
RISK FACTORS

In evaluating an investment in the Offer Shares, potential investors should consider carefully all the information in this prospectus, including the risk factors set out below.

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.

Much of Standard Chartered's business is in the emerging markets of Asia Pacific, the Middle East and South Asia, Africa and Latin America. Standard Chartered anticipates that it will continue to expand its operations in some of these markets as suitable opportunities become available. Operations in these markets present various risks that do not apply to businesses in the United States and Western Europe. Emerging markets are typically more volatile and less developed economically and politically than markets in the United States and Western Europe. In some of the countries where it has operations or in which it may explore development, expansion or acquisition opportunities, Standard Chartered faces various economic and political risks, including economic volatility, recession, inflationary pressure, exchange rate risk, interruption of business, as well as civil unrest, imposition of exchange controls, expropriation, nationalisation, renegotiation or nullification of existing contracts and changes in law or tax policy. These risks could result in an adverse impact on Standard Chartered's financial condition and results of operations.

Standard Chartered operates primarily in Asia and is exposed to credit and market risks in various Asian countries that experienced severe economic crises from 1997 to 1999. Given the significance of the U.S. economy to the markets in which Standard Chartered operates, any further economic slowdown in the United States or major corporate collapses may have an adverse impact on Standard Chartered's operations. The global economic outlook continues to be uncertain and is likely to have an impact on Standard Chartered's customers. It is, however, difficult to predict the exact impact on Standard Chartered's business. A further economic deterioration in Asia, including a recession that may or may not be related to global economic conditions, and, in particular, to economic conditions in the United States or other parts of the world, another collapse of the region's currencies, a devaluation of the Hong Kong dollar, which is currently pegged to the U.S. dollar, or a significant decrease in property values or liquidity in Asian property markets, could adversely affect the creditworthiness of some of Standard Chartered's borrowers, reduce the credit quality of Standard Chartered's loan portfolio, result in material credit losses and adversely affect Standard Chartered's financial condition and results of operations. Economic and corporate shocks can impact the Group's results with a time lag.

Specifically in Hong Kong, Standard Chartered's largest market, the economy remains weak. Unemployment continues to be high with the economy still under deflationary pressures. A continued weakness in the Hong Kong economy may have an adverse impact on Standard Chartered's financial condition and results of operations, including through increased bankruptcies in Hong Kong.

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Standard Chartered has operations in Latin America through its subsidiary, Banco Standard Chartered, and through representative offices. A number of the countries in which Standard Chartered has exposure are currently experiencing political and/or economic crises. Standard Chartered's exposure to counterparties in Argentina, Mexico and Brazil is under close watch, and, in Argentina, a debt charge provision of U.S.\$75 million was taken in the first half of 2002 in addition to U.S.\$35 million taken in the second half of 2001. At 30th June, 2002, Standard Chartered had established provisions of approximately 50% against its outstandings in Argentina. If a further downturn were to occur, this could result in an adverse impact on Standard Chartered's financial condition and results of operations.

The United Arab Emirates and India are now within Standard Chartered's top five contributors in terms of trading profit. The current uncertainty in the Middle East and South Asia with a number of countries on a war footing could result in an adverse impact on Standard Chartered's financial condition and results of operations. An escalation of conflict in these countries could impact further on Standard Chartered's 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 subject to significant competition from many other international banks operating in the emerging markets, including competitors that may have greater financial and other resources, and, in certain of these markets, from local banks and financial institutions focusing on niche segments operating in these markets. The trend towards consolidation in the financial services industry is creating an increasing number of global enterprises capable of competing in many markets. Local regulations in a number of jurisdictions may restrict the ability of international banks operating in the relevant country to enter the market and/or expand their existing operations. Many of the international and local banks and niche players operating in Standard Chartered's markets compete for substantially the same customers as Standard Chartered. Competition may increase in some or all of Standard Chartered's principal markets and may have an adverse effect on its financial condition and results of operations, including further increased pressure on margins.

Home mortgage loans in Hong Kong, Standard Chartered's largest single market, constitute a significant part of Standard Chartered's business. Since 2000, certain banks in Hong Kong, including Standard Chartered Bank, have lowered the interest rates that they charge on non-Government guaranteed new home mortgage loans. In the first half of 2002, Standard Chartered Bank's average mortgage pricing of its mortgage portfolio in Hong Kong was prime rate less 167 basis points compared to prime rate less 129 basis points in the first half of 2001. Standard Chartered's new business pricing in the first half of 2002 was prime rate less 236 basis points. In many cases, rates for new mortgage loans in Hong Kong were reduced to as low as 260 basis points below prime rate. Competition among banks in Hong Kong for home mortgage lending business could result in further reductions in home mortgage interest margins.

Further price competition in Hong Kong or Standard Chartered's other markets in the credit cards business could result in reduced card margins which would negatively impact the overall Group margin.

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Standard Chartered is operating in a highly regulated industry and bank regulatory restrictions and other laws and regulations could impair its operations.

