

## Group Chief Executive's Review

The Group has achieved strong results in 2003. We are establishing a track record of consistent delivery.



In 2003 we improved performance despite a challenging environment, with the SARS virus in East Asia, the war in Iraq and the low interest rate environment globally. This has demonstrated the strength of our management, the motivation of our people and the resilience of our business.

Two years ago, our management team made a commitment to improve the Bank's financial performance.

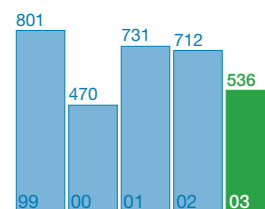
Since then, operating profit has increased from \$1.1 billion to over \$1.5 billion. Return on Equity has improved from 12.0 per cent to 15.3 per cent. Earnings Per Share (EPS) has grown from 66.3 cents to 89.6 cents, up 35 per cent.

The key for us going forward is to deliver against a balanced scorecard of sustainable revenue growth, tightly controlled costs, increasing EPS and improved Total Shareholder Returns. At the same time we have to invest in our brand and ensure our staff are engaged.

This will involve making some trade-offs on key metrics. In 2003 we took advantage of good profits in the first half to invest in our Consumer Banking business and lay further foundations for growth in 2004. We deliberately traded short-term improvement in our cost-income ratio to accelerate growth. However, we remain focused on costs and we expect an improvement in our cost-income ratio this year.

## Provision for bad debts and contingent liabilities

\$ million



We have also traded revenue to reduce the risk of parts of our business, and we are seeing the benefits of this in the reduction in our bad debts, which came down 25 per cent.

In short, we have grown our business. We have delivered better returns and we have invested for growth.

We have also improved our processes and controls. We have become a more tightly disciplined Group. Our brand is stronger and we have a clear strategic direction.

Our aspiration is to be the world's best international bank, leading the way in Asia, Africa and the Middle East.

I see the past two years as the first phase of our journey towards this aspiration; performance improvement and bringing returns to a higher level. We are now entering the next phase which will be about growth, investment and continued delivery.

### Our 2003 priorities

Last year we outlined to you the following agenda for 2003:

- Drive returns in Wholesale Banking
- Grow Consumer Banking revenue
- Accelerate growth in India
- Leverage opportunities in China
- Drive technology improvements

We have made good progress.

### Wholesale Banking

Objective: Drive returns

We committed to improving returns in Wholesale Banking by changing the shape of the business, reducing the risk profile and achieving positive 'jaws' – the gap between revenue growth and cost growth. We have done this.

We have rationalised our customer base. We traded revenue for risk reduction, which is reflected in our improved bad debt line. We have also invested in new product capabilities, particularly in our Global Markets business. The result has been a low level of bad debts, diversified revenue streams and improved returns.

In 2003, profits increased by 18 per cent, driven by revenue growth of seven per cent. There was tight control on costs and an outstanding net bad debt performance.

Customer revenue growth of 11 per cent more than offset a decline in revenue from asset and liability management. Our investment in building a broad range of more value-added, less capital-intensive products, such as derivatives, fixed income and structured products, is bearing fruit with our customers.

Our strength in foreign exchange was recognised by awards from FX Week as Best Bank in Emerging Asian Currencies and Best Bank in Emerging African/Middle East Currencies.

We have made excellent progress in trade finance, increasing revenue by 10 per cent in 2003. The launch of B2BeX, our internet platform for trade sourcing, payments and financing, has been a success. There are now over 450 companies using this.

Despite a low interest rate environment, we are generating more customer revenue from our capital. Given the momentum of customer business we will continue to do so.

Our performance on bad debts in Wholesale Banking has been outstanding, underpinned by very strong recoveries. Sustaining this excellent performance will be a challenge as the level of non-performing loans continues to reduce. However, tight risk management remains a cornerstone of our Wholesale Banking strategy.

We have controlled costs firmly, scaling back in unprofitable segments and geographies such as Latin America. We will continue to pace investment with capital capacity and revenue growth.

### Consumer Banking

Objective: Grow revenue

In Consumer Banking we have built market share in a number of markets and produced strong revenue growth.

Overall we increased our Consumer Banking profits by 19 per cent in 2003.

