate, as permitted by the rights of those securities,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) the allotment (otherwise than under (a) above) of equity securities up to a total nominal value of US\$34,619,151,

such power to apply from 3 May 2007 until the earlier of the end of next year's annual general meeting and 2 August 2008 unless previously cancelled or varied by the Company in general meeting, but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

- 16. That the Company be authorised, generally and without conditions, to make market purchases (as defined in the Companies Act 1985) of its ordinary shares of US\$0.50 each provided that:

- (a) the Company does not purchase more than 138,476,606 shares under this authority;
- (b) the Company does not pay less for each share (before expenses) than US\$0.50 (or the equivalent in the currency in which the purchase is made, calculated by reference to a spot exchange rate for the purchase of US dollars with such other currency as displayed on the appropriate page of the Reuters screen at or around 11.00am London time on the business day before the day the Company agrees to buy the shares); and
- (c) the Company does not pay more for each share (before expenses) than the higher of (i) 5 per cent over the average of the middle market prices of the ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the shares, and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC No. 2273/2003),



such authority to apply from 3 May 2007 until the earlier of the end of next year's annual general meeting and 2 August 2008 unless previously cancelled or varied by the Company in general meeting, but during this period the Company may agree to purchase shares where the purchase may not be completed (fully or partly) until after the authority ends and may make a purchase of ordinary shares in accordance with any such agreement as if the authority had not ended.

17. That the Company be authorised, generally and without conditions, to make market purchases (as defined in the Companies Act 1985) of up to 7,500 dollar preference shares and up to 195,285,000 sterling preference shares provided that:

- (a) the Company does not pay less for each share (before expenses) than the nominal value of the share (or the equivalent in the currency in which the purchase is made, calculated by reference to the spot exchange rate for the purchase of the currency in which the relevant share is denominated with such other currency as displayed on the appropriate page of the Reuters screen at or around 11.00am London time on the business day before the day the Company agrees to buy the shares); and
- (b) the Company does not pay more:
  - (i) for each sterling preference share (before expenses) than 25 per cent over the average of the middle market prices of such shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately before the date on which the Company agrees to buy the shares; and
  - (ii) for each dollar preference share (before expenses) than 25 per cent over the average of the middle market prices of such shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately before the date on which the Company agrees to buy the shares,

such authority to apply from 3 May 2007 until the earlier of the end of next year's annual general meeting and 2 August 2008 unless previously cancelled or varied by the Company in general meeting, but during this period the Company may agree to purchase shares where the purchase may not be completed (fully or partly) until after the authority ends and may make a purchase of shares in accordance with any such agreement as if the authority had not ended.

### Ordinary Resolutions

18. That in accordance with section 347C of the Companies Act 1985, as amended, the Company be authorised to make donations to EU political organisations and/or to incur EU political expenditure (as such terms are defined under section 347A of the Companies Act 1985, as amended) provided that:

- (a)
  - (i) such donations to EU political organisations shall not (when aggregated with any donations to EU political organisations made by Standard Chartered Bank in the relevant period) in total exceed the sum of £100,000 (or the equivalent in one or more other currencies translated at such rate(s) as the directors of the Company shall consider appropriate), and;
  - (ii) such EU political expenditure shall not (when aggregated with any EU political expenditure incurred by Standard Chartered Bank in the relevant period) in total exceed the sum of £100,000 (or the equivalent in one or more other currencies translated at such rate(s) as the directors of the Company shall consider appropriate);
- (b) such authority shall expire on the earlier of the end of the next year's annual general meeting and 2 August 2008, unless previously renewed, revoked or varied by the Company in general meeting; and
- (c) the Company may enter into a contract or undertaking under this authority before its expiry which would or might be performed wholly or partly after its expiry and may make donations to political organisations and/or incur EU political expenditure pursuant to such contract or undertaking.

19. That in accordance with section 347D of the Companies Act 1985, as amended, Standard Chartered Bank be authorised to make donations to EU political organisations and/or to incur EU political expenditure (as such terms are defined under section 347A of the Companies Act 1985, as amended) provided that:

- (a)
  - (i) such donations to EU political organisations shall not (when aggregated with any donations to EU political organisations made by the Company in the relevant period) in total exceed the sum of £100,000 (or the equivalent in one or more other currencies translated at such rate(s) as the directors of the Company shall consider appropriate), and;

- (ii) such EU political expenditure shall not (when aggregated with any EU political expenditure incurred by the Company in the relevant period) in total exceed the sum of £100,000 (or the equivalent in one or more other currencies translated at such rate(s) as the directors of the Company shall consider appropriate);
  - (b) such authority shall expire on the earlier of the end of next year's annual general meeting and 2 August 2008, unless previously renewed, revoked or varied by the Company in general meeting; and
  - (c) Standard Chartered Bank may enter into a contract or undertaking under this authority before its expiry which would or might be performed wholly or partly after its expiry and may make donations to political organisations and/or incur EU political expenditure pursuant to such contract or undertaking.
20. That the Waiver from strict compliance with the reporting and annual review requirements of Chapter 14A of the Hong Kong Listing Rules in respect of Ongoing Banking Transactions with associates of Temasek Holdings (Private) Limited that the Company has not been able to identify, despite having used all reasonable efforts to identify such associates, as more particularly described on pages 14 to 15 in the Explanatory Notes to the Notice of Annual General Meeting of the Company dated 26 March 2007, be and is hereby approved.
21. That no member of the Group be required to enter into a fixed-term written agreement with Temasek Holdings (Private) Limited or any of its associates in accordance with the Hong Kong Listing Rules in relation to any Ongoing Banking Transactions.
22. (a) That the Ongoing Banking Transactions, including any margin, collateral and other similar arrangements entered into in connection with them, as more particularly described on pages 16 to 19 in the Explanatory Notes to the Notice of Annual General Meeting of the Company dated 26 March 2007, which were or have been entered into in the period from 20 July 2006 until the date of this Resolution, be and are hereby confirmed, approved and ratified.
- (b) That the transactions contemplated under each of the Ongoing Banking Transactions, including any margin, collateral and other similar arrangements entered into in connection with them, and in the absence of a maximum aggregate annual value, be and are hereby approved for a period of three years from the date of this Resolution.

**By order of the Board**

**C Burns**  
**Group Company Secretary**  
**26 March 2007**

**Registered Office:**  
**1 Aldermanbury Square**  
**London EC2V 7SB**

# Notes

## Ordinary Shareholders

If you are an ordinary shareholder you may attend and vote at the AGM or choose one or more other people (proxies) to attend the AGM and vote for you. A proxy does not need to be a shareholder of the Company. Your proxy form must reach our registrars in Bristol, UK or Hong Kong, as appropriate, by 12 noon London time (7.00pm Hong Kong time) on Tuesday 1 May 2007. If you send in a completed proxy form you may still attend the AGM and vote in person. If you are a shareholder on the UK register of members, you may alternatively choose to submit your proxy form electronically – details are set out below under the heading 'Electronic Proxy Voting'. Electronic proxy voting is not available to shareholders whose shares are registered on the branch register in Hong Kong.

If you want to attend the AGM and vote, you must be on the Company's register of members in the UK by 10.00pm London time on Tuesday 1 May 2007 or on the Company's branch register of members in Hong Kong by 5.00am Hong Kong time on Wednesday 2 May 2007. This will also allow us to confirm how many votes you have on a poll. If the AGM is adjourned to a time after 10.00pm London time on Thursday 3 May 2007, you must be on the appropriate register of members of the Company 48 hours before the time of the adjourned meeting. This will also allow us to confirm how many votes you will have on a poll at such a meeting. If we give you notice of an adjourned meeting we will tell you in the notice when you need to be on the register to be able to attend and vote.

## ShareCare

If you hold your shares in ShareCare, we will send you a voting instruction form. You must make sure that you return the completed form to our registrars in Bristol, UK by 12 noon London time on Tuesday 1 May 2007. You may also choose to appoint a proxy electronically – details are set out below under the heading 'Electronic Proxy Voting'.

## Electronic Proxy Voting

Shareholders on the UK register of members may appoint a proxy electronically. If you wish to submit your proxy form electronically, you will need an internet-enabled PC with an Internet Explorer 4 or Netscape 4 web browser, or a more recent release of those browsers. You will also need your Shareholder Reference Number (SRN) or ShareCare Number (SCN), as appropriate, and Personal Identification Number (PIN) (both of which are printed on the enclosed proxy form or voting instruction form) to access the service. Your PIN will expire at 12 noon London time on Tuesday 1 May 2007.

Before you can appoint a proxy electronically, you will be asked to agree to the terms and conditions for electronic proxy appointment. It is important that you read these terms and conditions carefully, as they will govern the electronic appointment of your proxy.

You may choose to use the electronic proxy appointment service or, if you wish, you can instead continue to submit your proxy form or voting instruction form by post.

Electronic proxy voting is not available to shareholders whose shares are registered on the branch register in Hong Kong.

## Electronic Proxy Voting through CREST

If you are a CREST member and wish to appoint a proxy or proxies by using the CREST electronic proxy appointment service, you may do so by following the procedures described in the CREST manual. If you are a CREST Personal Member or other CREST sponsored member or a CREST member who has appointed a voting service provider, you should refer to your CREST sponsor or voting service provider, who will be able to take the appropriate action on your behalf.

In order for your proxy appointment using CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for these instructions, as described in the CREST manual. The message must be transmitted so as to be received by our agent (ID 3RA50) by 12 noon London time on Tuesday 1 May 2007. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which our agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

You should note that CRESTCo does not make special procedures available in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is your responsibility to take any necessary action to ensure that messages are transmitted through the CREST system in time. In this connection, you should look at those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, which regulates instructions containing incorrect information and instructions that are improperly sent.

## Poll Voting Procedure

According to the articles of association of the Company, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

On a poll, every ordinary shareholder present in person or by proxy has one vote for every US\$2.00 nominal value of ordinary shares held. The nominal value of each ordinary share being US\$0.50, means that a member needs to hold four ordinary shares to register one vote on a poll. As at 19 March 2007, the Company had 1,384,766,064 ordinary shares of US\$0.50 each in issue, none of which were held in treasury. The ordinary shares carry in aggregate 346,191,516 voting rights on a poll.

### Electronic Poll Voting System

Voting on all resolutions will be by electronic poll. On arrival at the AGM, all those entitled to vote will be required to register and given a hand held keypad containing a personalised smart card with details of your shareholding to be used for the electronic poll vote. After each resolution is put to the Meeting by the Chairman you will be asked to cast your vote by pressing a button on your keypad. All the votes present will be counted and added to those received by proxy and the provisional final votes will be shown on the screen at the front of the meeting room. If you have already voted by proxy you will still be able to vote using the electronic poll voting system and your vote on the day will replace your proxy vote lodged previously. To facilitate these arrangements, it would be helpful if you could please arrive at the AGM venue in good time and have your attendance pass to hand. You will be given instructions on how to use your keypad at the Meeting. Corporate representatives who wish to split their votes are requested to notify our registrars, Computershare Investor Services PLC, at least 48 hours before the Meeting and to arrive at the AGM in good time.

### Voting results

You can obtain the results of the poll by telephoning our registrars on or after 4 May 2007. The results of the poll will be announced to the UK Listing Authority and The Stock Exchange of Hong Kong Limited. A copy of that announcement will be published in the South China Morning Post and the Hong Kong Economic Journal and will appear on our website at [www.standardchartered.com/investors](http://www.standardchartered.com/investors) on 4 May 2007.

### Preference shareholders

Only ordinary shareholders may attend and vote at the AGM. This document is sent to holders of preference shares for information only.

### Inspection of documents

The following documents will be available for inspection at 1 Aldermanbury Square, London EC2V 7SB and at the offices of Slaughter and May, 47th Floor, Jardine House, One Connaught Place, Central, Hong Kong from the date of this notice until the end of the AGM and at The Plaisters Hall from 15 minutes before the AGM until it ends.

- A statement containing particulars of loans and quasi-loans made by the Company in favour of the directors and people connected with them.
- A report prepared by our auditor, KPMG Audit Plc, on the statement referred to above.
- Copies of the executive directors' service contracts and that of the Group Chairman.
- Copies of the letters of appointment of non-executive directors.
- The register of directors' interests and the interests of their connected persons in the share capital of the Company.
- Written consent from the Independent Financial Adviser referred to in paragraph I of Appendix 1.
- A letter from the Independent Financial Adviser, the text of which is set out in Appendix 2 on pages 23 to 35 of this document.
- A letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in Appendix 3 on page 36 of this document.

### Interests in shares

The Company has been notified during the period from and including 1 January 2007 to and including 19 March 2007 (the latest practicable date before the publication of this notice) of certain changes in the directors' interests and the substantial shareholders' interests in the Company's ordinary shares from those shown in the annual report. The changes to the directors' interests and the substantial shareholders' interest as of 19 March 2007 are set out on page 21 of this document.

Please also refer to the published version of this announcement in the South China Morning Post and the Hong Kong Economic Journal dated 26 March 2007.

In the case of any conflict between any translation and this English text, this English text shall prevail.

# Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 14 (inclusive) and Resolutions 18 to 22 (inclusive) are proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 15 to 17 (inclusive) are proposed as special resolutions. This means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Please note that a “vote withheld” (as appears on the proxy form) is not a vote in law and will not be counted in the calculation of the proportion of votes “for” or “against” a resolution.

## **Resolution 1: Annual Report**

The directors are required by law to present, for each financial year, the directors’ report, the audited accounts and the independent auditor’s report to shareholders at a general meeting.

