
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Shares. This prospectus contains certain forward looking statements relating to the Group's plans, objectives, expectations and intentions that are subject to risks and uncertainties, and includes information concerning possible or assumed future results of the Group's operations, earnings, economic conditions in the Group's markets, demand and other aspects of the Group's business (under the sections headed "Risk Factors", "Description of Business", "Future Plans and Strategy" and "Financial Information" of this prospectus). When used in this prospectus, the words "estimate", "project", "anticipate", "intend", "believe", "expect", "should" and similar expressions, as they relate to the Group or any of its management, may identify such forward looking statements. The Group's future financial results and operations could differ materially from those discussed in this prospectus. The cautionary statements in this prospectus should be read as applicable to the forward looking statements herein, which only speak as of the date of this prospectus. The Group undertakes no obligation to release publicly the result of any revisions to these forward looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

THE COMPANY

The Company is the ultimate holding company of Standard Chartered Bank, a leading international banking and financial services company particularly focused on the markets of Asia Pacific, the Middle East and South Asia and Africa. The Company has no significant operations or assets other than its 100% interest in Standard Chartered Bank. The Group is headquartered in the United Kingdom, and has a network of over 500 branches and offices in more than 50 countries and about 28,100 employees. The Asia Pacific region is currently Standard Chartered's largest region, and Hong Kong is its largest single market.

Standard Chartered operates two business divisions: Consumer Banking and Wholesale Banking. Consumer Banking offers banking services, deposit taking services, credit cards, personal loans, mortgages, auto finance and wealth management services to individuals and small and medium-sized businesses in a number of Standard Chartered's markets. Wholesale Banking provides debt capital markets, treasury, advisory services and structured trade services, cash management and custody services, as well as more traditional lending and trade finance services, to a wide range of corporate and institutional clients.

Standard Chartered was created from the merger in 1969 of The Chartered Bank and The Standard Bank Limited. Both banks were established in the mid-nineteenth century and their origins lie in financing trade in the emerging markets of Asia and Africa. Standard Chartered has a long history in these markets. The Chartered Bank opened its first branch in Hong Kong in 1859 and was given a licence to issue Hong Kong bank notes in 1862.

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Shares of the Company have been admitted to the Official List and have been traded on the London Stock Exchange since 30th January, 1970, and the Company is a long established member of the FTSE 100 index.

FUTURE PLANS AND STRATEGY

Standard Chartered has implemented a strategy to increase its returns and profitability. Standard Chartered is seeking to achieve this by stimulating growth in high return businesses and markets, controlling cost through greater efficiency, exercising tight risk control and actively managing its capital structure. The Group's target over time is to achieve a return on equity of 20%. Specifically:

- **Building market share in Consumer Banking**

Standard Chartered believes that there is significant growth potential in Consumer Banking products in the markets in which it operates. It is seeking to increase market share by offering innovative products through its wide branch distribution network. This is particularly true of its credit cards and wealth management businesses, with mortgages also providing attractive opportunities.

- **Repositioning the Wholesale Banking business to increase returns**

Standard Chartered is actively seeking to increase returns from Wholesale Banking by increasing cross-selling of products which provide higher returns. These products include Global Markets (including debt capital markets and treasury) and cash management products. Standard Chartered intends to direct both capital and investment resources in the Wholesale Banking business to these products and is also capping the overall amount of economic capital in Wholesale Banking.

- **Driving cost efficiency in technology and operations**

Standard Chartered has made good progress with its efficiency programme, which was ahead of target at the end of 2001. As a result, the original targets for the programme have been revised upwards. Performance was in line with these revised targets during the first half of 2002. It has made rapid progress in setting up shared service centres in Chennai and Kuala Lumpur, resulting in enhanced efficiencies in processing and support functions. It has also achieved other operational efficiencies and has derived significant cost benefits from the integration of Grindlays, Manhattan Card Company Limited (formerly Chase Manhattan Card Company Limited) and the Hong Kong-based retail banking business of The Chase Manhattan Bank.

- **Controlling risk**

Standard Chartered is enhancing its control of risk. It has reviewed its customer portfolio to identify areas of high risk. It has also taken action to address the problem

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caused by the significant increase in personal bankruptcies in Hong Kong, including tightening its loan approval criteria and developing early warning trigger mechanisms. Standard Chartered is reviewing its Latin American operations which have suffered significant bad debt problems. It has strengthened its market and operational risk teams.

