



STANDARD CHARTERED PLC

(Incorporated in England and Wales and registered as a public limited company)

RESULTS FOR 2003

HIGHLIGHTS

STANDARD CHARTERED PLC RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

Results

- Profit before tax rose 22 per cent to \$1,542 million compared with \$1,262 million in 2002.
- Net revenue up 5 per cent to \$4,753 million from \$4,539 million in 2002.
- Costs up 4 per cent to \$2,664 million (2002: \$2,557 million).
- Debt charge down 25 per cent to \$536 million (2002: \$712 million).
- Normalised earnings per share at 89.6 cents (2002: 74.9 cents), up 20 per cent.
- Normalised return on equity at 15.3 per cent (2002: 13.4 per cent).
- Annual dividend per share increased by 10.6 per cent to 52.0 cents.

Significant achievements

- Consumer Banking revenue outside Hong Kong up 10 per cent.
- Turnaround in Hong Kong – operating profit up 17 per cent.
- Wholesale Banking operating profit up 18 per cent.
- Expanded into new markets – South Africa, South Korea.

Commenting on these results, the Chairman of Standard Chartered PLC, Bryan Sanderson, said:

"I am very pleased to report that our Group has delivered another strong performance. Not only did our business succeed in making up for the uncertain economic start to 2003, we went on to achieve strong growth over the previous year, underlining the progress we are making towards our goal of leading the way in Asia, Africa and the Middle East."

Unless another currency is specified, the word "dollar" or symbol "\$" in this document means United States dollar.

STANDARD CHARTERED PLC – SUMMARY OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 \$m	2002* \$m
RESULTS		
Net revenue	4,753	4,539
Provisions for bad and doubtful debts and contingent liabilities	(536)	(712)
Profit before taxation	1,542	1,262
Profit attributable to shareholders	1,018	844
BALANCE SHEET		
Total assets	120,282	112,953
Shareholders' funds:		
Equity	7,066	6,638
Non-equity	649	632
Capital resources	14,296	12,974

INFORMATION PER ORDINARY SHARE

	Cents	Cents
Earnings per share – normalised basis	89.6	74.9
basic	81.5	57.6
Dividends per share	52.0	47.0
Net asset value per share	603.9	569.8

RATIOS

	%	%
Post-tax return on equity – normalised basis	15.3	13.4
Cost to income ratio – normalised basis	53.9	53.6
Capital ratios:		
Tier 1 capital	8.8	8.3
Total capital	14.6	14.2

* Comparatives restated (see note 17).

Results on a normalised basis reflect the Group's results excluding amortisation of goodwill, profits/losses of a capital nature and profits/losses on repurchase of share capital.

STANDARD CHARTERED PLC – CHAIRMAN'S STATEMENT

I am very pleased to report that our Group has delivered another strong performance.

Not only did our businesses succeed in making up for the uncertain economic start to 2003, we went on to achieve strong growth over the previous year, underlining the progress we are making towards our goal of leading the way in Asia, Africa and the Middle East.

2003 Results

Performance is my top priority. This year's results are evidence of the strength and focus of our management team and the performance culture that is developing throughout the Group.

It is notable that Standard Chartered delivered a 37 per cent increase in total shareholder return last year, the highest of the major UK banks.

We are recommending a final dividend of 36.49 cents per share, compared with 32.90 cents in 2002. This gives a total dividend of 52.0 cents, an increase of 10.6 per cent over 2002.

A Changing World

The economic climate has improved significantly. We have entered 2004 with a strengthening world economy and increasing business confidence.

There are signs of vibrant economic growth in our major markets in the year ahead.

The Asian economies are out-performing and China is particularly strong. China is having a major impact across Asia, boosting intra-regional trade. Hong Kong, in particular, has benefited from measures China introduced to promote closer economic integration.

World trade has continued to outstrip world growth, benefiting our core regions.

The economic cycle is proving beneficial for Africa and the Middle East. The combination of a weak dollar and global recovery is keeping oil and commodity prices high.

Of course, there are always shocks. But in recent years, the world economy, and our markets, have shown remarkable resilience to these shocks and policy makers have demonstrated their ability to respond quickly.

Positioned for Growth

Our plans are led by organic growth. We are operating in dynamic markets with attractive growth rates. There is plenty of potential for us to grow in these markets.

However, we recognise that there are a number places where we have opportunities to build a bigger presence; examples are China, South Africa and South Korea. We will continue to consider acquisitions but we are very disciplined in our approach.

During the year, we created a range of opportunities in new markets and we will move these forward in 2004.

Last summer we returned to South Africa with the award of a banking licence and the acquisition of the digital financial services company 20twenty. We took a 9.8% stake in Koram, South Korea's sixth largest bank for \$154 million. We were the first international bank to be awarded a licence in Afghanistan. In Iraq, we play a leading role in the consortium running the Trade Bank of Iraq. We have recently opened a representative office in Turkey.

In Hong Kong, we are in the process of incorporating our local business. This is a further sign of our commitment to Hong Kong, and will help us take advantage of closer economic integration with China.

In January 2004 we sold our 0.4 per cent shareholding in Bank of China's subsidiary BOC Hong Kong making a gain of \$35 million. We will use these funds to further organic growth in China. These gains are not included in our results for 2003.

Corporate Governance

I would like to thank Ronnie Chan, Barry Clare and Cob Stenham who retired from the Board during 2003. They made a valuable contribution to our Board. I also want to thank Sir Patrick Gillam, my predecessor, who played a key role in making Standard Chartered the bank it is today.

David Moir and Sir Ralph Robins will be retiring from the Board after the Annual General Meeting on May 11, 2004.

We also saw the appointment of two new non-executive directors: Paul Skinner and Ruth Markland. They both have a wealth of talent to offer. Ruth has great expertise in Asia, where she was Managing Partner Asia for Freshfields Bruckhaus Deringer and a deep understanding of the regulatory environment there. Paul is the Chairman of Rio Tinto, one of the most successful global mining companies. In his former position at Royal Dutch Shell he was CEO of the Group's global Oil Products business.

These changes to the Board bring us closer in line with corporate governance guidelines under the new Combined Code, which came into effect in January 2004. Further changes can be anticipated as we continue to shape our Board in line with best practice.

It is my view that good performance and good governance reinforce each other. We attach great importance to the high standards of governance we have achieved in all our markets and will ensure that these are sustained.

Corporate Social Responsibility

Another aspect of good governance is good corporate citizenship. This is essential for sustaining the growth of our business and for long-term profitability. We have a responsibility for the type of business we do, and to the communities we serve.

During 2003, the Group's 150th anniversary, we made substantial efforts to reinvest in the communities where we do business. In a year in which we grew our operating profit by 22 per cent, our employees also raised \$1.4 million, enough to restore the sight of 56,000 people through our "Seeing is Believing" campaign. In addition all our staff were educated on HIV/AIDS, as part of our "Living with HIV" programme which was awarded the Global Business Coalition Award for Business Excellence.

Our Corporate Social Responsibility initiatives made a major contribution to the engagement of employees in our business strategy and have enhanced our reputation with our customers.

The Way Ahead

Standard Chartered continues to achieve strong profit growth in most of its markets. With the growth of our businesses in India and the Middle East we have a more balanced platform.

Our brand has a long and positive association with our markets in Asia, Africa and the Middle East.

Our business is in good shape and the economic outlook across our markets is far more positive than 12 months ago.

Standard Chartered has many options for future growth, which, with disciplined management, we look forward to exploring. Our primary goal is to improve shareholder return.

In 2003 we achieved record results. We are determined to deliver again in 2004.

Bryan Sanderson CBE
Chairman

18 February 2004

STANDARD CHARTERED PLC – GROUP CHIEF EXECUTIVE'S REVIEW

The Bank 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 66.3c to 89.6c 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 Return. 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.

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.

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

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 so.

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 ten 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 the 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

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 there as the consumer-led recovery there takes hold.

Costs rose as we deliberately accelerated investment in new markets, new products and new service platforms in the second half. This included entering Consumer Banking in South Africa and South Korea; launching Manhattan 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 Mortgage One, 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 our engine for future growth.

India

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, expanding our mortgage book means that assets are now growing strongly which should generate good revenue growth in 2004.

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 focussed 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

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 and performance 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.

Technology

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 standardised and centralised 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, but also to deliver further cost benefits;
- and thirdly, continued but focused investment in our infrastructure. You can expect to see further infrastructure investment in 2004 but let me assure you it will be targeted, focused and tightly controlled.

Other Performance Highlights

Africa

I would like to single out Africa's performance. We increased operating profits in Africa 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 Best Bank in Africa for 2003.

Risk

In risk management, we have significantly enhanced our capability 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 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 on-line 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.

Our 2004 Priorities

- * Accelerate Consumer Banking revenue 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.

Mervyn Davies CBE
Group Chief Executive

18 February 2004

STANDARD CHARTERED PLC – FINANCIAL REVIEW

GROUP SUMMARY

The Group had a strong year in 2003 with profit before taxation 22 per cent higher than in 2002, at \$1,542 million. This growth was broadly based, both geographically and across a wide range of products, reflecting an increasingly balanced portfolio, diversity of earnings and effective risk management. Normalised earnings per share has grown by 20 per cent to 89.6 cents. Refer to note 8 for the details of basic and diluted earnings per share.

Net revenue has grown five per cent from \$4,539 million in 2002 to \$4,753 million in 2003, driven by strong growth in non funded income in both Consumer Banking and Wholesale Banking.

Net interest income fell by three per cent to \$2,968 million, principally as a result of bankruptcy containment actions in Hong Kong, margin pressure on mortgages in Singapore and lower yields on asset and liability management. The net interest margin fell from 3.1 per cent in 2002 to 2.8 per cent in 2003 and interest spread fell from 2.7 per cent to 2.5 per cent. The generally low interest rate environment and, in Hong Kong, a change in product mix was behind this reduction.

Net fees and commissions increased by 17 per cent from \$991 million to \$1,156 million. Fee based Wealth Management products and lower mortgage subsidies, particularly in Hong Kong and Singapore, contributed significantly to this growth. Fee income in Africa grew by 33 per cent, an excellent performance driven by higher transaction volumes and facility fees.

Revenue from dealing profits and exchange increased 25 per cent from \$420 million to \$525 million. Over 70 per cent of this revenue is customer driven. Retail foreign exchange performed well and customer driven option and derivative revenue grew by 80 per cent.

Other operating income increased by 60 per cent from \$65 million to \$104 million, largely from profit on sale of investment securities in the first half as part of a programme to reduce the risk in the book.

Total operating expenses have grown by four per cent to \$2,664 million. Maintaining tight control over costs while continuing to invest in the business remains a priority. In 2003, investment was focused on new market entry, product innovation, expanding distribution and improved service platforms and infrastructure. This investment positions the Group to take advantage of future growth opportunities, although in the short term has led to a small increase in the normalised cost income ratio from 53.6 per cent in 2002 to 53.9 per cent in 2003.

Effective risk management led to a reduction in the debt charge of \$176 million, or 25 per cent, from \$712 million to \$536 million. Provision for bankruptcies in Hong Kong fell from \$287 million in 2002 to \$173 million this year. The corporate portfolio performed exceptionally well and recoveries were strong.

CONSUMER BANKING

Consumer Banking operating profit increased 19 per cent from \$623 million in 2002 to \$740 million in 2003. Revenue grew by three per cent. Ten per cent revenue growth outside of Hong Kong was offset by a six per cent decline in revenue in Hong Kong. Costs were held flat in the first half, but were deliberately accelerated in the second half to support growth initiatives. The bad debt charge fell by 21 per cent, largely from an improvement in the Hong Kong bankruptcy situation.