## **Resolution 2: Declaration of the final dividend (including share dividend alternative)**

Final dividends must be approved by shareholders but cannot be more than the amount recommended by directors. If the meeting approves resolution 2 the final dividend of 50.21 US cents per ordinary share will be paid on 11 May 2007 to those shareholders registered on the UK register at the close of business London time on 9 March 2007 and to those shareholders registered on the branch register in Hong Kong at the opening of business Hong Kong time on 9 March 2007 in respect of each ordinary share. United Kingdom registered shareholders will receive their dividends in sterling unless they choose to receive US dollars, Hong Kong dollars or shares. Hong Kong registered shareholders will receive their dividends in Hong Kong dollars unless they choose to receive sterling, US dollars or shares. Please see the separate document entitled “2006 Final Dividend”.

## **Resolution 3: Directors’ Remuneration Report**

The Company is required by law to seek the approval of shareholders of its annual report on remuneration policy and practice. Shareholders are invited to vote on the Directors’ Remuneration Report, which may be found on pages 61 to 73 of the annual report.

## **Resolutions 4 to 10: Election / Re-election of directors**

The Company’s articles of association require any newly appointed director to retire at the first AGM following their appointment. Shareholders are therefore asked to elect as a director Lord Adair Turner who was appointed by the Board since the last AGM.

Under the Company’s articles of association, all directors of the Company who held office at the time of the two preceding AGMs and who did not retire at either of them must retire at the AGM and at every general meeting at least one-third of the existing directors must retire. All of the directors are eligible to seek re-election by shareholders at the AGM, if they so wish.

Mr James Dundas, Ms Ruth Markland, Mr Richard Meddings, Mr Kaikhushru Nargolwala and Mr Paul Skinner are each retiring by rotation and will submit themselves for re-election at this AGM.

Sir CK Chow has served on the Board for more than nine years and at this AGM will offer himself for re-election in accordance with the provisions of the Combined Code and the Company’s articles of association. Having carried out a rigorous review of Sir CK’s performance and his contribution to the Board during 2006, the Board Nomination Committee (the “Committee”) believes Sir CK continues to be independent in character and judgement and, in addition, believes that Sir CK’s long experience as a director will continue to be invaluable to the Board. The Committee therefore supports the proposal for his re-election as an independent non-executive director.

Sir CK Chow, Mr James Dundas, Ms Ruth Markland, Mr Paul Skinner, and Lord Adair Turner are all non-executive directors and therefore do not have contracts of employment.

Mr Richard Meddings and Mr Kaikhushru Nargolwala each have a contract of employment with a notice period of one year.

All of the directors submitting themselves for election and re-election are highly experienced and have a broad understanding of the financial services industry. In view of their experience and performance, the Board considers that they will each continue to make a valuable contribution to the Company.

Biographical details of each of the directors standing for election and re-election are as follows:

### **Sir CK Chow (Chow, Chung Kong), independent non-executive director**

Appointed to the Board on 24 February 1997. He is Chief Executive Officer of MTR Corporation Limited of Hong Kong and is non-executive Chairman of Standard Chartered Bank (Hong Kong) Limited. He is a member of the Hong Kong Tourism Board, the Council of the Chinese University of Hong Kong and the Council of the Hong Kong Institute of Certified Public Accountants. Previously he was Chief Executive Officer of GKN plc and Brambles Industries plc. He is based in Hong Kong. Age 56 at the date of the AGM.

**James Frederick Trevor Dundas, independent non-executive director**

Appointed to the Board on 15 March 2004. He is Chairman of Xchange.co Limited and a non-executive director of Drax Group plc. He is also Chairman of Macmillan Cancer Support. Previously he was Chief Executive Officer of the UK property company MEPC and Finance Director of the Airport Authority Hong Kong. He is a member of the Board Audit and Risk Committee, the Board Nomination Committee and the Board Corporate Responsibility and Community Committee. Age 56 at the date of the AGM.

**Ruth Markland, independent non-executive director**

Appointed to the Board on 3 November 2003. She is Chairman of the Board of Trustees of the WRVS and a non-executive director of The Sage Group plc. Previously she was Managing Partner Asia for the international law firm Freshfields Bruckhaus Deringer. She is Chairman of the Board Remuneration Committee and a member of the Board Audit and Risk Committee and Board Nomination Committee. Age 54 at the date of the AGM.

**Richard Henry Meddings, executive director**

Appointed to the Board on 16 November 2002. He was appointed as Group Finance Director on 20 November 2006 and is responsible for Finance, Corporate Treasury and Corporate Development. Immediately prior to this he was Group Executive Director responsible for growth and governance across Africa, the Middle East, Pakistan, the United Kingdom, Europe and the Americas and before that was responsible for Risk, Special Assets Management and Legal & Compliance. He is a non-executive director of the Indo British Partnership Network. Before his appointment to the Standard Chartered PLC Board he was Chief Operating Officer, Barclays Private Clients at Barclays PLC and before that Group Financial Controller at Barclays PLC. Prior to Barclays he was Group Finance Director of Woolwich PLC. Age 49 at the date of the AGM.

**Kaikhushru Shiavax Nargolwala, executive director**

Appointed to the Board on 7 May 1999. He is Group Executive Director with responsibility for governance in Asia and for the Group's Risk and Special Assets Management functions. He joined Standard Chartered in 1998 as Group Head of Sales. He is a non-executive director of Singapore Telecommunications Ltd and of Tate & Lyle PLC and is on the Visa International Asia Pacific Regional Board. He is based in Singapore. Age 57 at the date of the AGM.

**Paul David Skinner, independent non-executive director**

Appointed to the Board on 3 November 2003. He is Chairman of Rio Tinto plc and is a non-executive director of the Tetra Laval Group and L'Air Liquide SA. He is also a member of the board of INSEAD and of the Defence Management Board of the UK Ministry of Defence. Previously he was a director of The 'Shell' Transport and Trading Company plc and Group Managing Director of the Royal Dutch/Shell Group of companies where he was CEO of its global Oil Products business. He is a member of the Board Remuneration Committee. Age 62 at the date of the AGM.

**Lord Adair Turner, independent non-executive director**

Appointed to the Board on 1 August 2006. He is a non-executive director of United Business Media plc, Siemens Holdings plc and Paternoster UK Limited and is a member of the Board of Trustees of WWF-UK and Save the Children Fund. Previously he was Director General of the CBI and Vice Chairman of Merrill Lynch Europe Limited. He is a member of the Board Audit and Risk Committee and the Board Remuneration Committee. Age 51 at the date of the AGM.

None of the directors standing for election or re-election has any relationship with any other director, member of senior management or substantial or controlling shareholder of the Company. The biographical information in respect of each of these directors complies with the disclosure requirements as set out in the Hong Kong Listing Rules. As such, there are no other matters that need to be brought to the attention of holders of securities of the Company and no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

The directors standing for election and re-election have the following interests in the ordinary shares of the Company as at 19 March 2007, the latest practicable date for determining such information:

Director	Personal interests	Family interests	Total interests
Sir CK Chow	15,664	–	15,664
James Dundas	2,100	–	2,100
Ruth Markland	2,139	–	2,139
Richard Meddings	121,322	–	121,322
Kai Nargolwala	264,723	–	264,723
Paul Skinner	3,206	–	3,206
Lord Turner	2,016	–	2,016

None of the above directors has an interest in the Company's preference shares or loan stock, nor the shares or loan stock of any subsidiary or associated undertaking of the Group.

Current basic annual fees for non-executive directors are US\$110,586 (£60,000) with additional fees for ordinary membership or chairmanship of a Board committee as follows:

Committee	Ordinary membership	Chairmanship
Audit and Risk	US\$27,647 (£15,000)	US\$73,724 (£40,000)
Board Nomination	US\$5,529 (£3,000)	N/A*
Board Remuneration	US\$23,039 (£12,500)	US\$46,078 (£25,000)
Corporate Responsibility and Community	US\$9,216 (£5,000)	N/A*

\* The Group Chairman, Evan Mervyn Davies, is also Chairman of the Board Nomination Committee and the Corporate Responsibility and Community Committee. He does not receive any additional fees in his capacity as a member of either Committee.



Salary levels for executive directors are reviewed annually by the Board Remuneration Committee taking account of the latest available market data. Any increases in annual base salary are normally effective from 1 April of the relevant year. The average sterling salary increase for executive directors in 2006 (effective 1 April 2006) was 7.09 per cent. The increases in base salary were intended to align salary levels to those within the market. The annual base salary levels of executive directors as at 1 January 2006 and 31 December 2006 were as follows:

	1 January 2006	31 December 2006	Increase as a % of base salary
R H Meddings	US\$792,533 (£430,000)	US\$857,042 (£465,000)	8.14%
K S Nargolwala	US\$792,533 (£430,000)	US\$857,042 (£465,000)	8.14%

In addition, the executive directors are eligible to receive a discretionary annual bonus and a long term incentive award as more fully described on pages 62 to 64 of the annual report.

#### **Resolutions 11 and 12: Reappointment of auditor and setting of auditor's fees**

At each general meeting at which accounts are presented, the Company is required to appoint an auditor to hold office until the end of the next such meeting. The performance of the auditors has been evaluated by the Company's Audit and Risk Committee which has recommended to the Board that KPMG Audit Plc be re-appointed. KPMG Audit Plc has also indicated that they are willing to continue as the Company's auditor for another year. Shareholders are asked to reappoint them and, following normal practice, to authorise the Board to set their fees.

#### **Resolutions 13 and 14: Directors' authority to allot shares**

Under section 80 of the Companies Act 1985, the directors may only allot shares, or rights to shares, if shareholders in general meeting have given them authority to do so. The authority given to the directors at last year's AGM to allot shares or rights to shares will expire at the end of this year's AGM. Accordingly, this resolution seeks shareholders' approval to renew this authority.

Resolution 13(a) asks for a new authority to be given to allow the directors to allot shares or rights to shares up to a maximum nominal amount of US\$138,476,606, being approximately 20 per cent of the issued ordinary share capital of US\$692,383,032 as at 19 March 2007 (which is the latest practicable date before publication of this notice). The Hong Kong Listing Rules do not permit the directors to allot, on a non pre-emptive basis, shares or rights to shares that would represent more than 20 per cent of the issued ordinary share capital as at the date on which the resolution granting them a general authority to allot is passed. Accordingly, resolution 13(a) restricts the authority of the directors to the 20 per cent threshold.

The directors are also authorised to make allotments, which exceed the 20 per cent authority, in connection with offers to shareholders (such as rights issues), by way of scrip dividend but only up to a maximum aggregate nominal amount (when combined with any allotments made under the general authority) of US\$230,794,344. This is approximately 33.3 per cent of the issued ordinary share capital as at 19 March 2007 (which is the latest practicable date before publication of this notice).

As noted in respect of resolution 15 below, there are legal, regulatory and practical reasons why, under an offer to shareholders, such as a rights issue, it may not be possible to issue equity securities to some shareholders, particularly those resident overseas. Resolution 13(b)(i) makes it clear that the authority to make allotments in connection with offers to shareholders covers any such offers in respect of which the directors may make arrangements to deal with such difficulties, and also with fractions of shares.

Notwithstanding the authority to be granted by resolution 13(b), any rights issue or open offer to shareholders will also need to comply with the applicable Hong Kong Listing Rules, and specific shareholder approval for such issues will therefore be obtained if necessary, in accordance with these requirements.

The directors are also authorised under resolution 13(c) to make allotments pursuant to the Company's existing share schemes or those of its subsidiary undertakings adopted prior to the date of the AGM.

The new authority will continue in the case of 13(a), 13(b) and 13(c) until the earlier of the end of next year's AGM and 2 August 2008.

The directors have no specific plans to allot shares, except as scrip dividends instead of cash dividends and following the exercise of options and awards under the Company's share schemes. However, the authority gives the directors flexibility to take advantage of business opportunities as they arise.

As required by the Hong Kong Listing Rules, resolution 14 seeks to extend the directors' authority to allot shares pursuant to paragraph (a) of resolution 13 to include the shares repurchased by the Company under the authority to be sought by resolution 16.

#### **Resolution 15: Power to allot equity securities for cash without certain formalities**

This resolution renews the authority conferred on the directors to allot equity securities for cash, without the need first to offer such shares to existing shareholders in proportion to their shareholdings. Your right to be offered equity securities first in this way is known as a "pre-emption right". The Company's ordinary shares (including any such shares which are held by the Company as treasury shares) and rights to them are "equity securities" as defined in section 94(2) of the Companies Act 1985. If the directors wish to allot or, in the case of any treasury shares, sell equity securities paid for entirely in cash (other than under an employee share scheme), section 89(1) of the Companies Act 1985 requires that the equity securities must first be offered to existing shareholders in proportion to their shareholdings.

In certain circumstances, it may be in the interests of the Company for the directors to be able to allot or, in the case of any treasury shares, sell some equity securities for cash (other than under an employee share scheme) without having to offer them to existing shareholders first. Before this can happen, the shareholders must give up their pre-emption rights.

Resolution 15 deals with this, but only for equity securities up to a maximum total nominal value of US\$34,619,151, which was equal to approximately 5 per cent of the Company's issued ordinary share capital as at 19 March 2007 (which is the latest practicable date before the publication of this notice) and represents 69,238,302 ordinary shares of US\$0.50 each.



There are legal, regulatory and practical reasons why, under a rights issue or other pre-emptive offer, it may not be possible to issue equity securities to some shareholders, particularly those resident overseas. Such shareholders will only be excluded on the basis that the Company has made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange and, having made such enquiry, it would be necessary or expedient to exclude them. Resolution 15 also asks for your authority for the directors to make arrangements to deal with such difficulties when making these offers and also for the directors to deal with fractions of shares.

#### **Resolution 16: Authority to purchase ordinary shares**

The effect of this resolution is to renew the authority granted to the Company to purchase its own shares up to a maximum of 138,476,606 ordinary shares until the AGM in 2008 at, or between, the minimum and maximum prices specified in this resolution. This is approximately 10 per cent of the Company's issued ordinary share capital as at 19 March 2007 (which is the latest practicable date before the publication of this notice). No repurchases of shares will be conducted on The Stock Exchange of Hong Kong Limited.