- **Active capital management**

Standard Chartered is actively seeking to improve the efficiency of its capital management. It intends to allocate sufficient capital to support the growth of the high return businesses. Specifically, it will give priority to Consumer Banking in the allocation of incremental capital. It also sees scope to reduce the amount of its total capital whilst maintaining its target capital adequacy ratios and to improve its mix of capital with a view to increasing its return on equity. The Company has in place all the relevant shareholder authorities to enable it to make repurchases of any of its regulatory capital and expects to make further progress in this strategic priority.

- **Capturing profitable growth in India and China**

Standard Chartered believes that two of its greatest opportunities for growth are India and China. It is one of the leading foreign banks in both countries. India is already a significant profit generator for Standard Chartered, but it believes that there is significant untapped potential to increase its customer base and improve profitability. China's accession to the World Trade Organization means that there is a firm timescale for foreign banks to be able to provide local currency services to local residents by 2007. Standard Chartered is preparing for this and is opening a series of Consumer Banking branches in China. As part of its plan to expand into China, Standard Chartered made a strategic investment of U.S.\$50 million in BOC Hong Kong (Holdings) Limited in July 2002. Standard Chartered expects that this investment will give rise to joint venture and alliance opportunities in a number of product offerings.

Key Strengths and Investment Highlights

Standard Chartered believes that the following are the key factors supporting its growth strategy:

- Standard Chartered is an international bank with a strong brand in the markets of Asia, the Middle East and Africa. Standard Chartered offers customers and potential customers the products, services, reliability and transparency of a leading international bank through an extensive local distribution network;
- The markets in which Standard Chartered operates in general represent fast growing markets for banking services, and offer significant opportunities for banks to provide a range of basic and sophisticated banking products and services to the

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growing affluent populations in these markets. Standard Chartered believes it is positioned to grow with these markets;

- Standard Chartered offers a high quality and recognised product range in both its business divisions. Consumer Banking targets the growing affluent population in its main markets and are distributed through a combination of its upmarket “Priority Banking” service, traditional branch access and telephone/on-line channels. Wholesale Banking offers sophisticated cross-border and domestic products and services which bring its strengths as an international bank to its customers;
- Standard Chartered has the financial resources to consolidate and grow its significant position in its existing core markets and expand into new regions. It will also give careful consideration to appropriate opportunities that may arise for growth by acquisition, including opportunities to participate in the consolidation of the banking industry in its principal markets;
- Standard Chartered launched an efficiency programme in August 2000 which was targeted at producing annualised cost savings of U.S.\$275 million and headcount reduction of 6,200 by 2003. At 30th June, 2002, Standard Chartered was ahead of its own expectations in terms of cost savings achieved to date. It has raised its target for annualised cost savings to U.S.\$305 million by 2003. It had also achieved a headcount reduction of 6,660 as at 30th June, 2002;
- Standard Chartered has the scale to become a low cost provider, including in its credit cards and wealth management businesses. It also has scale in terms of distribution outlets, customer base and market share;
- Standard Chartered has demonstrated its ability to manage effectively the credit quality of its assets during periods of difficult economic conditions such as the Asian economic crises of 1997 to 1999; and
- Standard Chartered has an experienced management team. Many of its senior team, including two Group executive Directors, are located in Asia, close to its key markets and customers.

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OFFER STATISTICS

	Based on a price of HK\$79.30 per Share⁽¹⁾
Market capitalisation ⁽²⁾	HK\$92.337 billion
Historical price/earnings multiple ⁽³⁾	18.2 times
Adjusted net tangible asset value per Share ⁽⁴⁾	HK\$39.07

Notes:

- (1) The closing price of the Shares on the London Stock Exchange on the Latest Practicable Date and translated from Pounds Sterling to U.S. dollars at the rate of £1.00 = U.S.\$1.569 and translated from U.S. dollars to HK dollars at the rate of U.S.\$1.00 = HK\$7.800.
- (2) The calculation of market capitalisation is based on 1,164,378,160 Shares being in issue immediately following completion of the Share Offer (i.e. on the assumption that the Over-allotment Option will not be exercised). If the Over-allotment Option is exercised in full, the market capitalisation will be HK\$92.699 billion.
- (3) The historical price/earnings multiple is based on the basic earnings per Share as at 31st December, 2001 of U.S.\$0.559 (HK\$4.36) per Share.
- (4) The adjusted net tangible asset value per Share reflects the adjustments referred to in the paragraph headed "Adjusted net tangible assets" in the section headed "Financial Information" of this prospectus and on the basis of 1,164,378,160 Shares in issue immediately following completion of the Share Offer (i.e. on the assumption that the Over-allotment Option will not be exercised) but takes no account of any Shares which may fall to be issued on the exercise of options granted or which may be granted under the Employee Share Schemes, or which may be issued pursuant to conversion of the Bonds or which may be issued or repurchased under the Issue Mandate or the Repurchase Mandate, as the case may be. If the Over-allotment Option is exercised in full, based on a price of HK\$79.30 per Share, the adjusted net tangible asset value per Share will be increased to HK\$39.22.

