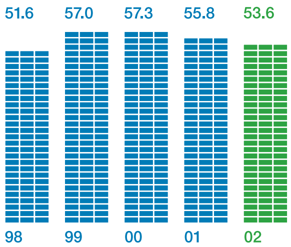
Group Chief Executive's Review

The end of 2002 marks my first full year as Group Chief Executive. Despite a difficult global economic backdrop it has been a year of strong performance and we have made good progress in developing a more performance driven culture.

When I took over the role, I obviously knew the Group very well – having been an executive director for four years – and, with the executive director team, I set out four key areas of focus: achieve our potential through a strong set of values that are shared by all employees; build a sustainable performance culture with the right balance between risk and reward; become a Company that is known for top performance, not just for its great franchise; and increase our customer focus to achieve the highest standards of service excellence. These are the internal goals that underpin the improvement in our results.



Normalised Cost/Income Ratio
%

2002 Performance

This was a strong performance. Revenue momentum has been sustained despite market conditions. There was strong cost control and a resilient performance on bad debts. Despite the Hong Kong bankruptcy issue, bad debts fell in 2002. Our cost income ratio improved to 54 per cent. Our target is to bring it below 50 per cent.

At the same time, we are beginning to see efficiency gains from our shared service centres in Chennai and Kuala Lumpur. These global hubs are helping us to re-engineer our cost base. We have seen good growth in Consumer Banking, outside Hong Kong and our Wholesale Banking business has generated improved profitability as it focuses on improving returns.

Delivering on our Agenda

In 2002, we set out our nine management agenda items to drive improved return on equity. These were to:

- Build market share in Consumer Banking;
- increase focus on value creation in Wholesale Banking;
- capture profitable growth in India and China;
- transition Thailand and Taiwan to profitability;
- deliver efficiency and flexibility in technology and operations;
- rationalise central costs;
- reduce costs in smaller countries;
- control risk; and
- improve capital efficiency.

We have made good progress against all of these goals.

Consumer Banking

Consumer Banking continues to offer the highest potential for growth. We have excellent positions in a number of markets with scale and momentum.

There is strong momentum in Consumer Banking, despite the short-term pressures caused by the rapid rise in personal bankruptcies. We took early action to contain the impact of this industry-wide issue and we are now seeing improvement within our own book. The Hong Kong Government will begin implementation of a positive data-sharing bureau in the first half of 2003, which will enable banks to share information on customer creditworthiness. Hong Kong remains an attractive market for our Group. We have a strong and resilient business, which is demonstrated by the continuing performance of our mortgage book.

In Singapore we have expanded our distribution network and seen significant growth in our customer base. We have gained market share and achieved good growth in revenue and profit.

In Malaysia, revenue growth has been boosted by the success of our MortgageOne home loan product, which now accounts for the majority of our new housing loans there.

We have seen rapid growth in the United Arab Emirates (UAE) and we have an ambitious branch expansion plan in India.

Mortgages remain a good business. Though we have seen margin pressure in more mature markets there is significant potential as countries like India and China open up. It is a product that helps us attract new customers and it offers good returns.

On a geographic belt running from the Middle East to China, we have almost six million credit cards in issue and have a leadership position in Hong Kong, India and parts of the Middle East. Most of our markets are under-penetrated, including India where we have 1.4 million of the country's total of five million credit card users. The population of card users and the amount of card spend is growing rapidly across Asia and this offers us enormous scope for growth.

In Wealth Management we have grown market share. The impact of falling interest rates has been offset by good growth in unit trust sales and bancassurance products.

Wholesale Banking

We have reshaped our business. We have deliberately traded revenue for lower risk, exiting relationships not generating the right return, and have taken a more disciplined approach to pricing risk. At the same time we have strengthened our capital markets business, cross-selling products that provide higher return.

In Global Markets, we were able to exploit falling US dollar interest rates, generating strong revenue. In fixed income and syndications our excellent relationships and market profile keep us at the top of the league tables for Asia. Our OECD businesses, in the United Kingdom and the United States, were particularly successful in sourcing syndications and structured export finance transactions for customers in our emerging markets network.

In 2002 we also won important Asian regional mandates for cash management and trade.

India and China

The two countries where we have the greatest opportunity to transform our business are India and China. Each country is experiencing sustained strong economic growth and we are strongly positioned in both.

It is in India where the growth opportunities are most immediate. India is already one of our top markets world-wide in terms of profitability. We currently have 62 branches and 2.4 million customers in 19 cities.

In September, we completed the integration of Grindlays, having reduced the headcount of the combined banks by 25 per cent during that process. In February 2003, we announced plans to expand our operations to additional cities bringing our network to 81 branches in 25 cities by the end of the year.