The following tables provide an analysis of operating profit by geographic segment for Consumer Banking:

2003										
	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Consumer Banking Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m							
Net revenue	955	329	162	333	224	102	138	170	79	2,492
Costs	(416)	(111)	(79)	(189)	(129)	(46)	(83)	(159)	(62)	(1,274)
Charge for debts	(282)	(40)	(19)	(58)	(59)	(11)	(5)	(4)	-	(478)
Operating profit	257	178	64	86	36	45	50	7	17	740
2002										
	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Consumer Banking Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m							
Net revenue	1,013	313	156	285	204	92	121	137	95	2,416
Costs	(422)	(106)	(79)	(177)	(114)	(36)	(68)	(124)	(64)	(1,190)
Charge for debts	(434)	(35)	(22)	(58)	(38)	(12)	(4)	(3)	3	(603)
Operating profit	157	172	55	50	52	44	49	10	34	623

In Hong Kong, revenue dropped from \$1,013 million to \$955 million. This was a direct result of bankruptcy containment actions. Whilst these actions have adversely affected revenue, they have been effective in returning the unsecured lending business to profit in 2003. Revenue attrition has been partially offset by growth in mortgages and wealth management. Costs have been reduced by one per cent. The debt charge at \$282 million is down by 35 per cent, reflecting the success of the action taken to contain bankruptcy losses, resulting in a 64 per cent increase in operating profit to \$257 million in 2003 from \$157 million in 2002.

In Singapore, revenue rose by five per cent to \$329 million despite acute margin pressure. Wealth management grew strongly and mortgage revenue increased, largely as a result of increased lending to smaller corporates in Business Financial Services and as a consequence of the low interest rate environment.

In Malaysia, operating profit grew by 16 per cent to \$64 million. Revenue increased by four per cent. There was strong growth in mortgages partially offset by lower margins. Costs were held flat and the debt charge declined by 14 per cent as a result of improved risk management and collections in the credit card business.

The Other Asia Pacific region had excellent results, with a 72 per cent increase in operating profit from \$50 million to \$86 million. Total revenue grew by 17 per cent to \$333 million, with cost growth held at seven per cent. In Taiwan wealth management revenue grew by more than 80 per cent. Indonesia, Philippines and Thailand all showed revenue growth in excess of 20 per cent driven by good asset growth with no increase in the debt charge.

In India, revenue increased by ten per cent from \$204 million to \$224 million. Mortgage volumes and revenue doubled but there has been a significant decline in margins. Costs have increased by \$15 million to \$129 million as the distribution network has been expanded with branches in nine new cities. The bad debt charge increased by \$21 million to \$59 million. This was largely driven by increased provisions on a specific vintage of the card portfolio.

In the UAE, revenue grew by 11 per cent to \$102 million and in the rest of MESA it grew by 14 per cent to \$138 million. Unsecured loans and wealth management continued to be key business drivers across the region. Internet banking was launched in the first half and there has been good growth in cards, especially in UAE, Pakistan, Bangladesh and Jordan.

Revenue in Africa increased by 24 per cent to \$170 million through asset growth of more than 30 per cent. This was achieved, despite significant margin compression in Kenya and currency devaluation in Zimbabwe. Costs rose by 28 per cent as alternative distribution channels were established and through expansion into South Africa.

The Americas, UK and Group Head Office has seen a reduction in operating profit from \$34 million to \$17 million. This is due to the restructuring of the Offshore Banking Business based in Jersey. Revenue has decreased by \$16 million as the business was reconfigured and refocused. Five international booking centres are now in operation and the business is well positioned for future growth.

An analysis of Consumer Banking revenue by product is set out below:

Revenue by product	2003 \$m	2002 \$m
Cards and Personal Loans	1,045	1,082
Wealth Management/Deposits	806	815
Mortgages and Auto Finance	604	492
Other	37	27
	2,492	2,416

Cards and personal loans have grown steadily and performed well outside Hong Kong. Assets grew by 12 per cent in 2003, mainly in Thailand, Malaysia and the Philippines. Regulatory intervention and interest caps limited margin growth in some markets. The bankruptcy situation and SARS affected performance in Hong Kong. However, although revenue was down by 20 per cent, the business returned to profitability and growth in the second half of 2003.

Wealth management revenue has fallen marginally from \$815 million to \$806 million. Strong sales of investment service products have been offset by margin pressure on liability products.

Mortgages and auto finance revenue has grown by 23 per cent from \$492 million to \$604 million. This was driven by new product successes, increased fee income and lower cost of funds.

Costs in Consumer Banking have increased from \$1,190 million to \$1,274 million as a result of accelerated investment in the second half of 2003 to drive future growth. The Manhattan card was successfully launched in Singapore in the second half of 2003 and distribution channels have been expanded in a number of countries and regions, including Hong Kong, Singapore, India and Africa. Service and product platforms continue to be improved. The cost income ratio for 2003 was 51 per cent compared with 49 per cent for 2002.

The net charge for bad debts in Consumer Banking has fallen by 21 per cent to \$478 million in 2003, mainly due to the \$115 million fall in Hong Kong bankruptcy charges.

WHOLESALE BANKING

Wholesale Banking has performed well in 2003. The repositioning of the business in 2002 towards higher returns has delivered improved profitability. Revenue has increased by seven per cent to \$2,261 million in 2003 with growth across a range of products and countries. Costs have been tightly controlled with an increase of four per cent from \$1,211 million to \$1,256 million resulting in a positive cost-income "jaws" of three per cent for the year. Risk management has been effective and the debt charge reduced from \$109 million in 2002 to \$58 million in 2003 with strong recoveries.

The following tables provide an analysis of operating profit by geographic segment for Wholesale Banking:

2003										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Wholesale Banking Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m							
Net revenue	403	159	74	349	244	132	177	273	450	2,261
Costs	(210)	(101)	(57)	(241)	(89)	(45)	(61)	(124)	(328)	(1,256)
Charge for debts	(23)	7	21	(41)	(1)	9	9	(5)	(34)	(58)
Amounts written off fixed asset investments	-	-	-	-	(4)	-	-	-	(7)	(11)
Operating profit	170	65	38	67	150	96	125	144	81	936
2002										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Wholesale Banking Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m							
Net revenue	403	172	78	287	190	135	153	195	510	2,123
Costs	(200)	(103)	(64)	(229)	(76)	(41)	(51)	(104)	(343)	(1,211)
Charge for debts	6	(6)	9	(3)	-	4	(1)	-	(118)	(109)
Amounts written off fixed asset investments	-	-	-	-	-	-	-	-	(8)	(8)
Operating profit	209	63	23	55	114	98	101	91	41	795

In Hong Kong, revenue was flat. A decline in asset and liability management was offset by more than ten per cent growth in customer driven revenue. Market share increased in trade, cash management, custody and fixed deposits. Costs were five per cent higher mainly relating to increased amortisation of product and infrastructure investment. The debt charge increased by \$29 million. This was due to the first half of 2002 benefiting from high recoveries.

Revenue in Singapore fell by \$13 million to \$159 million as a result of lower asset and liability management revenue and lower margins on cash management. However, operating profit increased three per cent through cost control and debt recoveries.

In Malaysia, revenue was down by five per cent, mainly in Global Markets. This has been offset by lower costs and, with improved debt recoveries, operating profit has increased from \$23 million to \$38 million.

In the Other Asia Pacific region, revenue grew by 22 per cent or \$62 million in 2003 to \$349 million. Thailand, Taiwan, Korea and Indonesia all showed strong revenue growth, reflecting the benefit of the restructuring that took place in 2002, together with an improved performance in Global Markets. Although costs increased by five per cent and the debt charge reflected higher new provisions and lower recoveries, operating profit increased by 22 per cent.

India revenue increased by 28 per cent to \$244 million. More than half this growth was customer driven growth in trade and lending, custody and Global Markets. Revenue also benefited from reducing the risk in the investment portfolio. Costs increased by 17 per cent with a normalised cost income ratio of 45 per cent in 2003 compared to 44 per cent in 2002. With tight risk management operating profits grew from \$114 million in 2002 to \$150 million in 2003, an increase of 32 per cent.

Revenue in the UAE fell marginally to \$132 million. Good growth in customer revenue was more than offset by a decline in revenue from asset and liability management and lower margins in cash management. Elsewhere in MESA revenue grew by 16 per cent in 2003 to \$177 million. This was spread across all markets with good performance in Bahrain, Pakistan and Bangladesh. Costs in the region grew by 20 per cent to \$61 million to support a wider product offering and development of new markets in Iraq and Afghanistan. The operating profit for the Other MESA region has increased by 24 per cent from \$101 million to \$125 million.

Africa performed extremely well in 2003 with revenue growth of 40 per cent, \$78 million, to \$273 million. There was growth across the region driven by cash management, lending and an excellent foreign exchange and asset and liability management performance. Costs grew by 19 per cent to \$124 million, partly through inflationary pressure but also reflecting increased investment in Nigeria and new product offerings. Operating profit grew from \$91 million to \$144 million, an increase of 58 per cent.

In the Americas, UK and Group Head Office operating profit nearly doubled. This reflects the restructuring of Latin America that took place in 2002. Although revenue fell by \$60 million, this was more than offset by a \$15 million reduction in costs and an \$84 million reduction in the debt charge.

An analysis of Wholesale Banking revenue by product is set out below:

Revenue by product	2003 \$m	2002 \$m
Trade and Lending	819	775
Global Markets	1,059	973
Cash Management	318	315
Custody	65	60
	2,261	2,123

Trade and lending revenue grew six per cent to \$819 million in 2003. Trade finance grew well, underpinned by the integrated trade platform B2BeX. Loan demand in Asia has remained low in 2003, but revenue and asset growth has come from India, MESA and Africa.

Revenue in Global Markets increased by \$86 million, or nine per cent, to \$1,059 million. This performance reflects customer led growth in derivatives, fixed income and structured products. Revenue from asset and liability management fell due to low interest rates and the flat dollar yield curve. This, however, was partially offset by gains on investment securities.

Cash management revenue has held steady despite significant reduction in cash margins due to a 24 per cent growth in liability balances. Revenue growth was reported in MESA, Africa, UK and Americas and was driven, in particular, by multi-national corporations.

Custody revenue increased by \$5 million to \$65 million with an improved performance in the second half of 2003 as Asian stock markets strengthened and business volumes increased.

Costs in Wholesale Banking have risen by four per cent to \$1,256 million in 2003 due mainly to increased investment in new product capabilities in trade, cash, fixed income and corporate finance.

The Wholesale Banking debt charge has fallen \$51 million or 47 per cent to \$58 million. This reflects the continued effectiveness of risk management strategies undertaken since 2001 to reduce the risk in the Wholesale Banking portfolio, together with strong recoveries.

RISK

Risk is inherent in the Group's business and the effective management of that risk is seen as a core competence within Standard Chartered. Through its risk management structure the Group seeks to manage efficiently the eight core risks: credit, market, country and liquidity risk arise directly through the Group's commercial activities whilst business, regulatory, operational and reputational risk are a normal consequence of any business undertaking. The key element of risk management philosophy is for the risk functions to operate as an independent control working in partnership with the business units to provide a competitive advantage to the Group.

Credit Risk

Credit risk is the risk that a counterparty will not settle its obligations in accordance with agreed terms.

Credit exposures include individual borrowers, connected groups of counterparties and portfolios, on the banking and trading books.