DIVIDEND

The Directors normally declare an interim dividend on Shares in respect of the first half of a financial year representing a proportion of the total anticipated dividend distribution for the full financial year. If an interim dividend is declared, it is usually paid during October. Any final dividend on Shares is usually paid during May.

Dividends are declared in U.S. dollars. Shareholders on the Hong Kong branch register, however, will automatically receive cash dividends in Hong Kong dollars, but may elect to receive payment in U.S. dollars or Pounds Sterling. An exchange rate mechanism similar to that used to translate U.S. dollars into Pounds Sterling for dividend payments will be adopted for dividend payments made in HK dollars.

The interim dividend for the six months ended 30th June, 2002 was U.S.\$0.141 per Share, and was paid on 15th October, 2002 to persons who were recorded as shareholders of the Company as at 16th August, 2002.

SUMMARY TRADING RECORD

The tables below show the Group's summary consolidated profit and loss account data, consolidated cash flow statement data and selected financial ratios for the six months ended 30th June, 2002 and 2001 and each of the five years ended 31st December, 2001, and the Group's summary consolidated balance sheet data as at 30th June, 2002 and as at 31st December, 2001, 2000, 1999, 1998 and 1997. The summary consolidated profit and loss account data and consolidated cash flow statement data for the six months ended

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30th June, 2002 and 2001 and for each of the five years ended 31st December, 2001, and the summary consolidated balance sheet data as at 30th June, 2002 and as at 31st December, 2001, 2000, 1999, 1998 and 1997 have been derived from the Group's audited consolidated financial statements. The Group's financial statements have been prepared in accordance with U.K. GAAP, which differs in certain respects from Hong Kong GAAP. A narrative summary of the significant differences between U.K. GAAP and Hong Kong GAAP is set out in Appendix II to this prospectus. Results for the six months ended 30th June, 2002 are not necessarily indicative of the results for the year ending 31st December, 2002.

Commencing on 1st January, 2001, Standard Chartered changed its reporting currency from Pounds Sterling to U.S. dollars. Since most of the Group's business is denominated in U.S. dollars or currencies linked to the U.S. dollar, Standard Chartered considers that it is most appropriate to prepare its accounts in U.S. dollars. The U.S. dollar data in the tables below as at the dates, and for the periods ended, prior to 1st January, 2001 have been translated into U.S. dollars on the following bases: (i) assets and liabilities have been translated at the rate of exchange between the Pound Sterling and the U.S. dollar applicable on 31st December, 2000, 1999, 1998 and 1997 at U.S.\$1.491 = £1.00, U.S.\$1.620 = £1.00, U.S.\$1.660 = £1.00 and U.S.\$1.650 = £1.00, respectively; and (ii) profits and losses and cash flows have been translated at the average exchange rate between the Pound Sterling and the U.S. dollar for the years ended 31st December, 2000, 1999, 1998 and 1997, for the periods in which such amounts were earned or incurred, at U.S.\$1.516 = £1.00, U.S.\$1.618 = £1.00, U.S.\$1.658 = £1.00 and U.S.\$1.639 = £1.00, respectively.

The HK dollar data in the tables below have been translated from U.S. dollars into HK dollars for reference only on the following bases: (i) assets and liabilities have been translated at the rate of exchange between the U.S. dollar and the HK dollar applicable on 30th June, 2002 and 2001 and 31st December, 2001, 2000, 1999, 1998 and 1997 at HK\$7.799 = U.S.\$1.00, HK\$7.800 = U.S.\$1.00, HK\$7.798 = U.S.\$1.00, HK\$7.800 = U.S.\$1.00, HK\$7.774 = U.S.\$1.00, HK\$7.747 = U.S.\$1.00 and HK\$7.748 = U.S.\$1.00, respectively; and (ii) profits and losses and cash flows have been translated at the average exchange rate between the U.S. dollar and the HK dollar for the six-month periods ended 30th June, 2002 and 2001, and the years ended 31st December, 2001, 2000, 1999, 1998 and 1997, for the periods in which such amounts were earned or incurred, at HK\$7.799 = U.S.\$1.00, HK\$7.800 = U.S.\$1.00, HK\$7.799 = U.S.\$1.00, HK\$7.792 = U.S.\$1.00, HK\$7.759 = U.S.\$1.00, HK\$7.746 = U.S.\$1.00 and HK\$7.743 = U.S.\$1.00, respectively.

