The following discussion is based upon, and should be read together with, the audited consolidated financial statements of the Group at 30th June, 2002 and 2001 and at 31st December, 2001, 2000, 1999, 1998 and 1997. 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 audited and unaudited consolidated financial statements have been prepared in accordance with U.K. GAAP, which differs in certain respects from Hong Kong GAAP. For a narrative summary of the significant differences between U.K. GAAP and Hong Kong GAAP relevant to Standard Chartered, see the "Summary of significant differences between U.K. GAAP and Hong Kong GAAP" set out in Appendix II to this prospectus. Certain consolidated financial data of the Group is set out below and certain other statistical financial information in relation to the Group is set out in the paragraph headed "Selected Statistical Financial Information" in this section. 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. Financial information as at the dates, and for the periods ended, prior to 1st January, 2001 have been translated into U.S. dollars on the bases and at the rates set out in the paragraph headed "Reporting Currency" in the section headed "Definitions" of this prospectus. Some financial information has also been translated from U.S. dollars into HK dollars for reference only on the bases and at the rates set out in the paragraph headed "Convenience Translation into Hong Kong dollars" in the section headed "Definitions" of this prospectus. 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.

INTRODUCTION

Standard Chartered's largest market is currently the Asia Pacific region, which accounted for approximately 60% of its total profit before amortisation of goodwill and taxation for the six months ended 30th June, 2002. Because of its focus on the Asia Pacific region, Standard Chartered's results and financial condition are influenced by economic conditions within that region, and the Asian economic crisis adversely affected Standard Chartered's results in both 1998 and 1999.

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 to 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. For the six months ended 30th June, 2002, Consumer Banking and Wholesale Banking contributed 46% and 54% respectively, of Standard Chartered's operating profit before amortisation of goodwill, and after provisions.

As part of the implementation of its growth strategy, Standard Chartered made the two largest acquisitions in its history in 2000, and consistent with its emerging markets strategy, it made a significant disposal:

— acquired Grindlays and the associated Grindlays Private Banking business from Australia and New Zealand Banking Group Limited for U.S.$1.34 billion on 1st August, 2000;

— acquired MCCL and the Hong Kong-based retail banking business of The Chase Manhattan Bank for U.S.$1.32 billion on 1st November, 2000; and

— sold Chartered Trust to a subsidiary of Lloyds TSB Group for U.S.$950 million on 31st August, 2000.

To support its growth strategy, Standard Chartered announced the Efficiency Programme in August 2000, and took a one-off restructuring charge of U.S.$323 million in connection with the Efficiency Programme. Significant cost synergies have already arisen from the Efficiency Programme. Standard Chartered was ahead of its own expectations as at 31st December, 2001 in terms of cost savings from the Efficiency Programme, and as a result increased its targets for the Efficiency Programme. For further details on the Efficiency Programme, please see the paragraph headed "Efficiency Programme" in the section "Description of Business" of this prospectus.

TRADING RECORD

The following tables present the Group's consolidated profit and loss account for the six months ended 30th June, 2002 and 2001 and for each of the five years ended 31st December, 2001, the consolidated balance sheet as at 30th June, 2002 and at 31st December, 2001, 2000, 1999, 1998 and 1997, the consolidated cash flow statements, financial ratios for the six months ended 30th June, 2002 and 2001 and each of the five years ended 31st December, 2001 and segmental information by geographic segment and by business for the six months ended 30th June, 2002 and 30th June, 2001 and for each of the three years ended 31st December, 2001. The consolidated profit and loss account and consolidated cash flow statements for the six months ended 30th June, 2002 and 30th June, 2001 and for each of the five years ended 31st December, 2001, and the consolidated balance sheet as at 30th June, 2002 and at 31st December, 2001, 2000, 1999, 1998 and 1997 set out below have been derived from the audited consolidated financial statements of the Group. The segmental information by geographic segment and by business for the six months ended 30th June, 2002 and 2001 and each of the three years ended 31st December, 2001 have been audited. The following data should be read in conjunction with the rest of this prospectus, and in particular the Accountants' Report set out in Appendix I to this prospectus.

Consolidated Profit and Loss Account

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000	1999	1998	1997
		(in U.S.$ millions, unless otherwise indicated)					
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 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

Consolidated Profit and Loss Account (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, unless otherwise indicated)						
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 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

Summarised Consolidated Balance Sheet

	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	112,817	107,535	102,435	87,786	79,562	77,957
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 (including non-equity interests)	7,743	7,538	6,508	5,594	4,837	4,343
Total liabilities and shareholders' funds	112,817	107,535	102,435	87,786	79,562	77,957
Memorandum items						
Contingent liabilities:						
Acceptances and endorsements	672	704	945	954	732	1,033
Guarantees and irrevocable letters of credit	12,742	11,227	9,951	9,521	7,150	6,994
Other contingent liabilities	3,789	3,645	3,526	1,053	1,114	665
	17,203	15,576	14,422	11,528	8,996	8,692
Commitments	39,144	42,622	42,849	40,900	33,912	28,865

Summarised Consolidated Balance Sheet (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 and accrued income and other assets	80,658	72,771	67,734	57,518	62,990	77,556
Total assets	879,860	838,559	798,993	682,448	616,367	604,011
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 (including non-equity interests)	60,387	58,783	50,762	43,486	37,472	33,648
Total liabilities and shareholders' funds	879,860	838,559	798,993	682,448	616,367	604,011
Memorandum items						
Contingent liabilities:						
Acceptances and endorsements	5,241	5,490	7,371	7,416	5,671	8,004
Guarantees and irrevocable letters of credit	99,375	87,548	77,618	74,016	55,391	54,190
Other contingent liabilities	29,550	28,424	27,503	8,186	8,630	5,152
	134,166	121,462	112,492	89,618	69,692	67,346
Commitments	305,284	332,366	334,222	317,957	262,716	223,646

Consolidated Cash Flow Statement

	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/(outflow) 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)

Consolidated Cash Flow Statement (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/(outflow) 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)

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%
Average shareholders' funds (excluding non-equity interests) to average total assets	6.0%	5.9%	5.9%	6.1%	5.7%	5.0%	5.0%
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¢
Dividends per Share	14.100¢	12.820¢	41.920¢	38.105¢	36.967¢	34.395¢	30.312¢
Dividend cover	2.3x	2.7x	1.3x	2.4x	1.4x	2.2x	3.3x
Net asset value per Share[4]	570.7¢	566.3¢	555.3¢	551.1¢	496.6¢	450.2¢	404.2¢
Total loans and advances to total deposits	89.8%	97.8%	91.3%	99.3%	98.8%	101.2%	101.2%
Gross non-performing loans to total assets	2.7%	2.9%	3.0%	3.3%	4.8%	3.0%	1.5%
Specific provisions and interest in suspense to gross non-performing loans	38.1%	40.4%	36.8%	43.8%	44.1%	50.1%	53.9%
Total provisions to total assets	1.0%	1.2%	1.1%	1.4%	2.1%	1.5%	0.8%
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 financial ratios in the table are unaudited except for the Earnings per Share (normalised) for the six months ended 30th June, 2002 and 2001 and the years ended 31st December, 2001, 2000 and 1999, and Dividends per Share for each period presented.

(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 six months ended 30th June, 2002 and 2001 and 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 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.

Segmental Information by geographic segment

	Six months ended 30th June, 2002								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.$ millions)								
Interest receivable(1)	848	359	164	369	298	303	163	759	3,263
Interest payable(1)	(276)	(186)	(84)	(197)	(189)	(148)	(58)	(583)	(1,721)
Net interest income	572	173	80	172	109	155	105	176	1,542
Fees and commissions receivable, net	127	44	25	67	41	54	45	73	476
Dealing profits and exchange	35	17	9	41	18	29	24	56	229
Other operating income	—	1	1	3	30	4	2	(3)	38
Net revenue(2)	734	235	115	283	198	242	176	302	2,285
Costs(2)	(296)	(97)	(73)	(195)	(103)	(92)	(111)	(209)	(1,176)
Amortisation of goodwill(3)								(68)	(68)
Total operating expenses	(296)	(97)	(73)	(195)	(103)	(92)	(111)	(277)	(1,244)
Operating profit before provisions	438	138	42	88	95	150	65	25	1,041
Charge for debts, contingent liabilities and commitments	(231)	(17)	(10)	(34)	(19)	—	3	(99)	(407)
Operating profit before taxation	207	121	32	54	76	150	68	(74)	634
Loans and advances to customers—average	21,180	7,130	3,734	5,930	2,055	4,170	994	8,859	54,052
Net interest margin (%)	3.2	2.4	2.5	2.4	4.1	4.0	7.6	1.2	3.1
Loans and advances to customers—period end	21,155	7,775	3,760	6,556	2,064	4,234	1,102	8,237	54,883
Loans and advances to banks—period end	4,053	2,644	725	2,771	335	1,731	279	7,565	20,103
Total assets employed(1)(2)	40,408	17,845	6,491	16,277	7,164	9,612	3,737	43,112	144,646
Total risk weighted assets and contingents	20,372	10,641	3,584	8,116	4,094	5,912	1,453	19,477	73,649

Notes:

(1) Total interest receivable and total interest payable include intra-group interest of U.S.$710 million. Total assets employed include intra-group items of U.S.$26,234 million and balances of U.S.$5,595 million which are netted in the Group's consolidated balance sheet.

(2) 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. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(3) Business acquisitions have been made as part of the Group's growth strategy. These activities are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, U.K. & Group Head Office segment.

(4) The geographic segment is based on the location of the office.