Revenue grew strongly outside of Hong Kong, but fell in Hong Kong as a direct result of the actions we took to contain the personal bankruptcy problem that has affected Hong Kong's banking industry. In 2004 we expect to see a return to revenue growth in Hong Kong as the consumer-led recovery there takes hold.

“Standard Chartered in Africa, Middle East and South Asia has performed well. Our knowledge of our markets and our long-term commitment, have earned us good relationships with customers, host governments and regulators. We are a very visible name in the community. Our businesses in the UK and the Americas are an important part of our international network. They play a key role in originating business for our markets in Asia, Africa and the Middle East.”

**Chris Keljik**

Group Executive Director



Costs rose as we deliberately accelerated investment in new markets, new products and new service platforms in the second half. This included launching Consumer Banking in South Africa and South Korea; launching the Manhattan credit card in Singapore and MortgageOne in new markets; expanding distribution and upgrading phone and internet banking across a number of countries.

In 2003 we saw double-digit revenue growth in most markets and, in some, growth of more than 20 per cent. Credit card revenue grew strongly and we are making good progress in the personal loans market. Our mortgage business performed very well, particularly MortgageOne, an innovative off-set mortgage product, which continued to capture market share.

In Indonesia and India, in particular, we continued the expansion of our branch networks. In Thailand and Taiwan we have seen a significant increase in revenue, with personal loans and wealth management products proving particularly successful.

Malaysia achieved good growth in profitability, helped by mortgage sales and a decrease in bad debts.

In the United Arab Emirates (UAE) we launched new credit card products, expanded our investment services unit and made improvements to our branches. We also began the launch of our internet banking service across the region.

Our progress in Consumer Banking was recognised in the Lafferty Retail Banking Awards – the industry benchmark – where we were named Best Retail Bank in Asia Pacific.

We enter 2004 with real impetus and Consumer Banking will continue to be an engine for future growth.

**India**

**Objective: Accelerate growth**

In India we had a good year on the back of robust revenue growth.

Our customer base and brand recognition is growing rapidly along with our product range and we have a better balanced business.

We have diversified our product base to include mortgages and we have seen strong growth in mortgages and investment services. Traditionally, our India Consumer Banking business was liabilities-led which resulted in short term margin pressure. However, our expanding mortgage book means that assets are now growing strongly which should generate good revenue growth in 2004.



### Bringing banking to Afghanistan

We paved the way for the regeneration of financial services by becoming the first international bank to open in Afghanistan following the war. Our Kabul branch will supply secured transactions and international money transfers. "The Bank's commitment to Kabul sends a powerful message on the positive future of the country", said Mike O'Brien, the UK's then Minister of State for International Trade and Investment.