Loan Portfolio

The following table sets out by maturity the amount of customer loans net of provisions:

	2003				2002			
	One year or less \$m	One to five years \$m	Over five years \$m	Total \$m	One year or less \$m	One to five years \$m	Over five years \$m	Total \$m
Consumer Banking								
Mortgages	2,072	4,333	14,320	20,725	1,977	4,399	14,012	20,388
Other	4,963	3,551	1,903	10,417	4,798	3,197	1,218	9,213
Total	7,035	7,884	16,223	31,142	6,775	7,596	15,230	29,601
Wholesale Banking	22,561	4,545	1,921	29,027	22,035	4,077	1,764	27,876
General provisions				(425)				(468)
Net loans and advances to customers	29,596	12,429	18,144	59,744	28,810	11,673	16,994	57,009

The Group's loans and advances to customers are predominantly short term with approximately half the portfolio having a maturity of one year or less.

The longer term portfolio, with a maturity of over five years, mainly relates to Consumer Banking personal residential mortgages and term lending products.

The following tables set out an analysis of the Group's net loans and advances as at 31 December 2003 and 31 December 2002 by the principal category of borrowers, business or industry and/or geographical distribution:

2003										
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans to individuals										
Mortgages	12,536	4,029	2,246	831	640	–	67	30	346	20,725
Other	2,234	2,018	660	1,990	1,125	677	1,127	430	156	10,417
Consumer Banking	14,770	6,047	2,906	2,821	1,765	677	1,194	460	502	31,142
Agriculture, forestry and fishing	6	3	77	49	12	–	24	144	387	702
Construction	104	15	38	43	34	83	91	19	13	440
Commerce	1,350	1,001	190	717	30	619	394	398	725	5,424
Electricity, gas and water	327	36	32	240	56	3	69	127	84	974
Financing, insurance and business services	1,575	887	432	657	194	434	320	116	1184	5,799
Loans to governments	–	61	748	8	–	–	13	–	281	1,111
Mining and quarrying	–	15	86	35	–	59	59	16	470	740
Manufacturing	1,326	780	214	2,016	943	179	916	283	1,738	8,395
Commercial real estate	873	716	7	250	–	–	1	18	3	1,868
Transport, storage and communication	491	150	222	118	71	30	237	114	1,513	2,946
Other	23	70	57	170	1	26	166	44	71	628
Wholesale Banking	6,075	3,734	2,103	4,303	1,341	1,433	2,290	1,279	6,469	29,027
General provisions									(425)	(425)
Total loans and advances to customers	20,845	9,781	5,009	7,124	3,106	2,110	3,484	1,739	6,546	59,744
Total loans and advances to banks	2,113	1,045	204	2,784	239	605	889	308	5,167	13,354

Under "Loans to individuals – Other", \$1,371 million (31 December 2002: \$1,487 million) relates to the cards portfolio in Hong Kong. The total cards portfolio is \$3,329 million (31 December 2002: \$3,359 million).

Approximately 52 per cent (31 December 2002: 52 per cent) of total Loans and Advances to Customers relates to the Consumer Banking portfolio, predominantly personal residential mortgages.

The Wholesale Banking portfolio is well diversified across both geography and industry. The Group does not have any significant concentrations in special interest industries such as Aviation, Telecoms and Tourism. Exposure to each of these industries is less than five per cent of Wholesale Banking Loans and Advances to Customers.

2002

	Asia Pacific				India	UAE	Other East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans to individuals										
Mortgages	13,045	3,813	2,031	779	283	–	20	35	382	20,388
Other	2,573	1,524	575	1,684	882	559	978	231	207	9,213
Consumer Banking	15,618	5,337	2,606	2,463	1,165	559	998	266	589	29,601
Agriculture, forestry and fishing	5	7	59	35	15	–	14	62	365	562
Construction	58	38	37	18	4	69	88	25	7	344
Commerce	1,251	777	147	572	19	500	284	283	1,151	4,984
Electricity, gas and water	269	40	12	178	23	4	46	35	109	716
Financing, insurance and business services	1,645	586	404	489	209	256	382	47	1,921	5,939
Loans to governments	–	41	552	66	–	–	13	–	273	945
Mining and quarrying	–	19	51	26	23	5	129	20	536	809
Manufacturing	1,019	399	201	2,020	887	308	934	299	2,256	8,323
Commercial real estate	1,012	665	18	112	–	–	–	6	6	1,819
Transport, storage and communication	405	112	77	217	113	29	149	107	1,577	2,786
Other	31	39	37	194	–	7	109	18	214	649
Wholesale Banking	5,695	2,723	1,595	3,927	1,293	1,178	2,148	902	8,415	27,876
General provisions									(468)	(468)
Total loans and advances to customers	21,313	8,060	4,201	6,390	2,458	1,737	3,146	1,168	8,536	57,009
Total loans and advances to banks	2,507	2,027	394	2,703	212	1,062	730	218	6,148	16,001

Problem Credits

The Group employs a variety of tools to monitor the portfolio and to ensure the timely recognition of problem credits.

In Wholesale Banking, accounts are placed on Early Alert when they display signs of weakness. Such accounts are subject to a dedicated process involving senior risk officers and representatives from a specialist recovery unit, which is independent of the business units. Account plans are re-evaluated and remedial actions are agreed and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account or immediate movement of the account into the control of the specialist recovery unit.

In Consumer Banking, an account is considered to be in default when payment is not received on the due date. Accounts that are overdue by more than 30 days (60 days for mortgages) are considered delinquent. These are closely monitored and subject to a special collections process.

In general, loans are treated as non-performing when interest or principal is 90 days or more past due.

Consumer Banking

Provisions are derived on a formulaic basis depending on the product:

Mortgages: a provision is raised where accounts are 150 days past due based on the difference between the outstanding value of the loan and the forced sale value of the underlying asset.

Credit cards: a charge-off is made for all balances which are 150 days past due or earlier as circumstances dictate. In Hong Kong charge-off is currently at 120 days.

Other unsecured Consumer Banking products are charged off at 150 days past due.

For other secured Consumer Banking products a provision is raised at 90 days past due for the difference between the outstanding value and the forced sale value of the underlying asset. The underlying asset is then re-valued periodically until disposal.

It is current practice to provision and write-off exposure in respect of Hong Kong bankruptcies at the time the customer petitions for bankruptcy.

The Small and Medium Enterprises (SME) portfolio is provisioned on a case by case basis.

The following tables set out the non-performing portfolio in Consumer Banking:

2003										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances Gross non-performing	138	115	192	63	43	16	23	18	10	618
Specific provisions for bad and doubtful debts	(48)	(17)	(26)	(15)	(11)	(11)	(8)	(7)	(5)	(148)
Interest in suspense	(1)	(3)	(23)	(9)	(9)	(5)	(8)	(7)	(2)	(67)
Net non-performing loans and advances	89	95	143	39	23	–	7	4	3	403
Cover ratio										35%
2002										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances Gross non-performing	118	111	176	68	41	7	20	15	18	574
Specific provisions for bad and doubtful debts	(45)	(18)	(24)	(16)	(8)	(3)	(4)	(8)	(1)	(127)
Interest in suspense	(1)	(3)	(22)	(10)	(7)	(2)	(5)	(7)	(1)	(58)
Net non-performing loans and advances	72	90	130	42	26	2	11	–	16	389
Cover ratio										32%

The relatively low Consumer Banking cover ratio reflects the fact that Standard Chartered classifies all exposure which is more than 90 days past due as non-performing, whilst provisions on unsecured lending are only raised at the time of charge-off. For secured products, provisions reflect the difference between the underlying assets and the outstanding loan (see details relating to the raising of provisions above).

Wholesale Banking

Loans are designated as non-performing as soon as payment of interest or principal is 90 days or more overdue or where sufficient weakness is recognised that full payment of either interest or principal becomes questionable. Where customer accounts are recognised as non-performing or display weakness that may result in non-performing status being assigned, they are passed to the management of a specialist unit which is independent of the main businesses of the Group.

For loans and advances designated non-performing, interest continues to accrue on the customer's account but is not included in income.

Where the principal, or a portion thereof, is considered uncollectable and of such little realisable value that it can no longer be included at its full nominal amount on the balance sheet, a specific provision is raised. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering the principal of an account against which a specific provision has been raised, then that amount will be written off.

The following table sets out the non-performing portfolio in Wholesale Banking:

2003										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances Gross non-performing	357	236	194	1,077	86	52	180	116	887	3,185
Specific provisions for bad and doubtful debts	(220)	(106)	(118)	(375)	(44)	(40)	(99)	(51)	(460)	(1,513)
Interest in suspense	(91)	(64)	(55)	(68)	(30)	(12)	(66)	(43)	(126)	(555)
Net non-performing loans and advances	46	66	21	634	12	–	15	22	301	1,117
2002*										
	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Loans and advances Gross non-performing	400	273	353	1,166	84	142	242	103	920	3,683
Specific provisions for bad and doubtful debts	(210)	(141)	(211)	(342)	(52)	(105)	(140)	(45)	(451)	(1,697)
Interest in suspense	(111)	(73)	(84)	(102)	(31)	(29)	(68)	(44)	(121)	(663)
Net non-performing loans and advances	79	59	58	722	1	8	34	14	348	1,323

* Prior period has been restated. Corporate loans and advances to customers against which provisions have been outstanding for two years or more are no longer written down.

Wholesale Banking Cover Ratio

The following table shows the Wholesale Banking cover ratio. The non-performing loans recorded below under Standard Chartered Nakornthon Bank (SCNB) are excluded from the cover ratio calculation as they are the subject of a Loan Management Agreement (LMA) with a Thai Government Agency. Refer to note 10.

	2003		
	Total \$m	SCNB (LMA) \$m	Total excl LMA \$m
Loans and advances – Gross non-performing	3,185	772	2,413
Specific provisions for bad and doubtful debts	(1,513)	(112)	(1,401)
Interest in suspense	(555)	–	(555)
Net non-performing loans and advances	1,117	660	457
Cover ratio			81%
2002*			
	Total \$m	SCNB (LMA) \$m	Total excl LMA \$m
Loans and advances – Gross non-performing	3,683	781	2,902
Specific provisions for bad and doubtful debts	(1,697)	(91)	(1,606)
Interest in suspense	(663)	–	(663)
Net non-performing loans and advances	1,323	690	633
Cover ratio			78%

* Prior period has been restated. Corporate loans and advances to customers against which provisions have been outstanding for two years or more are no longer written down.

The Wholesale Banking non-performing portfolio is well covered. The balance uncovered by specific provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

Group

The following table sets out the movements in the Group's total specific provisions against loans and advances.

	2003									Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	
Provisions held at 1 January 2003	255	159	235	358	60	108	144	53	452	1,824
Exchange translation differences	2	2	–	13	3	–	2	1	10	33
Transfer from general provision	–	–	–	–	33	–	–	–	–	33
Amounts written off	(353)	(85)	(99)	(120)	(120)	(64)	(32)	(6)	(64)	(943)
Recoveries of amounts previously written off	23	14	10	13	18	1	1	1	3	84
Other	36	–	–	27	1	4	(4)	–	20	84
New provisions	364	72	34	142	142	14	22	24	90	904
Recoveries/ provisions no longer required	(59)	(39)	(36)	(43)	(82)	(12)	(26)	(15)	(46)	(358)
Net charge against/(credit to) profit	305	33	(2)	99	60	2	(4)	9	44	546
Provisions held at 31 December 2003	268	123	144	390	55	51	107	58	465	1,661

2002*

	Asia Pacific						Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	\$m	\$m	\$m	\$m
Provisions held at 1 January 2002	335	151	240	428	85	145	188	63	424	2,059
Exchange translation differences	2	6	–	6	–	–	(1)	(4)	6	15
Amounts written off	(524)	(44)	(28)	(144)	(75)	(45)	(46)	(9)	(91)	(1,006)
Recoveries of amounts previously written off	14	5	10	13	13	–	1	–	9	65
Other	–	–	–	(6)	–	–	3	–	(11)	(14)
New provisions	502	59	45	115	104	17	23	9	138	1,012
Recoveries/provisions no longer required	(74)	(18)	(32)	(54)	(67)	(9)	(24)	(6)	(23)	(307)
Net charge against/(credit to) profit	428	41	13	61	37	8	(1)	3	115	705
Provisions held at 31 December 2002	255	159	235	358	60	108	144	53	452	1,824

* Prior period has been restated. Corporate loans and advances to customers against which provisions have been outstanding for two years or more are no longer written down.