	Six months ended 30th June, 2001								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.$ millions)								
Interest receivable[(1)]	1,280	454	193	434	279	385	168	1,377	4,570
Interest payable[(1)]	(753)	(309)	(105)	(278)	(181)	(256)	(70)	(1,213)	(3,165)
Net interest income	527	145	88	156	98	129	98	164	1,405
Fees and commissions receivable, net	142	52	23	61	39	49	40	71	477
Dealing profits and exchange	26	21	12	46	23	27	37	57	249
Other operating income	2	—	1	2	10	3	2	13	33
Net revenue[(2)]	697	218	124	265	170	208	177	305	2,164
Costs[(2)]	(330)	(99)	(61)	(200)	(106)	(99)	(110)	(194)	(1,199)
Amortisation of goodwill[(3)]								(68)	(68)
Total operating expenses	(330)	(99)	(61)	(200)	(106)	(99)	(110)	(262)	(1,267)
Operating profit before provisions	367	119	63	65	64	109	67	43	897
Charge for debts, contingent liabilities and commitments	(102)	(23)	(55)	(27)	(11)	(11)	(3)	(37)	(269)
Operating profit before taxation	265	96	8	38	53	98	64	6	628
Loans and advances to customers—average	21,147	6,174	3,538	5,316	1,888	4,181	1,078	9,080	52,402
Net interest margin (%)	3.0	2.0	2.9	2.8	4.0	3.8	8.1	1.2	3.0
Loans and advances to customers—period end	21,612	6,171	3,550	5,376	1,904	3,992	973	9,349	52,927
Loans and advances to banks—period end	4,082	4,093	1,174	3,292	255	1,455	225	12,391	26,967
Total assets employed[(1)(2)]	40,239	16,112	6,657	14,119	6,052	9,129	3,149	40,593	136,050
Total risk weighted assets and contingents	20,565	8,786	4,068	6,815	3,648	5,572	1,443	18,353	69,250

Notes:

(1) Total interest receivable and total interest payable include intra-group interest of U.S.$1,170 million. Total assets employed include intra-group items of U.S.$23,132 million and balances of U.S.$3,081 million which are netted in the Group's consolidated balance sheet.

(2) 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. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(3) Business acquisitions have been made as part of the Group's growth strategy. These activities are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, U.K. & Group Head Office segment.

(4) The geographic segment is based on the location of the office.

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	Year ended 31st December, 2001								
	(in U.S.$ millions)								
Interest receivable[1]	2,377	913	385	892	572	749	339	2,479	8,706
Interest payable[1]	(1,283)	(608)	(218)	(580)	(373)	(468)	(134)	(2,142)	(5,806)
Net interest income	1,094	305	167	312	199	281	205	337	2,900
Fees and commissions receivable, net	301	95	47	121	78	96	86	153	977
Dealing profits and exchange	50	40	20	90	42	55	62	111	470
Other operating income	(3)	—	3	6	36	4	2	10	58
Net revenue[2]	1,442	440	237	529	355	436	355	611	4,405
Costs[2]	(679)	(205)	(131)	(404)	(209)	(207)	(226)	(384)	(2,445)
Amortisation of goodwill[3]								(140)	(140)
Total operating expenses	(679)	(205)	(131)	(404)	(209)	(207)	(226)	(524)	(2,585)
Operating profit before provisions	763	235	106	125	146	229	129	87	1,820
Charge for debts, contingent liabilities and commitments	(257)	(51)	(130)	(86)	(27)	(39)	(13)	(128)	(731)
Operating profit before taxation	506	184	(24)	39	119	190	116	(41)	1,089
Loans and advances to customers—average	21,233	6,311	3,555	5,520	1,909	4,102	1,007	9,198	52,835
Net interest margin (%)	3.2	1.9	2.7	2.3	4.0	4.0	8.2	1.0	3.0
Loans and advances to customers—period end	21,145	6,828	3,705	5,842	1,923	4,117	969	8,476	53,005
Loans and advances to banks—period end	1,227	2,315	607	3,184	398	1,704	325	9,818	19,578
Total assets employed[1][2]	39,508	15,086	6,223	14,580	5,994	9,604	3,487	41,335	135,817
Total risk weighted assets and contingents	19,320	8,933	3,630	7,446	3,590	5,802	1,343	19,778	69,842

Notes:

(1) Total interest receivable and total interest payable include intra-group interest of U.S.$2,287 million. Total assets employed include intra group items of U.S.$24,724 million and balances of U.S.$3,558 million which are netted in the Group's consolidated balance sheet.

(2) 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. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(3) Business acquisitions have been made as part of the Group's growth strategy. These activities are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, U.K. and Group Head Office segment.

(4) The geographic segment is based on the location of the office.

	Year ended 31st December, 2000								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.$ millions)								
Interest receivable(1)	2,501	825	347	972	383	618	408	2,969	9,023
Interest payable(1)	(1,603)	(532)	(156)	(675)	(241)	(431)	(204)	(2,501)	(6,343)
Net interest income	898	293	191	297	142	187	204	468	2,680
Fees and commissions receivable, net	243	104	48	138	55	71	104	125	888
Dealing profits and exchange	44	35	19	72	21	38	55	93	377
Other operating income	3	—	3	7	54	5	4	40	116
Net revenue(2)	1,188	432	261	514	272	301	367	726	4,061
Costs(2)	(553)	(176)	(116)	(448)	(132)	(155)	(212)	(505)	(2,297)
Amortisation of goodwill(3)								(71)	(71)
Restructuring charge(4)								(323)	(323)
Year 2000 costs(4)								(23)	(23)
Total operating expenses	(553)	(176)	(116)	(448)	(132)	(155)	(212)	(922)	(2,714)
Operating profit before provisions	635	256	145	66	140	146	155	(196)	1,347
Charge for debts, contingent liabilities and commitments	(126)	(20)	(25)	(60)	(31)	(28)	(50)	(130)	(470)
Operating profit	509	236	120	6	109	118	105	(326)	877
Profit on disposal of subsidiary undertakings	—	—	—	—	—	—	—	532	532
Operating profit before taxation	509	236	120	6	109	118	105	206	1,409
Loans and advances to customers—average	18,157	6,279	3,744	5,389	1,389	4,073	1,084	9,398	49,513
Net interest margin (%)	2.9	2.2	3.6	2.5	4.1	2.8	8.5	1.5	3.1
Loans and advances to customers—period end	20,615	6,294	4,091	5,504	1,760	4,262	1,071	8,285	51,882
Loans and advances to banks—period end	2,122	3,390	414	3,089	393	1,308	198	12,845	23,759
Total assets employed(1)(2)	38,290	14,233	6,222	13,549	4,447	9,321	2,863	37,916	126,841
Total risk weighted assets and contingents	17,958	8,310	3,677	7,244	3,415	5,673	1,302	17,451	65,030

Notes:

(1) Total interest receivable and total interest payable include intra-group interest of U.S.$2,118 million. Total assets employed include intra-group items of U.S.$21,790 million and balances of U.S.$2,616 million which are netted in the Group's consolidated balance sheet.

(2) Group central expenses and other overhead costs 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. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(3) Business acquisitions have been made as part of the Group's growth strategy. These activities are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, U.K. & Group Head Office segment.

(4) The restructuring programme and the resolution of Year 2000 related technology issues have been managed from the centre as global projects, and the costs of these initiatives are included in the Americas, U.K. & Group Head Office segment.

(5) The geographic segment is based on the location of the office.

	Year ended 31st December, 1999								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.$ millions)								
Interest receivable[1]	2,183	969	392	691	231	422	417	2,562	7,867
Interest payable[1]	(1,327)	(664)	(209)	(436)	(146)	(277)	(205)	(1,956)	(5,220)
Net interest income	856	305	183	255	85	145	212	606	2,647
Fees and commissions receivable, net	205	85	42	120	37	53	94	73	709
Dealing profits and exchange	49	34	15	95	11	26	58	110	398
Other operating income	6	6	10	5	1	3	13	50	94
Net revenue[2]	1,116	430	250	475	134	227	377	839	3,848
Costs[2]	(511)	(165)	(112)	(340)	(126)	(105)	(197)	(537)	(2,093)
Amortisation of goodwill[3]								(35)	(35)
Year 2000 costs[4]								(98)	(98)
Total operating expenses	(511)	(165)	(112)	(340)	(126)	(105)	(197)	(670)	(2,226)
Operating profit before provisions	605	265	138	135	8	122	180	169	1,622
Charge for debts, contingent liabilities and commitments	(288)	(86)	(42)	(176)	(26)	(87)	(10)	(86)	(801)
Operating profit before taxation	317	179	96	(41)	(18)	35	170	83	821
Loans and advances to customer—average	16,701	5,841	3,884	5,471	749	2,178	1,187	9,385	45,396
Net interest margin (%)	3.0	2.0	3.2	2.6	4.7	4.1	8.4	2.0	3.4
Loans and advances to customers—period end	16,893	6,056	4,101	5,317	782	2,332	1,264	9,906	46,651
Loans and advances to banks—period end	2,667	3,001	301	1,642	24	867	170	9,798	18,470
Total assets employed[1][2]	32,931	12,612	5,311	12,804	1,101	5,872	3,086	34,873	108,590
Total risk weighted assets and contingents	14,763	7,672	3,553	6,895	1,509	3,142	1,628	18,076	57,238

Notes:

(1) Total interest receivable and total interest payable include intra-group interest of U.S.$1,832 million. Total assets employed include intra-group items of U.S.$19,793 million and balances of U.S.$1,011 million which are netted in the Group's consolidated balance sheet.

(2) 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. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

(3) Business acquisitions have been made as part of the Group's growth strategy. These activities are a result of corporate decisions made at the centre and the amortisation of purchased goodwill is included in the Americas, U.K. & Group Head Office segment.

(4) The resolution of Year 2000 related technology issues has been managed from the centre as a global project, and the cost of this is included in the Americas, U.K. & Group Head Office segment.