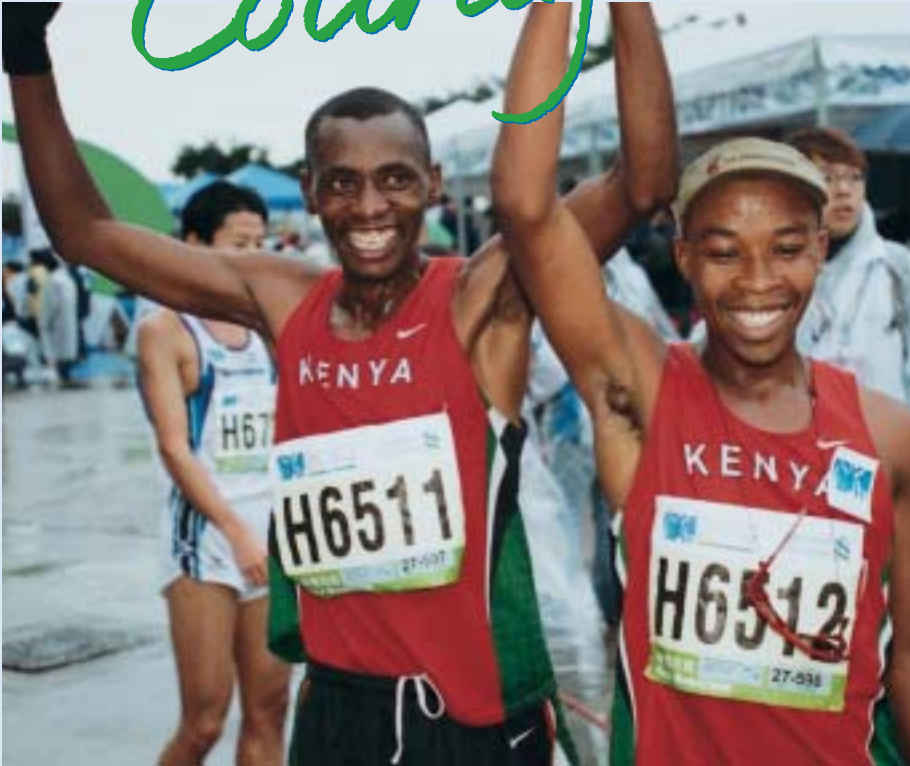


### First rupee option

Our investment in options capabilities meant we were able to respond when the Reserve Bank of India granted permission to offer foreign currency-rupee options. We issued India's first ever such option, of US\$30 million, for Reliance Industries and have since done the same for a number of other key clients. Issuing onshore rupee options underlines our position as the largest international bank in India.



# Courageous



### Winning courage

At the 2004 Standard Chartered Marathon in Hong Kong, two Kenyans won the half marathon. Henry Wanyoike (right), 29, is blind and demonstrated great courage and stamina to become the first-ever blind runner to win a race in Hong Kong. Our sponsorship of marathons in Hong Kong, Singapore, Mumbai and Nairobi showcased the vibrancy and potential of each city, and reinforced brand awareness in surrounding communities.

### Standing up to SARS

Our Hong Kong office sent an important signal of Standard Chartered's commitment to Hong Kong by organising a mass shopping trip for its staff at a time when public confidence was rock-bottom. The 'Shoppers against SARS' rally, involving more than 1,000 staff, demonstrated our belief that Hong Kong is one of the most vibrant markets in Asia.

Standard Chartered is committed to taking decisive, innovative action to act as the Right Partner in Asia, Africa and the Middle East. We are dedicated to expanding our business in these markets.



### First Foreign Corporate Retail Bond in Hong Kong

We broke new ground in Hong Kong by launching the market's first ever foreign corporate retail bond issue. The offering, on behalf of Ford Motor Credit Company, underlined the potential for growth in Hong Kong's local bond market, and helped re-emphasise Hong Kong's position as an international finance centre. Standard Chartered acted as sole underwriter in this milestone transaction. Both the initial issue of HK\$500 million and an additional tranche of US\$60 million were fully subscribed.





We continue to build our branch and distribution network and opened branches in nine new cities in 2003.

Our Wholesale Banking business in India has followed our client focused growth strategy. We bank half of India's top 300 corporations and our Global Markets capability is gaining external recognition.

We have achieved a lot but India is a market where we have big ambitions. We are aiming for long-term sustainable growth and to achieve that we will continue to diversify our product base, improve our risk management and strengthen our distribution capabilities.

### Hong Kong and China

#### Objective: Leverage opportunities

The Group's long-term confidence in Hong Kong is being rewarded and we saw excellent growth in operating profit. Although we witnessed a turbulent six months due to SARS and the impact of the personal bankruptcies issue during the first half of the year, there was a remarkable turnaround in sentiment in the second half.

We are confident we can show significant improvement in Hong Kong as a consumer-led revival takes hold. Consumer Banking saw renewed revenue growth in the second half. We increased our penetration in the mortgage market, and bankruptcy bad debts fell. In the fourth quarter, losses related to the personal bankruptcy issue fell to \$29 million, the lowest since 2001 and down from \$40 million in quarter three. The challenge for us now is to rebuild a quality asset base in unsecured lending.

We have announced that we are seeking to incorporate our Hong Kong business locally, which will underpin our strategy for growth in Greater China.

We continue to take advantage of growth in the Pearl River Delta. The Closer Economic Partnership Agreement between Hong Kong and China is fundamental to the development of this region.

China remains very much on our agenda. We are seeing good organic growth and increased profitability from our business in this market.

We also continue to explore opportunities for acquisition and minority stake investments.

"We have made truly excellent progress with regard to the debt charge. This reflects the rigour of our assessment disciplines and the anticipatory quality of our processes within what is always a dynamic business environment."