General Provision

The general provision is held to cover the inherent risk of losses, which, although not identified, are known by experience to be present in a loan portfolio and to other material uncertainties where specific provisioning is not appropriate. It is not held to cover losses arising from future events.

The Group sets the general provision with reference to past experience by using both Flow Rate and Expected Loss methodology, as well as taking judgemental factors into account. These factors include, but are not confined to, the economic environment in our core markets, the shape of the portfolio with reference to a range of indicators, and management actions taken to pro-actively manage the portfolio.

In the first half of 2003 the Group released \$10 million from its general provision. During the second half of 2003 a charge of \$33 million was made to the general provision relating to litigation in India dating back to 1992.

Country Risk

Country Risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

The following table based on the Bank of England Cross Border Reporting (C1) guidelines, shows the Group's cross border assets including acceptances, where they exceed one per cent of the Group's total assets.

Cross border assets exclude facilities provided within the Group. They comprise loans and advances, interest bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, certificates of deposit and other negotiable paper and investment securities where the counterparty is resident in a country other than that where the cross border asset is recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

	2003				2002			
	Public sector \$m	Banks \$m	Other \$m	Total \$m	Public sector \$m	Banks \$m	Other \$m	Total \$m
USA	1,436	902	2,149	4,487	1,084	1,729	2,462	5,275
Hong Kong	14	112	2,301	2,427	16	181	1,842	2,039
Netherlands**	–	1,729	275	2,004	–	–	–	–
Korea	3	1,393	475	1,871	12	1,334	407	1,753
France	4	1,529	253	1,786	4	1,202	323	1,529
India**	60	641	1,052	1,753	–	–	–	–
Singapore	–	160	1,509	1,669	1	190	1,361	1,552
Germany	–	1,292	315	1,607	–	2,363	234	2,597
Italy*	–	–	–	–	488	613	374	1,475
Australia*	–	–	–	–	359	988	59	1,406

* Less than one per cent of total assets at 31 December 2003.

** Less than one per cent of total assets at 31 December 2002.

Market Risk

The Group recognises market risk as the exposure created by potential changes in market prices and rates. Market risk arises on financial instruments, which are either valued at current market prices (mark-to-market) or at cost plus any accrued interest (non-trading basis). The Group is exposed to market risk arising principally from customer driven transactions.

Market Risk is supervised by the Group Risk Committee, which agrees policies and levels of risk appetite in terms of Value at Risk (VaR). A Group Market Risk Committee sits as a specialist body to provide business level management, guidance and policy setting. Policies cover the trading book of the Group and also market risks within the non-trading books. Limits by location and portfolio are proposed by the business within the terms of agreed policy. Group Market Risk agrees the limits and monitors exposures against these limits.

Group Market Risk augments the VaR measurement by regularly stress testing aggregate market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible. In addition, VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained.

Additional limits are placed on specific instrument and currency concentrations where appropriate. Factor sensitivity measures are used in addition to VaR as additional risk management tools. Option risks are controlled through revaluation limits on currency and volatility shifts, limits on volatility risk by currency pair and other underlying variables that determine the options' value.

Value at Risk

The Group measures the potential impact of changes in market prices and rates using Value at Risk (VaR) models.

In 2002 the Group used a combination of variance-covariance methodology and historical simulation to measure VaR on all market risk related activities. From January 2003, the Group phased out variance-covariance methodology in preference of historical simulation and VaR at 31 December 2003 is measured using historical simulation on all market risk related activities.

The total VaR for trading and non-trading books combined at 31 December 2003 was \$12.2 million. Interest rate related VaR was \$12.2 million and foreign exchange related VaR was \$1.3 million. The corresponding figures at 31 December 2002 were \$11.3 million and \$1.1 million respectively. The total VaR of \$12.2 million recognises offsets between interest rate and foreign exchange risks. Additional information is given in note 24.

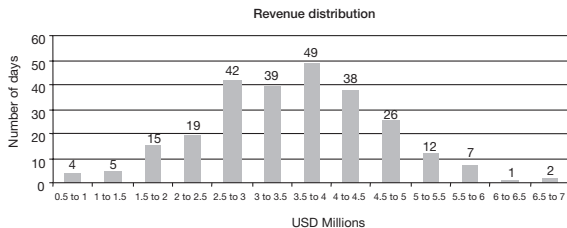
The average total VaR for trading and non-trading books during the year was \$13.6 million (2002: \$15.2 million) with a maximum exposure of \$16.0 million. The average VaR was lower in 2003 than the prior year due to the historical simulation diversification effects between interest rate and foreign exchange risks.

The total VaR for market risks in the Group's trading book was \$3.2 million at 31 December 2003, compared to \$2.7 million a year earlier. Interest rate related VaR was \$2.9 million and foreign exchange-related VaR was 1.3 million. The corresponding figures at 31 December 2002 were \$1.6 million and \$1.1 million respectively. The total VaR of \$3.2 million recognises offsets between interest rate and foreign exchange risks.

VaR for interest rate risk in the non-trading books of the Group totalled \$9.5 million at 31 December 2003, compared to \$10.6 million a year earlier.

The Group has no significant trading exposure to equity or commodity price risk.

The average daily revenue earned from market risk related activities was \$3.5 million, compared with \$3.4 million during 2002.



Foreign Exchange Exposure

The Group's foreign exchange exposures comprise trading, non-trading and structural foreign currency translation exposures.

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily revenue from foreign exchange trading businesses during 2003 was \$1.3 million.

Interest Rate Exposure

The Group's interest rate exposures comprise trading exposures and structural interest rate exposures. Interest rate risk arises on both trading positions and non-trading books.

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities, including non-interest bearing liabilities such as shareholders' funds and some current accounts.

The average daily revenue from interest rate trading businesses during 2003 was \$2.2 million.

Derivatives

Derivatives are contracts whose characteristics and value derive from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets. Derivatives are an important risk management tool for banks and their customers because they can be used to manage the risk of price, interest rate and exchange rate movements.

The Group's derivative transactions are principally in plain vanilla instruments, where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes or by using standard industry pricing models.

The Group enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest and exchange rates. Only offices with sufficient product expertise and appropriate control systems are authorised to undertake transactions in derivative products.

The credit risk arising from a derivative contract is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive together with an estimate for the potential change in the future value of the contract, reflecting the volatilities that affect it. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value. The credit risk on derivatives is therefore usually small relative to their notional principal values. For an analysis of derivative contracts see notes 21 and 22.

The Group applies a potential future exposure methodology to manage counterparty credit exposure associated with derivative transactions. Please refer to note 24 for further information on Market Risk.

Liquidity Risk

The Group defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due. At the local level, in line with policy, the day to day monitoring of future cash flows takes place and suitable levels of easily marketable assets are maintained by the businesses.

A substantial portion of the Group's assets are funded by customer deposits made up of current and savings accounts and other short-term deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency and if other currencies are used the foreign exchange risk is usually hedged.

Operational and Other Risks

Operational Risk is the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure, personnel, and other risks having an operational impact. Standard Chartered seeks to minimise actual or potential losses from Operational Risk failures through a framework of policies and procedures to identify, assess, control, manage and report risks.

An independent Group Operational Risk function is responsible for establishing and maintaining the overall Operational Risk framework. They are supported by Wholesale Banking and Consumer Banking Operational Risk units. The Group Operational Risk function provides reports to the Group Risk Committee.

Compliance with Operational Risk policy is the responsibility of all managers. Every country operates a Country Operational Risk Group (CORG). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk, including social, ethical and environmental risk. Significant issues and exceptions must be reported to the CORG. Where appropriate, issues must also be reported to Business Risk Committees. Other risks recognised by the Group include Business, Regulatory and Reputational risks.

Hedging Policies

Standard Chartered does not generally hedge the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, the management believes that the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation.

Standard Chartered also seeks to match closely its foreign currency-denominated assets with corresponding liabilities in the same currencies. The effect of exchange rate movements on the capital risk asset ratio is mitigated by the fact that both the value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same exchange rate movements.

CAPITAL

The Group Asset and Liability Committee targets Tier 1 and Total capital ratios of 7 – 9 per cent and 12 – 14 per cent respectively. The Group believes that being well capitalised is important.

The Group identified improving the efficiency of capital management as a strategic priority in 2002. A capital plan to achieve this has been developed. This includes several key elements; in particular, to reduce the amount of Tier 2 capital and to improve the overall capital mix within the broad target ratios. Consistent with this strategy the Company has made repurchases from various classes of preference shares during 2003 amounting to a capital reduction of \$20 million (2002: \$741 million).

	2003 \$m	2002* \$m
Tier 1 capital:		
Shareholders' funds	7,715	7,270
Minority interests – equity	83	75
Innovative Tier 1 securities	1,155	997
Less: restriction on innovative Tier 1 securities	(127)	(70)
Unconsolidated associated companies	13	31
Less: premises revaluation reserves	–	(3)
goodwill capitalised	(1,986)	(2,118)
Total Tier 1 capital	6,853	6,182
Tier 2 capital:		
Premises revaluation reserves	–	3
Qualifying general provisions	387	468
Undated subordinated loan capital	1,568	1,542
Dated subordinated loan capital	3,244	2,916
Restricted innovative Tier 1 securities	127	70
Total Tier 2 capital	5,326	4,999
Investments in other banks	(742)	(558)
Other deductions	(4)	(4)
Total capital	11,433	10,619
Risk weighted assets	58,371	55,931
Risk weighted contingents	19,791	18,623
Total risk weighted assets and contingents	78,162	74,554
Capital ratios:		
Tier 1 capital	8.8%	8.3%
Total capital	14.6%	14.2%
	2003 \$m	2002* \$m
Shareholders' funds:		
Equity	7,066	6,638
Non-equity	649	632
	7,715	7,270
Post-tax return on equity (normalised)	15.3%	13.4%

* Comparatives restated (see note 17).

International Financial Reporting Standards

All companies listed in the European Union will be required to report their consolidated financial statements under International Financial Reporting Standards (IFRS) from 1 January 2005. The first public reporting date will be as at and for the six months ended 30 June 2005, with 2004 comparatives.

An IFRS Transition Programme involving all businesses and locations Group-wide has been underway since 2002, and is supervised by a Project Steering Committee chaired by a Group Executive Director.

The transition to IFRS represents a significant change in the accounting framework underlying the Group's Annual Report, particularly in respect of IAS 39 'Financial Instruments: recognition and measurement'. The International Accounting Standards Board (IASB) has substantially completed its review of International Accounting Standards that will be effective for 2005 reporting period. Significantly, IAS 39 has not as yet been adopted by the European Commission.