(5) The geographic segment is based on the location of the office.

Segmental Information by class of business

	Six months ended 30th June, 2002 Consumer Banking	2002 Wholesale Banking	2002 Total	2001 Consumer Banking	2001 Wholesale Banking	2001 Total
	(in U.S.$ millions)					
Net interest income	938	604	1,542	819	586	1,405
Other income	277	466	743	259	500	759
Net Revenue(1)	1,215	1,070	2,285	1,078	1,086	2,164
Costs	(568)	(608)	(1,176)	(614)	(585)	(1,199)
Amortisation of goodwill			(68)			(68)
Total operating expenses(1)(2)	(568)	(608)	(1,244)	(614)	(585)	(1,267)
Profit before provisions	647	462	1,041	464	501	897
Charge for debts, contingent liabilities and commitments	(321)	(86)	(407)	(123)	(146)	(269)
Profit before taxation	326	376	634	341	355	628
Total assets employed(3)	41,541	103,105	144,646	39,900	96,150	136,050

	Year ended 31st December, 2001 Consumer Banking	2001 Wholesale Banking	2001 Total	2000 Consumer Banking	2000 Wholesale Banking	2000 Total	1999 Consumer Banking	1999 Wholesale Banking	1999 Total
	(in U.S.$ millions)								
Net interest income	1,702	1,198	2,900	1,607	1,073	2,680	1,531	1,116	2,647
Other income	520	985	1,505	453	928	1,381	333	868	1,201
Net Revenue(1)	2,222	2,183	4,405	2,060	2,001	4,061	1,864	1,984	3,848
Costs	(1,254)	(1,191)	(2,445)	(1,124)	(1,173)	(2,297)	(990)	(1,103)	(2,093)
Amortisation of goodwill			(140)			(71)			(35)
Restructuring provision			—			(323)			—
Year 2000 costs			—			(23)			(98)
Total operating expenses(1)(2)	(1,254)	(1,191)	(2,585)	(1,124)	(1,173)	(2,714)	(990)	(1,103)	(2,226)
Profit before provisions	968	992	1,820	936	828	1,347	874	881	1,622
Charge for debts, contingent liabilities and commitments	(330)	(401)	(731)	(182)	(288)	(470)	(228)	(573)	(801)
Operating profit	638	591	1,089	754	540	877	646	308	821
Profit on disposal of subsidiary undertakings			—			532			—
Profit before taxation	638	591	1,089	754	540	1,409	646	308	821
Total assets employed(3)	44,992	90,825	135,817	42,729	84,112	126,841	34,631	73,959	108,590

Notes:

(1) Group central expenses and other overhead costs have been distributed between classes of business in proportion to their direct costs and the benefit of the Group's capital has been distributed between classes of business in proportion to their risk weighted assets.

(2) Total operating expenses include a U.S.$nil (six months ended 30th June, 2001: U.S.$nil) restructuring charge (year ended 31st December, 2001: U.S.$nil; 2000: U.S.$323 million; 1999: U.S.$nil), U.S.$68 million (six months ended 30th June, 2001: U.S.$68 million) relating to amortisation of goodwill charge (year ended 31st December, 2001: U.S.$140 million; 2000: U.S.$71 million; 1999: U.S.$35 million) and U.S.$nil (six months ended 30th June, 2001: U.S.$nil) of year 2000 costs (year ended 31st December, 2001: U.S.$nil; 2000: U.S.$23 million; 1999:U.S.$98 million). These costs are a result of global projects managed from the centre and corporate decisions made at the centre and have not been attributed to business segments.

(3) Total assets employed include intra-group items of U.S.$26,234 million (30th June, 2001: U.S.$23,132 million) (31st December, 2001: U.S.$24,724 million; 2000: U.S.$21,790 million; 1999: U.S.$19,793 million) and balances which are netted in the consolidated balance sheet of U.S.$5,595 million (30th June, 2001: U.S.$3,081 million) (31st December, 2001: U.S.$3,558 million; 2000: U.S.$2,616 million; 1999: U.S.$1,011 million). Assets held at the centre have been distributed between classes of businesses in proportion to their total assets employed.

RESULTS OF OPERATIONS

Six months ended 30th June, 2002 compared with six months ended 30th June, 2001

Overview

The results for the six months ended 30th June, 2002 showed strong performance with operating profit before provisions at U.S.$1,041 million, 16% higher than the equivalent period in the previous year. Despite a higher debt charge, the Group's operating profit before taxation was U.S.$634 million compared to U.S.$628 million in the six months ended 30th June, 2001.

The Group is beginning to see benefits from the acquisitions made in the past few years. SCNB was profitable for the first time in the first half of 2002 while the benefits of the Grindlays acquisition were demonstrated by the stronger contribution from India and the Middle East, with operating profit before taxation up 43% and 53% respectively. Hong Kong, despite being affected by the personal bankruptcy issue, still represents a very significant market for the Group.

Revenue grew by 6% to U.S.$2,285 million in the first half of 2002. This is satisfactory performance given the economic climate with weak demand in many of Standard Chartered's markets, particularly in Hong Kong. Overall, the average net interest margin was 3.1% compared to 3.0% in the first half of 2001.

Total operating expenses fell by 2% from U.S.$1,267 million in the first half of 2001 to U.S.$1,244 million in the first half of 2002. The Efficiency Programme initiated in 2000 progressed well with the shared service centres in Chennai and Kuala Lumpur performing successfully. Standard Chartered took strong action to reduce central costs. The cost-income ratio improved from 55.6% in the six months ended 30th June, 2001 to 51.9% in the six months ended 30th June, 2002 on a normalised basis.

Net provisions for bad and doubtful debts, contingent liabilities and commitments at U.S.$407 million were U.S.$138 million higher than the first half of 2001. Provisions for bad debts were adversely affected by two major factors: personal bankruptcies in Hong Kong and the economic deterioration in Argentina.

The Group's total assets grew by 5% to U.S.$112.8 billion at June 2002 from U.S.$107.5 billion at December 2001. The Group's capital ratios are strong. The Tier 1 capital ratio was maintained at 9.0% and the total capital ratio was 15.9% at 30th June, 2002 compared to 16.2% at 31st December, 2001.

Net Revenue

Net revenue grew by 6% to U.S.$2,285 million for the six months ended 30th June, 2002 from U.S.$2,164 million for the six months ended 30th June, 2001. This increase occured during a period of difficult economic conditions with weak demand in many of Standard Chartered's markets, particularly Hong Kong.

The key items in Standard Chartered's net revenue for the six months ended 30th June, 2002 and 2001 are set out in the table below.

	Six months ended 30th June, 2002	2001
	(in U.S.$ millions)	
Interest receivable	2,553	3,400
Interest payable	(1,011)	(1,995)
Net interest income	1,542	1,405
Fees and commissions receivable, net and other income	514	510
Dealing profits and exchange	229	249
Net revenue	2,285	2,164

Net Interest Income

Net interest income increased by 10% driven largely by volume growth in Consumer Banking and strong earnings on asset and liability management. The Group's average interest earning assets rose by U.S.$3.1 billion (3%) compared to the first six months of 2001. Overall the average net interest margin was 3.1% compared to 3.0% in the equivalent period last year.

Net Fees and Commissions Receivable and Other Income

Fees and commissions and other income were broadly flat at U.S.$514 million compared to U.S.$510 million in the first half of 2001, reflecting generally weak demand for corporate banking products, partially offset by growth in Wealth Management.

Dealing Profits and Exchange

Dealing profits fell by U.S.$20 million (8%). This was mainly due to lower volumes in Africa.

Operating Expenses

The principal items in Standard Chartered's operating expenses for the six months ended 30th June, 2002 and 2001 are set out below.

	Six months ended 30th June, 2002	2001
	(in U.S.$ millions)	
Administrative expenses:		
Staff	634	617
Premises	138	150
Other	315	348
Depreciation and amortisation	157	152
Total operating expenses	1,244	1,267

Total operating expenses fell by 2% compared to the first half of 2001. The centralisation and operational efficiency programmes, together with cost synergies driven from the integration of acquisitions, contributed estimated net cost benefits of U.S.$78 million in the six months to 30th June, 2002. This has enabled the Group to continue to invest for future growth. The cost-income ratio improved from 55.6% in the first half of 2001 to 51.9% for this period on a normalised basis.

Operating Profit Before Provisions

Operating profit before provisions increased by U.S.$144 million (16%) to U.S.$1,041 million in the first half of 2002 reflecting higher revenues and lower costs.

Provisions

Net provisions for bad and doubtful debts, contingent liabilities and commitments were at U.S.$407 million for the first half of 2002, U.S.$138 million higher than the equivalent period in 2001, but lower than the provisions taken in the second half of 2001. Two significant factors were responsible for the increase in debt charge: the significant increases in Hong Kong bankruptcies resulted in provisions of U.S.$149 million, and the worsening economic situation in Argentina resulted in provisions of U.S.$75 million (in addition to U.S.$35 million taken in the second half of 2001).

Taxation

The taxation charge for the six months ended 30th June, 2002 was U.S.$201 million (31.7% of profit before taxation) compared with U.S.$218 million (34.7% of profit before taxation) in the first half of 2001. The decrease in the effective tax rate was largely the result of availability of prior year tax losses.

Profit after Taxation

Profit after taxation increased by U.S.$23 million from U.S.$410 million in the first half of 2001 to U.S.$433 million in the first half of 2002. Higher revenues, lower costs and a lower taxation charge more than offset higher provisions.

Business performance

The following table sets out revenue, expenses, profit before provisions, provisions and operating profit for the Consumer Banking and Wholesale Banking businesses for the six months ended 30th June, 2002 and 30th June, 2001. The relative contribution to revenue of the Consumer Banking and Wholesale Banking businesses fluctuates from year to year in light of external factors such as mortgage margin pressure and the economic conditions in the markets where Standard Chartered operates.