The directors believe that it is in the best interests of the Company and all of its shareholders to have a general authority for the Company to buy back its ordinary shares in the market. The directors intend to keep under review the potential to purchase ordinary shares. Purchases will only be made if the directors consider that the purchase would be for the benefit of the Company and shareholders, taking into account relevant factors and circumstances at that time, for example the effect on earnings per share. The Companies Act 1985 now permits the Company to hold any such bought back shares in treasury as an alternative to immediately cancelling them. If the Company purchases any of its ordinary shares and holds them in treasury, the Company may sell these shares (or any of them) for cash, transfer these shares (or any of them) for the purposes of or pursuant to an employee share scheme, cancel these shares (or any of them) or continue to hold them in treasury. Holding such shares in treasury gives the Company the ability to reissue them quickly and cost effectively and provide additional flexibility in the management of the Company's capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, shares held in treasury. The directors intend to decide whether to cancel shares purchased pursuant to this authority or hold them in treasury based on the interests of the Company and shareholders as a whole at the relevant time.

The Company held no shares in treasury as at 19 March 2007 (which is the latest practicable date before the publication of this notice).

The total number of options to subscribe for ordinary shares outstanding at 19 March 2007 was 41,838,713, which represented 3 per cent of the issued ordinary share capital at that date. If the Company were to purchase the maximum number of ordinary shares permitted by this resolution, the options outstanding at 19 March 2007 would represent approximately 3.3 per cent of the issued ordinary share capital.

#### **Resolution 17: Authority to purchase preference shares**

The effect of this resolution is to renew the authority granted to the Company to purchase up to 195,285,000 sterling preference shares and to grant a new authority to the Company to purchase up to 7,500 US dollar preference shares. No sterling preference shares have been repurchased since the AGM on 4 May 2006. The Company redeemed 328,388 US dollar preference shares on 2 October 2006 in accordance with their terms and issued 7,500 US dollar preference shares represented by 7,500 American Depositary Shares on 8 December 2006.

Whilst it is important to have a capital base which is adequate to allow the business to grow in all areas and which appears to offer an appropriate balance between risk and profitability, it is equally important that the Company does not carry excessive amounts of capital and that it uses the most appropriate mix of capital instruments in the balance sheet. Having the authority to buy back all the preference shares would provide the Company with further flexibility in managing the capital base. Accordingly, the directors believe that it is in the best interests of the Company and its shareholders as a whole to have the authority sought by this resolution.

The directors intend to keep under review the potential to buy back preference shares, taking into account other investment and funding opportunities. The authority will be exercised only if the directors believe that to do so would be in the interests of shareholders generally. As noted above, the Companies Act 1985 now permits the Company to hold any such bought back shares in treasury as an alternative to immediately cancelling them. Accordingly, if the Company purchases any of its preference shares, those shares may be cancelled or held in treasury by the Company. The directors intend to make such decision at the time of purchase based on the interests of the Company and shareholders generally.

#### **Resolutions 18 and 19: Authority to make donations to EU political organisations and incur EU political expenditure**

In 2000, the Political Parties, Elections and Referendum Act 2000 (the "Act") came into force and required companies to seek shareholders' authority before any political donations and/or political expenditure can be made by a UK company. At the last AGM, directors were granted this authority up to an annual limit of £100,000 until the next AGM or until 3 August 2007.

It has been the Company's policy and that of its principal subsidiary, Standard Chartered Bank, not to make payments to political parties and this remains the case. However, the terms of the Act are broadly defined and may catch activities such as funding seminars, other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, the directors have decided to renew shareholders' authority for political donations and expenditure in case any of our normal activities are caught by the legislation. The authority sought will be capped at £100,000 and will be effective from 3 May 2007 or until 2 August 2008 unless previously renewed, revoked or varied by the Company in general meeting. The Act permits shareholders to grant authority for up to four years. The directors will seek to renew this authority at each AGM, in accordance with best practice.

#### **Resolution 20: Waiver from strict compliance with the reporting and annual review requirements of the Hong Kong Listing Rules in respect of Ongoing Banking Transactions with Temasek associates that the Company has not been able to identify**

Under the Hong Kong Listing Rules, the definition of "associate" extends to Temasek's holding company, subsidiary companies and 30 per cent investee companies ("30 per cent investee companies") and subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of such 30 per cent investee companies.

Given Temasek's diversified portfolio of investments and the extent of the definition of "associate" under the Hong Kong Listing Rules, we have been liaising directly with Temasek in order to ascertain which companies are Temasek "associates" within the Listing Rules definitions. Based on the most recent information received, there are in excess of 1,200 subsidiaries which are associates of Temasek (ie not including the 30 per cent investee companies or the subsidiaries, holding companies, fellow subsidiaries of such holding companies or 30 per cent investee companies of such 30 per cent investee companies included within the Hong Kong Listing Rules definition).

Temasek does not maintain details of all its “associates”, as defined by the Hong Kong Listing Rules, nor is there any legal or other obligation on it to do so. Therefore, as a practical matter, it has not been and will not be possible for us to identify every single Temasek associate (which could be several thousand companies), particularly those that are more distantly related to Temasek such as the subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of its 30 per cent investee companies. However, the Company is maintaining and will continue to maintain a list of associates of Temasek from the sources set out in the following paragraph, in order to identify related party transactions and connected transactions with such associates.

In view of the difficulty of identifying all of the Temasek associates, we have been granted a Waiver by the Hong Kong Stock Exchange (conditional on Independent Shareholder approval and for a period of three years ending 3 May 2010) from strict compliance with the reporting and annual review requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the Ongoing Banking Transactions with associates of Temasek that the Company has not been able to identify, despite having applied all reasonable efforts to identify such associates. This is on the basis that the Company will endeavour to identify Temasek associates utilising the following sources:

- a list of associates provided by Temasek that, in respect of its subsidiaries, will be updated on a quarterly basis, and that, in respect of the other associates which it identifies, will be updated on an annual basis;
- press announcements made by Temasek (Temasek has agreed to add the Company to its list of recipients of these);
- the Company’s own records of ownership of its clients that are maintained for credit control purposes;
- a global survey of the Company’s Wholesale Bank’s corporate relationship managers to identify (and with a request to them to remain vigilant to identify) corporate clients where Temasek has an effective stake of 30 per cent or more in a current Wholesale Bank client;
- information which the Company may otherwise have from its dealings with Temasek and its associates or its knowledge in the market; and
- information from press articles from any of the Company’s existing internal media reporting systems.

Further, transactions with Temasek and its associates have been and will continue to be on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole. This is assured by the following processes and requirements within the Group:

- client-facing staff are required to maximise profits and minimise risk at all times;
- credit risk controls and transaction monitoring by the Group are designed to prevent business being done at rates or prices that are not economically profitable to the Group, or, in the case of market transactions, that are effected at off-market rates;
- transactions with Temasek and its associates have been and will continue to be subject to the same credit approval processes as before the time they became connected persons of the Company;
- all transactions involving credit exposure are subject to limits on credit risk taken set by risk officers located in the businesses but with separate reporting lines to the Group Chief Risk Officer (who reports to the Group Executive Director for Risk). Significant exposures are reviewed and approved centrally through a Group or regional level credit committee. Also, internal controls on credit exposure require, amongst other things, an annual review and approval of credit exposures to individual client groups such as Temasek or its associates. All risk officers and credit committees are accountable to the Group Chief Risk Officer and are governed by policies laid down by the Group Risk Committee; and
- any procurement services sought from Temasek or its associates will follow the standard Supplier Management Framework process, applied to assist the Group in identifying suppliers which offer the best value in terms of pricing, quality and expertise.

Consistent with the purpose of the connected transaction rules and in line with the Company’s running of its business, there has been no favourable treatment afforded to Temasek or any of its associates since 20 July 2006 and transactions with Temasek and its associates have at all times been, and will continue to be, undertaken on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

Further details of the Ongoing Banking Transactions are set out in the explanatory notes to Resolution 22.

#### **Resolution 21: No written agreement**

Under Rule 14A.35(1) of the Hong Kong Listing Rules, any relevant member of the Group would be required to enter into a fixed-term written agreement with Temasek or its associates (as the case may be) in relation to non-exempt continuing connected transactions, including any Ongoing Banking Transactions. Such written agreement would be required to (a) be for a fixed period (not exceeding 3 years, except in special circumstances); (b) provide that normal commercial terms would apply to such transactions; and (c) set out how the payments to be made in respect of such transactions would be calculated. However, it would be unduly burdensome to require the Company to enter into a written agreement with Temasek and its associates given the extensive number of associates and also the fact that Temasek does not exercise management control over a large number of them and would not be able to undertake to procure compliance by its associates with the terms of any such written agreement. Notwithstanding the fact that there will be no fixed-term written agreement in place in accordance with Rule 14A.35(1), there will of course be a contract (which may be written, oral or through course of conduct) between the relevant member of the Group and the client/counterparty, being Temasek or one of its associates, governing the individual transactions.

Therefore, conditional on approval by the Independent Shareholders of the Company, the Hong Kong Stock Exchange has granted a Waiver from compliance with the requirement to enter into a fixed-term written agreement with Temasek and each of its associates in respect of the Ongoing Banking Transactions for a period of three years ending 3 May 2010. The Waiver was requested and granted on the basis that it is not practicable for the Company to enter into such agreements with Temasek given the vast number of Temasek associates and the fact that Temasek does not exercise management control over a large number of such associates.

The Company has assured the Hong Kong Stock Exchange that such transactions with Temasek and its associates will always be entered into on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

Further details of the Ongoing Banking Transactions are set out in the explanatory notes to Resolution 22.

### **Resolutions 22(a) and (b): Ongoing Banking Transactions**

The Ongoing Banking Transactions constitute continuing connected transactions within the meaning of Chapter 14A of the Hong Kong Listing Rules. Set out below are details of such Ongoing Banking Transactions entered into or which may be entered into between members of the Group and Temasek or its associates in the ordinary and usual course of business and on normal commercial terms (and with reference to prevailing market rates) or in accordance with the practice commonly adopted in the market (where applicable).

Resolution 22(a) seeks ratification of the past Ongoing Banking Transactions entered into between the Group and Temasek and its associates until the date of the AGM. This resolution goes back to the date when Temasek acquired its greater than 10 per cent stake in the Company on 20 July 2006, since which time the Company has been seeking waivers from the Hong Kong Stock Exchange in respect of the Ongoing Banking Transactions (and the other matters as set out in the other Resolutions). These Waivers, as now granted, moving forward are subject to approval by the Independent Shareholders (see Resolution 22(b)), and relate to Ongoing Banking Transactions with Temasek and its associates for the three-year period from the AGM. However, Independent Shareholder ratification is also being sought in respect of such transactions entered into from 20 July 2006 until the date of the AGM. Consistent with the purpose of the connected transaction rules and in line with the Company's running of its business, there has been no favourable treatment afforded to Temasek or any of its associates since 20 July 2006 and such transactions with such persons have at all times been undertaken on normal commercial terms.

Data on such Ongoing Banking Transactions between the Group and Temasek and its associates is provided for the period from 20 July 2006 until 31 December 2006 as indicated below.

Resolution 22(b) seeks approval for the Ongoing Banking Transactions for a period of three years from the date of the AGM ie until 3 May 2010 (which is consistent with the maximum fixed period for non-exempt continuing connected transactions under Rule 14A.35(1) of the Hong Kong Listing Rules), as well as approval for the Waiver (which, if Temasek remains a connected person of the Company, will need to be renewed every three years) from strict compliance with the requirement to set a maximum aggregate annual value or a "cap" for each of these transactions with Temasek and its associates. As explained above in respect of Resolutions 20 and 22(a), consistent with the purpose of the connected transaction rules and in line with the Company's running of its business, there will be no favourable treatment afforded to Temasek or its associates and transactions with such persons will continue to be undertaken on normal commercial terms.

During the Relevant Period, there have not been any Physical Commodities Dealing Transactions, Underwriting Transactions, Fund Management Services, Insurance Transactions or Brokerage Services, all as set out below, with Temasek or any of its associates. However, these types of transactions are in the ordinary and usual course of business of the Group and may become increasingly important to the Group in the near future. Accordingly, Independent Shareholder approval is being sought for these types of transactions which may also be undertaken with Temasek or its associates in future.

Each of the Ongoing Banking Transactions, including those as set out in the preceding paragraph above, is or potentially will be carried out frequently, on a regular basis and where Temasek or any of its associates, as a client, will need or expect the transaction to be executed or the service to be provided quickly. This is the very nature of such business.

In respect of each of the Ongoing Banking Transactions described below, references to "associates" of Temasek are to such associates of Temasek as the Company is able to identify using all reasonable efforts in the manner described in the explanatory notes to Resolution 20. Furthermore, information on volumes and values of transactions with Temasek and its associates in respect of Ongoing Banking Transactions during the Relevant Period (as applicable) include all transactions during such period with any entity that was an associate of Temasek at any time during the period even if they have since ceased to be an associate of Temasek.

### *Foreign Exchange Transactions*

Members of the Group enter into spot, forward and foreign exchange swap contracts with counterparties and clients, including Temasek and its associates, for the purpose of foreign exchange risk management and in response to customer-driven transactions.

The value of outstanding Foreign Exchange Transactions between the Group and Temasek and its associates as at 31 December 2006 was US\$1,119 million. In the Relevant Period, the Group entered into 2,650 Foreign Exchange Transactions with a total of 44 companies which are associates of Temasek (as well as Temasek itself).

### *Derivatives Transactions*

The Group enters into over-the-counter derivative transactions with clients and counterparties, including Temasek and its associates, which include swaps, forwards, options and combinations thereof on foreign exchange, interest rates, commodities, credit risk, bonds, equities and any other classes of underlying prices, rates, indices or instruments. The Derivatives Transactions are entered into for a variety of reasons, including to allow Temasek and its associates to hedge their exposure to an underlying asset class or for the purpose of taking a risk position in relation to that underlying asset class.