In view of the ongoing changes, the Group continues to evaluate and prepare for the implementation of IFRS.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Notes	2003 \$m	2002 \$m
Interest receivable		4,790	5,288
Interest payable		(1,822)	(2,225)
Net interest income		2,968	3,063
Fees and commissions receivable, net		1,156	991
Dealing profits and exchange	3	525	420
Other operating income	4	104	65
		1,785	1,476
Net revenue		4,753	4,539
Administrative expenses:			
Staff		(1,353)	(1,270)
Premises		(290)	(269)
Other		(640)	(673)
Depreciation and amortisation, of which:		(381)	(345)
Amortisation of goodwill		(134)	(156)
Other		(247)	(189)
Total operating expenses		(2,664)	(2,557)
Operating profit before provisions		2,089	1,982
Provisions for bad and doubtful debts	1,2,9	(536)	(705)
Provisions for contingent liabilities and commitments		-	(7)
Amounts written off fixed asset investments		(11)	(8)
Operating profit before taxation	1,2	1,542	1,262
Taxation	5	(495)	(387)
Operating profit after taxation		1,047	875
Minority interests (equity)		(29)	(31)
Profit for the period attributable to shareholders		1,018	844
Dividends on non-equity preference shares	6	(55)	(108)
Dividends on ordinary equity shares	7	(611)	(545)
Retained profit		352	191
Normalised earnings per ordinary share		89.6c	74.9c
Basic earnings per ordinary share		81.5c	57.6c
Dividend per ordinary share		52.0c	47.00c

SUMMARISED CONSOLIDATED BALANCE SHEET
As at 31 December 2003

	Notes	2003 \$m	2002* \$m
Assets			
Cash, balances at central banks and cheques in course of collection		1,982	1,237
Treasury bills and other eligible bills		5,689	5,050
Loans and advances to banks	1,9	13,354	16,001
Loans and advances to customers	1,9	59,744	57,009
Debt securities and other fixed income securities		23,141	20,187
Equity shares and other variable yield securities		359	193
Intangible fixed assets		1,986	2,118
Tangible fixed assets		884	928
Prepayments, accrued income and other assets		13,143	10,230
Total assets		120,282	112,953
Liabilities			
Deposits by banks	1	10,924	10,850
Customer accounts	1	73,767	71,626
Debt securities in issue	1,11	6,062	4,877
Accruals, deferred income and other liabilities		15,233	12,626
Subordinated liabilities:			
Undated loan capital		1,568	1,542
Dated loan capital	12	4,399	3,913
Minority interests:			
Equity		83	75
Non-equity		531	174
Shareholders' funds	14	7,715	7,270
Total liabilities and shareholders' funds		120,282	112,953

* Comparative restated (see note 17).

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2003

	2003 \$m	2002 \$m
Profit attributable to shareholders	1,018	844
Exchange translation differences	67	—
Premises revaluation	—	(48)
Total recognised gains and losses for the period	1,085	796

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 December 2003

There is no material difference between the results as reported and the results that would have been reported on a historical cost basis. Accordingly, no note of the historical cost profits and losses has been included.

ACCOUNTING CONVENTION

The accounts of the Group have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions. The accounting policies, as listed in the Annual Report 2002, continue to be consistently applied, except with respect to the treatment of corporate loans and advances against which provisions have been outstanding for more than two years. For 2003, these balances are no longer written down. The prior period has been restated.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2003

	2003 \$m	2002 \$m
Net cash inflow from operating activities (see note 15)	3,748	4,778
Returns on investment and servicing of finance		
Interest paid on subordinated loan capital	(298)	(330)
Premium and costs on repayment of subordinated liabilities	-	(10)
Dividends paid to minority shareholders of subsidiary undertakings	(22)	(18)
Dividends paid on preference shares	(55)	(123)
Net cash outflow from returns on investment and servicing of finance	(375)	(481)
Taxation		
UK taxes paid	(161)	(25)
Overseas taxes paid	(353)	(303)
Total taxes paid	(514)	(328)
Capital expenditure and financial investment		
Purchases of tangible fixed assets	(156)	(209)
Acquisitions of treasury bills held for investment purposes	(12,604)	(10,453)
Acquisitions of debt securities held for investment purposes	(49,247)	(38,314)
Acquisitions of equity shares held for investment purposes	(194)	(175)
Disposals of tangible fixed assets	14	32
Disposals and maturities of treasury bills held for investment purposes	12,632	10,667
Disposals and maturities of debt securities held for investment purposes	49,498	35,530
Disposals of equity shares held for investment purposes	13	18
Net cash outflow from capital expenditure and financial investment	(44)	(2,904)
Net cash inflow before equity dividends paid and financing	2,815	1,065
Net cash outflow from disposal of interests in subsidiary and associated undertakings and the business of a branch*	(95)	-
Equity dividends paid to members of the Company	(531)	(462)
Financing		
Gross proceeds from issue of ordinary share capital	3	399
Ordinary share issue expenses	-	(31)
Repurchase of preference share capital	(20)	(732)
Preference share capital – repurchase expenses	-	(9)
Issue of subordinated loan capital	-	11
Repayment of subordinated liabilities	-	(355)
Net cash outflow from financing	(17)	(717)
Increase/(decrease) in cash in the period	2,172	(114)

* A net figure of \$17 million was paid to counterparties for the net sale/purchase of the business of a branch. \$112 million worth of cash and cash equivalents were included in balances transferred on sale of the business of a branch, which is included in the \$95 million net outflow.

STANDARD CHARTERED PLC – NOTES**1. Segmental Information by Geographic Segment**

The following tables set out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the years ended 31 December 2003 and 31 December 2002.

	2003									
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Interest receivable	1,473	621	318	700	513	215	291	409	1,182	5,722
Interest payable	(531)	(287)	(145)	(300)	(258)	(71)	(94)	(161)	(907)	(2,754)
Net interest income	942	334	173	400	255	144	197	248	275	2,968
Fees and commissions receivable, net	313	118	47	160	88	66	82	118	164	1,156
Dealing profits and exchange	96	43	12	109	60	24	33	65	83	525
Other operating income	7	(7)	4	13	65	–	3	12	7	104
Net revenue	1,358	488	236	682	468	234	315	443	529	4,753
Costs	(626)	(212)	(136)	(430)	(218)	(91)	(144)	(283)	(390)	(2,530)
Amortisation of goodwill	–	–	–	–	–	–	–	–	(134)	(134)
Total operating expenses	(626)	(212)	(136)	(430)	(218)	(91)	(144)	(283)	(524)	(2,664)
Operating profit before provisions	732	276	100	252	250	143	171	160	5	2,089
Charge for debts, contingent liabilities and commitments	(305)	(33)	2	(99)	(60)	(2)	4	(9)	(34)	(536)
Amounts written off fixed asset investments	–	–	–	–	(4)	–	–	–	(7)	(11)
Operating profit/(loss) before taxation	427	243	102	153	186	141	175	151	(36)	1,542
Loans and advances to customers – average	21,428	8,624	4,329	6,675	2,811	1,929	3,328	1,416	7,249	57,789
Net interest margin (%)	2.4	1.8	2.5	2.4	4.0	3.4	3.8	6.7	0.8	2.8
Loans and advances to customers – period end	20,845	9,781	5,009	7,124	3,106	2,110	3,484	1,739	6,546	59,744

Loans and advances to banks – period end	2,113	1,045	204	2,784	239	605	889	308	5,167	13,354
Total assets employed	39,396	15,750	6,677	16,759	7,591	4,963	5,466	4,558	38,355	139,515
Total risk weighted assets and contingents	19,438	12,423	4,018	8,569	4,560	3,234	4,138	2,115	22,019	80,514

See note a) to e) below.

2002

	Asia Pacific			Other Asia Pacific	India	UAE	Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total
Interest receivable	1,718	780	349	789	597	264	374	316	1,541	6,728
Interest payable	(641)	(421)	(181)	(427)	(369)	(115)	(204)	(113)	(1,194)	(3,665)
Net interest income	1,077	359	168	362	228	149	170	203	347	3,063
Fees and commissions receivable, net	267	80	52	135	85	59	60	89	164	991
Dealing profits and exchange	68	31	15	73	43	18	40	37	95	420
Other operating income	4	15	(1)	2	38	–	5	3	(1)	65
Net revenue	1,416	485	234	572	394	226	275	332	605	4,539
Costs	(622)	(209)	(143)	(406)	(190)	(77)	(119)	(228)	(407)	(2,401)
Amortisation of goodwill									(156)	(156)
Total operating expenses	(622)	(209)	(143)	(406)	(190)	(77)	(119)	(228)	(563)	(2,557)
Operating profit before provisions	794	276	91	166	204	149	156	104	42	1,982
Charge for debts, contingent liabilities and commitments	(428)	(41)	(13)	(61)	(38)	(12)	(1)	(3)	(115)	(712)
Amounts written off fixed assets investments	–	–	–	–	–	–	–	–	(8)	(8)
Operating profit/(loss) before taxation	366	235	78	105	166	141	151	101	(81)	1,262
Loans and advances to customers – average	21,121	7,534	3,808	5,952	2,186	1,422	2,947	1,042	8,451	54,463
Net interest margin (%)	3.0	2.3	2.6	2.3	4.2	4.1	3.4	6.9	1.0	3.1

Loans and advances to customers – period end	21,313	8,060	4,201	6,390	2,458	1,737	3,146	1,168	8,536	57,009
Loans and advances to banks – period end	2,507	2,027	394	2,703	212	1,062	730	218	6,148	16,001
Total assets employed	41,143	17,387	6,732	16,295	6,411	5,096	5,304	3,880	42,327	144,575
Total risk weighted assets and contingents	19,958	11,570	3,724	7,512	4,367	2,647	4,062	1,556	20,430	75,826

See note a) to e) below.

- (a) Total interest receivable and total interest payable include intra-group interest of \$932 million (2002: \$1,440 million).
- (b) Group central expenses have been distributed between segments in proportion to their direct costs and the benefit of the Group's capital has been distributed between segments in proportion to their risk weighted assets.
- (c) Business acquisitions are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, UK and Group Head Office segment. The release from the general provision of \$10 million (2002: \$nil million) is also reported in this segment.
- (d) Total assets employed include intra-group items of \$11,726 million (2002: \$25,931 million) and balances of \$7,507 million (2002: \$5,691 million) which are netted in the Summarised Consolidated Balance Sheet. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.
- (e) Total risk weighted assets and contingents include \$2,352 million (2002: \$1,272 million) of balances which are netted in calculating capital ratios.

The following table sets out the structure of Standard Chartered's deposits by principal geographic region where it operates at 31 December 2003 and 31 December 2002.