In 2002, Standard Chartered changed some of its accounting policies to implement changes in U.K. accounting standards. The financial statements have been restated to reflect the requirements of the new standards on the periods covered by this prospectus.

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Consolidated Profit and Loss Account Data

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
	(in U.S.\$ millions)						
Interest receivable.....	2,553	3,400	6,419	6,905	6,035	6,637	5,572
Interest payable.....	(1,011)	(1,995)	(3,519)	(4,225)	(3,388)	(4,110)	(3,327)
Net interest income	1,542	1,405	2,900	2,680	2,647	2,527	2,245
Fees and commissions receivable, net.....	476	477	977	888	709	672	729
Dealing profits and exchange	229	249	470	377	398	693	577
Other operating income	38	33	58	116	94	33	58
Net revenue	2,285	2,164	4,405	4,061	3,848	3,925	3,609
Administrative expenses:							
Staff.....	(634)	(617)	(1,241)	(1,387)	(1,154)	(1,058)	(1,000)
Premises.....	(138)	(150)	(285)	(302)	(278)	(270)	(270)
Other.....	(315)	(348)	(735)	(728)	(605)	(587)	(484)
Depreciation and amortisation	(157)	(152)	(324)	(297)	(189)	(121)	(103)
Total expenses:							
Ongoing.....	(1,244)	(1,267)	(2,585)	(2,391)	(2,226)	(2,036)	(1,857)
Restructuring.....	—	—	—	(323)	—	—	—
Total operating expenses	(1,244)	(1,267)	(2,585)	(2,714)	(2,226)	(2,036)	(1,857)
Operating profit before provisions	1,041	897	1,820	1,347	1,622	1,889	1,752
Provision for bad and doubtful debts.....	(406)	(269)	(732)	(462)	(801)	(723)	(243)
Provisions for contingent liabilities and commitments	(1)	—	1	(8)	—	—	(13)
Operating profit	634	628	1,089	877	821	1,166	1,496
Profit on disposal of subsidiary undertakings	—	—	—	532	—	—	(70)
Profit before taxation	634	628	1,089	1,409	821	1,166	1,426
Taxation.....	(201)	(218)	(378)	(377)	(241)	(351)	(395)
Profit after taxation	433	410	711	1,032	580	815	1,031
Minority interests (equity).....	(17)	(6)	(12)	(6)	(23)	(22)	(28)
Profit attributable to shareholders	416	404	699	1,026	557	793	1,003
Dividends on non-equity preference shares	(56)	(12)	(68)	(24)	(26)	(27)	(26)
Dividends on ordinary equity shares.....	(160)	(145)	(474)	(424)	(392)	(343)	(302)
Retained profit	200	247	157	578	139	423	675
Basic earnings per Share (¢).....	31.8	34.8	55.9	92.2	50.8	76.8	98.8
Diluted earnings per Share (¢).....	31.5	34.2	55.4	90.7	50.3	76.2	97.5

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Consolidated Profit and Loss Account Data (provided in HK dollars for reference only)