The notional amount of the outstanding Derivatives Transactions between the Group and Temasek and its associates as at 31 December 2006 was US\$2,555 million. In the Relevant Period, the Group entered into 755 Derivatives Transactions with a total of 16 companies which are associates of Temasek.

### *Capital Markets Dealing Transactions*

As part of its ordinary and usual course of business, the Group enters into capital markets dealing transactions with clients and counterparties, including Temasek and its associates, which include (but not limited to) sales, purchases and participations of securities, loans and other financial instruments issued by independent third parties or by a member of the Group or by Temasek or any of its associates. From the Group's perspective, the Capital Markets Dealing Transactions are secondary market transactions for trading purposes.

The value of the Capital Markets Dealing Transactions between the Group and Temasek and its associates in the Relevant Period was US\$709 million. In addition, in the Relevant Period, the Group entered into 125 Capital Markets Dealing Transactions with a total of 13 companies which are associates of Temasek.

#### *Physical Commodity Dealing Transactions*

In the ordinary and usual course of its business, members of the Group deal in physical commodities with clients and counterparties, which may include Temasek or any of its associates. Most of these transactions relate to financing transactions, such as inventory finance in which a member of the Group takes title to the relevant commodities, and have the benefit of the financial assistance exemptions in the Hong Kong Listing Rules. However, transactions entered into for hedging purposes in connection with commodity derivatives and some other transactions in physical commodities are not connected with a financing and are not, therefore, exempt under the Hong Kong Listing Rules.

Although the Group has not entered into any such transactions with Temasek or its associates during the Relevant Period, physical commodity dealing transactions are part of the ordinary and usual course of business of the Group. It is possible, therefore, that the Group may enter into such transactions with Temasek and any of its associates in the future and, accordingly, Physical Commodity Dealing Transactions have been included in the definition of Ongoing Banking Transactions for which Independent Shareholder approval is being sought.

#### *Underwriting Transactions*

In the ordinary and usual course of its business, members of the Group act as an underwriter on issues of equity securities by clients, which may include Temasek or any of its associates. This would include underwriting issues of shares (including preference shares), convertible equity securities and warrants or similar rights to subscribe or purchase shares or convertible equity securities. This would also involve the payment by the Temasek issuer to the Group of an underwriting fee and, in the event that the issue of securities is not fully subscribed, may involve the relevant member of the Group acquiring a portion of the equity securities under the underwriting arrangements. Any such securities acquired will be held on the relevant member of the Group's trading book but, in accordance with internal guidelines, will be sold on to an independent third party at the earliest opportunity.

Although the Group has not entered into any such transactions with Temasek or its associates during the Relevant Period, underwriting transactions are part of the ordinary and usual course of business of the Group. It is possible, therefore, that the Group may enter into such transactions with Temasek and any of its associates in the future and, accordingly, Underwriting Transactions have been included in the definition of Ongoing Banking Transactions for which Independent Shareholder approval is being sought.

#### *Financial Assistance Transactions by Non-Banking Subsidiaries*

Under the Hong Kong Listing Rules, certain financial assistance transactions entered into by banking companies which are duly licensed or authorised under the Banking Ordinance or under appropriate overseas legislation or authority are exempt from the connected transaction requirements of the Hong Kong Listing Rules (Rule 14A.65). However, there may be circumstances where a Non-Banking Subsidiary provides financial assistance in the ordinary course of its business to Temasek or its associates. Accordingly, Independent Shareholder approval is also being sought (on the basis that the financial assistance exemptions under the Hong Kong Listing Rules are ordinarily not available to such companies) to allow the Non-Banking Subsidiaries to continue to enter into Financial Assistance Transactions with Temasek and its associates as part of their ordinary course of business.

The Financial Assistance Transactions with clients and counterparties, including Temasek and its associates, include granting credit, lending money, providing security for or guaranteeing a loan. The value of the Financial Assistance Transactions between the Non-Banking Subsidiaries within the Group and Temasek and its associates in the Relevant Period was US\$14 million. In addition, in the Relevant Period, the Non-Banking Subsidiaries within the Group entered into one Financial Assistance Transaction with one company which is an associate of Temasek.

#### *Secured Financial Assistance Transactions*

Under the Hong Kong Listing Rules, certain financial assistance transactions are exempt from the connected transaction requirements of the Hong Kong Listing Rules. However, there may be circumstances where a member of the Group is required to grant security, in the form of margin, collateral or similar arrangements in connection with financial assistance provided by Temasek or any of its associates, in the ordinary and usual course of its business and on normal commercial terms. For example, as part of repurchase, reverse repurchase or stock borrowing and lending transactions. In these circumstances, the financial assistance exemption under Rule 14A.65(4) is not available to the relevant member of the Group. Accordingly, Independent Shareholder approval is being sought to allow the Group to continue to enter into financial assistance transactions even where such margin, collateral or other security is required to be granted by the Group as part of its ordinary course of business. More information on such margin and collateral arrangements is set out below in the section headed "Margin arrangements for OTC foreign exchange, derivatives, repo and stock lending transactions".

#### *Fund Management Services*

The Group provides fund management services to clients and, in the future, may receive fund management services from third parties, which may include Temasek and its associates, including the provision of discretionary fund and asset management services. This would involve the payment by Temasek or any of its associates to the Group (and vice versa where Temasek or its associates is providing services to the Group) of fees and commission with reference to prevailing market rates.

Although the Group has not entered into any such transactions with Temasek or its associates during the Relevant Period, fund management services are part of the ordinary and usual course of business of the Group. It is possible, therefore, that the Group may enter into such transactions with Temasek and any of its associates in the future and, accordingly, Fund Management Services have been included in the definition of Ongoing Banking Transactions for which Independent Shareholder approval is being sought.

#### *Securities Services*

The Group provides securities services to clients including Temasek and its associates which includes the provision of custody, escrow agency, receiving bank, trustee, transfer agency, paying agency and funds administration services, derivatives clearing services and facilities for custody clients to lend their securities.

The fee income in relation to the Securities Services provided to Temasek and its associates in the Relevant Period was US\$2 million. In addition, during that period, the Group provided Securities Services to 13 companies which are associates of Temasek.

#### *Cash Management Services*

The Group provides cash management services to clients including Temasek and its associates, which include account services (payments and collections) to enable clients to operate their current, savings and other accounts, liquidity management services (allowing clients to optimise interest earned from credit balances and to minimise interest charged on debit balances across a number of the client's accounts by transferring balances at the end of each day to a single master account ("sweeping") or by notionally aggregating the balances ("pooling") for the purpose of calculating the interest on the net balance of the client) and clearing services.



The gross revenue from Cash Management Services provided to Temasek and its associates in the Relevant Period was US\$1 million. During that period, the Group provided Cash Management Services to 93 companies which are associates of Temasek.

#### *Trade Services*

The Group offers a wide range of trade finance products to clients including Temasek and its associates involving lending or other extensions of credit, including issuing, confirming, negotiating and discounting letters of credit; negotiating and discounting trade bills; import finance; export and pre-export finance; shipping guarantees; performance guarantees and letters of indemnity. However, the Group also participates in some transactions and provides some services that do not involve credit exposure, such as export bills collection, advising of letters of credit, document preparation, processing and checking services, and safekeeping of documents. These non-credit services are generally provided to the same clients that use the Group's credit products, which includes Temasek and its associates, and are often provided as part of an overall banking package.

The gross revenue from Trade Services provided to Temasek and its associates in the Relevant Period was US\$1 million. Trade Services were provided to 19 companies which are associates of Temasek during that period.

#### *Advisory and Arranging Services*

The Group provides advisory and arranging services, in particular corporate finance advisory services, arranging and advising on loans from third party lenders and public and private placements of securities (where the Group does not participate as lender, underwriter or subscriber) to clients including Temasek and its associates.

The fee income from the Advisory and Arranging Services provided to two companies which are associates of Temasek in the Relevant Period was US\$0.2 million.

#### *Brokerage Services*

In the ordinary and usual course of its dealing businesses members of the Group use brokerage services from brokers, which may include associates of Temasek.

Although the Group has not entered into any such transactions with Temasek or its associates during the Relevant Period, the Group uses brokerage services in its ordinary and usual course of business. It is possible, therefore, that the Group may enter into such transactions with Temasek and any of its associates in the future and, accordingly, Brokerage Services have been included in the definition of Ongoing Banking Transactions for which Independent Shareholder approval is being sought.

#### *Insurance Transactions*

In the ordinary and usual course of its business, members of the Group purchase insurance cover against credit, political and event risks, which may include insurance cover from Temasek or its associates.

Although the Group has not entered into any such transactions with Temasek or its associates during the Relevant Period, insurance transactions are part of the ordinary and usual course of business of the Group. It is possible, therefore, that the Group may enter into such transactions with Temasek and any of its associates in the future and, accordingly, Insurance Transactions have been included in the definition of Ongoing Banking Transactions for which Independent Shareholder approval is being sought.

#### **Margin arrangements for OTC foreign exchange, derivatives, repo and stock lending transactions**

The Group, in line with most international banks, uses the ISDA master agreement to govern most of its "over-the-counter" or "OTC" transactions in foreign exchange and derivatives, the Global Master Repurchase Agreement to govern most of its repurchase and reverse repurchase transactions and the Securities Lending Agreement to govern most of its stock borrowing and lending transactions. These master agreements are bilateral agreements designed to govern a course of dealing in a wide range of OTC transactions, and one of their primary purposes is to reduce the credit exposure inherent in the underlying transactions by providing for the netting of the close out values of transactions in the event of a default or failure of one of the parties.

In order to reduce credit exposure further, banks will often include in their master agreements a Credit Support Annex (CSA) unless the master agreement itself already provides for the parties to post collateral with each other. This would normally be in the form of cash or securities, in order to reduce the credit exposure of one party to the other represented by the net mark-to-market value of transactions between them at any given time. The obligation to post collateral is usually mutual and the amount of collateral posted will vary over time with changes in the net mark-to-market value of transactions outstanding.

Collateral arrangements through master agreements or CSAs are a very common feature of and inherent part of the overall transactions between banks and between banks and corporates, including foreign exchange, derivatives, repurchase and reverse repurchase, and stock borrowing and lending transactions.

From time to time, the Group may have collateral arrangements in place with a number of Temasek associates as well as Temasek itself. The transactions with Temasek and its associates that are governed by a master agreement and CSA will either constitute "financial assistance" provided by the Group to Temasek or its associates which may be exempt under Rules 14A.65 to 14A.66 of the Hong Kong Listing Rules or will be subject to independent shareholder approval as Ongoing Banking Transactions.

Resolution 22(a) therefore also seeks ratification of margin, collateral and other similar arrangements entered into with Temasek and its associates in connection with the Ongoing Banking Transactions from July 2006 until the date of the AGM, whereas Resolution 22(b) seeks approval for such margin, collateral and other similar arrangements in connection with the Ongoing Banking Transactions with Temasek and its associates for a period of three years from the date of the AGM ie until 3 May 2010 (which is consistent with the maximum fixed period for non-exempt continuing connected transactions under Rule 14A.35(1) of the Hong Kong Listing Rules).

### Annual cap

Pursuant to the Hong Kong Listing Rules, the Company is required to set a maximum aggregate annual value or a “cap” for each of the Ongoing Banking Transactions with Temasek and its associates. The Hong Kong Stock Exchange has granted a Waiver (conditional on Independent Shareholder approval, which will need to be renewed every three years if Temasek remains a connected person of the Company) from strict compliance with this requirement on the basis of (but not limited to) the following:

- (a) since each of the Ongoing Banking Transactions is entered into in the ordinary and usual course of business of the Group, the volume and aggregate value of each of these transactions varies from time to time and from year to year depending on a number of factors including (but not limited to) which companies constitute associates of Temasek, the range of banking products and services offered by the Group, and fluctuations in financial markets and economic conditions. In addition, given the volume and size of each of these transactions, it would be difficult and impracticable to estimate and set a maximum aggregate annual value for each of the transactions. Furthermore, references to previous figures for each of these transactions may not be a fair indication as to the expected value of the transactions for the next three years;
- (b) in respect of some of the Ongoing Banking Transactions, such as Foreign Exchange Transactions, Derivatives Transactions, Capital Markets Dealing Transactions and certain Secured Financial Assistance Transactions, these are generally entered into in response to customer demand, are sensitive to market rates and require execution in a very short time frame. If the relevant transactions were to exceed the maximum aggregate annual value, the obligation to seek independent shareholder approval in accordance with Chapter 14A of the Hong Kong Listing Rules would cause significant delay to such transactions and, as such, the Group would not be able to provide a responsive service to Temasek and its associates. This would, in turn, significantly limit the existing operations and potential business growth of the Group to the detriment of the Company and its shareholders as a whole; and
- (c) all of the Ongoing Banking Transactions with Temasek and its associates are, and will continue to be, entered into on an arm's length basis or on terms that are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

Resolution 22(b) also seeks approval of the Waiver that no maximum aggregate annual value or “cap” be imposed on the Ongoing Banking Transactions in respect of such transactions for the three-year period ending 3 May 2010.

**The directors recommend all shareholders to vote in favour of resolutions 1 to 19, and all Independent Shareholders to vote in favour of resolutions 20 to 22, as the directors intend to do so in respect of their own shares, and consider that the resolutions are in the best interests of the Company and Shareholders as a whole.**

# Appendices

## Appendix 1

### General Information

#### A. Responsibility Statement

This document includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company and the continuing connected transactions discussed above. The directors, whose names appear on page 2 of this document, collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

#### B. Information on the Company and Temasek

##### The Company

The Company is listed on both the London Stock Exchange and the Hong Kong Stock Exchange and is consistently ranked in the top 25 among FTSE-100 companies by market capitalisation.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1,400 branches (including subsidiaries, associates and joint ventures) in over 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas.