	2003									
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Non interest bearing current and demand accounts	2,997	1,814	781	944	1,049	775	920	867	433	10,580
Interest bearing current and demand accounts	14,294	1,538	94	1,906	3	599	325	991	3,863	23,613
Savings deposits	22	492	453	978	786	214	1,080	520	4	4,549
Time deposits	12,671	7,751	2,833	4,993	2,987	2,108	1,480	749	8,105	43,677
Other deposits	16	45	593	803	230	169	246	150	20	2,272
Total	30,000	11,640	4,754	9,624	5,055	3,865	4,051	3,277	12,425	84,691
Deposits by banks	1,097	921	733	1,725	1,234	955	305	160	3,794	10,924
Customer accounts	28,903	10,719	4,021	7,899	3,821	2,910	3,746	3,117	8,631	73,767
	30,000	11,640	4,754	9,624	5,055	3,865	4,051	3,277	12,425	84,691
Debt securities in issue	2,068	346	351	783	87	–	–	1	2,426	6,062
Total	32,068	11,986	5,105	10,407	5,142	3,865	4,051	3,278	14,851	90,753

2002

	Asia Pacific						Other Middle East & Other S Asia		Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	\$m	Africa \$m	\$m	\$m
Non interest bearing current and demand accounts	1,341	992	828	597	807	775	690	696	428	7,154
Interest bearing current and demand accounts	10,841	1,860	76	1,590	3	197	303	908	2,939	18,717
Savings deposits	553	455	514	1,117	584	195	956	416	11	4,801
Time deposits	14,615	7,779	2,739	4,812	2,722	2,190	1,341	525	11,726	48,449
Other deposits	5	382	444	1,097	113	120	290	26	878	3,355
Total	27,355	11,468	4,601	9,213	4,229	3,477	3,580	2,571	15,982	82,476
Deposits by banks	649	1,356	422	2,183	1,078	749	407	113	3,893	10,850
Customer accounts	26,706	10,112	4,179	7,030	3,151	2,728	3,173	2,458	12,089	71,626
	27,355	11,468	4,601	9,213	4,229	3,477	3,580	2,571	15,982	82,476
Debt securities in issue	1,813	177	295	358	82	-	-	-	2,152	4,877
Total	29,168	11,645	4,896	9,571	4,311	3,477	3,580	2,571	18,134	87,353

2. Segmental Information by Class of Business

	2003			2002		
	Consumer Banking \$m	Wholesale Banking \$m	Total \$m	Consumer Banking \$m	Wholesale Banking \$m	Total \$m
Net interest income	1,830	1,138	2,968	1,867	1,196	3,063
Other income	662	1,123	1,785	549	927	1,476
Net revenue	2,492	2,261	4,753	2,416	2,123	4,539
Costs	(1,274)	(1,256)	(2,530)	(1,190)	(1,211)	(2,401)
Amortisation of goodwill			(134)			(156)
Total operating expenses	(1,274)	(1,256)	(2,664)	(1,190)	(1,211)	(2,557)
Operating profit before provisions	1,218	1,005	2,089	1,226	912	1,982
Charge for debts, contingent liabilities and commitments	(478)	(58)	(536)	(603)	(109)	(712)
Amounts written off fixed asset investments	-	(11)	(11)	-	(8)	(8)
Operating profit before taxation	740	936	1,542	623	795	1,262
Total assets employed*	33,925	86,357	120,282	32,181	80,829	113,010
Total risk weighted assets and contingents	24,253	53,909	78,162	23,779	50,775	74,554

* Prior period has been restated to net down intra-group items.

Please refer to note 1 b) and c). The \$10 million release from the general provision is reported in Wholesale Banking.

3. Dealing Profits and Exchange

	2003 \$m	2002 \$m
Income from foreign exchange dealing	396	319
Profits less losses on dealing securities	12	65
Other dealing profits and exchange	117	36
	525	420

4. Other Operating Income

	2003 \$m	2002 \$m
Other operating income includes:		
Profits less losses on disposal of investment securities	62	18
Dividend income	14	5
	76	23

5. Taxation

	2003 \$m	2002 \$m
Analysis of taxation charge in the period		
The charge for taxation based upon the profits for the period comprises:		
United Kingdom corporation tax at 30% (2002: 30%):		
Current tax on income for the period	351	266
Adjustments in respect of prior periods	(34)	17
Double taxation relief	(286)	(180)
Foreign tax:		
Current tax on income for the period	491	382
Adjustments in respect of prior periods	(26)	(56)
Total current tax	496	429
Deferred tax:		
Origination/reversal of timing differences	(1)	(42)
Tax on profits on ordinary activities	495	387
Effective tax rate	32.1%	30.7%

Overseas taxation includes taxation on Hong Kong profits of \$109 million (2002: \$31 million) provided at a rate of 17.5 per cent (2002: 16 per cent) on the profits assessable in Hong Kong. The Group's net deferred tax asset is \$271 million at 31 December 2003, and is included in other assets (2002: \$236 million).

6. Dividends on Preference Shares

	2003 \$m	2002 \$m
Non-cumulative irredeemable preference shares:		
7½% preference shares of £1 each	12	11
8¼% preference shares of £1 each	13	12
Non-cumulative redeemable preference shares:		
8.9% preference shares of \$5 each	30	85
	55	108

7. Dividends on Ordinary Equity Shares

	2003		2002	
	Cents per share	\$m	Cents per share	\$m
Interim	15.51	182	14.10	160
Final	36.49	429	32.90	385
	52.00	611	47.00	545

The 2003 final dividend of 36.49 cents per share will be paid in either sterling, Hong Kong dollars or US dollars on 14 May 2004, to shareholders on the UK register of members at the close of business on 27 February 2004 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 27 February 2004. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend will be sent to shareholders on or around 15 March 2004.

8. Earnings per Ordinary Share

	2003			2002		
	Profit \$m	Average number of shares ('000)	Per share amount cents	Profit \$m	Average number of shares ('000)	Per share amount cents
Basic EPS						
Profit attributable to ordinary shareholders	963	1,167,333	81.5c	736	1,135,664	57.6c
Premium and costs paid on repurchase of preference shares	(12)	–		(82)		
Basic earnings per share	951	1,167,333	81.5c	654	1,135,664	57.6c
Effect of dilutive potential ordinary shares:						
Convertible bonds	21	34,488		17	34,488	
Options	–	6,161		–	2,168	
Diluted EPS	972	1,207,982	80.5c	671	1,172,320	57.2c

The Group measures earnings per share on a normalised basis. This differs from earnings defined in Financial Reporting Standard 14. The table below provides a reconciliation.

	2003 \$m	2002 \$m
Basic earnings per ordinary share, as above	951	654
Premium and costs paid on repurchase of preference shares	12	82
Amortisation of goodwill	134	156
Profits less losses on disposal of investment securities	(62)	(18)
Amounts written off fixed asset investments	11	8
Impairment of tangible fixed assets	–	9
Gain on close out of interest rate swap to hedge preference share dividends	–	(57)
Tax charge relating to profit on interest rate swap	–	17
Normalised earnings	1,046	851
Normalised earnings per ordinary share	89.6c	74.9c

9. Loans and Advances

	2003		2002	
	Loans to banks \$m	Loans to customers \$m	Loans to banks \$m	Loans to customers \$m
Gross loans and advances	13,423	62,383	16,111	59,912
Specific provisions for bad and doubtful debts	(59)	(1,602)	(103)	(1,721)
General provision	–	(425)	–	(468)
Interest in suspense	(10)	(612)	(7)	(714)
	13,354	59,744	16,001	57,009

The movement in provisions for bad and doubtful debts is set out below:

	2003		2002*	
	Specific \$m	General \$m	Specific \$m	General \$m
Provisions held at beginning of period	1,824	468	2,059	468
Exchange translation differences	33	–	15	–
Amount utilised	–	(33)	–	–
Amounts written off	(910)	–	(1,006)	–
Recoveries of amounts previously written off	84	–	65	–
Other	84	–	(14)	–
New provisions	904	–	1,012	–
Recoveries/provisions no longer required	(358)	(10)	(307)	–
Net charge against/(credit to) profit	546	(10)	705	–
Provisions held at end of period	1,661	425	1,824	468

* Prior periods have been restated. Corporate loans and advances to customers against which provisions have been outstanding for two years or more are no longer written down.

10. Non-Performing Loans and Advances

	2003			2002*		
	SCNB (LMA) \$m	Other \$m	Total \$m	SCNB (LMA) \$m	Other \$m	Total \$m
Loans and advances on which interest is suspended	772	3,031	3,803	781	3,476	4,257
Specific provisions for bad and doubtful debts	(112)	(1,549)	(1,661)	(91)	(1,733)	(1,824)
Interest in suspense	–	(622)	(622)	–	(721)	(721)
	660	860	1,520	690	1,022	1,712

* Prior periods have been restated. Corporate loans and advances to customers against which provisions have been outstanding for two years or more are no longer written down.

Net non-performing loans and advances comprises loans and advances to banks \$96 million (31 December 2002: \$102 million) and loans and advances to customers \$1,424 million (31 December 2002: \$1,610 million).

The Group acquired Standard Chartered Nakornthon Bank (SCNB) (formerly Nakornthon Bank) in September 1999. Under the terms of the acquisition, non-performing loans (NPLs) of THB 38.84 billion (\$981 million) are subject to a Loan Management Agreement (LMA) with the Financial Institutions Development Fund (FIDF), a Thai Government agency. Under the LMA, the FIDF has guaranteed the recovery of a principal amount of the NPLs of THB 23 billion (\$581 million). The LMA also provides, inter alia, for loss sharing arrangements whereby the FIDF will bear up to 85 per cent of losses in excess of the guaranteed amount. The carrying cost of the NPLs is reimbursable by the FIDF to SCNB, every half year, for a period of five years from the date of acquisition.

Excluding the SCNB non-performing loan portfolio, subject to the LMA, specific provisions and interest in suspense together cover 72 per cent (2002: 71 per cent) of total non-performing lending to customers.

11. Debt Securities in Issue

	2003			2002		
	Certificates of deposit of \$100,000 or more \$m	Other debt securities in issue \$m	Total \$m	Certificates of deposit of \$100,000 or more \$m	Other debt securities in issue \$m	Total \$m
By residual maturity:						
Three months or less	1,711	612	2,323	1,642	142	1,784
Between three and six months	487	52	539	411	138	549
Between six months and one year	1,030	59	1,089	648	28	676
Between one and five years	1,552	459	2,011	1,527	152	1,679
Over five years	13	87	100	27	162	189
	4,793	1,269	6,062	4,255	622	4,877

12. Dated Subordinated Loan Capital

	2003 \$m	2002* \$m
By residual maturity:		
Within one year	25	–
Between one and five years	1,026	336
Over five years	3,348	3,577
	4,399	3,913

* The comparative has been restated to incorporate callable options in place.

Of the total dated subordinated loan capital, \$3,992 million is at fixed interest rates (2002: \$3,204 million).

13. Called Up Share Capital

	2003 \$m	2002 \$m
Equity capital		
Ordinary shares of \$0.50 each	588	585
Non-equity capital		
Non-cumulative irredeemable preference shares:		
7½% preference shares of £1 each	172	161
8¼% preference shares of £1 each	177	161
Non-cumulative redeemable preference shares:		
8.9% preference shares of \$5 each	2	2
	939	909

In November 2002, the Company repurchased 659,126 8.9 per cent non-cumulative preference shares of \$5 each. The shares were repurchased at a price of \$1,110 per share. The total premium paid on the repurchase equated to \$82 million. This, however, was partially offset by a gain on unwinding the interest rate swaps hedging the position of \$57 million.

During 2003, the Company repurchased 9,486 8.9 per cent non-cumulative preference shares of \$5 each. The preference shares were repurchased at prices between \$1,112.50 and \$1,140.52. The total premium paid on the repurchase was \$10.7 million. The shares were cancelled leaving 331,388 of the 8.9 per cent dollar preference shares in issue.

During 2003, the Company repurchased 3,965,000 7½ per cent non-cumulative preference shares of £1 each. The preference shares were repurchased at prices between £1.12875 and £1.13. The total premium paid on the repurchase was \$0.9 million. The shares were cancelled leaving 96,035,000 of the 7½ per cent sterling preference shares in issue.

During 2003, the Company repurchased 750,000 8¼ per cent non-cumulative preference shares of £1 each. The preference shares were repurchased at £1.22875. The total premium paid on the repurchase was \$0.3 million. The shares were cancelled leaving 99,250,000 of the 8¼ per cent sterling preference shares in issue.

