

Group Chief Executive's Review

2004 has been an excellent year for the Group. We have momentum and scale in our markets and we are delighted with the strategic progress we have made.

Our 2005 priorities

Expand Consumer Banking customer segments and products

Continue Wholesale Banking transformation

Integrate Korea First Bank and deliver growth

Accelerate growth in India and China

Deliver further technology benefits

Embed Outserve into our culture

Over the last three years, we have pursued a focused agenda.

We set ourselves ambitious performance goals and have consistently delivered against them. We have strengthened the infrastructure and technology of the Bank; we have developed a robust risk management capability; we are reinvigorating our brand; we have increased staff engagement and deepened our talent pool. Our organic, broad based growth has given us the shareholder support and confidence to make acquisitions and alliances.

I would like to take this opportunity to thank our employees for their tremendous efforts over the past three years which are turning Standard Chartered into a high performance organisation.

During 2004, we delivered a balanced scorecard of growth and performance. Profit before tax was \$2,158 million, a 39 per cent increase from \$1,550 million in 2003. Return on equity rose from 15.7 per cent to 20.1 per cent. Cost-income ratio improved to 53.5 per cent. Earnings per share saw an increase from 90.1 cents to 125.9 cents. All these figures are on a normalised basis.

For the first time, both our Wholesale and Consumer Banking businesses produced more than \$1 billion each in operating profit before tax.

We are in dynamic markets and at the core of our strategy is organic growth. We will supplement this organic growth with selective acquisitions and alliances that extend our customer or geographic reach or broaden our product range.

Looking to the year ahead, our industry faces a number of challenges: rising sophistication and regionalisation of local banks; new entrants including non-bank financial institutions; margin compression in many of our markets; increasingly demanding regulatory requirements; sophisticated customers demanding more for less; the risk of a major disruption from an unexpected event; and an unrelenting war for talent. Like all international businesses, retaining and attracting the best people in a highly competitive industry is always a challenge. Companies have to invest heavily in recruiting and developing the right talent.

Many of these challenges are not new. What is different today is the pace and intensity of change.

To compete successfully and grow, we need to be able to anticipate and react quickly to changes. We have to accept that different markets are at different stages of development so we need different strategies for them.

We have been disciplined on costs and processes, and innovative on products. We are standardising our technology platforms and we are absolutely focused on customer service. This enables us to be more nimble and able to anticipate and respond to the changing industry environment.

2005 priorities

Our strategic intent is to be the world's best international bank – leading the way in Asia, Africa and the Middle East. Our top priorities for 2005 are set out on this page.

Consumer Banking

Consumer Banking is a business on the move, getting more innovative every year. It continues to grow its revenue base on the back of both good asset growth outside Hong Kong and an increase in non-interest income from our wealth management business. Consumer Banking also benefited from a faster than anticipated reduction in personal bankruptcies in Hong Kong.

Operating profit increased by 42 per cent and we achieved revenue growth of eight per cent.

There was strong performance in many markets, reflecting our increasingly broadly based geographic and product mix. Our challenge is to invest at the right pace in growing markets and, at the same time, increase productivity and innovation in our more mature markets like Singapore and Hong Kong.

We are seeing returns on our investments in product capability, network expansion and systems. For example, our Consumer Banking business in the Middle East and South Asia (MESA) region enjoyed revenue growth of 23 per cent in 2004, following significant investment in the second half of 2003.

Innovative products have also set us apart from the competition in many of our markets. A good example is Manhattan Card. Manhattan is the first credit card in India and Singapore to have risk-based pricing. It is an example of customer segmentation driving product innovation. With our recent launch in three cities in India, we now have approximately 120,000 cards in issue outside of Hong Kong, and 620,000 in Hong Kong. We will launch Manhattan in three more cities in India in 2005.



What we have achieved
We took the first steps in our Outserve customer service initiative in 2004. In a competitive environment where the customer is king, outstanding service will be a key differentiator for us.

Our challenges
We have already made progress in improving our customer loyalty scores. However, high service standards need to become part of our daily routine, with processes and technology aligned to support this.

MortgageOne is another example. This business grew over 50 per cent in Hong Kong and accounts for 80 per cent of new mortgage sales in Malaysia.