As one of the world's most international banks, Standard Chartered employs almost 60,000 people, representing over 100 nationalities, worldwide. This diversity lies at the heart of Standard Chartered's values and supports its growth as the world increasingly becomes one market.

Standard Chartered derives over 90 per cent of profits from Asia, Africa and the Middle East.

##### Temasek

Temasek is an Asia investment company headquartered in Singapore with a portfolio of investments that is concentrated principally in Singapore, Asia and the OECD economies. Temasek manages a diversified portfolio of S\$129 billion (approximately HK\$660.47 billion) spanning various industries including telecommunications and media, financial services, property, transportation and logistics, energy and resources, infrastructure, engineering and technology, and bioscience and healthcare. The number of subsidiaries of Temasek is in excess of 1,200 companies (which include Temasek wholly-owned investment vehicles, subsidiaries in Temasek's portfolio and their subsidiaries). These companies are managed by their respective management teams and guided by their boards of directors and operate independently of each other. Temasek does not involve itself in the daily commercial or operational decisions of its investee companies, but as part of its overall portfolio management may choose to increase, consolidate or divest its shareholdings in these companies from time to time. Temasek also actively invests in new companies for growth and diversification of its portfolio. Temasek is wholly-owned by the Singapore Government through the Minister for Finance (Incorporated).



## C. Disclosure of Interests

The Company and its directors, chief executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO"). As a result of this exemption, directors, chief executives and shareholders no longer have an obligation under the SFO to notify the Company of shareholding interests, and the Company is no longer required to maintain a register of directors' and chief executives' interests under section 352 of the SFO nor a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the UK. In addition, the Company has adopted a code of conduct regarding securities transactions by directors in accordance with the UK and Hong Kong Listing Rules. As at 19 March 2007, which was the latest practicable date before publication of this document (the "Latest Practicable Date"), the directors, chief executive, substantial shareholder and other major shareholders of the Company held the following interests based on the disclosure of interests made in the UK:

### (i) Directors' Interests in Shares and Options

	Total interest in ordinary shares	Total interest in ordinary shares under option	Range of option exercise prices	Range of option exercise periods
E M Davies	221,129	1,658,444	Nil – 971p	2007 – 2017
P A Sands	47,713	1,108,808	Nil – 971p	2007 – 2017
Sir CK Chow	15,664	–	n/a	n/a
M B DeNoma	159,715	344,807	Nil – 971p	2007 – 2017
J F T Dundas	2,100	–	n/a	n/a
V F Gooding	2,049	–	n/a	n/a
R H P Markham	2,364	–	n/a	n/a
R Markland	2,139	–	n/a	n/a
R H Meddings	121,322	451,434	Nil – 1064p	2007 – 2017
K S Nargolwala	264,723	452,480	Nil – 971p	2007 – 2017
P D Skinner	3,206	–	n/a	n/a
O H J Stocken	10,000	–	n/a	n/a
Lord Turner	2,016	–	n/a	n/a

### (ii) Substantial and Major Shareholders' Interests in Shares

As far as the directors are aware, as at the Latest Practicable Date, Temasek Holdings (Private) Limited is the only substantial shareholder of the Company by virtue of its interest of more than 10 per cent in the Company's issued ordinary share capital exercisable at any general meeting of the Company.

As at the Latest Practicable Date, the Company had recorded in its register of interests the following interest of 3 per cent or more in its issued ordinary share capital:

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Fidelity Investments	68,506,087	4.9473

In addition to the above interests, the Company had been notified by the following companies of their interests in the total voting rights of the Company:

Shareholder	Number of ordinary shares	Percentage of voting rights Direct	Percentage of voting rights Indirect
Temasek Holdings (Private) Limited	166,150,682		12.00
Legal & General Group PLC	47,526,644	3.43	

## D. Material Adverse Change

As at the Latest Practicable Date, the directors are not aware of any material adverse change in the financial or trading position of the Group since the Group's latest published audited accounts of 31 December 2006.

## E. Service Contracts

All of the Executive Directors are entitled to receive and required to give 12 months' notice. Each contract is subject to 12 months' rolling notice but, in any event, terminates automatically at the first annual general meeting following the executive director's 60th birthday. The contracts contain payment in lieu of notice (PILON) provisions which can be exercised at the Group's discretion. The PILON would comprise an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). The amount of any bonus payable as part of the PILON is determined taking into consideration individual and Group performance. Any payment under the PILON would be paid in quarterly instalments and be subject to mitigation.

The Company's Chairman, Mr Evan Mervyn Davies has a contract subject to 12 months' rolling notice, albeit that the contract automatically expires on 31 December 2011. The terms of his contract governing PILON provisions and payments on termination are similar to those outlined above in relation to the Executive Directors.

The Independent Non-Executive Directors do not have service contracts.

## F. Directors' Competing Interests

None of the directors or their respective associates had, as at the Latest Practicable Date, any interest in a business which competes, or is likely to compete, either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the Hong Kong Listing Rules. In addition, there are no contracts or arrangements subsisting, as at the Latest Practicable Date, in which a director is materially interested and which are significant in relation to the business of the Group.

## G. Directors' Interests in Assets

None of the directors had, as at the Latest Practicable Date, any interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2006 or are proposed to be acquired or disposed of by or leased to any member of the Group.

## H. Litigation

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries are aware of any litigation, arbitration or claim, current, pending or threatened, that they are engaged in and that they believe may have a material effect on the financial position or profitability of the Company and its subsidiaries.

## I. Expert's Qualification and Consent

The following is the qualification of the Independent Financial Adviser whose advice or opinion is contained in this document:

Name	Qualification
Commerzbank AG	(acting through its Hong Kong branch), a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 of the SFO.

As at the Latest Practicable Date, Commerzbank AG does not hold, directly or indirectly, in aggregate a greater than 5 per cent shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, as at the Latest Practicable Date, Commerzbank AG does not have any interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2006 or are proposed to be acquired or disposed of by or leased to any member of the Group.

Commerzbank AG has given and has not withdrawn its written consent to the issue of this document with the inclusion of its letter dated 26 March 2007 addressed to the Independent Board Committee and the Independent Shareholders of the Company and all references to its name (including its qualification) in the form and context in which they respectively appear.

## J. General

- (i) The secretary of the Company is Clive Burns, a Chartered Secretary and a Fellow of the Institute of Chartered Secretaries and Administrators.
- (ii) The qualified accountant of the Company for the purpose of Rule 3.24 of the Hong Kong Listing Rules is Simon Jeremy Glass, an Associate of the Institute of Chartered Accountants in England and Wales.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (iv) In the event of any inconsistency between the English text and the Chinese text of this document, the English version shall prevail.

## HONG KONG BRANCH

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26 March 2007

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs

## CONTINUING CONNECTED TRANSACTIONS

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Temasek related resolutions (i.e. resolutions numbered 20, 21 and 22) (the **"Resolutions"**) to be proposed at the AGM (including the Ongoing Banking Transactions and the related margin arrangements) entered into/to be entered into between the Group and Temasek or any of its associates, the definitions of which, are set out in the Explanatory Notes and Appendix 4 to the Notice of Annual General Meeting dated 26 March 2007 (the **"Notice"**) of which this letter forms part. Terms defined in the Notice will have the same meanings when used in this letter unless otherwise stated or the context requires otherwise.

By virtue of Temasek holding a greater than 10 per cent stake in the Company (in holding a 12 per cent stake) and the 20 per cent stake held by two of its associates in three minor subsidiaries of the Company, Temasek, together with its associates, are related parties and connected persons of the Company for the purposes of the related party rules under the UK Listing Rules and the connected transaction rules under the Hong Kong Listing Rules, respectively. In this connection, where any member of the Group enters into a transaction with Temasek or any of its associates, and depending on the size or nature of the transaction, the Company may be required to comply with the reporting, announcement and independent shareholders' approval requirements under the Rules.

We have been appointed by the Company (i) to advise the Independent Board Committee and the Independent Shareholders as to whether the arrangements proposed under the Resolutions are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; (ii) to advise the Independent Shareholders as to how to vote on the Resolutions to be proposed at the AGM; and (iii) to give our opinion in relation to the Resolutions for the Independent Board Committee's consideration in making its recommendation to the Independent Shareholders as to how to vote on the Resolutions.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Notice are true and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Notice and we have relied on the same. Also, we have relied on the representations of the Directors that having made all due enquiries and careful consideration, and to the best of their knowledge and belief, there is no other fact not contained in the Notice, the omission of which would make any statement contained in the Notice, including this letter, misleading.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances which would render the information supplied by the Company, and the representations made to us, untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

We set out below details of each of the Resolutions, and the principal factors and reasons behind our opinion as to whether the transactions proposed thereunder are on normal commercial terms (where applicable), are entered into in the ordinary course of business of the Group (where applicable), and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## A. Background of the parties

## The Company

The Company is listed on both the London Stock Exchange and the Hong Kong Stock Exchange and is consistently ranked in the top 25 among FTSE-100 companies by market capitalisation.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1,400 branches (including subsidiaries, associates and joint ventures) in over 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas.

As one of the world's most international banks, Standard Chartered employs almost 60,000 people, representing over 100 nationalities, worldwide. This diversity lies at the heart of Standard Chartered's values and supports its growth as the world increasingly becomes one market.

Standard Chartered derives over 90 per cent of profits from Asia, Africa and the Middle East.



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**Temasek**

Temasek is an Asia investment company headquartered in Singapore with a portfolio of investments that is concentrated principally in Singapore, Asia and the OECD economies. Temasek manages a diversified portfolio of S\$129 billion spanning various industries including telecommunications and media, financial services, property, transportation and logistics, energy and resources, infrastructure, engineering and technology, and bioscience and healthcare. The number of subsidiaries of Temasek is in excess of 1,200 companies (which include Temasek wholly-owned investment vehicles, subsidiaries in Temasek's portfolio and their subsidiaries). These companies are managed by their respective management teams and guided by their boards of directors and operate independently of each other. Temasek does not involve itself in the daily commercial or operational decisions of its investee companies, but as part of its overall portfolio management may choose to increase, consolidate or divest its shareholdings in these companies from time to time. Temasek also actively invests in new companies for growth and diversification of its portfolio. Temasek is wholly-owned by the Singapore Government through the Minister for Finance (Incorporated).

The Group itself has substantial banking and related businesses in many of the countries in which Temasek and its associates operate, and the Group has entered into and would wish to continue to enter into an extensive number of banking and other financial services transactions with Temasek and its associates in the ordinary course of its business. As set out in the Notice, such transactions have been, and would continue to be, on normal commercial terms or on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Also, as stated in the Notice, the Board believes that strict compliance with the Hong Kong Listing Rules in respect of certain transactions with Temasek and its associates would be impractical and unduly onerous and would, in fact, be to the detriment of the Shareholders as a whole by unduly restricting the Group's business. Accordingly, the Board is asking the Independent Shareholders to approve the Resolutions which would exempt the Company from strict compliance with certain aspects of Hong Kong Listing Rules.

**B. The Resolutions**

In assessing whether the arrangements proposed by the Company in the Resolutions are (i) on normal commercial terms (where applicable); (ii) in the ordinary course of business of the Group (where applicable); and (iii) fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors:

**1.1 Resolution 20 – Resolution to approve the waiver from strict compliance with the reporting and annual review requirements of the Hong Kong Listing Rules in respect of the Ongoing Banking Transactions with Temasek associates that the Company has not been able to identify**

**1.1.1 Background on the resolution**

According to the definition of “associate” under the Hong Kong Listing Rules, Temasek's associates would extend to Temasek's holding company, subsidiary companies and 30 per cent investee companies (the “**30 per cent investee companies**”) and also include subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of such 30 per cent investee companies. As set out in the Notice, we note that as at the Latest Practicable Date, there are in excess of 1,200 subsidiaries which are associates of Temasek but this does not include the 30 per cent investee companies or the subsidiaries, holding companies, fellow subsidiaries of such holding companies or 30 per cent investee companies of such 30 per cent investee companies. In this connection, the Company is of the view that, as a practical matter, it has not been and will not be possible for the Group to identify every single Temasek associate, particularly those that are more distantly related to Temasek such as the subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of its 30 per cent investee companies.

**1.1.2 Our analysis**

(i) Temasek's associates

We have considered the information concerning Temasek and its associates as set out under Section A, “Background of the parties” above. As advised by the Company, in order to ascertain the identities of Temasek's associates, the Company has to request information from Temasek. In practice, beyond the list of its subsidiaries, Temasek does not naturally maintain details on more remote “associates” within the Hong Kong Listing Rules definition (since there is no requirement on it to do so). We have been informed by the Company that, as a practical matter, it has therefore not been and will not be possible for it to identify every single Temasek associate (which could be several thousand companies), particularly those that are more distantly related to Temasek such as the subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of its 30 per cent investee companies.

It is noted that in view of the difficulty in identifying all of the Temasek associates, the Company has been granted a Waiver by the Hong Kong Stock Exchange (conditional on Independent Shareholders approval and for a period of three years ending 3 May 2010) from strict compliance with the reporting and annual review requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the Ongoing Banking Transactions with associates of Temasek that the Company has not been able to identify, despite having applied all reasonable efforts to identify such associates.



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## (ii) Steps taken by the Company

It is noted that the Waiver granted was on the basis that the Company will endeavour to identify Temasek's associates utilising the following sources:

- (a) a list of associates provided by Temasek that, in respect of its subsidiaries, will be updated on a quarterly basis, and that, in respect of the other associates which it identifies, will be updated on an annual basis;
- (b) press announcements made by Temasek (Temasek has agreed to add the Company to its list of recipients of these);
- (c) the Company's own records of ownership of its clients that are maintained for credit control purposes;
- (d) a global survey of the Company's Wholesale Bank's corporate relationship managers to identify (and with a request to them to remain vigilant to identify) corporate clients where Temasek has an effective stake of 30 per cent or more in a current Wholesale Bank client;
- (e) information which the Company may otherwise have from its dealings with Temasek and its associates or its knowledge in the market; and
- (f) information from press articles from any of the Company's existing internal media reporting systems.