#### Richard Meddings

Group Executive Director



### Shared service centres boost efficiency

The total number of staff at our Global Shared Service Centres (GSSCs) in Chennai, India and Kuala Lumpur, Malaysia, rose to 4,300 during 2003. The centralisation of functions into these hubs has continued to deliver substantial savings through improved use of resources.



### Growing consumer markets

We responded to growing markets for Consumer Banking services and met our shareholders' demand for greater investment in this area. We expanded our operations in India and increased the availability of mortgages, credit cards and personal loans.



# Responsive



### Priority banking

Each customer is unique, and to meet their individual requirements, Standard Chartered has developed Priority banking, which caters to the needs of high net-worth individuals, and is available at more than 60 Priority Banking Centres in 20 countries worldwide. Standard Chartered responds to Priority banking customers' needs by providing constant access to a privileged service throughout our international network.

**Being the Right Partner** means being aware of the needs and concerns of all Standard Chartered stakeholders, and moving swiftly to meet them.

### Risk management

An increasingly proactive approach to risk management has enabled us to reduce the level of bad debt across our business. Anticipating potential problems earlier, and working in partnership with customers to manage accounts, has made a positive impact across all areas of our business.



### Seeing is Believing

There are over 45 million blind people in the world today, the majority of whom reside in our core markets, in Asia, Africa and the Middle East. Eighty per cent of cases could be prevented or cured if people had access to the right knowledge or treatment. Our ongoing 'Seeing is Believing' campaign has so far raised enough money to restore the sight of over 56,000 people around the world.



"Our franchise in Asia has been refocused on growth opportunities. In particular, we have started the process of repositioning our Hong Kong business through local incorporation and integration with our Pearl River Delta business. Across the Asia region, both Consumer and Wholesale Banking have delivered strong results. Not only has our financial performance exceeded expectations, but we believe our reputation for sound governance and participating in the communities we serve is second to none."

**Kai Nargolwala**

Group Executive Director



**Technology**

**Objective: Drive improvements**

The Group has made significant progress in 2003 towards improving operational efficiency. We have now built the capability and capacity needed to underpin our growth strategy going forward and I am proud of what we have achieved in this area.

This has not been done through any grand cutting-edge solution; but through focused and disciplined project prioritisation and investment, and through the courage and tenacity it took to build our hubs and move to standardisation and centralisation of processes.

We have continued the expansion of the shared service centres at Chennai in India and Kuala Lumpur in Malaysia. We now have 3,300 employees at the two sites, accounting for 11 per cent of our workforce. Nearly half of our world-wide technology staff are now in Chennai.

Our strategy for Technology and Operations going forward has three elements:

- rigorous vendor management;
- taking the hubs into the next phase of evolution. The first phase was around hubbing processes. Going forward we will re-engineer these processes to ensure best-in-class turnaround times and service, and also to deliver further cost benefits;

- and thirdly, continued but focused investment in our infrastructure. There will be further infrastructure investment in 2004, but it will be targeted, focused and tightly controlled.

**Other performance highlights**

**Africa**

We can single out Africa's performance, where operating profits increased by 50 per cent in 2003.

Wholesale Banking is central to our growth and is producing high returns. Consumer Banking is comparatively small, but we are in the process of transforming it from a traditional savings bank to a modern consumer bank by migrating product capability from Asia and MESA.

Core countries like Kenya and Ghana produced strong growth and there are great opportunities for us to grow our footprint in the two biggest economies in the region, South Africa and Nigeria, where we are under-represented.

In South Africa, we re-entered the market in August 2003 with a branch opening and the acquisition of the digital financial services company 20twenty. In Nigeria, our revenue, albeit still relatively small today, increased 50 per cent in 2003 and we plan to double the number of branches to six this year.

Our performance was recognised by The Banker magazine, which named us Bank of the Year in Africa for 2003.



**Ethnic breakdown of employees**

We employ 30,000 people from 79 different nationalities. Last year we recruited 125 graduates split equally between genders and representing 21 different nationalities, using a global online application system.



**Cricket tour sponsorship**

During 2003, we sponsored the first-ever full England cricket tour to Bangladesh. This was a source of considerable national pride in Bangladesh, where cricket is the national sport. The tour helped raise awareness of our various community initiatives and also supported the launch of a new cricket-linked credit card.