	Six months ended 30th June,			
	2002		2001	
	Amount	Percentage of total	Amount	Percentage of total
	(in U.S.$ millions, except percentages)			
Net revenue:				
Consumer Banking				
Cards/Personal Loans	557	46	462	43
Wealth Management/Deposits	412	34	386	36
Mortgages and Auto Finance	232	19	201	19
Other	14	1	29	2
Total	1,215	100	1,078	100
Wholesale Banking				
Global Markets	488	46	429	40
Cash Management	158	15	166	15
Custody	31	2	52	5
Trade and Lending	393	37	439	40
Total	1,070	100	1,086	100
Expenses:				
Consumer Banking	(568)	—	(614)	—
Wholesale Banking	(608)	—	(585)	—
Profit before provisions:				
Consumer Banking	647	—	464	—
Wholesale Banking	462	—	501	—
Provisions for debts, contingent liabilities and commitments:				
Consumer Banking	(321)	—	(123)	—
Wholesale Banking	(86)	—	(146)	—
Operating profit:				
Consumer Banking	326	—	341	—
Wholesale Banking	376	—	355	—

Consumer Banking

Consumer Banking net revenues increased by 13% from U.S.$1,078 million in the first half of 2001 to U.S.$1,215 million in the first half of 2002.

One of the Group's most important businesses is cards. Cards and personal loans revenues grew by 21% year-on-year from U.S.$462 million to U.S.$557 million primarily as a result of a 9% increase in the number of cards in issue to approximately six million. Cards revenue alone grew 14% despite a cautious approach to new account acquisition in Hong Kong.

Wealth management performed well and revenues increased 7% to U.S.$412 million in the first half of 2002 from U.S.$386 million in the first half of 2001. This was driven by growth in fee earning activities which offset the impact of the lower interest rate environment. Retail treasury, unit trusts and Bancassurance all experienced strong growth. Retail foreign exchange grew by 75%. Hong Kong and Singapore accounted for 87% of the revenues, but there is a significant cross-selling opportunity across all of Standard Chartered's markets. Bancassurance revenues were 28% ahead of the first half of 2001.

Mortgages and auto finance revenues grew by 15% from U.S.$201 million in the first half of 2001 to U.S.$232 million in the first half of 2002, reflecting the introduction of new products. The Mortgage One product in Hong Kong has been a particular success. Margins remained flat throughout the period.

Costs were cut 8% by U.S.$46 million to U.S.$568 million. This was as a result of stringent cost control, particularly in Hong Kong. Despite the overall cost reduction the Group has maintained its investment in initiatives key to future growth, for example, customer sales and service capability. Investment in Consumer Banking is ongoing with the Manhattan brand scheduled to be rolled out across Asia in early 2003 and end-to-end processing being improved.

The net debt charge increased from U.S.$123 million in the first half of 2001 to U.S.$321 million in the first half of 2002, primarily as a result of the increase in personal bankruptcies that has affected Hong Kong. Charges relating to this in the first half of 2002 amounted to U.S.$149 million (U.S.$66 million in the first quarter of 2002; U.S.$83 million in the second quarter of 2002), predominantly in the unsecured lending non-mortgage business. In the third quarter of 2002, the amount charged was U.S.$74 million. As Hong Kong unemployment remains high, Standard Chartered believes that the situation is still uncertain. In addition, the Group reduced the charge-off period for credit cards in Hong Kong from 150 days past due to 120 days past due as a consequence of the market environment. Elsewhere, the growth in bad debts reflects higher volumes, changes in the business mix and economic conditions.

Wholesale Banking

The Wholesale Banking business is being developed from a traditional lending orientated and capital intensive business to one focused on debt capital markets, treasury, cash management and structured trade business that will deliver better returns. The Group will forego business opportunities that it believes will not deliver an adequate return to the Standard Chartered. Committed lines on investment grade companies have been reduced by U.S.$2.1 billion to U.S.$43 billion. This has had an impact on revenue growth. Standard Chartered is prioritising Consumer Banking in the allocation of incremental capital; this is not only helping the Consumer Banking business to grow but also helps to ensure that capital within the Wholesale Banking is allocated to those relationships which Standard Chartered believes will produce the highest returns. Overall Wholesale Banking revenues fell by 1% from U.S.$1,086 million for the six months ended 30th June, 2001 to U.S.$1,070 million for the six months ended 30th June, 2002.

Global Markets revenue increased by U.S.$59 million in the first half of 2001 to U.S.$488 million in the first half of 2002. New products are being launched and marketed to Standard Chartered's customers. Asset and liability management revenue comprised over half of Global Markets revenue and benefited from the prevailing level of interest rates.

Cash management balances grew by 24%, but revenues have declined from U.S.$166 million in the first half of 2001 to U.S.$158 million in the first half of 2002, primarily as a result of the fact that margins have declined as a result of the low interest rate environment.

The reduction in custody revenues by 40% from U.S.$52 million in the first half of 2001 to U.S.$31 million in the first half of 2002 reflected the decrease in equity activity. The revenue for this business is driven by volume and equity values.

Trade and lending revenues reduced from U.S.$439 million for the six months ended 30th June, 2001 to U.S.$393 million for the six months ended 30th June, 2002. Market demand has been weak and the reduction is in part due to the repositioning of the business.

The Group continues to win high quality mandates in cash management, custody and trade. For example, in July 2002, Standard Chartered Bank was appointed by the HKMA as the sole settlement institution for Euro clearing in Hong Kong.

Geographical Performance

Standard Chartered operates in over 50 countries. In the past, the Group has derived a large proportion of its profit from a small number of territories. This pattern appears to be changing as more of the regions contribute profit to the Group. Each of Hong Kong, Singapore, India, Middle East and Other South Asia and Africa all contributed more than 10% of the Group's operating profit before taxation in the first half of 2002.

The following table sets out revenue and provisions for Hong Kong, Singapore, Malaysia, Other Asia Pacific, India, Middle East and Other South Asia, Africa, and the Americas, the United Kingdom and Group Head Office.

	Six months ended 30th June,			
	2002		2001	
	Amount	Percentage of Total	Amount	Percentage of Total
	(in U.S.$ millions, except percentages)			
Net Revenue:				
Hong Kong	734	32	697	32
Singapore	235	10	218	10
Malaysia	115	5	124	6
Other Asia Pacific	283	12	265	12
India	198	9	170	8
Middle East and Other South Asia	242	11	208	10
Africa	176	8	177	8
Americas, the United Kingdom and Group Head Office	302	13	305	14
Total	2,285	100	2,164	100
Provisions for debts, contingent liabilities and commitments:				
Hong Kong	(231)	57	(102)	38
Singapore	(17)	4	(23)	9
Malaysia	(10)	2	(55)	20
Other Asia Pacific	(34)	8	(27)	10
India	(19)	5	(11)	4
Middle East and Other South Asia	—	—	(11)	4
Africa	3	—	(3)	1
Americas, the United Kingdom and Group Head Office	(99)	24	(37)	14
Total	(407)	100	(269)	100

Hong Kong

Although net revenue grew by 5% from U.S.$697 million in the first half of 2001 to U.S.$734 million in the first half of 2002, operating profit before taxation fell by U.S.$58 million to U.S.$207 million in the same period. This was as a result of the U.S.$129 million increase in the bad debt charge to U.S.$231 million. Market conditions were difficult as a result of the higher incidence of personal bankruptcies, a deflationary environment and higher unemployment. Customer loans and deposits both fell by 2% (the advances/deposits ratio was 74%). The Group incurred a further debt charge of U.S.$11 million in Hong Kong by reducing the charge-off period on credit cards from 150 days to 120 days past due. This was partially offset by the performance of mortgages and Global Markets. In Hong Kong, mortgages and auto finance assets grew by 5%. The average book margin was prime rate less 167 basis points, with new business pricing staying at prime rate less 236 basis points. The delinquency ratio was 0.76% in June 2002. Global Markets produced improved results which partially offset the result in Consumer Banking.

Standard Chartered has been working closely with the industry to support the establishment of a positive data bureau. The Government has launched a consultation paper on changes to data privacy rules in Hong Kong which would allow the establishment of a positive data bureau. Standard Chartered hopes that this will be in place by the end of this year.

On the issue of personal bankruptcies in Hong Kong, Standard Chartered took a charge of U.S.$66 million in the first quarter and a further U.S.$83 million in the second quarter. These figures include charge-offs on all products (credit cards, mortgages and other personal loans). Standard Chartered's policy is to charge off all loan outstandings at the time the petition for bankruptcy is filed (rather than when the petition is being approved or once the loans have aged). In the third quarter of 2002, the Group has taken a charge of U.S.$74 million in relation to personal bankruptcies.

Singapore

Singapore has increased its operating profit before taxation by U.S.$25 million to U.S.$121 million in the first half of 2002 as a result of an increase in net revenue of U.S.$17 million and a decrease in debt charge of U.S.$6 million. Significant market share growth was achieved in Consumer Banking. The Group's customer base has grown by 11% and its distribution capability has been enhanced through a shared ATM network.

Malaysia

In Malaysia, operating profit before taxation improved by U.S.$24 million to U.S.$32 million in the first half of 2002. This growth was due to the improvement in the trading environment which has resulted in a reduction in debt charges from U.S.$55 million in the first half of 2001 to U.S.$10 million in the first half of 2002.

Other Asia Pacific

Other Asia Pacific increased its operating profit before taxation by 42% from U.S.$38 million to U.S.$54 million in the first half of 2002. This was mainly due to the Group's investments in Taiwan and Thailand. Thailand benefited from higher volumes and margins in the unsecured lending business. Taiwan saw strong growth in Consumer Banking due to a successful mortgage campaign.

