



We have delivered a strong performance with a good increase in trading profit, despite turbulent economic conditions. We have reduced our costs and brought down our bad debt charge.

2002 Results

- Pre-tax profits rose 16 per cent to \$1,262 million, compared with \$1,089 million in the previous year.
- Net revenue increased to \$4,539 million, up three per cent.
- Costs were reduced and the cost income ratio came down from 56 per cent to 54 per cent.
- Debt charge down by \$19 million, at \$712 million, despite the bankruptcy issue in Hong Kong, and Argentina.
- Normalised earnings per share was 74.9 cents, as against 66.3 cents in 2001.
- Normalised return on equity increased to 13.4 per cent.

We are recommending a final dividend of 32.9 cents per share, compared with 29.10 cents in 2001. This gives a total dividend of 47.0 cents, an increase of 12.1 per cent over 2001. The dividend is covered 1.4 times. The sterling amount will be set in April.

A Turbulent World

In the past two years the world economy has suffered a succession of economic, financial and terrorist shocks. We witnessed economic collapse in Argentina, war in Afghanistan, corporate governance issues in the United States and the continued bear market for equities. Yet, despite all this, world economies continued to grow and, in most of Asia, economic growth was good.

Resilient consumer demand in the United States and the increasing regional importance of China as a consumer market, boosted exports in Asia. Domestic demand was stronger too. The need to compete with China is forcing economies like Hong Kong and Singapore to move up the value chain, leading to a painful near-term transition.

The Hong Kong economy remains weak. Unemployment is high and there are still deflationary pressures. Although we remain cautious on the near-term outlook, we believe the current pessimism on the longer-term prospects is overdone.

The Middle East enjoyed healthy economic growth, despite the uncertainties associated with Iraq. The combination of firm oil prices and healthy government finances provided solid support.



150 years of Standard Chartered.
Our unique 150-year history gives us a deep understanding of our markets, our customers and the local communities in which we operate. It is a strong platform for future growth.

This is an exciting year for us as we celebrate our 150th year anniversary. There are very few companies who can say the same. We have come a long way from serving customers in a tent to modern, well-designed branches around the world that reflect our new brand.

We have a deep understanding of our core markets, which enables us to work closely with our customers and communities and develop strong, lasting relationships. We will be celebrating these relationships throughout the year, sharing our pride in our history and confidence in our future.

Chairman's Statement

Continued

Africa benefited from an improved economic environment, with a softer dollar, higher commodity prices and continued economic reform. Last year finished with a successful election in Kenya, highlighting the positive political change in parts of the region. The biggest exception was Zimbabwe where deteriorating economic conditions have reduced our profits by \$50 million.

Prospects for 2003

Last year three key economic themes dominated. We expect these three themes to dominate again in 2003:

- First, modest growth;
- second, low inflation with low interest rates; and
- third, investors searching for higher yields and safer havens.

This has favoured Asia over Latin America, bonds over equities and is continuing to contribute to higher commodity prices and a softer dollar.

The start to this year shows that we continue to live in uncertain times. Oil prices have risen sharply and the Iraq situation has contributed to weak business confidence around the globe, including Asia.

Given this environment, policy makers are taking measures to boost growth, with relaxed fiscal policies and low interest rates. As a result we expect continued moderate growth, providing the United States economy continues to grow.

Asia has been a net exporter of capital since the 1997 crisis but may now see a return of investment flows to the region as the world economy shifts its focus. China has already become the world's biggest recipient of foreign direct investment.

There is a shift in the service sector too, with India a big beneficiary, as international firms move service centres, software and back office functions to take advantage of lower costs and a high skill base.

China and India are future economic powerhouses. Both are central to our strategy and success.

Investments and Acquisitions

In July, we took a \$50 million stake in the initial public offering of BOC Hong Kong (Holdings) Limited on the Stock Exchange of Hong Kong. It is a subsidiary of Bank of China, one of the largest state-owned commercial banks. We have since signed a Memorandum of Understanding with Bank of China. We have identified eight areas for alliances on product and distribution on the mainland and internationally.

We completed the integration of Grindlays in Middle East and South Asia and India in 2002. Today we are the largest foreign bank across much of the region and in India. Both India and the United Arab Emirates now contribute more than \$100 million in trading profit per year.