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
	(in HK\$ millions)						
Interest receivable.....	19,911	26,520	50,068	53,804	46,826	51,410	43,144
Interest payable	(7,885)	(15,561)	(27,448)	(32,921)	(26,287)	(31,836)	(25,761)
Net interest income	12,026	10,959	22,620	20,883	20,539	19,574	17,383
Fees and commissions receivable, net ..	3,712	3,721	7,621	6,919	5,501	5,205	5,645
Dealing profits and exchange	1,786	1,942	3,666	2,938	3,088	5,368	4,468
Other operating income	296	257	452	904	729	256	449
Net revenue	17,820	16,879	34,359	31,644	29,857	30,403	27,945
Administrative expenses:							
Staff	(4,945)	(4,813)	(9,680)	(10,808)	(8,954)	(8,195)	(7,743)
Premises.....	(1,076)	(1,170)	(2,223)	(2,353)	(2,157)	(2,091)	(2,091)
Other.....	(2,457)	(2,714)	(5,733)	(5,673)	(4,694)	(4,547)	(3,748)
Depreciation and amortisation	(1,224)	(1,186)	(2,527)	(2,314)	(1,466)	(937)	(798)
Total expenses:							
Ongoing.....	(9,702)	(9,883)	(20,163)	(18,631)	(17,271)	(15,770)	(14,380)
Restructuring.....	—	—	—	(2,517)	—	—	—
Total operating expenses	(9,702)	(9,883)	(20,163)	(21,148)	(17,271)	(15,770)	(14,380)
Operating profit before provisions	8,118	6,996	14,196	10,496	12,586	14,633	13,565
Provision for bad and doubtful debts.....	(3,166)	(2,098)	(5,710)	(3,600)	(6,215)	(5,600)	(1,882)
Provisions for contingent liabilities and commitments	(8)	—	8	(62)	—	—	(101)
Operating profit	4,944	4,898	8,494	6,834	6,371	9,033	11,582
Profit on disposal of subsidiary undertakings	—	—	—	4,145	—	—	(542)
Profit before taxation	4,944	4,898	8,494	10,979	6,371	9,033	11,040
Taxation.....	(1,568)	(1,700)	(2,948)	(2,938)	(1,870)	(2,716)	(3,059)
Profit after taxation	3,376	3,198	5,546	8,041	4,501	6,317	7,981
Minority interests (equity).....	(133)	(47)	(94)	(47)	(178)	(170)	(217)
Profit attributable to shareholders	3,243	3,151	5,452	7,994	4,323	6,147	7,764
Dividends on non-equity preference shares.....	(437)	(94)	(530)	(187)	(202)	(209)	(201)
Dividends on ordinary equity shares	(1,248)	(1,131)	(3,697)	(3,304)	(3,042)	(2,657)	(2,338)
Retained profit	1,558	1,926	1,225	4,503	1,079	3,281	5,225
Basic earnings per Share (HK\$).....	2.48	2.71	4.36	7.19	3.94	5.95	7.65
Diluted earnings per Share (HK\$)	2.45	2.67	4.32	7.07	3.90	5.90	7.55

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Summarised Consolidated Balance Sheet Data

	At 30th June,	At 31st December,				
	2002	2001	2000	1999	1998	1997
	(in U.S.\$ millions)					
Assets						
Cash and balances at central banks and cheques in course of collection	1,004	1,174	895	1,042	744	513
Treasury bills and other eligible bills	4,501	5,105	3,962	4,376	4,792	4,135
Loans and advances to banks	20,103	19,578	23,759	18,470	15,816	14,990
Total loans and advances to customers..	54,883	53,005	51,882	46,651	43,311	42,319
Debt securities and equity shares.....	18,790	16,080	9,949	8,285	5,785	5,478
Intangible fixed assets.....	2,201	2,269	2,327	593	254	—
Tangible fixed assets.....	993	992	977	970	729	512
Prepayments, accrued income and other assets	10,342	9,332	8,684	7,399	8,131	10,010
Total assets	<u>112,817</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>	<u>79,562</u>	<u>77,957</u>
Liabilities						
Deposits by banks.....	13,281	11,688	11,103	8,999	8,184	11,166
Customer accounts.....	70,178	67,855	65,037	56,941	50,252	45,446
Debt securities in issue	3,485	3,706	4,533	4,317	4,907	3,523
Accruals, deferred income and other liabilities.....	12,260	11,177	10,339	8,669	9,314	11,453
Provisions for liabilities and charges	106	150	306	77	66	61
Subordinated liabilities:						
Undated loan capital.....	1,829	1,804	1,818	1,546	1,547	1,544
Dated loan capital (including convertible bonds).....	3,767	3,544	2,715	1,531	362	361
Minority interests (equity)	168	73	76	112	93	60
Shareholders' funds.....	7,743	7,538	6,508	5,594	4,837	4,343
Total liabilities and shareholders' funds	<u>112,817</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>	<u>79,562</u>	<u>77,957</u>

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Summarised Consolidated Balance Sheet Data (provided in HK dollars for reference only)