India

In India, operating profit before taxation grew by 43% from U.S.$53 million in the first half of 2001 to U.S.$76 million in the first half of 2002. Net revenue grew by 16% in the same period although debt charges increased by U.S.$8 million to U.S.$19 million. The improved performance was in part due to the integration of the Grindlays acquisition.

Middle East and Other South Asia

Operating profit before taxation rose by U.S.$52 million to U.S.$150 million in the first half of 2002. Net revenue growth, reduction in costs and a decrease in debt charges accounted for U.S.$34 million, U.S.$7 million and U.S.$11 million respectively. The improved performance reflects a strong organic business growth and highlights the success of the Grindlays integration. During the same period, headcount was reduced by 21%. Standard Chartered now has a wide array of innovative products. The United Arab Emirates generated trading profit at an annualised rate in excess of U.S.$100 million, and Pakistan, Bangladesh and Bahrain are all well established businesses with great potential.

Africa

In Africa, operating profit before taxation was U.S.$68 million in the first half of 2002, an increase of U.S.$4 million from the first half of 2001. This was mainly due to the U.S.$3 million recovery of bad debts in the first half of 2002, compared to a U.S.$3 million charge in the same period in 2001. The region has been successful despite a difficult economic and political environment and depreciating currencies.

Americas, the United Kingdom and Group Head Office

Results from the Americas and the U.K. showed a loss of U.S.$74 million for the first half of 2002, compared to an operating profit before taxation of U.S.$6 million in the same period in 2001.

This was mainly due to a U.S.$75 million debt charge for Argentina, which followed a charge of U.S.$35 million in the second half of 2001. Despite almost all lending in Argentina being to banks, and in particular subsidiaries of international banks for the purpose of trade finance, substantial further provisioning was required in these extremely uncertain circumstances. The Group now has approximately 50% coverage for outstandings in Argentina. The Group has also reviewed its exposure to Brazil. At 30th June, 2002, there were net exposures of U.S.$663 million. The Group is taking a cautious approach with a reduction programme in place. Most of the Group's exposure in Brazil is to banks. The Group has reviewed this bank portfolio carefully and has concluded that no provisions were required as at 30th June 2002. Latin America has adversely affected the Group's profitability and the Group is consequently undertaking a review of this business.

Year ended 31st December, 2001 compared with year ended 31st December, 2000

Overview

Standard Chartered operated in very difficult markets in 2001. The challenges of global economic slowdown and competitive pressures on mortgage margins were compounded in the second half of 2001 by the uncertainty following the tragic events of 11th September and its impact on consumer confidence. Standard Chartered's operating profit before goodwill, restructuring and provisions at U.S.$1,960 million for the year ended 31st December, 2001 was 13% higher than the previous year. Credit losses were sharply higher, driven in particular by Malaysia, personal bankruptcies in Hong Kong, and the declining economic environment in the Americas.

The results for 2001 included the first full year effect of the acquisitions of Grindlays and the Hong Kong-based retail banking business of The Chase Manhattan Bank and the disposal of Chartered Trust. To assist an understanding of the performance of the business on a comparable basis, this review also provides growth rates for Standard Chartered's "underlying business" (which excludes Chartered Trust, the acquisitions and the one-off restructuring charge taken in 2000) where the "underlying business" performance differs significantly from the total Group performance.

Net revenue in 2001 grew by 8% in total to U.S.$4,405 million and by 5% in the underlying business. This was a strong achievement in a difficult economic environment and included approximately U.S.$120 million loss of revenue as a direct result of re-pricing in the Hong Kong mortgage market.

Overall, the Group's net interest margin fell slightly from 3.1% in 2000 to 3% in 2001, but there were a lot of offsetting influences.

Fees, commissions and other income rose by 3% overall in 2001, with 8% in the underlying business. Growth was primarily driven by the cards business.

Dealing profits grew by 25% overall in 2001, and by 21% in the underlying business. The Group has continued to expand its customer driven treasury business.

Total operating expenses were 5% lower in 2001 compared to 2000. Underlying costs grew by 3% in the same period.

The growth in the debt charge from U.S.$470 million to U.S.$731 million had a significant impact on trading profit. It was affected by three major factors: the Wholesale Banking book in Malaysia, the increasing impact of personal bankruptcies in Hong Kong, and Argentina.

The Group's total assets grew by 5% to U.S.$107,535 million in 2001 from U.S.$102,435 million in 2000. The Group raised U.S.$1.5 billion of Tier 1 capital and U.S.$0.7 billion of Tier 2 capital during 2001. The Tier 1 ratio at the end of the 2001 was 9.0% and the total capital ratio was 16.2%.

Net Revenue

The key items in Standard Chartered's net revenue for years 2001 and 2000 are set out in the table below.

	Year ended 31st December,	
	2001	2000
	(in U.S.$ millions)	
Interest receivable	6,419	6,905
Interest payable	(3,519)	(4,225)
Net interest income	2,900	2,680
Fees and commissions receivable, net and other income	1,035	1,004
Dealing profits and exchange	470	377
Net revenue	4,405	4,061

Net Interest Income

Standard Chartered's net interest income increased 8% in 2001. The increase reflected primarily a 12% increase in the average interest earning assets in 2001. The Group's average net interest margin fell slightly from 3.1% in 2000 to 3.0% in 2001, but there were a number of offsetting influences. The sale of the high margin Chartered Trust business, price competition in Hong Kong mortgages and lower prevailing interest rates all had a negative impact. Offsetting these influences were the growth in high yielding cards business and the increased contribution from the businesses in India and other Middle East and Other South Asia.

Net Fees and Commissions Receivable and Other Income

Net fees and commissions receivable and other income increased 3% in 2001. Growth was primarily driven by the cards business although this was partly offset by the effects on trade finance revenues of major declines in export volumes in the Group's principal markets and the declines in the level and activity of equity markets.

Dealing Profits and Exchange

Dealing profits and exchange grew by 25% in 2001. The Group continued to expand its customer driven treasury business, while at the same time enhancing its product offering.

Net Revenue

Standard Chartered's net revenue increased by 8% in 2001.

Operating Expenses

The principal items in Standard Chartered's operating expenses for the years 2001 and 2000 are set out below.

	Year ended 31st December,	
	2001	**2000**
	(in U.S.$ millions)	
Administrative expenses:		
Staff	1,241	1,387
Premises	285	302
Other	735	728
Depreciation and amortisation	324	297
Total operating expenses	2,585	2,714

Standard Chartered's operating expenses decreased by 5% in 2001 to U.S.$2,585 million from U.S.$2,714 million in 2000. Excluding goodwill amortisation, and the one-off restructuring charge taken in 2000, operating expenses grew by 5% and operating expenses in the underlying business grew by 3%.

Operating Profit Before Provisions

Operating profit before provisions increased by 35% to U.S.$1,820 million in 2001 from U.S.$1,347 million in 2000, which included the one-off restructuring charge of U.S.$323 million.

Provisions

Provisions for the years 2001 and 2000 are set out in the table below.

	Year ended 31st December, 2001	2000
	(in U.S.$ millions)	
Provisions for bad and doubtful debts	732	462
Provisions for contingent liabilities and commitments	(1)	8
Total	731	470

Provisions for bad and doubtful debts increased by 58% in 2001 reflecting the increase in personal bankruptcies in Hong Kong, a sharply higher charge in Wholesale Banking in Malaysia and increased provisions in the Americas, reflecting the difficult economic conditions. Standard Chartered took provisions of U.S.$35 million against Argentina in the second half of 2001. Provisions for contingent liabilities and commitments were not significant.

Profit on Disposal of Subsidiary Undertakings

Profit on disposal of subsidiary undertakings was U.S.$532 million in 2000, relating to the disposal of Chartered Trust in the United Kingdom. There was no similar amount in 2001.

Taxation

The taxation charge for Standard Chartered increased in 2001 to U.S.$378 million (34.7% of profit before taxation) from U.S.$377 million (26.8% of profit before taxation) in 2000. The main reason for the higher effective tax rate in 2001 compared to 2000 was that the disposal of Chartered Trust in 2000 was tax free.

Profit after Taxation

Profit after taxation totalled U.S.$711 million in 2001, a decrease of 31% from U.S.$1,032 million in 2000. Higher revenue and lower costs were more than offset by the effects of higher provisions and by lower gain on disposal of subsidiary undertakings and higher taxation. Excluding the one-off restructuring charge and the gain on disposal of Chartered Trust, profit after taxation fell by 4% from U.S.$742 million in 2000 to U.S.$711 million in 2001.

Business performance

The following table sets out revenue, expenses, profit before provisions, provisions and operating profit for the Consumer Banking and Wholesale Banking businesses.

	Year ended 31st December,			
	2001		2000	
	Amount	Percentage of total	Amount	Percentage of total
	(in U.S.$ millions, except percentages)			
Net revenue:				
Consumer Banking				
Cards/Personal Loans	985	44	621	30
Wealth Management/Deposits	774	35	623	30
Mortgages and Auto Finance	395	18	744	36
Other	68	3	72	4
Total	2,222	100	2,060	100
Wholesale Banking				
Global Markets	914	42	583	29
Cash Management	355	16	351	18
Custody	65	3	89	4
Trade and Lending	849	39	978	49
Total	2,183	100	2,001	100
Expenses:				
Consumer Banking	(1,254)	—	(1,124)	—
Wholesale Banking	(1,191)	—	(1,173)	—
Profit before provisions:				
Consumer Banking	968	—	936	—
Wholesale Banking	992	—	828	—
Provisions for debts, contingent liabilities and commitments:				
Consumer Banking	(330)	—	(182)	—
Wholesale Banking	(401)	—	(288)	—
Operating profit:				
Consumer Banking	638	—	754	—
Wholesale Banking	591	—	540	—

Consumer Banking

Consumer Banking net revenues increased by 8% to U.S.$2,222 million in 2001 from U.S.$2,060 million in 2000.