The Nakornthon acquisition in 1999 began to deliver profits this year. This is another example of our ability to take on an existing organisation and integrate it profitably with ours.

Hong Kong Listing

In October 2002, we became the first major FTSE listed company to launch a dual primary listing in Hong Kong. We are one of the three note-issuing banks in Hong Kong and listing on the Stock Exchange of Hong Kong was a further demonstration of our commitment to Hong Kong and China. The listing will help us to expand our base of Asian institutional and retail investors. The offer was comfortably over-subscribed.

Move to Manhattan

Our New York office was one of many that were destroyed on that terrible day, 11 September 2001. After a year of operating from temporary offices our colleagues moved back to Manhattan. The move signified the end of a difficult and emotional year. I wish our United States colleagues well in their new office.

Board Changes

I will be retiring in May 2003 after ten years as Chairman. It is with great pleasure that I welcome Bryan Sanderson as my successor. He is currently Chairman of BUPA and was BP's director responsible for Asia until 2000.



B2BeX was launched last year. It is an internet platform, which speeds up and reduces the cost of international trade.

He is also Chairman of the Learning and Skills Council. Bryan Sanderson joined Standard Chartered as a non-executive director in December 2002. Under his guidance, Standard Chartered will continue to grow as a performance driven organisation.

There were also two other new members of the Board. Peter Sands joined us in May 2002 as Finance Director, from McKinsey & Co. He replaces Nigel Kenny. Richard Meddings joined us in November 2002 as Director of Risk, from Barclays PLC. In addition Gareth Bullock and Peter Wong became directors of Standard Chartered Bank our main operating subsidiary. All these appointments have significantly strengthened our top team.

I would like to thank Keith Mackrell, who retired from the Board during 2002, and Cob Stenham, who will be retiring in May after nearly twelve years. I have valued their contributions to the Board.

150th Anniversary

In 2003, we celebrate our 150th year as a company. This longevity says a lot about our strengths and the market positions we hold. However, the anniversary is a time to look forward, not back. There is an opportunity to deliver a step change in performance by continuing to be innovative and aggressive in our markets and remaining focused on moves that will improve shareholder returns.

We are part of the fabric of the communities in which we operate around the world. We are using our 150th year to launch a number of initiatives that enable us to put something back into these communities. In 2002 we started to take our award winning HIV/AIDS staff awareness programme world-wide. In February 2003, we launched 'Seeing Is Believing', a joint initiative with Sight Savers International, aimed at raising enough funds to restore the sight of 28,000 people around the world.

In ten years as Chairman I have been proud of the way Standard Chartered has responded to the challenges it has faced, from the difficulties of the early 1990s to the growth opportunities of the present day. Total shareholder return has grown more than seven times.

In writing my first Chairman's Statement in 1993, I referred to the opportunities that lay ahead with the emergence of China and India. We have grasped those opportunities. Today we are one of the most profitable multinationals in India and we are very well positioned in China.

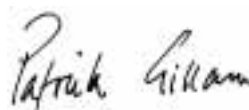
We have increased our focus on markets where we have a competitive advantage and reduced our business in Organisation for Economic Co-operation and Development (OECD) countries. We have also achieved a better geographic balance.

In addition, we have increased our emphasis on Consumer Banking. This is where the greatest opportunities lie as the middle income earners increase in size and prosperity in all our markets. In 1993 Consumer Banking accounted for about 33 per cent of our revenues, now it is 53 per cent.

One of the changes over the past ten years that has given me the most pleasure is that we have become a truly multi-cultural organisation that offers opportunities to good managers whatever their ethnic background. Today 40 per cent of our senior managers are from non-OECD countries. That figure will continue to grow.

I leave the business in good shape with an experienced new Chairman who knows Asia well and a dynamic management team led by Group Chief Executive Mervyn Davies.

Finally, I would like to thank our people, without whom my years as Chairman would not have been half as rewarding. The enthusiasm with which they run this great business is truly outstanding. Their commitment to do what's right for our customers and shareholders will enable Standard Chartered to rise to the tremendous opportunities ahead.



Sir Patrick Gillam, Chairman

19 February 2003 ■



Sir Patrick Gillam speaking at an event to mark the launch of our dual primary listing in Hong Kong.

Standard Chartered sponsors the Hong Kong International Cricket Sixes, which is broadcast across Asia.