14. Shareholders' Funds

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital redemption reserve \$m	Premises revaluation reserve \$m	Profit and loss account \$m	Total* shareholders' funds \$m
At 1 January 2003	909	2,764	5	3	3	3,643	7,327
Exchange translation differences	35	–	–	–	(2)	34	67
Shares issued, net of expenses	3	46	–	–	–	–	49
Realised on disposal of property	–	–	–	–	(3)	3	–
Repurchase of preference shares	(8)	–	–	8	–	(20)	(20)
Retained profit	–	–	–	–	–	352	352
Capitalised on exercise of share options	–	3	–	–	–	(3)	–
At 31 December 2003	939	2,813	5	11	(2)	4,009	7,775
Own shares held in ESOP Trust							(60)
Total shareholders' funds							7,715
Equity interests							7,066
Non-equity interests							649
At 31 December 2003							7,715

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital redemption reserve \$m	Premises revaluation reserve \$m	Profit and loss account \$m	Total* shareholders' funds \$m
At 1 January 2002	861	2,761	5	–	61	3,850	7,538
Exchange translation differences	32	–	–	–	(6)	(26)	–
Shares issued, net of expenses	19	329	–	–	–	39	387
Realised on disposal of property	–	–	–	–	(4)	4	–
Repurchase of preference shares	(3)	(328)	–	3	–	(413)	(741)
Retained profit	–	–	–	–	–	191	191
Capitalised on exercise of share options	–	2	–	–	–	(2)	–
Premises revaluation	–	–	–	–	(48)	–	(48)
At 31 December 2002	909	2,764	5	3	3	3,643	7,327
Own shares held in ESOP Trust							(57)
Total shareholders' funds							7,270
Equity interests							6,638
Non-equity interests							632
At 31 December 2002							7,270

* Comparative restated (see note 17).

15. Consolidated Cash Flow Statement

Reconciliation between operating profit before taxation and net cash inflow from operating activities:

	2003 \$m	2002 \$m
Operating profit	1,542	1,262
Items not involving cash flow:		
Amortisation of goodwill	134	156
Depreciation and amortisation of premises and equipment	247	189
(Gain)/Loss on disposal of tangible fixed assets	(14)	3
Gain on disposal of investment securities	(62)	(18)
Amortisation of investments	(107)	(48)
Charge for bad and doubtful debts and contingent liabilities	536	712
Amounts written off fixed asset investments	11	8
Debts written off, net of recoveries	(807)	(966)
Increase/(decrease) in accruals and deferred income	203	(256)
Decrease/(increase) in prepayments and accrued income	88	(16)
Adjustments for items shown separately:		
Interest paid on subordinated loan capital	298	330
Premium and costs on repayment of subordinated liabilities	–	10
Net cash inflow from trading activities	2,069	1,366
Net increase in cheques in the course of collection	(27)	(19)
Net increase in treasury bills and other eligible bills	(76)	(93)
Net decrease in loans and advances to banks and customers	2,398	485
Net increase in deposits from banks, customer accounts and debt securities in issue	2,128	2,891
Net increase in dealing securities	(1,550)	(302)
Net (increase)/decrease in mark-to-market adjustment	(403)	414
Net (decrease)/increase in other accounts*	(791)	36
Net cash inflow from operating activities	3,748	4,778
Analysis of changes in cash		
Balance at beginning of period	3,496	3,549
Exchange translation differences	(7)	61
Net cash inflow/(outflow)	2,172	(114)
Balance at end of period	5,661	3,496

* This includes the effect of foreign exchange translation in the local books of subsidiaries and branches.

16. Net Interest Margin and Interest Spread

	2003 %	2002 %
Net interest margin	2.8	3.1
Interest spread	2.5	2.7
	\$m	\$m
Average interest earning assets	106,939	99,667
Average interest bearing liabilities	91,840	86,484

17. Restatement of Comparative Figures

The Urgent Issues Task Force issued abstract 38 (UITF 38) - Accounting for ESOP Trusts in December 2003. This abstract required that shares held in an ESOP Trust should be presented as a deduction in arriving at shareholders' funds rather than as assets. The amount reported in equity shares and other variable yield securities in 2002 has been reduced by \$57 million and shareholders' funds has been reduced by \$57 million to reflect this change in disclosure.

The Group's £200 million Step-up notes (\$311 million) have been reclassified from undated to dated subordinated loan capital to incorporate callable options in place.

18. Remuneration

The Group employed 30,200 staff at 31 December 2003 (2002: 29,400).

Within the authority delegated by the Board of Directors, the Board Remuneration Committee is involved in determining the remuneration policy of Standard Chartered Group but specifically for agreeing the individual remuneration packages for executive directors and other highly remunerated individuals. No executive directors are involved in deciding their own remuneration. The Group's remuneration policy is to:

- Support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, the Group as a whole and the interests of the shareholders;
- Maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

The success of the Group depends upon the performance and commitment of talented employees. In terms of applying this policy:

- Base salaries are set at the median of the Group's key international competitors.
- Annual bonus awards are made wholly on the basis of Group and individual performance and also an individual's adherence to the Group's values.

Standard Chartered believes strongly in encouraging employee share ownership at all levels in the organisation. The Group is proud that more than 50 per cent of employees globally own shares in the Company. In addition the Group operates certain discretionary share plans which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of tough performance criteria.

19. Charge on Group Assets

Group assets include \$2,951 million (2002: \$2,699 million) which are subordinated to the claims of other parties.

20. Contingent Liabilities and Commitments

The table below shows the contract or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Financial Services Authority guidelines implementing the Basel Accord on capital adequacy, after taking account of collateral and guarantees received.

	2003			2002		
	Contract or underlying principal amount \$m	Credit equivalent amount \$m	Risk weighted amount \$m	Contract or underlying principal amount \$m	Credit equivalent amount \$m	Risk weighted amount \$m
Contingent liabilities						
Acceptances and endorsements	716	716	575	897	897	854
Guarantees and irrevocable letters of credit	12,350	8,480	5,733	12,199	8,374	6,102
Other contingent liabilities	4,802	3,364	2,132	4,817	3,371	2,281
	17,868	12,560	8,440	17,913	12,642	9,237
Commitments						
Documentary credits and short term trade-related transactions	2,157	431	394	1,690	338	295
Forward asset purchases and forward deposits placed	26	26	5	21	21	4
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	7,182	3,591	3,259	8,125	4,063	3,399
Less than one year	5,203	-	-	5,152	-	-
Unconditionally cancellable	26,589	-	-	28,815	-	-
	41,157	4,048	3,658	43,803	4,422	3,698

21. Fair Values

These tables analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Positive and negative fair values are the mark-to-market values of the derivative contracts adjusted for any amounts recognised in the Consolidated Profit and Loss Account for non-trading items. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

Fair values at the period end are representative of the Group's typical position during the period.

Trading activities are defined as positions held in financial instruments with the intention of benefiting from short term rates or price movements. The risk section of the Financial Review explains the Group's risk management of derivative contracts.

	2003			2002		
	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
Trading book						
Forward foreign exchange contracts	405,983	8,936	8,535	340,334	5,623	5,548
Foreign exchange derivative contracts						
Currency swaps and options	124,138	1,875	1,931	96,940	1,108	1,252
Exchange traded futures and options	327	-	-	-	-	-
Total	124,465	1,875	1,931	96,940	1,108	1,252

Standard Chartered PLC

Interest rate derivative contracts

Swaps	253,359	2,834	2,941	188,313	2,926	2,653
Forward rate agreements and options	61,506	89	81	28,335	108	91
Exchange traded futures and options	108,995	24	27	39,834	25	36
Total	423,860	2,947	3,049	256,482	3,059	2,780

Total trading book derivative financial instruments

Effect of netting	954,308	13,758 (7,507)	13,515 (7,507)	693,756	9,790 (5,691)	9,580 (5,691)
		6,251	6,008		4,099	3,889

Non-trading activities are defined as positions held with respect to management of the Group's assets and liabilities and related hedges.

	2003			2002		
	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
Non-trading book						
Forward foreign exchange contracts						
Currency swaps and options	-	-	-	524	2	-
Interest rate derivative contracts						
Swaps	28	-	2	1,313	-	2
Forward rate agreements and options	92	-	-	181	2	1
Exchange traded futures and options	2,634	2	1	2,231	2	1
Total	2,754	2	3	3,725	4	4
Commodity derivative contracts	866	1	1	1,812	14	14
Total non-trading book derivative financial instruments	3,620	3	4	6,061	20	18

	2003		2002	
	Book value \$m	Market value \$m	Book value \$m	Market value \$m
Listed and publicly traded securities:				
Financial assets	17,542	17,548	16,337	16,451
Preference shares	649	768	632	753
Other financial liabilities	10,761	10,965	9,710	9,478
Financial liabilities	11,410	11,733	10,342	10,231

Financial assets include treasury bills, debt securities and equity shares. Other financial liabilities include debt securities in issue and subordinated loan capital.

22. Credit Exposures in respect of Derivative Contracts

The residual maturity analysis of the notional principal amounts of derivative contracts, excluding exchange traded futures and options, held at 31 December 2003 and 31 December 2002 for trading and non-trading purposes is set out below:

	2003				2002			
	Under one year \$m	One to five years \$m	Over five years \$m	Total \$m	Under one year \$m	One to five years \$m	Over five years \$m	Total \$m
Forward foreign exchange and foreign exchange derivative contracts								
Notional principal amount	488,667	37,075	4,379	530,121	415,839	18,589	3,370	437,798
Net replacement cost	9,581	1,091	139	10,811	6,294	360	79	6,733
Interest rate derivative contracts								
Notional principal amount	166,138	119,008	29,839	314,985	120,843	77,219	20,080	218,142
Net replacement cost	474	1,520	929	2,923	578	1,490	968	3,036
Commodity derivative contracts								
Notional principal amount	445	421	–	866	943	869	–	1,812
Net replacement cost	–	1	–	1	3	11	–	14
Counterparty risk								
Financial institutions				12,901				9,034
Non financial institutions				834				749
Total net replacement cost				13,735				9,783

The risk section of the Financial Review explains the Group's risk management of derivative contracts.

23. Structural Currency Exposures

The Group's structural currency exposures are set out below:

	2003			2002		
	Net investments in overseas units \$m	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$m	Structural currency exposures \$m	Net investments in overseas units \$m	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$m	Structural currency exposures \$m
Functional currency of the business unit:						
Singapore Dollar	9	–	9	49	–	49
Indian Rupee	482	–	482	459	–	459
Hong Kong Dollar	(1)	–	(1)	(32)	–	(32)
Malaysian Ringgit	428	–	428	428	–	428
Thai Baht	(1)	–	(1)	27	–	27
UAE Dirham	241	–	241	170	–	170
Sterling	842	(832)	10	1,593	(1,542)	51
Other non US dollar	1,038	–	1,038	799	–	799
Total	3,038	(832)	2,206	3,493	(1,542)	1,951

Structural currency exposures for 2002 and 2003 relate to net investments in non US dollar units.

The Group's main operations in non US dollar units were Asia, Africa, India and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong Dollar, Malaysian Ringgit, Singapore Dollar, Indian Rupee and Sterling. The Group prepares its consolidated financial statements in US dollars, and the Group's consolidated balance sheet is affected by movements in the exchange rates between functional currencies and US dollars. These currency exposures are referred to as structural. Translation gains and losses arising from these exposures are recognised in the Consolidated Statement of Total Recognised Gains and Losses.

The risk section of the Financial Review explains the risk management with respect to the Group's hedging policies.

24. Market Risk

	12 months to 31.12.03			12 months to 31.12.02*			31.12.02	
	Average \$m	High \$m	Low \$m	Actual \$m	Average \$m	High \$m	Low \$m	Actual \$m
Trading book								
Daily value at risk:								
Interest rate risk	2.7	4.0	1.8	2.9	2.6	6.0	1.6	1.6
Foreign exchange risk	1.6	3.8	0.9	1.3	1.9	2.6	1.0	1.1
Total	3.4	6.7	2.0	3.2	4.5	8.6	2.6	2.7

* Restated for change in methodology from variance-covariance methodology to historical simulation.

This note should be read in conjunction with the market risk section of the Financial Review which explains the Group's market risk management.

The Group measures the risk of losses arising from future potential adverse movements in interest and exchange rates, prices and volatilities using VaR methodology. This methodology measures the estimated potential change in the market value of the portfolio during a specified period.