Since the middle of 2000, Consumer Banking has been actively re-balancing its product portfolio. This is particularly important at a time when Standard Chartered's largest mortgage market, in Hong Kong, has seen continued pressure on margins. Intense price competition has reduced the average mortgage portfolio yield compared with 2000. Standard Chartered estimates that this decline reduced Standard Chartered's mortgage revenue by approximately U.S.$120 million in 2001. In response, Standard Chartered has been building its revenue base across a broad range of high value added products, specifically in cards, personal loans and wealth management, which have more than offset the loss of mortgage revenue.

Revenues from mortgages and auto finance decreased by 47% to U.S.$395 million in 2001 from U.S.$744 million in 2000, mainly due to the sale of Chartered Trust in the second half of 2000, but also due to continuing margin compression in a number of markets, particularly in Hong Kong and Malaysia. Despite competitive pressure, sustained growth in outstandings of 6% across all markets was achieved.

Cards and personal loans revenues increased by 59% to U.S.$985 million in 2001 as a result of acquisitions and growth in the underlying business. Following the acquisition of MCCL in 2000, Standard Chartered is now the number one card issuer in Hong Kong. The total number of cards in issue across all markets increased to nearly six million at 31st December, 2001. In addition, Standard Chartered has broadened the geographic base of its credit card portfolio to take advantage of the larger, faster-growing markets. Hong Kong remains Standard Chartered's largest credit card market, where it has maintained a leading position. Taiwan and India became major credit card markets for Standard Chartered and rank immediately after Hong Kong. With the volume growth in this business, provisions also increased, but at a lower rate than revenue. Standard Chartered also made strong progress in developing its wealth management and deposits business in 2001. Revenues in these businesses increased 24% to U.S.$774 million from U.S.$623 million in 2000, driven by wider deposit margins and growth in distribution of mutual funds.

Operating expenses in Consumer Banking increased by 12% to U.S.$1,254 million in 2001 from U.S.$1,124 million in 2000. The increase reflected the effect of integrating the acquisitions, although the rate of growth in underlying costs was lower due to cost control and productivity improvements, partly offset by investment in high value generating activities to grow the Consumer Banking business.

The net provisions for bad debts increased from U.S.$182 million in 2000 to U.S.$330 million in 2001. Underlying volume growth contributed to the increase, as did a more difficult economic risk climate across many of Standard Chartered's major markets and, in particular, personal bankruptcies in Hong Kong.

Wholesale Banking

Operating profit before taxation grew by 9% to U.S.$591 million in 2001 from U.S.$540 million in 2000 and reflected a strong performance from Global Markets. Total revenue in 2001 grew by 9% to U.S.$2,183 million in 2001 from U.S.$2,001 million in 2000. Major declines in export volumes in the Group's principal markets had a direct impact on revenues from trade finance and loan demand generally was also weak due to the economic environment. In addition, the Group actively sought to reduce lending lines that were not generating expected returns. Global Markets had a strong year. Revenues from asset and liability management grew by more than U.S.$200 million. The Group was also able to achieve increased customer driven earnings through its treasury and debt capital markets activities. As a result, dealing income grew by 25%.

The performance from cash management was satisfactory. Lower interest rates had a negative impact on earnings from interest free balances, but this was offset through higher transaction volume. Custody revenue was down, due to the lower level and activity of equity markets, although the Group maintained strong market positions.

The cost base of Wholesale Banking was tightly controlled in 2001 with an increase in operating expenses of only 1.5% from U.S.$1,173 million to U.S.$1,191 million. This reflects the benefits of restructuring.

The major driver of the U.S.$113 million increase in the debt charge in Wholesale Banking was Malaysia, where the net charge increased by U.S.$98 million from 2000 to 2001. The portfolio was adversely impacted by the fall in exports to the United States and the adverse effect that that had on the Malaysian economy and equity markets. The portfolio in the Americas also deteriorated because of the difficult economic conditions. The Group took provisions of U.S.$50 million in 2001 against one corporate customer and Argentina.

Geographical Performance

The following table sets out revenue and provisions for the Hong Kong, Singapore, Malaysia, Other Asia Pacific, India, Middle East and Other South Asia, Africa and Americas, the United Kingdom and Group Head Office segments.

	Year ended 31st December,			
	2001		2000	
	Amount	Percentage of total	Amount	Percentage of total
	(in U.S.$ millions, except percentages)			
Net revenue:				
Hong Kong	1,442	33	1,188	29
Singapore	440	10	432	11
Malaysia	237	5	261	6
Other Asia Pacific	529	12	514	13
India	355	8	272	7
Middle East and Other South Asia	436	10	301	7
Africa	355	8	367	9
Americas, the United Kingdom and Group Head Office	611	14	726	18
Total	4,405	100	4,061	100
Provisions for debts, contingent liabilities and commitments:				
Hong Kong	(257)	35	(126)	27
Singapore	(51)	7	(20)	4
Malaysia	(130)	18	(25)	5
Other Asia Pacific	(86)	12	(60)	13
India	(27)	4	(31)	7
Middle East and Other South Asia	(39)	5	(28)	6
Africa	(13)	2	(50)	11
Americas, the United Kingdom and Group Head Office	(128)	17	(130)	27
Total	(731)	100	(470)	100

Hong Kong

Operating profit before taxation in Hong Kong decreased slightly in 2001 to U.S.$506 million from U.S.$509 million in 2000. Net revenue grew by 21% to U.S.$1,442 million in 2001 from U.S.$1,188 million in 2000. Net interest income grew by 22% to U.S.$1,094 million in 2001, driven by the credit cards business. However, this was partially offset by competitive pressures on mortgage margins. Average market Prime/HIBOR spreads widened from 3.2% to 3.3% in 2001. Standard Chartered's overall net interest margin increased from 2.9% in 2000 to 3.2% in 2001 due to growth in the high yielding cards business, which more than compensated for the decrease in mortgage margins. Fee based income increased 24% to U.S.$301 million from U.S.$243 million in 2000. Cards commission income was the main contributor to this growth. Overall costs increased 23% to U.S.$679 million from U.S.$553 million in 2000. The net provision for bad debts increased 104% to U.S.$257 million in 2001 from U.S.$126 million, due largely to personal bankruptcies.

Singapore

Singapore's operating profit before taxation decreased by 22% from U.S.$236 million in 2000 to U.S.$184 million in 2001 driven by the recessionary conditions in the country. Despite the economic environment, total revenue grew by 2%. Lower funding costs, due to lower inter-bank rates and higher interest income from the growth in the mortgages and cards businesses contributed to the increase. Total costs increased by 16% from U.S.$176 million in 2000 to U.S.$205 million in 2001 largely due to increases in staff numbers as well as project costs related to branch re-locations. The net provision for bad debts increased 155% from U.S.$20 million in 2000 to U.S.$51 million in 2001 due to higher receivables for credit cards and personal loans and increased mortgage volumes.

Malaysia

Standard Chartered's operations in Malaysia made a loss before taxation of U.S.$24 million in 2001, compared to an operating profit before taxation of U.S.$120 million in 2000. Net revenue decreased by 9% to U.S.$237 million in 2001 from U.S.$261 million in 2000. Net interest income decreased by 13% to U.S.$167 million in 2001 from U.S.$191 million in 2000, primarily due to margin erosion arising from intense competition in the mortgage market. Operating expenses increased 13% to U.S.$131 million in 2001 from U.S.$116 million in 2000. Net provision for bad debts was U.S.$130 million in 2001 compared with U.S.$25 million in 2000, and arose mainly in Wholesale Banking, triggered by the downturn in the domestic and U.S. economies.

Other Asia Pacific

In Other Asia Pacific, the operating profit before taxation increased from U.S.$6 million in 2000 to U.S.$39 million in 2001. Net revenue grew U.S.$15 million to U.S.$529 million in 2001, an increase of 3%. Performance improved in Taiwan and Thailand, both important growth markets for the Group. Operating expenses fell from U.S.$448 million in 2000 to U.S.$404 million in 2001, a decrease of 10%, and reflected the benefits of the restructuring in Brunei and Thailand. The net charge for bad debts was U.S.$86 million compared to U.S.$60 million in 2000, the U.S.$26 million increase reflecting the effect of the economic and political environment on the quality of the portfolio.

India

India's operating profit before taxation increased from U.S.$109 million in 2000 to U.S.$119 million to 2001, a rise of 9%. Net revenue grew from U.S.$272 million to U.S.$355 million, a rise of 31%. Net interest income grew by 40%, from U.S.$142 million, to U.S.$199 million, and non-interest income grew from U.S.$130 million to U.S.$156 million, a rise of 20%. This was driven by growth in cards, higher ALM earnings and profits on sale of securities. Total costs at U.S.$209 million were 58% higher than previous year's costs of U.S.$132 million, as a result of restructuring and integration costs. The net debt charge fell by 13% to U.S.$27 million, primarily as a result of improved recoveries.

Middle East and Other South Asia

Middle East and Other South Asia's operating profit before taxation grew by 61% to U.S.$190 million in 2001 from U.S.$118 million in 2000. Net revenue grew from U.S.$301 million to U.S.$436 million, a rise of 45%. Net interest income grew by 50%, from U.S.$187 million, to U.S.$281 million, while non-interest income grew from U.S.$114 million to U.S.$155 million, a rise of 36%. This was driven by growth in cards and wealth management, higher volumes in corporate sales, and increased foreign exchange sales volumes and ALM activity. Total costs at U.S.$207 million were 34% higher than the previous year, primarily due to restructuring and integration costs. The net debt charge rose by 39% to U.S.$39 million, as a result of increasing provisions to cover the deterioration in portfolio quality.