# International



Standard Chartered enables individuals to identify opportunities to be the Right Partner around the world. We believe the diversity of our business helps build stronger relationships and a better service.

**Positioning for growth in South Africa**

Standard Chartered entered the consumer banking market in South Africa for the first time since withdrawing from the country under apartheid. The acquisition of 20twenty, a local digital financial services company, ensures we are well positioned to take advantage of the potential for growth in this market. 20twenty's founder and CEO Christo Davel, was appointed Head of Consumer Banking in South Africa.



**Leadership in foreign exchange**

Standard Chartered is the 8th largest US dollar clearer in New York, largely based on our expertise in emerging markets currencies. In 2003, London recorded the largest turnover of FX trades. Our Hong Kong Treasury operates one of the largest dealing rooms in the North East Asia region, incorporating the latest, state-of-the-art risk management technology. We are a regional currency specialist as well as a leading price maker in Hong Kong dollar treasury instruments and North East Asian currencies.



**Custodian Bank in China**

During 2003, we were granted custodian bank status for Qualified Foreign Institutional Investors, by the People's Bank of China. This positions us well for the opening up of the Chinese A-share stock market to foreign capital. We have been acting as the cash-clearing bank for the B-share market in Shenzhen since 1992 and our strong relationships with China's regulators complement our connection with the world's prominent institutional investors.

'20대 주주 부상' 스탠다드차타드 은행

## 한미銀 경영권 인수 추진

**Consumer Banking in South Korea**

Our presence in Asia expanded further with the launch of Consumer Banking services in South Korea, as reported in local newspaper headlines (above). This complemented our existing Wholesale Banking in the country. We now offer personal loans under the Standard Chartered brand, and will introduce new products and open branches over the coming months. Standard Chartered also holds a 9.8 per cent stake in Koram, South Korea's sixth largest bank.



### Risk

We have significantly enhanced our capability in risk management over the past two years. We have strengthened our analytical capability and tightened our controls.

Although 2003 presented us with a challenging risk environment, bad debts fell by 25 per cent to \$536 million. We have benefited from a relatively benign credit environment in Asia, but this substantial reduction proves that our efforts to improve our risk profile, including our willingness to sacrifice revenue, have paid off.

With the ever present threat of terrorism, corporate collapses and rapid changes in currency markets, we remain vigilant and keep a tight control of risk.

### Brand and service

Two core elements of our strategy are our brand promise and our commitment to excellent customer service.

Brand recognition has improved significantly since our brand re-launch 18 months ago.

We became the sponsor of the Hong Kong marathon in 1997. This event has become an enormous success and we have started three new marathons in the key cities of Singapore, Mumbai and Nairobi. These are high profile events and a great way to be part of the community.

Our aspiration to lead the way sets out our direction for future growth. Our new customer service strategy provides an opportunity to drive this forward.

We are in an industry that's not renowned for its service and recognise we have a long way to go. We have started by learning from some of the great service companies – retailers, airlines and hotels – to improve our own service model.

This will not involve major investment. It is about processes, behaviour and culture. We believe that our ability to out-serve our customers' expectations is fundamental to unlocking shareholder value.

We are adding the launch of this out-serve initiative as a new item for our 2004 priorities.

"Our ability to excel amidst a tough economic backdrop is testimony to the fact that we have an unique franchise, filled with a tremendous amount of drive, energy and creativity. Our brand promise is to be the Right Partner to our customers. Our innovative approach to sales and marketing, together with a robust risk framework, has put us on a strong growth path across the entire franchise."

**Mike DeNoma**

Group Executive Director



### Islamic banking

We understand the need to tailor products to the needs of our customers. In Malaysia and more recently MESA, we offer a wide range of Islamic banking products that comply with Shariah principles. We are Malaysia's largest distributor of Islamic unit trusts and have recently signed a distribution agreement with the country's two top Islamic insurance providers.



### Price Solutions' financial kiosks

We launched the Group's first financial kiosk in Malaysia's premier shopping mall. The kiosk forms an unique marketing channel for the sales of Consumer Banking products such as mortgages, credit cards and business financial services. The financial kiosk is managed by our fully-owned subsidiary, Price Solutions.