	At 30th June,	At 31st December,				
	2002	2001	2000	1999	1998	1997
			(in HK\$ millions)			
Assets						
Cash and balances at central banks and cheques in course of collection	7,830	9,155	6,981	8,101	5,764	3,975
Treasury bills and other eligible bills	35,103	39,809	30,904	34,019	37,124	32,038
Loans and advances to banks	156,783	152,669	185,320	143,586	122,527	116,143
Total loans and advances to customers.....	428,033	413,333	404,680	362,665	335,530	327,888
Debt securities and equity shares.....	146,543	125,392	77,602	64,408	44,816	42,444
Intangible fixed assets.....	17,166	17,694	18,151	4,610	1,968	—
Tangible fixed assets.....	7,744	7,736	7,621	7,541	5,648	3,967
Prepayments, accrued income and other assets	80,658	72,771	67,734	57,518	62,990	77,556
Total assets	<u>879,860</u>	<u>838,559</u>	<u>798,993</u>	<u>682,448</u>	<u>616,367</u>	<u>604,011</u>
Liabilities						
Deposits by banks	103,579	91,143	86,603	69,958	63,401	86,514
Customer accounts.....	547,318	529,133	507,289	442,659	389,302	352,116
Debt securities in issue	27,180	28,899	35,357	33,560	38,015	27,296
Accruals, deferred income and other liabilities.....	95,616	87,158	80,645	67,394	72,157	88,739
Provisions for liabilities and charges	827	1,170	2,387	599	511	473
Subordinated liabilities:						
Undated loan capital	14,264	14,068	14,180	12,019	11,985	11,963
Dated loan capital (including convertible bonds).....	29,379	27,636	21,177	11,902	2,804	2,797
Minority interests (equity)	1,310	569	593	871	720	465
Shareholders' funds.....	60,387	58,783	50,762	43,486	37,472	33,648
Total liabilities and shareholders' funds	<u>879,860</u>	<u>838,559</u>	<u>798,993</u>	<u>682,448</u>	<u>616,367</u>	<u>604,011</u>

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Consolidated Cash Flow Statement Data

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
	(in U.S.\$ millions)						
Net cash inflow from operating activities	960	1,258	6,113	3,623	1,582	3,555	2,820
Returns on investments and servicing of finance							
Interest paid on subordinated loan capital.....	(208)	(164)	(321)	(202)	(165)	(131)	(129)
Subordinated loan capital issue expenses	—	(12)	(12)	(29)	(6)	—	—
Dividends paid to minority shareholders of subsidiary undertakings	(1)	(3)	(18)	(21)	(36)	(17)	(12)
Dividends paid on preference shares	(57)	(11)	(41)	(24)	(26)	(27)	(26)
Net cash outflow from returns on investments and servicing of finance	(266)	(190)	(392)	(276)	(233)	(175)	(167)
Taxation							
U.K. taxes paid	(29)	(52)	(103)	(47)	(99)	(75)	(67)
Overseas taxes paid	(154)	(198)	(417)	(252)	(272)	(356)	(369)
Total taxes paid	(183)	(250)	(520)	(299)	(371)	(431)	(436)
Capital expenditure and financial investment							
Purchases of tangible fixed assets	(99)	(115)	(283)	(238)	(354)	(310)	(180)
Acquisitions of treasury bills held for investment purposes ..	(5,449)	(4,043)	(10,383)	(10,383)	(9,221)	(9,026)	(9,026)
Acquisitions of debt securities held for investment purposes	(15,044)	(13,427)	(26,356)	(12,390)	(11,473)	(21,552)	(26,028)
Acquisitions of equity shares held for investment purposes	(37)	(8)	(28)	(62)	(8)	(8)	(20)
Disposals of tangible fixed assets	13	16	58	32	24	8	10
Disposals and maturities of treasury bills held for investment purposes	6,177	4,735	9,138	10,542	9,731	7,812	8,925
Disposals and maturities of debt securities held for investment purposes	13,622	8,763	20,562	11,393	9,386	20,883	24,377
Disposals of equity shares held for investment purposes.....	9	13	17	8	31	3	7
Net cash outflow from capital expenditure and financial investment	(808)	(4,066)	(7,275)	(1,098)	(1,884)	(2,190)	(1,935)
Net cash (outflow)/inflow before acquisitions and disposals, equity dividends paid and financing	(297)	(3,248)	(2,074)	1,950	(906)	759	282
Acquisitions and disposals							
Purchases of interests in subsidiary undertakings	—	—	—	(2,513)	(328)	(353)	—
Purchase of subordinated debt in subsidiary undertaking	—	—	—	(186)	—	—	—
Disposals of interests in subsidiary undertakings.....	—	2	—	934	—	—	15
Purchases of other businesses.....	—	—	—	—	(209)	—	26
Net cash inflow/(outflow) from acquisitions and disposals	—	2	—	(1,765)	(537)	(353)	41
Equity dividends paid to members of the Company	(308)	(298)	(442)	(240)	(246)	(307)	(236)
Financing							
Proceeds from issue of ordinary share capital	25	15	22	723	645	15	29
Share issues expenses.....	—	—	—	(8)	(6)	—	—
Gross proceeds from issue of preference share capital	—	1,000	1,000	—	—	—	—
Issue expenses related to preference share capital.....	—	(31)	(31)	—	—	—	—
Gross proceeds from issue of preferred securities	—	418	421	461	—	—	—
Issue of subordinated loan capital	—	700	700	1,166	1,178	—	—
Repayment of subordinated liabilities	—	(3)	(204)	(18)	—	—	(150)
Net cash inflow from financing	25	2,099	1,908	2,324	1,817	15	(121)
(Decrease)/increase in cash	(580)	(1,445)	(608)	2,269	128	114	(34)