Africa

Increases in the performance of the African business in local currency terms were, to a large extent, offset by adverse exchange rate movements, notably in Zimbabwe and Ghana. However, operating profit before taxation increased by 10% to U.S.$116 million from U.S.$105 million in 2000. Net revenue fell by 3% to U.S.$355 million from U.S.$367 million in 2000. Net interest income remained flat, but exchange rate movements more than offset any increase in underlying income. Operating expenses rose by 7% to U.S.$226 million from U.S.$212 million, reflecting inflationary pressures partly offset by exchange rate movements. Net debt charge was lower in 2001.

Americas, the United Kingdom and Group Head Office

Operating profit before taxation for the Americas, the United Kingdom and Group Head Office segment fell by 120% from a profit of U.S.$206 million in 2000 to a loss of U.S.$41 million in 2001. The regions suffered from the general slowdown in the U.S. economy but benefited from the ALM opportunities provided by the large decline in U.S. dollar interest rates. Net revenue fell by 16% to U.S.$611 million in 2001 from U.S.$726 million in 2000.

Operating expenses decreased by 24% to U.S.$384 million in 2001 from U.S.$505 million in 2000 (excluding amortisation of goodwill, restructuring charge and Year 2000 costs) primarily due to the sale of Chartered Trust in the second half of 2000. The net provision for bad debts was 2% lower at U.S.$128 million in 2001, compared with U.S.$130 million in 2000. Provisions arising as a result of the general slowdown in the U.S. economy and provisions against Argentina were more than offset by the effect of the disposal of Chartered Trust.

Year ended 31st December, 2000 compared with year ended 31st December, 1999

Overview

Standard Chartered's operating profit before taxation for the year ended 31st December, 2000 was U.S.$1,409 million, compared with U.S.$821 million in 1999. This included a gain on the disposal of the Chartered Trust business of U.S.$532 million and the restructuring charge of U.S.$323 million associated with the Efficiency Programme which Standard Chartered announced in August 2000, and the acquisitions of Grindlays, the Hong Kong-based retail banking business of The Chase Manhattan Bank and MCCL. The profit after provisions and before the restructuring charge and the gain on the sale of Chartered Trust was U.S.$1,200 million, an increase of 46% compared to 1999.

To assist an understanding of the performance of the business on a comparable basis, this review also provides growth rates for Standard Chartered's "underlying business" which excludes Chartered Trust, the acquisitions and the restructuring charge.

In 2000, net revenue increased by 6% to U.S.$4,061 million from U.S.$3,848 million in 1999, while revenue from the underlying business grew by 4%. The increase in total net interest income of 1% to U.S.$2,680 million from U.S.$2,647 million in 1999 reflects a 12% increase in average interest earning assets to U.S.$86,571 million from U.S.$77,627 million in 1999. The overall net interest margin narrowed to 3.1% in 2000 from 3.4% in 1999. Margins were adversely impacted by margin pressure on the mortgage portfolio. The acquisitions and disposals in 2000 also diluted margins. Interest spread declined to 2.5% in 2000 from 2.8% in 1999. Strong performances in cards, wealth management, trade, cash management and custody led to strong growth in fee-based income.

Total operating expenses of U.S.$2,714 million in 2000 included the U.S.$323 million of restructuring charge associated with the Efficiency Programme. Excluding this restructuring charge, the increase in underlying business costs from continuing operations was 3%.

Bad debts declined significantly in 2000, particularly in Asia. Net provisions for bad and doubtful debts and contingents in 2000 of U.S.$470 million were 41% lower than the U.S.$801 million in the previous year.

The Group's total assets grew by 17% to U.S.$102,435 million in 2000, from U.S.$87,786 million in 1999, of which 10% resulted from the acquisitions. Standard Chartered raised U.S.$1.1 billion of Tier 1 capital and U.S.$1.2 billion of Tier 2 capital during 2000 which it used to finance the acquisitions and fund underlying growth. The Tier 1 ratio at the end of 2000 was 7.2%.

Net Revenue

The key items in Standard Chartered's net revenue for the years 2000 and 1999 are set out in the table below.

	Year ended 31st December,	
	2000	1999
	(in U.S.$ millions)	
Interest receivable	6,905	6,035
Interest payable	(4,225)	(3,388)
Net interest income	2,680	2,647
Fees and commissions receivable, net and other income	1,004	803
Dealing profits and exchange	377	398
Net revenue	4,061	3,848

Net Interest Income

Standard Chartered's net interest income increased by 1% in 2000. The increase reflected primarily a 12% increase in average interest earning assets in 2000. The overall net interest margin narrowed from 3.4% in 1999 to 3.1% in 2000. Margins were particularly affected by pressure on mortgage pricing. The acquisitions and disposals undertaken also diluted margins.

Net Fees and Commissions Receivable and Other Income

Net fees and commissions receivable and other income increased 25% as a result of significant growth in the credit card, wealth management, trade, custody, cash management and loan syndications businesses.

Dealing Profits and Exchange

Dealing profits and exchange fell by 5% in 2000, reflecting increasing customer volumes but lower volatility in Asian currencies.

Net Revenue

Standard Chartered's net revenue increased 6% in 2000.

Operating Expenses

The principal items in Standard Chartered's operating expenses for the years 2000 and 1999 are set out below.

	Year ended 31st December, 2000	1999
	(in U.S.$ millions)	
Administrative expenses:		
Staff	1,387	1,154
Premises	302	278
Other	728	605
Depreciation and amortisation	297	189
Total operating expenses	2,714	2,226

Standard Chartered's operating expenses increased by 22% in 2000 to U.S.$2,714 million from U.S.$2,226 million in 1999. The growth in operating expenses in 2000 in the underlying businesses was 3%. This increase in underlying operating expenses was primarily the result of investment in new products, systems and markets. Staff expenses increased by 20% in 2000 primarily as a result of the costs associated with the restructuring programme. Premises expenses increased by 9% in 2000. Depreciation and amortisation charges rose 57% in 2000 primarily as a result of increases in the goodwill amortisation charge arising from the acquisitions in 2000 and additional depreciation charges resulting from the Efficiency Programme.

Operating Profit Before Provisions

Operating profit before provisions decreased by 17% to U.S.$1,347 million in 2000 from U.S.$1,622 million in 1999, reflecting the one-off restructuring charge of U.S.$323 million in 2000.

Provisions

Provisions for the years 2000 and 1999 are set out in the table below.

	Year ended 31st December, 2000	1999
	(in U.S.$ millions)	
Provisions for bad and doubtful debts	462	801
Provisions for liabilities and commitments	8	—
Total	470	801

Provisions declined 41% in 2000, reflecting the improvement in 2000 in economic conditions in Standard Chartered's principal markets following the Asian economic crisis of 1997 to 1999. Provisions for liabilities and commitments were not significant.

This decrease reflected a reduction in new provisions to U.S.$705 million in 2000 from U.S.$1,006 million and an increase in recoveries to U.S.$243 million in 2000 from U.S.$205 million in 1999. In Consumer Banking, net provisions for bad debts decreased to U.S.$182 million in 2000 from U.S.$228 million in 1999. The net charge in Wholesale Banking decreased to U.S.$288 million in 2000 from U.S.$573 million in 1999. This charge was after recoveries of U.S.$144 million compared to U.S.$113 million in 1999. At the end of 2000, total non-performing loans after provisions and suspended interest amounted to U.S.$1,885 million, compared to U.S.$2,472 million in 1999, representing a decrease of 24%.

Profit on Disposal of Subsidiary Undertakings

Profit on disposal of subsidiary undertakings was U.S.$532 million in 2000, relating to the disposal of Chartered Trust in the United Kingdom. There was no similar amount in 1999.

Taxation

The taxation charge for Standard Chartered increased in 2000 to U.S.$377 million (26.8% of profit before taxation) from U.S.$241 million (29.4% of profit before taxation) in 1999. The main reason for the lower effective tax rate in 2000 compared to 1999 was the tax free disposal of Chartered Trust. The taxation charge as a percentage of profit in each of 2000 and 1999 was significantly lower than the historical norm of 30% to 35%.

Profit after Taxation

Profit after taxation totalled U.S.$1,032 million in 2000, an increase of 78% from U.S.$580 million in 1999, reflecting higher revenue and the profit on the sale of subsidiary undertakings and lower provisions, offset in part by higher taxation and higher operating expenses.

Business performance

The following table sets out net revenue, expenses, profit before provisions, provisions and operating profit for the Consumer Banking and Wholesale Banking businesses.