Standard Chartered's businesses and earnings are affected by the fiscal or other policies and regulations that are adopted by various regulatory authorities of the United Kingdom, other jurisdictions where Standard Chartered operates, particularly Hong Kong, and international agencies. In particular, local regulations in a number of jurisdictions may restrict the ability of international banks to enter the market and/or expand their existing operations and these could adversely affect Standard Chartered's ability to compete in these markets. As has been well publicised in Hong Kong, the change in the Hong Kong bankruptcy laws (which now provide for the automatic discharge from bankruptcy after four years for persons not previously adjudged bankrupt) affects the banking industry as a whole and has resulted in a very significant increase in bankruptcy filings. This is a major factor contributing to the increase in Standard Chartered's net provisions for Consumer Banking bad debts in the first half of 2002 when compared to the first half of 2001. Further increases in bankruptcy filings as a result of this change in the bankruptcy laws may result in higher credit card and other consumer credit charge-off levels in Hong Kong in the future which could adversely affect the results of Standard Chartered's operations.

The nature and impact of future changes in laws, regulations and regulatory policies are not predictable and are beyond Standard Chartered's control, and changes in such laws, regulations and regulatory policies may have an adverse effect on Standard Chartered's financial condition and results of operations.

Standard Chartered is expanding its operations and this growth may represent a risk if not managed effectively.

Standard Chartered is currently experiencing significant growth as it expands, both geographically and in the scope of products and services it offers. This expansion has included the acquisition in 2000 of Grindlays from Australia and New Zealand Banking Group Limited for U.S.\$1.34 billion, and MCCL and the Hong Kong-based retail banking business of The Chase Manhattan Bank for U.S.\$1.32 billion. Standard Chartered has integrated these acquired businesses into its existing businesses. In 2000, Standard Chartered took a one-off restructuring charge of U.S.\$323 million, U.S.\$108 million of which related to these acquisitions. Cost savings relating to acquisitions in the first half of 2002 were U.S.\$57 million, out of a U.S.\$100 million cost savings target for the year. Integration of new acquisitions requires significant operational, administrative and management resources. The success of any acquisition will depend in part on the ability of Standard Chartered's management to integrate the operations of newly-acquired businesses with its existing operations and to integrate various departments, systems and procedures. Consequently, Standard Chartered's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to demands placed on existing resources by this process. There is no assurance that:

- acquired entities will achieve the level of performance Standard Chartered anticipates; or

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- the projected demand for and margins of Standard Chartered's products and services will be realised.

Standard Chartered's business strategy includes selective plans to continue to acquire assets or businesses that it believes are logical extensions of its existing businesses. Standard Chartered may experience some or all of the difficulties described above managing the integration of any subsequent acquisitions into these businesses.

The failure to manage effectively its expansion could have a negative effect on Standard Chartered's financial condition and results of operations.

RISKS RELATING TO THE SHARE OFFER

Transfer 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.

The Shares are currently traded on the London Stock Exchange. The Offer Shares are expected to be registered on the Hong Kong branch register and traded on the Hong Kong Stock Exchange immediately upon completion of the Share Offer. Any shareholder whose Shares are registered on the Hong Kong branch register may at any time request that its Shares be transferred to the Company's U.K. principal register. For further details on the procedures for the transfer of Shares between registers, please see the section headed "Registration and Transfer of Shares between Registers" contained in Appendix V to this prospectus. Subject to satisfying certain residence requirements, there is no prohibition against the Company's shareholders from transferring their Shares between the Company's principal register in the U.K. and the Hong Kong branch register. Consequently, there is no assurance that the Offer Shares will continue to be registered on the Hong Kong branch register and be traded on the Hong Kong Stock Exchange following completion of the Share Offer. In the event that a substantial number of Shares are transferred from the Hong Kong branch register to the Company's U.K. principal register, the liquidity of the Shares on the Hong Kong Stock Exchange may be adversely affected. Furthermore, there is no assurance that an active public market will develop for the Shares on the Hong Kong Stock Exchange or that, if it develops, it will be sustained.

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 to HKSCC and the commencement of trading of the Shares on the Hong Kong Stock Exchange.

The Offer Price for the Hong Kong Public Offer Shares will be determined on the Price Determination Date after closing of trading of the Shares on the London Stock Exchange. However, the Shares will not commence trading on the Hong Kong Stock Exchange until five London Stock Exchange trading days after the completed Application Forms have to be lodged or after electronic application instructions have to be submitted to HKSCC, as the

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case may be. As a result, investors will not be able to sell or otherwise deal in the Shares during such five day period. Accordingly, successful applicants of Hong Kong Public Offer Shares are subject to the risk that the trading prices of the Shares on the London Stock Exchange could fall below the Offer Price before trading on the Hong Kong Stock Exchange begins.

Investors are subject to exchange rate risk between Pounds Sterling and Hong Kong dollars

The Offer Price for the Hong Kong Public Offer Shares will be denominated in Hong Kong dollars determined on the Price Determination Date by reference to the exchange rate on the immediately preceding trading day. Investors are subject to the risk that a movement in the exchange rate between Pounds Sterling and Hong Kong dollars between the time of lodging the Application Form(s) or submitting electronic application instruction(s) to HKSCC and the Price Determination Date could have an impact on the Offer Price (even if the trading price of the Shares on the London Stock Exchange were to remain constant). Further, the value of an investment in the Shares quoted in Hong Kong dollars could be affected by movements in the Pounds Sterling/Hong Kong dollar exchange rates.