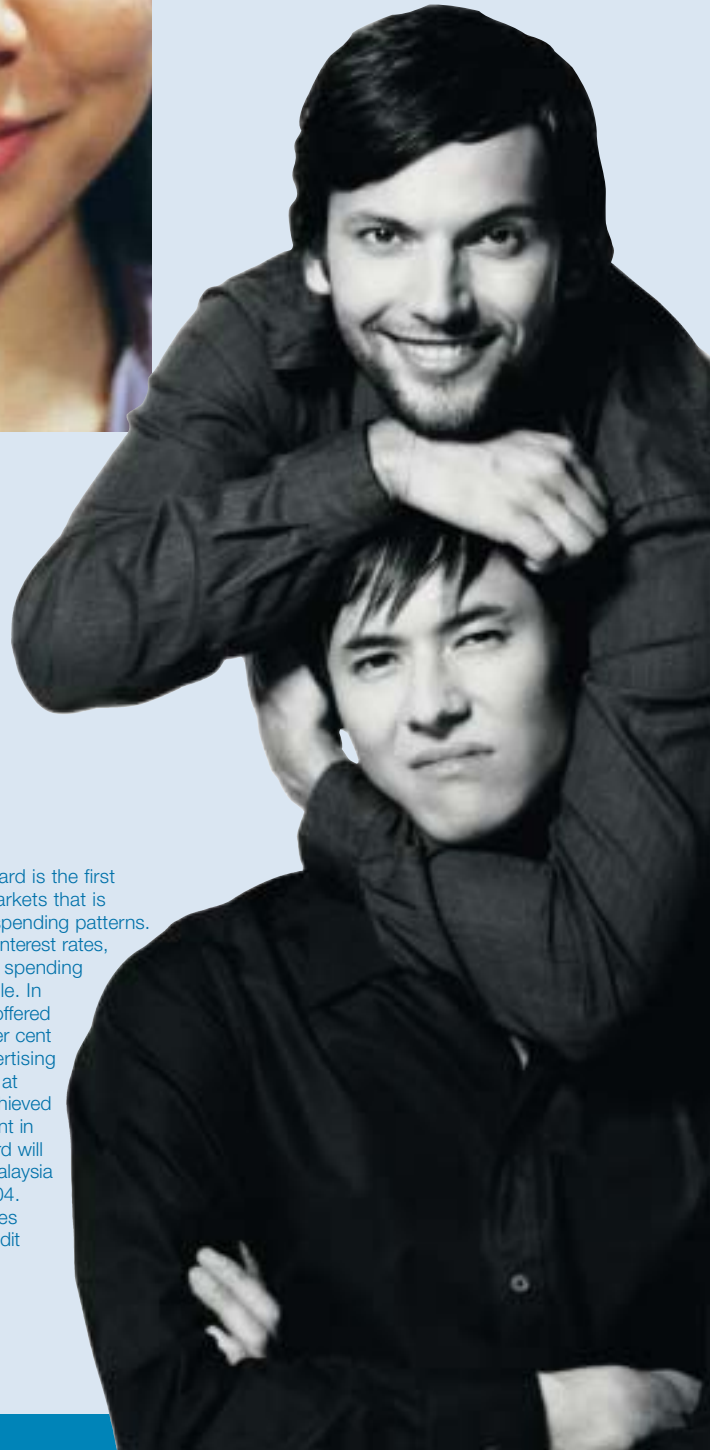
# Creative



### Mini credit card launch

Our credit cards became a fashion statement in Hong Kong and India, when we broke the conventions of design to launch a mini credit card. The VISA Mini Card is half the size of a regular credit card and is perforated in the corner allowing it to be attached to key rings or mobile phones. It is helping to bring purchasing power closer to customers' finger-tips during Hong Kong's economic recovery.

Creative thinkers think beyond predictable solutions. That's how Standard Chartered approaches each challenge, ensuring our business is based on innovative and perceptive thinking.



### B2BeX wins award

Our online trading platform, B2BeX, was awarded the prestigious Wharton Infosys Business Transformation Award for 2003. B2BeX allows businesses to exchange documents and data on one integrated online system, saving up to 10 per cent in trading costs. B2BeX is now used by more than 450 companies.