Innovation in channels is also proving an important contributor to growth and we will continue to offer new and original ideas and approaches across all our markets.

Looking ahead, we will increase customer segmentation to grow key segments such as youth and the international banking sector. We will increase the size of our Small and Medium Enterprises (SME) business. Our Priority Banking offering will be expanded in our key markets and we will be looking at opportunities to extend the reach of our consumer finance business across Asia following our acquisition of PrimeCredit in Hong Kong.

Wholesale Banking

In 2004, our Wholesale Banking business enjoyed a year of robust revenue performance. We have executed well on the strategy we laid out a few years ago and delivered on our promises.

Overall operating profit for Wholesale Banking is up by 28 per cent. We have grown revenues by 14 per cent and, significantly, customer revenues by 19 per cent.

Disciplined investments in key sales and control functions have delivered good results across all geographies, products and all four of our customer segments. We have deepened our customer relationships and are now a top three bank to 25 per cent of our customers.

However, there is still room to further improve cross-sell ratios and strengthen our product capabilities. The acquisition of the ANZ project finance portfolio is one example of how we are doing this.

The emergence of China and India as economic powerhouses is changing the dynamics of trade, and new trade corridors are opening, particularly between our markets.

Our acquisition of Sumitomo Mitsui Banking Corporation's business in India gives us a strong position in the trade corridor between Japan and India, and our network in the Middle East and Africa will also prove important in giving us leverage as trade corridors change.

Ongoing initiatives and integration of our acquisitions will greatly benefit our Wholesale Banking business, adding to the many opportunities we see to continue to grow revenues, which we will do within our usual jaws discipline alongside paced capital growth.

Mike DeNoma
Group Executive Director,
Consumer Banking



Mike Rees
Director of Standard Chartered Bank and
Chief Executive Officer, Wholesale Bank



We are passionate about our customers' success. It is our job to make sure they are always happy with the quality of our service, no matter where they are.

Big brands team up for co-branded cards

We are the top credit card company in Jordan with 50 per cent of the market. A link-up with mobile phone company Fastlink in 2004 put us in a different league from other banks in the region. Our co-branded card, the country's first pre-approved credit card, is open to Fastlink's one million customers – the biggest pool of mobile phone users in Jordan. This gives us unparalleled access to a database of potential customers. This deal was replicated in Thailand with communications company DTAC.



Price Solutions direct to customers

Our direct selling Price Solutions business now distributes a wide range of Standard Chartered's consumer banking products in Malaysia, using teams of telesales and field employees as well as roadshows. In July, we opened Malaysia's first financial services kiosk in a popular Kuala Lumpur shopping mall. After registering 1,000 enquiries on the first day, we are planning to open similar kiosks in other retail centres. From an initial team of 23, selling across the country, we now employ over 700 people in our Price Solutions team.

Lions roar approval for Shatin Plaza

A pair of Chinese lions, the symbol of luck and prosperity in Hong Kong, blessed the opening of our new flagship branch in Shatin Plaza. Our Priority Banking Centre opened in March and will deal specifically with Standard Chartered's customers in the region, offering a range of dedicated services. The lions toured the building to bestow good luck on our business.



Korea First Bank

Our recent acquisition of Korea First Bank, subject to regulatory approval, is the biggest in the history of Standard Chartered. We will execute it well and build our presence in Korea, expanding our reach in Asia.

The scale of opportunities in Korea is tremendous. It is the world's tenth largest economy, Asia's third largest, and its economy is expected to grow by four per cent in 2005. Korea's banking sector generates a revenue pool over three times the size of Hong Kong.

Korea First Bank is the seventh largest banking group in Korea by assets, with a market share of approximately six per cent and over three million retail customers. It has one of the lowest levels of non-performing loans in the industry.

We have appointed an experienced integration team in Korea. We are building relations with the regulators, labour unions, the local community and the staff of Korea First Bank. These are important relationships to us.

Retaining key management talent is also very important and we are pleased with the quality of senior management in Korea First Bank.

Full year results for Korea First Bank will be announced in March. We will give more details on our progress with Korea First Bank in our interim report, following completion of this acquisition.