Further, as advised by the Company, all Ongoing Banking Transactions with Temasek and its associates have been and will continue to be on normal commercial terms or on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole, which is assured by the following processes and requirements within the Group:

- (a) client-facing staff are required to maximise profits and minimise risk at all times;
- (b) credit risk controls and transaction monitoring by the Group are designed to prevent business being done at rates or prices that are not economically profitable to the Group, or, in the case of market transactions, that are effected at off-market rates;
- (c) transactions with Temasek and its associates have been and will continue to be subject to the same credit approval processes as before the time they became connected persons of the Company;
- (d) all transactions involving credit exposure are subject to limits on credit risk taken set by risk officers located in the businesses but with separate reporting lines to the Group Chief Risk Officer (who reports to the Group Executive Director for Risk). Significant exposures are reviewed and approved centrally through a Group or regional level credit committee. Also, internal controls on credit exposure require, amongst other things, an annual review and approval of credit exposures to individual client groups such as Temasek or its associates. All risk officers and credit committees are accountable to the Group Chief Risk Officer and are governed by policies laid down by the Group Risk Committee; and
- (e) any procurement services sought from Temasek or its associates will follow the standard Supplier Management Framework process, applied to assist the Group in identifying suppliers which offer the best value in terms of pricing, quality and expertise.

## 1.1.3 Our recommendation

***Given that the scope of companies which constitutes "associates" of Temasek under the definition of the Hong Kong Listing Rules is vast and they are extremely difficult to identify, we concur with the view of the Company that it will not, as a practical matter, be possible to identify every single Temasek associate (which could be several thousand companies), particularly those that are more distantly related to Temasek such as the subsidiaries, holding companies, fellow subsidiaries of such holding companies and 30 per cent investee companies of its 30 per cent investee companies. In addition, we note that the Company has in place internal guidelines and systems to monitor the procedures for entering into various banking transactions to ensure that they are on normal commercial terms, irrespective of whether the transactions are or will be entered into with Temasek and its associates or independent third parties.***



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***As such, we are of the view that the procedures proposed by the Company in identifying associates of Temasek on a reasonable efforts basis are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to endorse the grant of the waiver from strict compliance with the reporting and annual review requirements of the Hong Kong Listing Rules in respect of the Ongoing Banking Transactions with Temasek associates that the Company has not been able to identify and to vote in favour of Resolution 20.***

## 1.2 Resolution 21 – No written agreement

### 1.2.1 Background of the resolution

Pursuant to Rule 14A.35(1) of the Hong Kong Listing Rules, any relevant member of the Group would be required to enter into a fixed-term written agreement with Temasek or its associates (as the case may be) in relation to non-exempt continuing connected transactions, including any Ongoing Banking Transactions.

### 1.2.2 Our analysis

In view of (i) the vast number of companies which constitute associates of Temasek (see paragraph 1.1.2 above); and (ii) the fact that Temasek does not exercise management control over a large number of its associates and would not be able to undertake to procure compliance by its associates with the terms of any such written agreements, we are of the view that it would not be practicable to require the Company to enter into a fixed-term written agreement with Temasek and each of its associates in respect of the Ongoing Banking Transactions.

In addition, to support our view, we note that in the ordinary course of its business, some banking transactions between the Group and Temasek and its associates (e.g. foreign exchange transactions, derivatives transactions and securities transactions) are, due to their nature, often effected in a very short time span, usually by telephone, and in some cases by adopting standard master agreements of common industry practice. In this connection, we are of the view that the entering into of fixed-term written agreements with Temasek and its associates (as the case may be) in relation to non-exempt continuing connected transactions, including the Ongoing Banking Transactions, is not practicable.

We note that, conditional on approval by the Independent Shareholders of the Company, the Hong Kong Stock Exchange has granted a waiver from compliance with the requirement to enter into a fixed-term written agreement with Temasek and each of its associate in respect of the Ongoing Banking Transactions for a period of three years ending 3 May 2010.

### 1.2.3 Our recommendation

***Given that (i) the vast number of Temasek associates; and (ii) the fact that Temasek does not exercise management control over a large number of its associates and would not be able to undertake to procure compliance by its associates with the terms of any such written agreement, we concur with the view of the Company that it would be unduly burdensome to require the Company to enter into written agreements with Temasek and its associates in respect of the Ongoing Banking Transactions, and that it is fair and reasonable and is in the interests of the Company and the Shareholders as a whole to endorse the grant of the waiver from the strict compliance requirement to enter into a fixed-term written agreement and to vote in favour of Resolution 21.***

## 1.3 Resolution 22 – Ongoing Banking Transactions

### 1.3.1 Background of the resolution

In the ordinary course of its business, the Group has entered into, and is expected to continue to enter into or may in the future enter into Ongoing Banking Transactions (including any margin arrangements entered into in connection with them), with Temasek and its associates.

To render our opinion, we have reviewed and discussed with the Company (i) the normal execution procedures and compliance policies in relation to the Ongoing Banking Transactions; (ii) certain Ongoing Banking Transactions (including margin arrangements in connection therewith (where applicable) entered into between the Group and Temasek and its associates during the Relevant Period; and (iii) the terms of similar transactions entered into between the Group and independent third parties as a comparison (where applicable). The comparison in (iii) above is based on a sample review of similar banking transactions, together with analysis and discussions with the Company. We have also reviewed the prevailing market rates for certain transactions with reference to independent sources such as Bloomberg.





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### 1.3.2 Foreign Exchange Transactions

#### (i) Background

The Group enters into spot, forward and foreign exchange swap contracts with counterparties and clients, including Temasek and its associates, for the purpose of foreign exchange risk management and in response to customer-driven transactions. As set out in the Notice, as at 31 December 2006, the value of outstanding Foreign Exchange Transactions between the Group and Temasek and its associates was US\$1,119 million. In the Relevant Period, the Group entered into 2,650 Foreign Exchange Transactions with a total of 44 companies which are associates of Temasek (as well as Temasek itself).

#### (ii) Our analysis

We understand that foreign exchange transactions are normally entered into by corporate clients for commercial reasons when they need foreign currency to pay for goods and services. Corporate clients of the Group, including Temasek and its associates, will enter into foreign exchange transactions by either (a) making a request through an e-channel, if they subscribe, (b) phoning the sales desk, or (c) as part of another transaction e.g. a letter of credit or bill of exchange.

As advised by the Company, the exchange rate provided will be based on the prevailing market exchange rate through an electronic broker system, plus a spread. If the rate is accepted by the client, the transaction is executed and recorded in the Company's system.

We have discussed with the Company and understand that all foreign exchange transactions undertaken by the Group are processed in accordance with a standard operating model wherein transactions are booked directly into a front end deal capture system, which publishes automatically into a back office system. The operating procedures described above comply with the Group's standard operational risk management and IT security policies, which are subject to periodic independent external audits. In addition, all individual foreign exchange transactions are subject to review to ensure that they have been executed at the prevailing market rates. The existing Group standard policy does not generally allow transactions to be executed at "off-market" rates or prices, i.e. at a rate or price that is outside the prevailing market rates and there are controls in place in the form of post-transaction monitoring of dealing transactions to provide assurance that this does not take place.

We have reviewed the off-market rate policy of the Group and understand that the product control department and the market risk department are jointly responsible in reviewing foreign exchange transactions of the Group by comparing the terms of such transactions with the relevant market exchange rate. On occasions, there may be valid reasons to enter into an off-market transaction, however, in such instances, authorization must be obtained by the relevant business head, with the oversight of the market risk department.

We have also reviewed certain comparable foreign exchange transactions entered into between the Group and (i) independent third parties, (ii) Temasek and its associates in 2006, respectively. Such comparable transactions were selected based on the same currencies, same or close to the dates of the transaction and similar transaction size. We compared the foreign exchange rates offered to Temasek and its associates with the rates offered to other independent third parties and have not noted any material differences. Save for the aforesaid comparison, we have also carried out independent verification on the rates of the foreign exchange transactions of larger nominal amounts entered into between the Group and Temasek and its associates by making reference to the market rates as quoted from Bloomberg and have not noted any significant deviations. Thus, we concur with the Company that the exchange rates offered by the Company to its customers including Temasek and its associates are made with reference to the quoted market exchange rates and, accordingly, the exchange rates offered to Temasek and its associates are generally no more favourable than those offered to independent third parties.

### 1.3.3 Derivatives Transactions

#### (i) Background

The Group enters into over-the-counter ("OTC") derivative transactions with clients and counterparties, including Temasek and its associates. As set out in the Notice, as at 31 December 2006, the notional amount of outstanding Derivatives Transactions between the Group and Temasek and its associates was US\$2,555 million and, in the Relevant Period, the Group entered into 755 Derivatives Transactions with a total of 16 companies which are associates of Temasek.



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## (ii) Our analysis

We note that it is common practice for parties entering into OTC derivative transactions to enter into a bilateral agreement in the form published by the International Swaps and Derivatives Association ("ISDA"), which provides a set of standard terms and conditions for executing derivative contracts (the "ISDA Agreement"). As advised by the Company, as at 31 December 2006, 39 associates of Temasek have signed an ISDA Agreement with companies within the Group.

We understand that the Group's derivatives dealings with its clients are an ordinary part of its banking business, which enables its clients to hedge their exposures to price and market risks affecting their business or for the purpose of the client taking a risk position. We have discussed with the Company and understand that prior to entering into derivative transactions, clients, including Temasek and its associates, will request the relevant rate quote/premium from the Group's dealer. The Group's dealer will then obtain market rate/premium information using readily available inter-bank rate quotes from market sources such as Bloomberg, Telerate or through other independent financial institutions, before reverting to the clients. If the rate/premium offered by the Group is accepted by the clients, the terms of each transaction will be recorded in a written confirmation which refers to the ISDA Agreement under which the transaction has been dealt and is sent to the client. In this connection, we note that the terms of the derivative transactions entered into with clients, including Temasek and its associates, are made with reference to the market rate/premium.

We have discussed with the Company and understand that all derivative transactions undertaken by the Group are captured into a core internal system in accordance with a standard operating model. The operating procedures stated above comply with the Group's standard operational risk management and IT security policies, which are subject to periodic independent external audits. In addition, all individual derivative transactions are subject to review by the product control department by comparing the terms of such transactions with the relevant market rate/premium.

We have reviewed certain derivative transactions entered into between the Group and (i) independent third parties, and (ii) Temasek and its associates in 2006. Such comparable transactions were selected based on the same currencies and similar transaction size and duration. We have compared the rates offered to Temasek and its associates with those offered to other independent third parties and have not noted any significant difference. We have also carried out independent verifications by comparing the rates of certain sample derivative transactions with the market rates as quoted from independent third party sources, such as Bloomberg, and have not noted any significant deviations. We concur with the Company that the rates/premiums offered to Temasek and its associates are generally no more favourable than those offered to independent third parties.

**1.3.4 Capital Markets Dealing Transactions**

## (i) Background

As part of its ordinary and usual course of business, the Group enters into capital markets dealing transactions with clients and counterparties, including Temasek and its associates, including (but not limited to) sales, purchases and participations of securities, loans and other financial instruments issued by independent third parties or by a member of the Group, Temasek or any of its associates. As set out in the Notice, in the Relevant Period, the Group entered into 125 Capital Markets Dealing Transactions with a total of 13 companies which are associates of Temasek. During the same period, the aggregate value of the Capital Markets Dealing Transactions between the Group and Temasek and its associates was US\$709 million.

## (ii) Our analysis

As advised by the Company, we understand that all capital markets dealing transactions, be it with Temasek and its associates or with independent financial institutions, (i) are determined after arms' length negotiation and (ii) are entered into at an amount determined with reference to market quotations on comparable transactions.

We have reviewed certain comparable capital markets dealing transactions entered into between the Group and (i) independent third parties; and (ii) Temasek and its associates in 2006, respectively. Such comparable transactions were selected based on the same capital market products and date of transactions. We have not noted any significant differences between the respective terms offered to Temasek and its associates and other independent third parties. We have also carried out independent verification on the quoted rates of certain capital market products under the sample transactions by making reference to their prices as quoted from Bloomberg, and have not noted any significant deviations. We concur with the Company that the terms of the Capital Markets Dealing Transactions offered by the Company to its customers including Temasek and its associates are generally no more favourable than those offered to independent third parties.



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**1.3.5 Physical Commodity Dealing Transactions**

## (i) Background

As set out in the Notice, most of these physical commodity dealing transactions relate to financing transactions, such as inventory finance in which a member of the Group takes title to the relevant commodities, and have the benefit of the financial assistance exemptions under the Hong Kong Listing Rules. However, transactions entered into for hedging purposes in connection with commodity derivatives and some other transactions in physical commodities which are not connected with a financing are not, therefore, exempt under the Hong Kong Listing Rules. Although the Group has not entered into any such transactions with Temasek and its associates during the Relevant Period, physical commodity dealing transactions are part of the ordinary and usual course of business of the Group. It is possible, therefore, that the Group may enter into such transactions with Temasek and its associates in the future.

## (ii) Our analysis

We have discussed with the Company and note that the Group has internal guidelines setting out the standard procedures, including co-signing, internal periodic system review and external system audit to ensure that transactions with its clients including Temasek and its associates, are and will be entered into according to the Company's standard policies and, accordingly, would be on normal commercial terms and on no more favourable terms offered to Temasek and its associates than other independent third parties.