In China, the opportunities lie further ahead. Under an agreement with the World Trade Organisation, the Wholesale Banking market will open up in 2004 and, by 2007, foreign banks will be allowed to start retail banking with the Chinese people in local currency. At that time we expect to be selling credit cards, mortgages and Wealth Management products to the emerging middle income earners in about ten major cities.

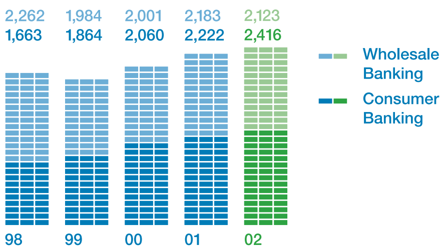
Standard Chartered is one of only a handful of international banks positioned for the opening of China's markets. In 2002, we opened our first two retail branches, in Shanghai and Shenzhen and made a strategic investment in BOC Hong Kong (Holdings) Limited.

Group Chief Executive's Review
Continued

Thailand and Taiwan
One of our goals for the year was to transition Thailand and Taiwan to profitability. This we have done. Both have the potential to become large markets for us. In Thailand, we delivered a trading profit for the first time since the acquisition of Nakornthon Bank.

MESA and Africa
In the Middle East and South Asia (MESA) region we completed the Grindlays integration and we are seeing strong growth. The United Arab Emirates is one of our top-five markets and Bangladesh, Pakistan, Bahrain, Sri Lanka and Qatar are all well-established businesses with good potential.

In Africa our business has seen good progress. We have an excellent competitive position. We are ranked number one or two bank in most of the markets where we operate. In 2002 we performed particularly well in East Africa and we expanded our business in Nigeria. Looking ahead, we also expect to grow our business in South Africa. The challenge in the region has been the extremely difficult situation in Zimbabwe. We remain cautious and have realigned our operations in line with current prospects by selling five branches and reducing headcount.



Net Revenue by Business
$ million

Latin America
We have refocused our Latin American business to concentrate expertise on supporting banks and multi-nationals and we have reduced our risk exposure. This will enable us to redirect capital to our core growth markets in Asia and the Middle East.

We will continue to operate branches in Colombia, Peru and Venezuela with representative offices in Argentina, Brazil and Mexico, focusing primarily on United States dollar clearing, trade finance and global markets activities.

Cost and Efficiency
Our cost performance is one of our key achievements in 2002 and the cost income ratio has improved.

In particular, we are beginning to reap the fruits of our investment in world-class service centres in Chennai and Kuala Lumpur. The shared service centres are now providing services remotely to most of the Bank's computer users. We have stepped up our investment in expanding the service centres and now have over 2,200 people employed in them.

As well as giving us economies of scale, the shared service centres allow us to introduce standardised operating models across the Bank.

We have also controlled costs through tighter project management and stricter discipline on general expenditure. The benefits of outsourcing activities like purchasing, premises and other non-essential services, and the impact of reduced telecommunications and infrastructure costs have all contributed to a great performance on costs.

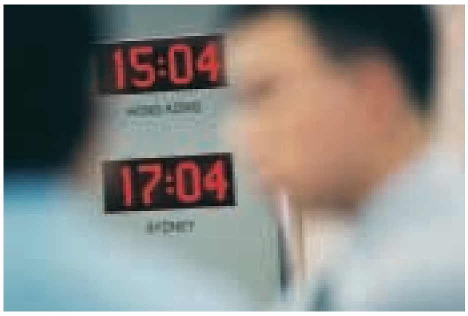
Risk
One of our key agenda items for 2002 was to reinforce our control of risk and enhance our risk performance culture. It has been a challenging year for risk with the increased threat of terrorism, corporate collapses, problems in the telecommunications industry and the impact of Argentina, but we have performed well.

We reinforced the independence of this function with the appointment of a Director of Risk. We established a high-level task force that developed an action plan resulting in one of our lowest levels of bad debt within Wholesale Banking in recent years. We introduced a tougher credit review process in Wholesale Banking and have responded more quickly to customers showing early signs of problems. In Consumer Banking we improved customer segmentation and have strengthened our collection capability.

Capital Efficiency
Having carefully assessed the capital needs of the business to achieve our ambitious growth objectives, we considered we had an excess of capital. To address this we launched a tender offer which led to the repurchase in December 2002 of $659 million of 8.9 per cent preference shares.







Delivering shareholder returns.

We are driving business performance, developing innovative value adding products, improving service quality, and transforming our cost base.

In October 2002, we became the first major FTSE listed company to launch a dual primary listing in Hong Kong. This demonstrates our commitment to Hong Kong and China, and will help us to expand our Asian institutional and retail shareholder base.

We have also made great progress in our drive to reduce inefficiencies. We now have two fully operational shared service centres in Chennai and Kuala Lumpur, centralising and standardising our service delivery. We have launched a new international voice telecommunications system that will deliver significant cost reductions.