Gareth Bullock
Director of Standard Chartered Bank
and Group Head, Strategy

Korea First Bank Consumer Banking

Korea First Bank has the country's fifth largest distribution network. It has over 400 branches located throughout the country and 2,100 ATMs. In a country with 60 per cent internet penetration, it has a user-friendly internet banking platform, and a strong mobile banking business.

An example of one opportunity is our personal loan product, which can be introduced to Korea First Bank.

Our success in personal loans has been due to excellent customer segmentation, good credit quality, driven off credit bureau data and innovative distribution channels.

Matched with our strong credit scoring system and our tested instalment loan product, we have grown personal loans at Standard Chartered Korea into an almost \$200 million business, in just one year. Korea First Bank's own instalment loan business is relatively small and we have built our business from just one branch. We see good potential in distributing this through Korea First Bank's branch network.

What we have achieved

Our share price performed well in 2004. Our geographic reach into some of the world's fastest-growing economies, such as China and India, makes us a distinctive investment proposition.

Our challenges

Increasing value for shareholders and growing earnings per share is a top priority for Standard Chartered. We will do this by continuing to grow organically, by making disciplined acquisitions that complement our existing businesses, and by constantly striving to be The Right Partner to our customers, our employees and the communities in which we operate.



Peter Sands
Group Executive Director,
Finance and Strategy



Investors help us grow our business.

We believe our distinctive offering delivers outstanding performance and superior returns.

Growing opportunities in UAE

This year we were one of the first global banks to be granted a commercial banking licence by the Dubai International Financial Centre (DIFC), giving us good opportunities to grow our business in the United Arab Emirates – our fourth largest market. The DIFC provides an on-shore capital market, creating a world-class banking infrastructure in the United Arab Emirates. We are proud to support it.

Hong Kong issues sub-debt

The issue of subordinated debt by Standard Chartered Bank (Hong Kong) Limited was not only a first for Standard Chartered Hong Kong, but also the first Hong Kong Dollar subordinated debt to be issued in the local market. As such this represents a breakthrough both for Standard Chartered and the local bond market.



A winning start to 2005

Standard Chartered's acquisition of Korea First Bank is the largest in our history. It was an excellent start to 2005. The acquisition, which is subject to regulatory approval, was partly financed with proceeds from the placing of approximately ten per cent of our issued ordinary share capital. The placement was oversubscribed, testimony to strong support for the Bank. Through this exciting addition to our network, we aim to lead the way in Korea, building on innovative approaches such as the 'Moving Partner' bus shown above right, which we use to educate customers about financial products.

What we have achieved
We make a difference to communities through corporate activity and the involvement of employees. We exceeded our initial funding target for Seeing is Believing, and have a new goal – to raise enough money for one million sight restorations over the next three years.

Our challenges
We are committed to helping developing countries through our products and services. Empowering underdeveloped communities through business loans, product advice and support will be key business and Corporate Responsibility goals for Standard Chartered in 2005.

Korea First Bank Wholesale Banking

Standard Chartered will build a leading Wholesale Banking franchise in Korea by leveraging our international network, product capability and management processes, as well as Korea First Bank's customer base.

One example of a growth opportunity is fee based income. At Korea First Bank, non-interest income represents less than 25 per cent of total revenues – at Standard Chartered this is over 40 per cent.

Building a trade and cash management business will be a key priority – we can leverage our international network and products to generate new fee income.

In parallel, we will strengthen Korea First Bank's Global Markets product capability, developing the necessary infrastructure as well as training for staff.

We see good opportunities in foreign exchange and derivatives as well as in debt capital markets.

It is clear there are significant revenue opportunities and the combination of our expertise with that of Korea First Bank will help realise the opportunities we see in the market. We are now even more confident that this acquisition will be earnings per share accretive in 2006.

India and China

India and China are our two biggest long-term opportunities. We are well on track in both these markets.

With ten new branches, taking our total network to 75 branches in 27 cities, we are the largest international bank in India. We have focused on growing our distribution network and asset base, as well as broadening revenue streams. As a result, we have strong market share in mortgages, credit cards, wealth management, fixed income and trade finance in India.

We are investing heavily in India because we see the scale of the opportunity. Our focus on growing our customer base and expanding revenue may slow the pace of operating profit growth in the short term, but it will put us in a strong position to benefit in the medium term. There is no doubt that we can build on our position as the leading international bank in India.