As advised by the Company, in the event that the Group enters into such transactions with Temasek or any of its associates in the future, the terms of the Physical Commodity Dealing Transactions will be determined after arm's length negotiation. Such transactions will be entered into in accordance with the existing policy and internal guidelines as set out above and the terms of the Physical Commodity Dealing Transactions to be offered to Temasek and its associates will generally be no more favourable than the terms offered to independent third parties. In this connection, we concur with the Company that any Physical Commodity Dealing Transactions will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.

**1.3.6 Underwriting Transactions**

## (i) Background

As set out in the Notice, members of the Group act as an underwriter on issue of equity securities in the ordinary and usual course of its business such as underwriting issues of shares (including preference shares), convertible equity securities and warrants or similar rights to subscribe or purchase shares or convertible equity securities. Although the Group has not entered into any such transactions with Temasek and its associates during the Relevant Period, such underwriting activity is part of the ordinary and usual course of business of the Group, and it is possible that the Group may enter into such transactions with Temasek and its associates in the future.

## (ii) Our analysis

We have discussed with the Company and note that the Underwriting Transactions would involve a payment made by a client, which may include Temasek or any of its associates in the future, to the Group of an underwriting fee. In the event that the issue of the securities is not fully subscribed, it may involve members of the Group acquiring a portion of the equity securities being issued under the underwriting arrangements. Any such securities acquired will be held on the trading book of the relevant member but will be sold to external parties at the earliest opportunity in accordance with the Group's internal guidelines.

We have been advised by the Company that, in the event that the Group enters into such transactions with Temasek and its associates in the future, the terms of the Underwriting Transactions will be determined after arm's length negotiations with consideration given to normal industry practice. The Company confirmed that the terms of the Underwriting Transactions offered to Temasek and its associates in the future will generally be no more favourable than those offered to independent third parties. In this connection, we concur with the Company that any Underwriting Transactions will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.

**1.3.7 Financial Assistance Transactions by Non-Banking Subsidiaries**

## (i) Background

As set out in the Notice, in the Relevant Period, we note that the Non-Banking Subsidiaries within the Group entered into 1 Financial Assistance Transaction with a company which is an associate of Temasek. The value of the Financial Assistance Transaction was US\$14 million.



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## (ii) Our analysis

We note that there are exemptions from the connected transaction requirements under Rule 14A.65 of the Hong Kong Listing Rules where the Financial Assistance Transactions are entered into by the banking companies of the Group which are duly licensed or authorised under the Banking Ordinance or under appropriate overseas legislation or authority. However, there may be circumstances where a Non-Banking Subsidiary provides financial assistance in the ordinary course of its business to Temasek or its associates (in which case the above exemption is not available). We have discussed with the Company and note that these Non-Banking Subsidiaries were set up because these companies cannot be, or do not need to be, licensed banking companies within the relevant jurisdiction for the purpose of carrying on their business. As advised by the Company, these Non-Banking Subsidiaries are part of the Group whose principal activities are providing banking and financial services and the Financial Assistance Transactions are part of the ordinary course of business of these Non-Banking Subsidiaries.

We have reviewed the terms of the only Financial Assistance Transaction entered into between the Group and an associate of Temasek during the Relevant Period. We understand that the underlying terms were arrived at after arm's length negotiations with reference to the prevailing market interest rates. We are not aware of any material non-standard terms and noted that the interest rates of the transactions were comparable to the interest rates offered to other independent third parties. The Company confirmed that the terms of the Financial Assistance Transactions offered to Temasek and its associates are and will generally be no more favourable than the terms offered to independent third parties.

**1.3.8 Secured Financial Assistance Transactions**

## (i) Background

Under the Hong Kong Listing Rules, certain financial assistance transactions are exempt from the connected transaction requirements of Hong Kong Listing Rules. However, there may be circumstances where a member of the Group is required to grant security, in the form of margin, collateral or similar arrangements in connection with financial assistance provided by Temasek or any of its associates in the ordinary and usual course of its business and on normal commercial terms. For example, the situation may arise as part of repurchase or stock borrowing and lending transactions. In these circumstances, the financial assistance exemption under Rule 14A.65(A) is not available to the relevant member of the Group. More information on such margin and collateral arrangements is set out below in the section headed "Margin arrangements for OTC foreign exchange, derivatives, repo and stock lending transactions".

## (ii) Our analysis

We have discussed with the Company and note that the Group has internal guidelines setting out the standard procedures, internal periodic review and external system audit to ensure that transactions with its clients including Temasek and its associates, are and will be entered into according to the Company's policy, and accordingly, would be on normal commercial terms and on no more favourable terms offered to Temasek and its associates than other independent third parties. In this connection, we concur with the Company that any Secured Financial Assistance Transactions will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.

**1.3.9 Fund Management Services**

## (i) Background

As set out in the Notice, although the Group has not entered into any Fund Management Services with Temasek or its associates during the Relevant Period, fund management services (including the provision of discretionary fund and asset management services) are part of the ordinary and usual course of business of the Group. Depending on the types of services required, the fees and commission payable from third parties may in the future include Temasek and its associates (and vice versa where Temasek or its associates are providing services to the Group) and are calculated with reference to the prevailing market rates, transaction volumes and assets under administration based on an agreed fee schedule.

## (ii) Our analysis

We have discussed with the Company and note that the Group has internal guidelines setting out the standard procedures, including co-signing, internal periodic system review and external system audit to ensure that transactions with its clients including Temasek and its associates, are and will be entered into according to the Company's standard policies and, accordingly, would be on normal commercial terms and on no more favourable terms offered to Temasek and its associates than other independent third parties.



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As advised by the Company, in the event that the Group may enter into such transactions with Temasek and any of its associates in the future, the terms of the Fund Management Services will be determined after arm's length negotiation. Such transactions will be entered into in accordance with the existing policy and internal guidelines as set out above and the terms of the Fund Management Services offered to Temasek and its associates will generally be no more favourable than the terms offered to independent third parties.

**1.3.10 Securities Services**

## (i) Background

As set out in the Notice, the Group provides securities services to clients which includes the provision of custody, escrow agency, receiving bank, trustee, transfer agency, paying agency and funds administration services, derivatives clearing services and facilities for custody clients to lend their securities. In the Relevant Period, the gross fee income in relation to the Securities Services provided to Temasek and its associates was US\$2 million. During the same period, the Group provided Securities Services to 13 companies which are associates of Temasek.

## (ii) Our analysis

We have discussed with the Company and understand that fees and commission receivable are calculated based on transaction volumes and assets under administration as per an agreed fee schedule. We have reviewed the terms of certain Securities Services provided by the Group to Temasek and its associates during the Relevant Period and compared the same with those provided by the Group to independent third parties and have not noted any material differences. Accordingly, we concur with the Company that the terms of the Securities Services offered to Temasek and its associates are and will generally be no more favourable than the terms offered to independent third parties.

**1.3.11 Cash Management Services**

## (i) Background

As set out in the Notice, the Group offers a wide range of cash management services to clients including Temasek and its associates, involving account services (payments and collections), clearing and liquidity management services. We understand that liquidity management services are an extension of account services and revenues are derived from the use of funds from credit balances and interest charged on debit balances, plus a monthly maintenance fee. The gross fee revenue from Cash Management Services provided to Temasek and its associates in the Relevant Period was US\$1 million. During that period, the Group provided Cash Management Services to 93 companies which are associates of Temasek.

## (ii) Our analysis

We have discussed with the Company and note that the Group has internal guidelines setting out the standard procedures, including co-signing, internal periodic system review and external system audit to ensure that transactions with its clients including Temasek and its associates, are and will be entered into according to the Company's standard policies and, accordingly, would be on normal commercial terms and on no more favourable terms offered to Temasek and its associates than other independent third parties.

We have discussed with the Company and understand that interest charged and the monthly maintenance fees receivable are calculated with reference to a fee schedule. Such fee schedule is subject to revision by the Group product and sales team with reference to the market rates. We have reviewed the terms of certain Cash Management Services provided by the Group to Temasek and its associates during the Relevant Period and compared the same with those provided by the Group to independent third parties and noted that they were generally charged on the same basis. As advised by the Company, we understand that the terms of the Cash Management Services offered to Temasek and its associates are and will generally be no more favourable than the terms offered to independent third parties.

**1.3.12 Trade Services**

## (i) Background

The Group offers a wide range of trade finance products to clients including Temasek and its associates involving lending and other extensions of credit (including issuing, confirming, negotiating and discounting letters of credit; negotiating and discounting trade bills; import finance; export and pre-export finance; shipping guarantees; performance guarantees and letters of indemnity). The Group also participates in some transactions and provides some services that do not involve credit exposure, such as export bills collection, advising on letters of credit,



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document preparation, processing and checking services and safekeeping of documents. These non-credit services are generally provided to the same clients that use the Group's credit products, which includes Temasek and its associates, and are often provided as part of an overall banking package. As set out in the Notice, the gross revenue from Trade Services provided to Temasek and its associates in the Relevant Period was US\$1 million. Trade Services were provided to 19 companies which are associates of Temasek during that period.

## (ii) Our analysis

We have discussed with the Company and understand that the Group's revenues for Trade Services are derived from a combination of interest charged, discount trade finance products and transaction fees. For example, in discounting letters of credit or trade bills, the calculation basis of the discount fee is based on the face value, tenor and credit rating of the issuing bank and/or counterparty, which is a generally accepted mechanism in trade finance.

In addition, we have reviewed the terms of certain Trade Services provided by the Group to Temasek and its associates during the Relevant Period and compared the same with those provided by the Group to independent third parties and noted that, in general, the terms offered were standardized. Accordingly, we concur with the Company that the terms of the Trade Services offered to Temasek and its associates are and will generally be no more favourable than the terms offered to independent third parties.

**1.3.13 Advisory and Arranging Services**

## (i) Background

As set out in the Notice, in the Relevant Period, we note that the gross fee income from the Advisory and Arranging Services (including the provision of corporate finance advisory services, arranging and advising on loans from third party lenders and public and private placements of securities, where the Group does not participate as lender, underwriter or subscriber) provided to 2 companies which are associates of Temasek was approximately US\$0.2million.

## (ii) Our analysis

We have discussed with the Company and understand that advisory and arranging services are ordinary and usual course of businesses of the Group, and the fee income receivable by the Group depends on the complexity of such advisory transactions. We have reviewed the terms of the Advisory and Arranging Services transactions and have not noted any material non-standard terms.

**1.3.14 Brokerage Services**

## (i) Background

As set out in the Notice, in the Relevant Period, the Group did not pay any brokerage fees to brokers that are associates of Temasek. However, in the ordinary and usual course of its dealing businesses, members of the Group use brokerage services from brokers, which may in the future, include associates of Temasek.

## (ii) Our analysis

As advised by the Company, in the event that the Group enters into such transactions with Temasek and any of its associates in the future, the Brokerage Services will be provided to the Group in accordance with the local policy in that particular jurisdiction and Temasek's normal terms, and the Group will ensure that any Brokerage Services will be entered into on normal commercial terms and be in the interests of the Company and its Shareholders as a whole. In this connection, we concur with the Company that any Brokerage Services will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.

**1.3.15 Insurance Transactions**

## (i) Background

As set out in the Notice, we note that members of the Group purchase insurance cover against credit, political and event risks, which may include insurance cover from Temasek or its associates. However, as part of its ordinary and usual course of business, members of the Group purchase insurance cover, which may in the future be from Temasek or its associates. During the Relevant Period, the Group did not pay any insurance premiums to insurance companies or brokers that are associates of Temasek.

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## (ii) Our analysis

We have discussed with the Company and understand that prior to purchasing any insurance coverage, the Group will obtain various insurance quotes from different insurance companies. As advised by the Company, in the event that the Group purchases insurance cover from Temasek or any of its associates in the future, the Group will ensure that any insurance cover will be on normal commercial terms and be in the interests of the Company and its Shareholders as a whole. In this connection, we concur with the Company that any Insurance Transactions will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.

**1.3.16 Margin arrangements for OTC foreign exchange, derivatives, repo and stock lending transactions**

## (i) Background

As set out in the Notice, in the ordinary course of business, the Group enters into margin, collateral and other similar arrangements in connection with certain Ongoing Banking Transactions such as OTC foreign exchange, derivatives, repurchase and reverse repurchase and stock lending and borrowing transactions with counterparties and clients, including Temasek and its associates.

The Group, in line with most international banks, uses the ISDA Master Agreement to govern most of its OTC transactions in foreign exchange and derivatives, the Global Master Repurchase Agreement to govern most of its reverse repurchase transactions and the Securities Lending Agreement to govern most of its stock borrowing and lending transactions. As set out in the Notice, these master agreements are bilateral agreements adopting standard terms and conditions (which may be amended in a schedule), and are designed to govern a course of dealing in a wide range of OTC transactions, and one of their primary purposes is to reduce the credit exposure inherent in the underlying transactions by providing for the netting of the close out values of transactions in the event of a default or failure of one of the parties.

## (ii) Our analysis

In order to reduce credit exposure further, banks will often include in their master agreements a credit support annex (the “CSA”). The CSA provides for the parties to post collateral with each other (unless the master agreement itself already provides for the parties to post collateral with each other), normally in the form of cash or securities, in order to reduce the credit exposure of one party to the other represented by the net mark-to-market value of transactions between them at any given time. The obligation to post collateral is usually mutual and the amount of collateral posted will vary over time with changes in the net mark-to-market value of transactions outstanding.

We note that collateral arrangements through master agreements or CSAs are common industry practice between banks and between banks and corporates which form an inherent part of such overall transactions between them, including in respect of in OTC foreign exchange transactions, derivatives, repurchase and reverse repurchase, and stock borrowing and lending transactions. We have discussed with the Company and note that the Group has internal guidelines setting out the standard procedures, including internal periodic system review and external system audit to ensure that transactions with its clients including Temasek and its associates, are and will be entered into according to the Company’s standard policies and, accordingly, would be on normal commercial terms and on no more favourable terms offered to Temasek and its associates than other independent third parties.