SUMMARY

Consolidated Cash Flow Statement Data (provided in HK dollars for reference only)

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
	(in HK\$ millions)						
Net cash inflow from operating activities	7,487	9,811	47,681	28,229	12,275	27,537	21,835
Returns on investments and servicing of finance							
Interest paid on subordinated loan capital.....	(1,622)	(1,279)	(2,504)	(1,574)	(1,280)	(1,015)	(999)
Subordinated loan capital issue expenses	—	(93)	(94)	(226)	(47)	—	—
Dividends paid to minority shareholders of subsidiary undertakings	(8)	(23)	(140)	(164)	(279)	(132)	(93)
Dividends paid on preference shares	(445)	(86)	(320)	(187)	(202)	(209)	(201)
Net cash outflow from returns on investments and servicing of finance	(2,075)	(1,481)	(3,058)	(2,151)	(1,808)	(1,356)	(1,293)
Taxation							
U.K. taxes paid	(226)	(406)	(803)	(366)	(768)	(581)	(519)
Overseas taxes paid	(1,201)	(1,544)	(3,253)	(1,964)	(2,110)	(2,758)	(2,857)
Total taxes paid	(1,427)	(1,950)	(4,056)	(2,330)	(2,878)	(3,339)	(3,376)
Capital expenditure and financial investment							
Purchases of tangible fixed assets	(772)	(897)	(2,207)	(1,854)	(2,747)	(2,401)	(1,394)
Acquisitions of treasury bills held for investment purposes	(42,497)	(31,535)	(80,987)	(80,904)	(71,546)	(69,915)	(69,888)
Acquisitions of debt securities held for investment purposes	(117,328)	(104,731)	(205,578)	(96,543)	(89,019)	(166,942)	(201,535)
Acquisitions of equity shares held for investment purposes	(289)	(62)	(218)	(483)	(62)	(62)	(155)
Disposals of tangible fixed assets	101	125	453	249	186	62	77
Disposals and maturities of treasury bills held for investment purposes	48,174	36,933	71,276	82,143	75,503	60,512	69,106
Disposals and maturities of debt securities held for investment purposes	106,238	68,351	160,384	88,775	72,826	161,760	188,751
Disposals of equity shares held for investment purposes	70	101	133	62	241	23	54
Net cash outflow from capital expenditure and financial investment	(6,303)	(31,715)	(56,744)	(8,555)	(14,618)	(16,963)	(14,984)
Net cash (outflow)/inflow before acquisitions and disposals, equity dividends paid and financing	(2,318)	(25,335)	(16,177)	15,193	(7,029)	5,879	2,182
Acquisitions and disposals							
Purchases of interests in subsidiary undertakings	—	—	—	(19,581)	(2,545)	(2,734)	—
Purchase of subordinated debt in subsidiary undertaking ..	—	—	—	(1,449)	—	—	—
Disposals of interests in subsidiary undertakings.....	—	16	—	7,278	—	—	116
Purchases of other businesses.....	—	—	—	—	(1,622)	—	201
Net cash inflow/(outflow) from acquisitions and disposals	—	16	—	(13,752)	(4,167)	(2,734)	317
Equity dividends paid to members of the Company	(2,402)	(2,324)	(3,447)	(1,870)	(1,909)	(2,378)	(1,827)
Financing							
Proceeds from issue of ordinary share capital	195	117	172	5,634	5,005	116	225
Share issues expenses.....	—	—	—	(62)	(47)	—	—
Gross proceeds from issue of preference share capital	—	7,800	7,800	—	—	—	—
Issue expenses related to preference share capital.....	—	(242)	(242)	—	—	—	—
Gross proceeds from issue of preferred securities	—	3,261	3,283	3,592	—	—	—
Issue of subordinated loan capital.....	—	5,460	5,460	9,085	9,140	—	—
Repayment of subordinated liabilities.....	—	(23)	(1,591)	(140)	—	—	(1,161)
Net cash inflow from financing	195	16,373	14,882	18,109	14,098	116	(936)
(Decrease)/increase in cash	(4,525)	(11,270)	(4,742)	17,680	993	883	(264)