In China, our strategy has three strands: organic growth, strategic investments and taking advantage of opportunities in the Pearl River Delta.

Chris Keljik
Group Executive Director,
Africa, Middle East and
South Asia, UK and
the Americas



Tim Miller
Director of Standard Chartered Bank
and Group Head, Human Resources



Working with communities is a key priority.

Standard Chartered is trusted within our territories, and we are dedicated to making a difference.

'I See, Eye Sea' success

Seeing is Believing took centre stage in Hong Kong in 2004. We asked thousands of schoolchildren to help create a stunning exhibition called 'I See, Eye Sea'. The children decorated over 20,000 transparent plastic eye-shapes, which were exhibited in Hong Kong's largest shopping mall and at several of our branches. Overall, we raised \$45,000.



Playing to win

This year we proved that banking doesn't always have to be serious when we sponsored the Monopoly World Championships in Japan. The tournament pitted 38 national champions of the game against each other in a two-day battle. Naturally, Standard Chartered was the banker, with one of our employees, Yumiko Suzuki, presiding over the cash register in the final, won by Spain's Antonio Zafra Fernandez.



Getting the message across

Employees in India boosted awareness of HIV/AIDS through our Living with HIV programme. A major challenge was to reach out to the young population working in Chennai's buzzing IT sector. We developed a campaign, with the Confederation of Indian Industry, offering training to specially selected champions. It has been so successful, we will run similar schemes across other Indian regions.

We are growing revenues at over 30 per cent per annum and we have strengthened our network with additional Renminbi (RMB) licences in Xiamen, Beijing and Nanjing. We now have five RMB licences which allow us to conduct RMB business with local corporates in 13 cities.

We have also added a branch licence in Guangzhou. Our ambition is to remain a leading bank in China.

In parallel with this organic growth, we have signed a framework agreement to take a 19.99 per cent stake in Bohai Bank – the first bank with a national licence for many years. This will be the first time that a foreign bank has been allowed to participate and take a management role in the establishment of a national bank.

Bohai Bank will be able to open branches and sell products throughout China and we will be a significant part of this exciting new bank.

When we mention our business in China we have to include Hong Kong, which is now very much a regional hub, integral to developing opportunities in China.

We have seen a good performance in Hong Kong and the outlook for the economy is good. Overall, consumer confidence is being restored. We are seeing inflation for the first time in many years, and unemployment is down. A rise in tourism, with 21 million visitors in 2004, and more than 24 million expected in 2005, will continue to help the economy.

But margin compression is increasing, and loan demand is not growing as fast as the economy. We are focusing on productivity to ensure we have the capacity to grow in a maturing market. We believe that our strategy in Hong Kong will pay off.

Delivering technology benefits

Across the industry, the key themes are data centre consolidation, security, service delivery channels for customers, and pressure to reduce telecommunications costs. We will continue our efforts to ensure we can stay ahead of changes in the industry.

Improvements in our technology platform have underpinned much of our ability to grow.

Our Global Shared Service Centres in Chennai and Kuala Lumpur continue to develop scale and efficiencies. We estimate that our Shared Service Centres have generated annual cost savings of \$80 million. We have created economies of scale and tighter control has meant our technology production costs are down year-on-year. This has created capacity for increased investment in business applications and infrastructure.

What we have achieved

We are industry leaders in our markets in regulatory and governance issues. Our policies ensure we are in line with international regulatory bodies. In 2004 we co-hosted the International Credit Bureau Conference in Seoul alongside the Korean Ministry of Finance.

Our challenges

In an environment where there is heightened awareness of regulatory issues, we must continually educate employees at every level about their role, and ensure that they are fully engaged in our Know Your Customer programme.



Richard Meddings
Group Executive Director,
Risk and Compliance

Kai Nargolwala
Group Executive Director, Asia
and Chairman, Wholesale Bank



Y.A.B. Dato' Seri Abdullah Haji Ahmad Badawi

Good business means playing by the rules. We work with regulators to ensure Standard Chartered shows exemplary governance in every part of our business.