We have reviewed several margin arrangement transactions between the Group (i) with Temasek and its associates; and (ii) with independent third parties and noted that collateral arrangements (in the form of cash or securities) through CSAs are a very common feature. Similar margin/collateral arrangements for repurchase and reverse repurchase transactions for stock borrowing and lending transactions also arise under industry standard documents. In this connection, we concur with the Company that any margin arrangements for OTC transactions will be entered into on normal commercial terms and will be fair and reasonable in so far as the Company and the Shareholders are concerned.





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**1.3.17 Annual caps**

## (i) Background

As set out in the Notice, conditional on Independent Shareholders approval, the Hong Kong Stock Exchange has granted a waiver to the Company (which, if Temasek remains a connected person of the Company, will need to be renewed every three years) from compliance with the requirement under Hong Kong Listing Rule 14A.35(2) to set an annual cap for each of the Ongoing Banking Transactions.

## (ii) Our analysis

We note that it is difficult and impracticable for the Company to provide a maximum aggregate annual value or a "cap" on the Ongoing Banking Transactions as the volume and aggregate value of each of these will vary from time to time and from year to year, depending on a number of factors, including (but not limited to) which companies constitute associates of Temasek, the range of banking products and services offered by the Group and fluctuations in the financial markets and economic conditions. In addition, given the volume and size of each of these transactions, it would be impracticable to estimate and set a maximum aggregate annual value for each of these transactions. In this connection, we concur with the view of the Company that it would be impracticable and difficult to estimate and set a maximum aggregate annual value for each of these transactions.

In addition to the difficulties encountered by the Group in setting a meaningful maximum aggregate annual value, imposing any cap on these transactions would not only place an onerous administrative burden on the Group, but could also seriously impede the Group's business with Temasek and its associates. For instance, in respect of Foreign Exchange Transactions, Derivatives Transactions and Capital Markets Dealing Transactions, these (i) are generally entered into in response to customer demand; (ii) are sensitive to market rates; and (iii) require execution in a very short time frame. In the event that the relevant transactions were to exceed any maximum aggregate annual value, the obligation to seek Independent Shareholder approval in accordance with the Hong Kong Listing Rules would cause significant delay to such transactions. This would, in turn, significantly limit the existing operations and potential business growth of the Group to the detriment of the Company and its Shareholders as a whole.

**1.3.18 Our recommendation**

*Given that (i) each of the Ongoing Banking Transactions and any margin arrangements in connection with such transactions is entered into in the ordinary and usual course of business of the Group, and will continue to be entered into on normal commercial terms; (ii) each of the Ongoing Banking Transactions and any margin arrangements in connection with such transactions entered into with Temasek or its associates is subject to the same operating procedures and scrutiny as for other independent third parties; and (iii) margin arrangements are very common features which form an inherent part of certain Ongoing Banking Transactions, we are of the view that sufficient assurance is in place to ensure that transactions with Temasek and its associates are and will be entered into on normal commercial terms and on terms generally no more favourable than offered to independent third parties. In this connection, we concur with the view of the Company that it would be fair and reasonable and is in the interest of the Company and the Shareholders to continue to enter into the Ongoing Banking Transactions and any margin arrangements in connection with the same, with Temasek and its associates.*

*In addition, setting an accurate maximum aggregate annual value would be difficult and impracticable due to the different factors in arriving at the monetary cap, i.e. different banking products and services offered by the Group or the identity of the associates of Temasek. In this connection, we concur with the view of the Company that it should not be required to impose a monetary cap on the Group in respect of each of the Ongoing Banking Transactions and that this would be fair and reasonable and is in the interest of the Company and the Shareholders as a whole.*

*Accordingly we are of the view that it is in the interests of the Company and the Shareholders as a whole to endorse the Waiver granted in setting maximum aggregate annual value in connection with the Ongoing Banking Transactions and to vote in favour of Resolution 22.*





## HONG KONG BRANCH

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swift COBAHK HX XXX**OVERALL RECOMMENDATION**

Having considered the principal factors referred to above, in particular:

- (i) The Group's wish to continue its existing relationship with, and, in the ordinary course of business so far as opportunities arise to further develop its business relationship with Temasek and its associates;
- (ii) Strict compliance with Rules 14A.37 to 14A.40, 14A.45 in relation to the reporting and annual review requirements for the Ongoing Banking Transactions with associates of Temasek that the Company has not been able to identify; and Rules 14A.35(1) and (2) in relation to entering into written agreements and setting annual caps for the Ongoing Banking Transactions with Temasek and its associates would be to the detriment of the Shareholders as a whole by unduly restricting the business of the Group;
- (iii) The Group is also subject to the "related party" transaction rules under the UK Listing Rules, which are also intended to ensure that there is no favorable treatment to Temasek and its associates to the detriment of the Company and its Shareholders;
- (iv) The Company's confirmation that all transactions with Temasek and its associates have been and will continue to be subject to the same credit approval processes (where relevant) as before the time they became connected persons of the Company;
- (v) The Company has internal guidelines and systems, such as the off-market rate policy, to monitor the procedures for entering into the Ongoing Banking Transactions; and that the existing processes within the Group are sufficient to provide assurance that transactions with Temasek and its associates entered into/will be entered into on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole;
- (vi) The Company's confirmation that all Ongoing Banking Transactions are normal banking transactions entered into/will be entered into on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole;

we consider that (i) the Ongoing Banking Transactions (including any margin arrangements in connection with such transactions) are fair and reasonable and are entered into on normal commercial terms, are carried out in the ordinary course of business of the Company and the entering into of such transactions are in the interest of the Company and the Shareholders as a whole; (ii) the waiver from strict compliance with the reporting and annual review requirements in respect of the Ongoing Banking Transactions with Temasek and its associates that the Company has not been able to identify is fair and reasonable and is in the interest of the Company and the Shareholders as a whole; and (iii) the waiver from strict compliance with the written agreement and the annual cap requirements under Listing Rules 14A.35 in respect of the Ongoing Banking Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise, and recommend the Independent Board Committee to advise, the Independent Shareholders to vote in favour of each of the Resolutions to be proposed at the AGM.

Yours faithfully,

For and on behalf of

**Commerzbank AG Hong Kong Branch**

**Kenneth Chan**

*Head of Corporate Finance*

**Cynthia Wong**

*Corporate Finance*

## APPENDIX 3

26 March 2007

### *To the Independent Shareholders*

Dear Shareholder

We, being those persons listed below, have been appointed as the Independent Board Committee to advise you in connection with Resolutions 20 to 22 in relation to transactions with Temasek and its associates, details of which are set out in the Notice of Annual General Meeting and the Explanatory Notes contained in the Notice of Annual General Meeting to the Shareholders of the Company dated 26 March 2007 (the "Notice"), of which this letter forms part. Terms defined in the Notice shall have the same meanings when used herein unless the context otherwise requires.

Having taken into account the issues relating to Resolutions 20 to 22; the terms of the Ongoing Banking Transactions with Temasek and its associates; the reasons for these transactions not being subject to a maximum aggregate annual value; the arrangements proposed by the Company set out in the Letter from the Board, Resolutions 20 to 22 and the Explanatory Notes to Resolutions 20 to 22; and the principal factors and reasons considered by the Independent Financial Adviser and its advice in relation thereto set out in pages 23 to 35 of the Notice, we are of the opinion that Resolutions 20 to 22 are in the interests of the Company and its Shareholders as a whole and that the terms thereof and of the Ongoing Banking Transactions are fair and reasonable so far as the Independent Shareholders are concerned. **We therefore recommend that you vote in favour of Resolutions 20 to 22 to be proposed at the AGM in connection with transactions with Temasek and its associates.**

Yours Sincerely

**Rudolph Harold Peter Markham**  
Independent non-executive Director  
(Chairman of the Independent Board Committee)

**James Frederick Trevor Dundas**  
Independent non-executive Director

**Ruth Markland**  
Independent non-executive Director

**Lord Adair Turner**  
Independent non-executive Director

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## APPENDIX 4

### Definitions of the terms used in all sections of this document relating to the Continuing Connected Transactions

*Unless the context otherwise requires, the following words and phrases have the following meanings:-*

“Advisory and Arranging Services”	the advisory and arranging services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Advisory and Arranging Services” on page 18 of this document
“AGM”	the annual general meeting of the Company to be held on 3 May 2007
“Announcement”	the announcement dated 26 March 2007 issued by the Company
“associates”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Banking Ordinance”	the Banking Ordinance (Cap.155 of the Laws of Hong Kong)
“Board”	the board of directors of the Company
“Brokerage Services”	the brokerage services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Brokerage Services” on page 18 of this document
“Capital Markets Dealing Transactions”	the capital markets dealing transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Capital Markets Dealing Transactions” on page 16 of this document
“Cash Management Services”	the cash management services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Cash Management Services” on page 17 of this document
“Company”	Standard Chartered PLC
“Continuing Connected Transactions”	has the meaning ascribed thereto under the Hong Kong Listing Rules and includes transactions contemplated under the Ongoing Banking Transactions
“Derivatives Transactions”	the derivatives transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Derivatives Transactions” on page 16 of this document
“directors”	the directors of the Company whose names are set out on page 2 of this document
“financial assistance”	has the meaning ascribed to “financial assistance” under the Hong Kong Listing Rules and includes granting credit, lending money, providing security for or guaranteeing a loan by any member of the Group
“Financial Assistance Transactions”	has the meaning ascribed to “financial assistance” under the Hong Kong Listing Rules and includes granting credit, lending money, providing security for or guaranteeing a loan by Non-Banking Subsidiaries to Temasek or any of its associates from time to time
“Foreign Exchange Transactions”	the foreign exchange transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Foreign Exchange Transactions” on page 16 of this document
“Fund Management Services”	the fund management services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading “Fund Management Services” on page 17 of this document
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the independent non-executive directors of the Company comprising Mr R H P Markham, Mr J F T Dundas, Ms R Markland and Lord Turner formed to advise the Independent Shareholders in respect of the Resolutions

"Independent Financial Adviser"	Commerzbank AG (acting through its Hong Kong Branch), a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to carry out types 1, 4 and 6 regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Independent Shareholders"	Shareholders other than Temasek and its associates
"Insurance Transactions"	transactions involving one or more members of the Group purchasing insurance cover from Temasek or any of its associates from time to time, details of which are set out under the heading "Insurance Transactions" on page 18 of this document
"Latest Practicable Date"	19 March 2007, being the latest practicable date before publication of this document
"Non-Banking Subsidiaries"	subsidiaries of the Company that are not licensed or authorised to conduct banking business under the Banking Ordinance or under appropriate overseas legislation or authority
"normal commercial terms"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Ongoing Banking Transactions"	include the Advisory and Arranging Services, the Brokerage Services, the Capital Markets Dealing Transactions, the Cash Management Services, the Derivatives Transactions, the Financial Assistance Transactions, the Foreign Exchange Transactions, the Fund Management Services, the Insurance Transactions, the Physical Commodity Dealing Transactions, the Secured Financial Assistance Transactions, the Securities Services, the Trade Services and the Underwriting Transactions
"Physical Commodity Dealing Transactions"	the physical commodity dealing transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading "Physical Commodity Dealing Transactions" on page 17 of this document
"Relevant Period"	the period from when Temasek acquired its greater than 10 per cent stake in the Company on 20 July 2006 until the Company's most recent financial year end on 31 December 2006
"Resolutions"	the ordinary resolutions 20 to 22 set out on page 8 of this document
"Rules"	the Hong Kong Listing Rules and the UK Listing Rules
"Secured Financial Assistance Transactions"	financial assistance transactions where security over the assets of a Group company is provided to Temasek or any of its associates from time to time in respect of the financial assistance, details of which are set out under the heading "Secured Financial Assistance Transactions" on page 17 of this document
"Securities Services"	the securities services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading "Securities Services" on page 17 of this document
"SFO"	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of US\$0.50 each in the share capital of the Company
"Temasek"	Temasek Holdings (Private) Limited
"Trade Services"	the trade services transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading "Trade Services" on page 18 of this document
"UK Listing Rules"	the UK Listing Rules, which are part of the Financial Services Authority's UKLA Sourcebook
"Underwriting Transactions"	the underwriting transactions entered into, or to be entered into (as the context requires), between (a) members of the Group and (b) Temasek or any of its associates from time to time, details of which are set out under the heading "Underwriting Transactions" on page 17 of this document
"Waivers"	<p>the waivers from strict compliance with:</p> <ul style="list-style-type: none"> <li>(a) Rules 14A.37 to 14A.40 and 14A.45 of the Hong Kong Listing Rules in relation to the reporting and annual review requirements for the Ongoing Banking Transactions with associates of Temasek that the Company has not been able to identify; and</li> <li>(b) Rules 14A.35(1) and (2) of the Hong Kong Listing Rules in relation to entering into written agreements and setting annual caps for the Ongoing Banking Transactions with Temasek and its associates,</li> </ul>

granted by the Hong Kong Stock Exchange on 16 March 2007

# Annual General Meeting – 3 May 2007

If there is a question or questions you would like to have addressed at the Annual General Meeting (the “AGM”) on 3 May 2007, please write your question(s) here and return this form as indicated below:

Question(s)

[illegible]

We will endeavour to address any issues raised when the item of business to which the question relates is under consideration at the AGM. Any questions submitted that are not relevant to the business of the AGM will be forwarded for the attention of an appropriate executive.

Submitting a question in advance of the AGM does not affect your rights as a shareholder to attend and speak at the AGM.

Signed:

Full Name:

Shareholder/ShareCare Reference Number:

Please return this form to the Company's registrars along with your proxy form/voting instruction form using the prepaid envelope. Shareholders registered in the United Kingdom should return their form to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, United Kingdom to arrive **no later than 12 noon on Tuesday 1 May 2007**. Shareholders registered in Hong Kong should return their form to Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong to arrive **no later than 7.00pm on Tuesday 1 May 2007**.

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March 2007

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