### Manhattan credit card launch

Our Manhattan credit card is the first credit card for Asian markets that is tailored to customers' spending patterns. Manhattan offers tiered interest rates, according to customers spending behaviour and risk profile. In Singapore, Manhattan offered an APR as low as 12 per cent and its high profile advertising campaign (right), aimed at young professionals, achieved awareness of 74 per cent in just four weeks. The card will be rolled out in India, Malaysia and Thailand during 2004. Customising interest rates allows us to balance credit risk management with expansion in consumer markets.

### Our people

We employ over 30,000 people in 56 countries and territories. More than half our employees are educated to degree level, while 26 per cent possess a post-graduate qualification.

New talent is vital for future performance. Using a global online system, in 2003 we recruited 125 graduates to our management trainee programme, split equally between genders and representing 21 nationalities.

Our focus is on helping our people play to their strengths by identifying and developing their talents. Our talent management process covers 93 per cent of our employees.

Since 2000 we have been systematically improving employee engagement. Central to this is our employee engagement survey. In 2003, 95 per cent of employees participated. It continues to highlight strong year on year increases in our employee engagement.

“The Bank is in very good shape and has real momentum. In 2003 we delivered a strong financial performance, won market share across multiple markets and made significant investments in our business to generate future growth. We are confident that we will continue to make good progress in 2004.”

#### Peter Sands

Group Executive Director



### Our 2004 priorities

- Accelerate Consumer Banking growth
- Drive returns in Wholesale Banking
- Step-up growth in India
- Build China options
- Deliver technology benefits
- Begin out-serve journey

### Outlook

The past twelve months have seen considerable change in the outlook for business. A year ago there was a lot of uncertainty about the direction of the global economy with the war in Iraq, followed by the SARS outbreak in East Asia.

Now the mood is more upbeat, particularly in our markets. However, we are well aware that the world is still prone to the threat of terrorism as well as corporate and economic shocks. In addition, there are concerns over the impact of the weakness of the US dollar.

Nonetheless, we believe that we have a management team that can deliver consistent performance despite short-term economic conditions, as we proved last year.

We have again delivered strong financial performance and our businesses have good momentum. We are confident that we will be able to take advantage of the significant growth opportunities in our markets in the year ahead.

A handwritten signature in blue ink that reads "E. Mervyn Davies".

**Mervyn Davies, CBE**  
Group Chief Executive  
18 February 2004





**Bank of the Year for Africa**

The Banker magazine awarded Standard Chartered the Bank of the Year Award for Africa, after we expanded our operations in South Africa and the Ivory Coast and returned to the Nigerian market. Our strong performances in Zimbabwe, Tanzania, Kenya, Botswana and Ghana were cited, along with the range and quality of our financial services and a strong record for innovation.

**Institutional Investor Research Group**

**Institutional Investor Research Group Award**

In a survey conducted by Institutional Investor Research Group, sell-side analysts voted Standard Chartered as having the most improved performance in investor relations within the financial industry category. As part of our 2003 analyst itinerary, we organised an investor trip to our hub in Chennai. *"I thought that the discussion was hugely impressive... until I had the tour of the premises. That was truly exceptional"*, commented James Alexander, M&G.

*Trustworthy*



**Partnering Hutchison around the world**

Standard Chartered has a long-standing relationship with the Hutchison Whampoa Group of which their Ports division, Hutchison Port Holdings, is the world's largest independently owned operator of container terminals. Grace Fung Oei, Head of Large Corporates for Standard Chartered Hong Kong is pictured with John Meredith, Hutchison Port Holdings Group Managing Director, at Kwai Chung in Hong Kong, which is one of the busiest ports in the world.

**150 years with you**

Earning the trust of all our stakeholders is central to the way that Standard Chartered does business. We are committed to transparent reporting and good corporate governance, and providing responsible products and services to meet customers' needs.



**150 years of partnership**

We have been a trusted partner for 150 years. Our management continues to reflect the breadth of our operations. In total, 70 nationalities are represented in our senior management, reflecting our presence in 56 countries.



**Adopting the Equator Principles**

We enhanced our long-established social and environmental risk processes by adopting the Equator Principles in 2003. These have been developed following International Finance Corporation guidelines and cover the financing of projects in industries such as mining and forestry. Under the principles, we will only provide loans to projects which are socially and environmentally responsible.