The Group Trading book exposure shown in the table above for 2003 is not a sum of the interest rate and exchange rate risks due to offset. In 2002 no offset was recognised. The highest and lowest VaR are independent and could have occurred on different days.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are only likely to be experienced six times per year.

The historic simulation method is used with an observation period of 250 days and involves the complete revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This entails building a set of valuations of the portfolio and a set of changes in value relative to the current market valuation, from which VaR can be derived.

The Group recognises that there are limitations to the generic VaR methodology. These limitations include the fact that the risk factors may not fall within the assumption of a normal distribution, i.e. that a greater than expected number of observations may fall outside the stated confidence level. Also, the historical data may not be the best proxy for future price movements, either because the observation period does not include extreme price movements or, in some cases, because data is not available. Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. This is particularly relevant in the case of extreme market movements, which may arise in periods of low liquidity and invalidate the assumption that positions can be closed in a liquid market. VaR is calculated as the Group's exposure as at the close of business, London time. Intra-day risk levels may vary from those reported at the end of the day. The Group performs regular back-testing, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR Model.

To manage the risk arising from events which the VaR methodology does not capture, the Group regularly stress tests its main risk exposures. Stress testing involves valuing portfolios at prices which assume extreme changes in risk factors beyond the range of normal experience. Positions that would give rise to potentially significant losses under a low probability stress event are reviewed by the Group Risk Committee.

25. Forward Looking Statements

This document contains forward-looking statements, including such statements within the meaning of section 27A of the US Securities Act of 1993 and section 21E of the Securities Exchange Act of 1934. These statements concern, or may affect, future matters. These may include the Group's future strategies, business plans, and results and are based on the current expectations of the directors of Standard Chartered. They are subject to a number of risks and uncertainties that might cause actual results and outcomes to differ materially from expectations outlined in these forward-looking statements. These factors are not limited to regulatory developments but include stock markets, IT developments, competitive and general operating conditions.

26. UK and Hong Kong Accounting Requirements

The consolidated financial statements of the Group are prepared in accordance with UK GAAP which differs in certain significant respects from Hong Kong GAAP. There would be no material differences between the accounting conventions except as set out below:

Investments in Securities

UK GAAP

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis are classified as investment securities. Investment securities are stated at cost less any provision for impairment. Where dated investment securities are purchased at a premium or a discount, these premiums or discounts are amortised through the profit and loss account. Securities other than investment securities are classified as dealing securities and are stated at market value.

Hong Kong GAAP

Under Hong Kong Statement of Standard Accounting Practice 24 - Accounting for Investments in Securities (SSAP24), investment securities classified as held-to-maturity securities are stated at amortised cost less any provision for diminution in value. Other securities, not intended to be held until maturity, are accounted for under the 'alternative' treatment. Under the alternative treatment securities are identified as either trading or non-trading. Trading securities are stated at fair value with changes in fair value recognised in the profit and loss account as they arise. Non-trading securities are stated at fair value with changes in fair value recognised in the revaluation reserve until disposal.

If the Group had prepared its financial statements under Hong Kong SSAP24 there would have been a net charge to the profit and loss account of \$5 million, (2002: \$20 million), an increase in the book amount of investment in securities of \$30 million (2002: \$60 million) and a credit to reserves of \$21 million (2002: \$42 million).

Tangible Fixed Assets

UK GAAP

Under Financial Reporting Standard 15 - Tangible Fixed Assets (FRS15), revaluation gains should be recognised in the profit and loss account only to the extent (after adjusting for subsequent depreciation) that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account. All other revaluation gains should be recognised in the statement of total recognised gains and losses.

All revaluation losses that are caused by a clear consumption of economic benefits should be recognised in the profit and loss account. Other revaluation losses should be recognised in the statement of total recognised gains and losses until the carrying amount reaches its depreciated historical cost; and thereafter, in the profit and loss account unless it can be demonstrated that the recoverable amount (the higher of net realisable value and value in use as defined in Financial Reporting Standard 11 - Impairment of fixed assets and goodwill) of the asset is greater than the revalued amount, in which case the loss should be recognised in the statement of recognised gains and losses to the extent that the recoverable amount of the asset is greater than its revalued amount.

Hong Kong GAAP

Under Hong Kong SSAP17 - Property, Plant and Equipment, when an asset's carrying amount is increased as a result of revaluation, the increase should be credited directly to equity under the heading of revaluation reserve. However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense. However, a revaluation decrease should be charged directly against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any excess thereafter will be charged to the profit and loss account.

At 31 December 2003, the Group's total properties comprised less than one per cent of the Group's total assets. A formal revaluation of certain of the Group's principal properties was performed at 31 August 2002, and at 30 September 2002 for all other properties, by independent valuers.

If the Group had prepared its financial statements under Hong Kong SSAP17 there would have been a net charge to the profit and loss account of \$15 million (2002: \$80 million) in respect of valuations below depreciated historical cost.

Dividends

UK GAAP

Dividends declared after the period end are recognised as a liability in the period to which they relate.

Hong Kong GAAP

Under Hong Kong SSAP9 (revised) - Events after the balance sheet date, dividends are only recognised as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

The retained profit for the year ended 31 December 2003 would rise by \$44 million (2002: \$56 million) had the Company adopted Hong Kong SSAP9 (revised), and there would have been an increase in reserves of \$429 million (2002: \$385 million).

Cash Flow Statement

UK GAAP

The Group prepares its cash flow statement in accordance with Financial Reporting Standard 1 - Cash flow statements (FRS1). FRS1 is based on cash, with no concept of cash equivalents. Cash is defined as cash in hand and deposits with qualifying financial institutions repayable on demand, less overdrafts from such institutions repayable on demand.

Hong Kong GAAP

Under Hong Kong SSAP15 - Cash flow statements (Revised 2001) the statement is based on a wider concept of cash and cash equivalents. Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Hong Kong SSAP15 also specifies that bank borrowings are generally considered to be financing activities. However, bank overdrafts repayable on demand, which form an integral part of an enterprise's Cash Management, are included as a component of cash and cash equivalents.

In addition, Hong Kong SSAP15 is different from FRS1 in respect of the presentation/classification of the cash flow statement. Hong Kong SSAP15 classifies cashflows under three headings: (a) cash flows from operating activities; (b) cash flows from investing activities; and (c) cash flows from financing activities. FRS1 specifies a fuller analysis using eight headings: (a) cash flows from operating activities; (b) dividends from joint ventures and associates; (c) returns on investment and servicing of finance; (d) taxation; (e) capital expenditure and financial investment; (f) acquisitions and disposals; (g) equity dividends paid; and (h) financing.

Retirement Benefits

UK GAAP

Background

Financial Reporting Standard 17 – Retirement benefits (FRS17) has been published by the Accounting Standards Board in December 2000 to replace United Kingdom SSAP24 – Accounting for pension costs. Currently UK SSAP24 is still applicable although additional disclosure is required under the transitional provisions in FRS17.

Hong Kong GAAP

Hong Kong SSAP34 – Employment benefits has been published by the Hong Kong Society of Accountants in December 2001 and is effective for periods beginning on or after 1 January 2002. Hong Kong SSAP34 contains transitional provisions which are applicable only to defined benefit plans.

Hong Kong SSAP34 requires the defined benefit pension scheme assets to be measured at fair value at the balance sheet date. Hong Kong SSAP34 requires actuarial gains and losses to be recognised in the profit and loss account if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of ten per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and ten per cent of the fair value of any plan assets at that date. These limits should be calculated and applied separately for each defined benefit plan. Actuarial gains and losses falling outside this ten per cent 'corridor' may be recognised in the profit and loss account over the average remaining working lives of participating employees. However, recognition on a fast systematic basis is permitted if consistently applied. In addition, Hong Kong SSAP34 does not allow the balance sheet asset or liability to be offset by the related deferred tax.

The Group has not quantified, on practical grounds, the differences arising from the different treatments between Hong Kong GAAP and UK GAAP for retirement benefits. In order to quantify the differences, the Group would need to examine approximately 50 different retirement benefit schemes operating throughout the world during the period. Additionally, in the 2002 Annual Report, the Group has already provided disclosures under two accounting standards (UK SSAP24 and FRS17). Full compliance with a third standard (Hong Kong SSAP34) would be costly in terms of commissioning a third actuarial review, the results of which the Group do not believe would be materially different from those obtained under the FRS17 disclosures.

Deferred taxation

UK GAAP

Under Financial Reporting Standard 19 – Deferred tax, deferred taxation is provided in full, subject to the recoverability of deferred tax assets, on timing differences at the rates of taxation anticipated to apply when the differences crystallise, arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Hong Kong GAAP

Under Statement of Standard Accounting Practice 12 (revised) – Accounting for deferred tax, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis are recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The deferred tax asset balance would be decreased by \$24 million at 31 December 2003 (2002: \$165 million) and the deferred tax liability balance would be increased by \$nil at 31 December 2003 (2002: \$nil). The profit and loss reserves balance would be decreased by \$8 million (2002: \$149 million) and the premises revaluation reserve would be decreased by \$16 million at 31 December 2003 (2002: \$16 million).

27. Consolidated Profit and Loss Account (unaudited)**First half and second half 2003**

	2nd Half 2003 \$m	1st Half 2003 \$m
Interest receivable	2,460	2,330
Interest payable	(950)	(872)
Net interest income	1,510	1,458
Fees and commissions receivable, net	620	536
Dealing profits and exchange	251	274
Other operating income	25	79
	896	889
Net revenue	2,406	2,347
Administrative expenses:		
Staff	(689)	(664)
Premises	(145)	(145)
Other	(332)	(308)
Depreciation and amortisation, of which:	(206)	(175)
Amortisation of goodwill	(67)	(67)
Other	(139)	(108)
Total operating expenses	(1,372)	(1,292)
Operating profit before provisions	1,034	1,055
Provisions for bad and doubtful debts	(228)	(308)
Amounts written off fixed asset investments	(5)	(6)
Operating profit before taxation	801	741
Taxation	(257)	(238)
Operating profit after taxation	544	503
Minority interests (equity)	(15)	(14)
Profit for the period attributable to shareholders	529	489
Dividends on non-equity preference shares	(27)	(28)
Dividends on ordinary equity shares	(429)	(182)
Retained profit	73	279
Normalised earnings per ordinary share	47.9c	41.7c
Basic earnings per ordinary share	42.1c	39.4c
Dividend per ordinary share	36.49c	15.51c

The financial information included herein has been derived from the audited and unaudited information contained in the Group's Report and Accounts for the year ended 31 December 2003. Statutory accounts for 2002 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain a statement under Section 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanation) of the Companies Act 1985.

Financial Calendar

Ex-dividend date	25 February 2004
Record date	27 February 2004
Posting to shareholders of 2003 Report and Accounts	15 March 2004
Annual General Meeting	11 May 2004
Payment date – final dividend on ordinary shares	14 May 2004

Copies of this statement are available from:

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The following information is available on our website

- *A live webcast of the final results analyst presentation (available from 9:45am GMT)*
- *A pre-recorded webcast and Q/A session of analyst presentation in London (available 1:00pm GMT)*
- *Interviews with Mervyn Davies, Group Chief Executive and Peter Sands, Group Finance Director (available from 8.00am GMT).*
- *Slides for the Group's presentations (available after 11.00am GMT)*

Images of Standard Chartered are available for the media at www.newscast.co.uk

Information regarding the Group's commitment to corporate and social responsibility is available at www.standardchartered.com/ourbeliefs

The 2003 Report and Accounts will be made available on the website of the Stock Exchange of Hong Kong and on our website www.standardchartered.com as soon as is practicable.

Please also refer to the published version of this announcement in South China Morning Post dated 19 February 2004.