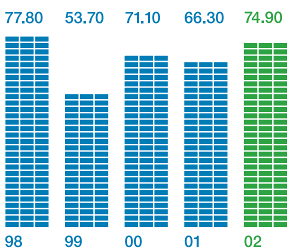
Group Chief Executive's Review
Continued

The premium on repurchase was $82 million, which was funded from reserves. There is a net negative impact on 2002 basic earnings per share. However, in future years there will be an annual saving of $59 million in preference share dividends, which will have a positive impact on return on equity and earnings per share from 2003 onwards.

A modest issue of 35 million new ordinary shares, representing 3.1 per cent of our issued share capital, facilitated our listing on the Stock Exchange of Hong Kong. As a result Tier 1 capital stands at 8.6 per cent. Listing in Hong Kong is an integral component of our strategy. It has raised our profile in our biggest market. It has also given us a platform to expand our investor base in Asia.

Brand

Our new brand's modern and dynamic look appeals to the growing, affluent middle income earners who seek financial products and services which reflect their lifestyles and aspirations. Extensive research shows that customers prefer the new identity.



Normalised Earnings Per Share
Cents

The rebranding has been accompanied by the internal launch of brand values to all of our employees. Our brand values, Courageous, Responsive, International, Creative and Trustworthy have been enthusiastically accepted. These shared values support our performance culture. They act as a touchstone for all employees in helping to meet the needs of our customers.

Our People

I would like to thank the people at Standard Chartered for their commitment throughout the year and their drive towards generating stronger shareholder returns. As I have travelled to our operations around the world, it has confirmed my view that we have tremendous talent at all levels in the Bank. My job is to harness the talent and unleash the energy of our employees.

During the year there was an increased focus on talent management. We made a number of key external hires and about 60 internal moves at senior management level. We launched a new approach to organisational learning, which will allow employees more control over their own training and development as well as the opportunity to learn on-line.

We have strengthened our leadership development with processes that include one-to-one coaching and a short but intensive leadership course for senior managers.

I believe staff engagement has a direct impact on performance and all managers are therefore measured on the way they manage people. Employee engagement is tracked annually through a Gallup Survey. It improved significantly in 2002.

The Future

2002 was a year in which we made good progress.

While we will continue to look selectively at acquisitions, at the heart of the improved performance in 2002 has been a drive to get more out of our existing businesses. This will continue.

We are broadening our demographic base. We have added India and the United Arab Emirates to the list of markets where we make operating profit of more than $100 million a year. This helps give us the scale and balance that we need.

India and China are the two greatest opportunities of the 21st Century. We are strongly positioned in both.

We will continue to grow, although the pace of growth will reflect the underlying economic uncertainties and our focus on sustainable returns.

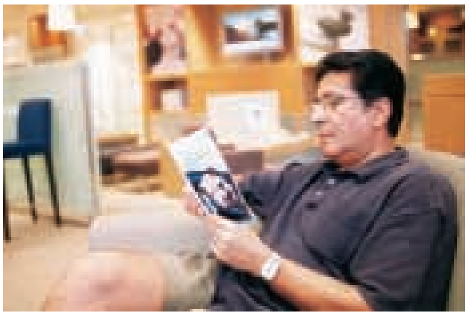
I am very pleased with the progress that we have made on our cost income ratio. We are a long way down the road to restructuring the cost base and homing in on our target of a cost income ratio of below 50 per cent.

We have large-scale businesses – Cards, Wealth Management, Global Markets and others – and efficiency in our operations.

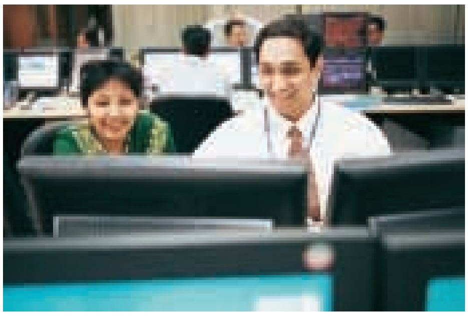
I am confident that we will deliver improved returns to our shareholders.

E. Mervyn Davies

Mervyn Davies, Group Chief Executive
19 February 2003 ■




We hold leading positions in dynamic markets. We are in some of the world's fastest growing markets including the United Arab Emirates, India, China and the markets of South East Asia.

We are well positioned in the world's most dynamic markets. We are the largest foreign bank in India and across much of the Middle East and South Asia.

In addition we took a $50 million stake in BOC Hong Kong (Holdings) Limited in 2002. This is a subsidiary of the Bank of China, one of the largest state-owned commercial banks.

The Nakornthon acquisition in Thailand is already delivering profits and we are well placed for further growth in this market.