Building on our success in Asia
Standard Chartered celebrated its ongoing partnership with Malaysia at the grand opening of our new corporate office in Kuala Lumpur. Malaysia's Prime Minister Abdullah Ahmad Badawi officiated at the ceremony. An integral part of the country's community since 1875, Standard Chartered is one of the leading participants in its banking sector, with 30 branches nationwide and over 2,400 employees.

Standard Chartered first off the mark with Shariah banking

This year Standard Chartered became the first international bank to offer Islamic Banking services in Pakistan, working with an independent Shariah Supervisory Committee. Our range of current accounts, auto finance and mortgages is proving popular – next up is a range of corporate banking products for launch in 2005.



International Credit Bureau Conference 2004 Seoul

Standard Chartered – a catalyst for debate

We take pride in confronting the big issues facing world finance and banking, and in 2004 partnered Korea's Ministry of Finance at a conference focusing on international credit bureau standards. With top speakers, such as Deputy Prime Minister, the Honourable Lee Hun-Jai, over 350 bankers, regulators and credit bureau experts from 40 countries attended this timely event.



What we have achieved

We have a rich pool of talented employees working in many different territories globally. In 2004, we set up our Diversity Council to drive our diversity and inclusion agenda to leverage high performance. We also held our first Women's Executive Forum last year.

Our challenges

We need to ensure that the diversity of our employees is reflected in our most senior management. We are working hard to ensure talented individuals are supported and developed as they train to become the leaders of the future.

The stability and efficiency of our operations have been enhanced. Moving forward, we will continue to emphasise standardising technology as we migrate to a lower cost and modern core banking platform globally.

We have completed our Know Your Customer roll out and we have migrated our platforms to meet changing reporting requirements under International Financial Reporting Standards.

Outserve

In line with our brand promise to be The Right Partner, we believe that service will be a differentiator for us in an increasingly competitive banking industry.

To this end, we began a series of internal initiatives in 2004 to build our service culture and processes. We call these initiatives Outserve and we believe it will have a profound impact on our shareholder value.

Outserve comprises four components: the voice of the customer, process improvements, metrics and measurements, change management and communication.

We have taken the best methodologies on Voice of Customer, and developed an improved model tailored to our industry and market needs.

Our service metrics include over 100 indicators to monitor every aspect of the customer experience.

We are managing culture change, and improving the way we communicate about customers.

Our top 220 leaders in the company, including myself, are completing First Hand Days, where we experience somebody else's job on the front line to understand service issues and remove blockages to improved service.

We are obsessive about our customer service and will use this as a source of distinction because we believe that our Outserve initiative will create revenue, reduce customer attrition and create value.

Outlook

We have had a strong performance in 2004 and the revenue momentum into 2005 is good.

Both of our businesses have good growth potential and we have robust controls in place.

We continue to make progress towards our ambitious goals to be a leader in India and China. The smooth integration of Korea First Bank is a high priority.

We will continue to produce strong profit growth for our shareholders in the short term. However, we will also focus on building a long-term sustainable business.

Overall, Standard Chartered is in good health and we are optimistic about the future.



Mervyn Davies, CBE
Group Chief Executive
16 February 2005



Our people define Standard Chartered.
We are committed to helping them grow, enabling individuals to make a difference and teams to win.

Greatest Race on Earth

Standard Chartered's sponsorship of The Greatest Race on Earth – four marathons spanning Nairobi, Singapore, Mumbai and Hong Kong – has brought out the best in our people. Fifteen teams of employees entered the gruelling challenge this year along with four individual entrants from Standard Chartered. One employee, Anton 'Jackie' Stevens, was invited to run in the Nairobi Marathon for the Filipino National Team.

Calling to thank customers

We take customer service very seriously, and as part of our global drive to Outserve our rivals, we now have service initiatives underway in every country across the network. In Kenya, we started what we call the C – or customer – Drive, whereby each of our employees called ten customers to thank them for their business.



Understanding diversity for enhanced performance

Our approach to diversity and inclusion focuses on respecting individual differences to deliver higher performance. As well as establishing the Bank's Diversity Council in 2004, we invited 50 women from around the world to our first Executive Women's Forum. Our International Partnership Week (shown right) aimed to improve the way we do business by learning from other cultures.