SUMMARY

Selected Financial Ratios (unaudited)⁽¹⁾

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
	(in % or ¢)						
Return on average total assets (normalised) ⁽²⁾	0.8%	0.9%	0.7%	0.8%	0.7%	0.9%	1.3%
Post-tax return on average shareholders' funds (excluding non-equity interests) (normalised) ⁽²⁾	12.8%	14.4%	12.0%	13.4%	11.5%	18.2%	26.4%
Net interest margin	3.1%	3.0%	3.0%	3.1%	3.4%	3.5%	3.3%
Cost to income ratio (normalised) ⁽²⁾	51.9%	55.6%	55.8%	57.3%	57.0%	51.6%	51.5%
Earnings per Share (normalised) ⁽²⁾⁽³⁾	36.1¢	40.2¢	66.3¢	71.1¢	53.7¢	77.8¢	105.7¢
Net asset value per Share ⁽⁴⁾	570.7¢	566.3¢	555.3¢	551.1¢	496.6¢	450.2¢	404.2¢
Total capital adequacy ratio under Bank for International Settlements ("BIS") guidelines (at period end)	15.9%	16.5%	16.2%	14.3%	15.1%	13.0%	12.8%
Tier 1 capital adequacy ratio under BIS guidelines (at period end)....	9.0%	9.0%	9.0%	7.2%	8.8%	8.5%	8.3%

Notes:

- (1) The selected financial ratios are unaudited except for the earnings per Share (normalised) for the six months ended 30th June, 2002 and 2001 and for the years ended 31st December, 2001, 2000 and 1999.
- (2) Results on a normalised basis reflect Standard Chartered's results excluding profits on disposal of subsidiary undertakings, charges for restructuring and amortisation of goodwill.
- (3) The relevant figures in Hong Kong dollars for the six months ended 30th June, 2002 and 2001, and for the years ended 31st December, 2001, 2000, 1999, 1998 and 1997 are HK\$2.82, HK\$3.13, HK\$5.17, HK\$5.54, HK\$4.16, HK\$6.03 and HK\$8.18, respectively.
- (4) The relevant figures in Hong Kong dollars for six months ended 30th June, 2002 and 2001, and for the years ended 31st December, 2001, 2000, 1999, 1998 and 1997 are HK\$44.5, HK\$44.2, HK\$43.3, HK\$42.9, HK\$38.5, HK\$34.9 and HK\$31.3, respectively.

SUMMARY

USE OF PROCEEDS

The net proceeds of the Share Offer (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Share Offer, assuming the Over-allotment Option is not exercised and assuming a price of HK\$79.30 per Share, being the Hong Kong dollar equivalent of the closing price of the Shares on the London Stock Exchange on the Latest Practicable Date), are estimated to be approximately HK\$2,268 million (U.S.\$291 million) (or if the Over-allotment Option is exercised in full, are estimated to be approximately HK\$2,619 million (U.S.\$336 million)).

The net proceeds from the Share Offer will be used to support ongoing growth of the Group (as described on page 59) and may be applied in active capital management (as described on page 60), which could include repurchases of capital related securities.

REASONS FOR THE LISTING

The purpose of seeking a dual primary listing of the Shares on the Hong Kong Stock Exchange is to:

- demonstrate further the Group's commitment to Hong Kong and China;
- raise the Group's profile further in its largest single market, Hong Kong; and
- enable the Group to expand its investor base.

RISK FACTORS

The Directors consider that there are certain risks involved in an investment in the Shares. They can be categorised into (i) risks relating to Standard Chartered's business operations, and (ii) risks relating to the Share Offer. These risk factors and considerations are set out in more detail in the section headed "Risk Factors" of this prospectus:

Risks Relating to Standard Chartered's Business Operations

- Standard Chartered operates in many emerging markets, and these operations expose it to risks that could adversely affect its financial condition and results of operations.
- Standard Chartered is facing significant competition, which may have an adverse effect on its financial condition and results of operations.
- Standard Chartered is operating in a highly regulated industry and bank regulatory restrictions and other laws and regulations could impair its operations.
- Standard Chartered is expanding its operations and this growth might represent a risk if not managed effectively.

SUMMARY

Risks Relating to the Share Offer

- Transfers of Shares from the Hong Kong branch register to the Company's principal register in the U.K. may adversely affect the liquidity of the Shares on the Hong Kong Stock Exchange.
- Investors are subject to the risk that trading prices of the Shares on the London Stock Exchange could fall during the period between the latest time completed Application Forms must be lodged or electronic application instructions must be submitted and the commencement of trading of the Shares on the Hong Kong Stock Exchange.
- Investors are subject to exchange rate risk between Pounds Sterling and Hong Kong dollars.