	Year ended 31st December,			
	2000		1999	
	Amount	Percentage of total	Amount	Percentage of total
	(in U.S.$ millions, except percentages)			
Net revenue:				
Consumer Banking				
Cards/Personal Loans	621	30	552	30
Wealth Management/Deposits	623	30	495	26
Mortgages and Auto Finance	744	36	730	39
Other	72	4	87	5
Total	2,060	100	1,864	100
Wholesale Banking				
Global Markets	583	29	665	34
Cash Management	351	18	284	14
Custody	89	4	69	3
Trade and Lending	978	49	966	49
Total	2,001	100	1,984	100
Expenses:				
Consumer Banking	(1,124)	—	(990)	—
Wholesale Banking	(1,173)	—	(1,103)	—
Profit before provisions:				
Consumer Banking	936	—	874	—
Wholesale Banking	828	—	881	—
Provisions for debts and contingent liabilities:				
Consumer Banking	(182)	—	(228)	—
Wholesale Banking	(288)	—	(573)	—
Operating profit:				
Consumer Banking	754	—	646	—
Wholesale Banking	540	—	308	—

Consumer Banking

Consumer Banking revenues increased by 11% to U.S.$2,060 million in 2000 from U.S.$1,864 million in 1999. Revenue growth in the underlying businesses was 13%. Cards and personal loans revenues increased by 13% to U.S.$621 million in 2000. The underlying cards business performed well, with outstandings up by 40%. The acquisitions in 2000 greatly enhanced market share in cards. Following the purchase of MCCL, Standard Chartered was one of the leading card issuers in Hong Kong, with approximately 25% of cards issued in the market at 31st December, 2000 compared with 15% at 31st December, 1999. The total number of cards in issue across all markets increased from approximately three million in 1999 to nearly five million in 2000. Revenues from mortgages and auto finance increased by 2% in 2000 reflecting strong growth in underlying assets despite intense margin pressure, particularly in Hong Kong. Standard Chartered made strong progress in developing its wealth management/deposits business in 2000. Revenues increased by 26% from U.S.$495 million to U.S.$623 million, driven by wider deposit margins and growth in distribution of mutual funds.

Operating expenses in Consumer Banking increased by 14% to U.S.$1,124 million in 2000 from U.S.$990 million in 1999. The increase was predominantly in the underlying business and reflected the significant investment that has been made in upgrading the branch network, growing the cards business and marketing initiatives during the period. The net provision for bad debts decreased by 20% to U.S.$182 million from U.S.$228 million in 1999, partly as a result of the disposal of Chartered Trust.

Operating profit increased by 17% to U.S.$754 million in 2000 from U.S.$646 million in 1999.

Wholesale Banking

In 2000, Standard Chartered merged Corporate & Institutional Banking with Global Markets to form Wholesale Banking, to provide greater operational efficiency and to improve cross-selling of products. Revenues from the combined business increased by 1% to U.S.$2,001 million in 2000 from U.S.$1,984 million in 1999. The underlying business accounted for approximately 50% of this increase. Global markets revenues fell by 12% in 2000. Less volatility and lower spreads continued to make foreign exchange trading difficult in the period. This was offset by growth in revenue generated from foreign exchange sales commissions received from customers and debt capital markets revenues. Cash management revenues grew by 24% to U.S.$351 million due to significant new business and higher margins. Custody business revenues increased by 29% to U.S.$89 million, as stock market activity increased and Standard Chartered benefited from market share gains achieved during the Asian economic crisis of 1997 to 1999. Trade and lending revenue grew by 1% to U.S.$978 million and the product range was enhanced, particularly the structured trade capability.

Operating expenses in Wholesale Banking increased by 6% to U.S.$1,173 million in 2000 from U.S.$1,103 million in 1999. Standard Chartered has invested in developing regional cash management services and an on-line trade finance capability. The net provision for bad debts of U.S.$288 million was 50% lower than the U.S.$573 million reported for 1999, as new provisions fell and recoveries increased. Overall recoveries increased by U.S.$31 million to U.S.$144 million, as a number of Asian economies continued to recover.

Operating profit increased by 75% to U.S.$540 million in 2000 from U.S.$308 million in 1999.

Geographical Performance

The following table sets out net revenue and provisions for the Hong Kong, Singapore, Malaysia, Other Asia Pacific, India, Middle East and Other South Asia, Africa, Americas, the United Kingdom and Group Head Office segments.

	Year ended 31st December,			
	2000		1999	
	Amount	Percentage of Total	Amount	Percentage of Total
	(in U.S.$ millions, except percentages)			
Net revenue:				
Hong Kong	1,188	29	1,116	29
Singapore	432	11	430	11
Malaysia	261	6	250	7
Other Asia Pacific	514	13	475	12
India	272	7	134	3
Middle East and Other South Asia	301	7	227	6
Africa	367	9	377	10
Americas, the United Kingdom and Group Head Office	726	18	839	22
Total	4,061	100	3,848	100
Provisions for debts and contingent liabilities:				
Hong Kong	(126)	27	(288)	36
Singapore	(20)	4	(86)	11
Malaysia	(25)	5	(42)	5
Other Asia Pacific	(60)	12	(176)	22
India	(31)	7	(26)	3
Middle East and Other South Asia	(28)	6	(87)	11
Africa	(50)	11	(10)	1
Americas, the United Kingdom and Group Head Office	(130)	28	(86)	11
Total	(470)	100	(801)	100

Hong Kong

Hong Kong's operating profit before taxation increased by 61% to U.S.$509 million from U.S.$317 million in 1999. Net revenue grew by 6% to U.S.$1,188 million in 2000 from U.S.$1,116 million in 1999. Net interest income grew by 5% to U.S.$898 million in 2000, driven by the credit card business. Average market Prime/HIBOR spreads widened from 2.9% to 3.2%, but Standard Chartered's overall net interest margin fell from 3.0% in 1999 to 2.9% in 2000. This was largely a consequence of the intense price pressure on the mortgage business. The effect of falling margins was offset by 9% growth in average outstandings to customers, to U.S.$18,157 million in 2000 from U.S.$16,701 million in 1999. Fee-based income increased by 11% to U.S.$290 million from U.S.$260 million in 1999. Cards and unit trust distribution were the main contributors to this growth. Overall costs increased by 8% to U.S.$553 million in 2000 from U.S.$511 million in 1999. The net provision for bad debts decreased by 56% to U.S.$126 million in 2000 from U.S.$288 million in 1999, as the quality of the portfolio in Hong Kong improved. New provisions decreased 46% and recoveries increased by 83% in 2000.

Singapore

Net revenue in Singapore grew to U.S.$432 million in 2000 from U.S.$430 million in 1999. Higher revenue from wealth management products was largely offset by decreases in mortgages and auto finance revenues, reflecting higher funding costs and lower gross margins during 2000. Total costs increased by 7% to U.S.$176 million 2000 from U.S.$165 million in 1999. The increase was largely due to increases in staff costs arising from the one-off restructuring charge to support the Efficiency Programme. The net provision for bad debts decreased by 77% from U.S.$86 million in 1999 to U.S.$20 million in 2000 with new provisions falling in line with the improved economic prospects in the Asian markets.

Operating profit before taxation for Singapore increased by 32% to U.S.$236 million from U.S.$179 million.

Malaysia

Malaysia's operating profit before taxation grew by 25% to U.S.$120 million from U.S.$96 million in 1999. Net revenue grew by 4% to U.S.$261 million from U.S.$250 million. ALM revenue recovered from the adverse effects of falling interest rates in 1999 and foreign exchange earnings were higher. Costs increased by 4% to U.S.$116 million from U.S.$112 million. Net debt charge was 40% lower at U.S.$25 million reflecting the generally improved economic environment.

Other Asia Pacific

Operating profit before taxation in Other Asia Pacific in 2000 was US$6 million compared with a loss of US$41 million in 1999. Net revenues grew by 8% to U.S.$514 million from U.S.$475 million in 1999, reflecting growth in Taiwan and the benefit of the inclusion of a full year of revenues from SCNB in Thailand. Costs increased 32% to U.S.$448 million from U.S.$340 million in 1999. The full year inclusion of SCNB, together with a voluntary redundancy programme in Thailand, and business expansion in Taiwan have been key cost drivers. The 66% decrease in net provision for bad debts to U.S.$60 million from U.S.$176 million in 1999 reflected the generally improved economic situation in Asia.

India

Grindlays was consolidated in Standard Chartered's results from 1st August, 2000.

Operating profit before taxation in India was U.S.$109 million in 2000, compared with a loss of U.S.$18 million in 1999. Revenue grew by 103% to U.S.$272 million from U.S.$134 million. Net interest income grew by 67% to U.S.$142 million from U.S.$85 million and non-interest income grew by 165% to U.S.$130 million from U.S.$49 million. The growth was partially due to the acquisition of Grindlays, coupled with growth in the underlying business, particularly from cards and auto loans. Total costs increased by 5% to U.S.$132 million, primarily due to the Grindlays acquisition. The net debt charge was 19% higher at U.S.$31 million, again reflecting the enlarged business following the Grindlays acquisition.

Middle East and Other South Asia

Operating profit before taxation grew by 237% in 2000 to U.S.$118 million from U.S.$35 million. Total net revenue grew by 33% to U.S.$301 million from U.S.$227 million, reflecting the acquisition of Grindlays combined with growth in the underlying cards business and higher margins. Total costs increased by 48% to U.S.$155 million, as a result of the acquisition and higher project investment. The net debt charge decreased by 68% in 2000 to U.S.$28 million from U.S.$87 million in 1999, which included significant provision against one corporate customer.

Africa

In Africa, the economies in two of Standard Chartered's larger markets, Ghana and Zimbabwe, suffered severe problems in 2000 and, as a result, profit before taxation declined by 38% to U.S.$105 million from U.S.$170 million in 1999. Net revenue fell by 3% to U.S.$367 million from U.S.$377 million in 1999. Strong volume growth and increased dealing and foreign exchange revenues were offset by the devaluation of currencies against sterling and the U.S. dollar. Operating expenses rose by 8% to U.S.$212 million from U.S.$197 million, reflecting the high inflationary pressure in most territories and expansion into Nigeria and the Ivory Coast. The economic difficulties in the largest markets resulted in an increase of U.S.$40 million in net provisions for bad debts, to U.S.$50 million from U.S.$10 million in 1999.

Americas, the United Kingdom and Group Head Office

Operating profit before taxation was U.S.$206 million in 2000 compared to U.S.$83 million in 1999. The 2000 figure included the one-off restructuring charge of U.S.$323 million and a gain on the sale of Chartered Trust of U.S.$532 million. Primarily as a result of the sale of Chartered Trust, net revenue decreased by 13% to U.S.$726 million from U.S.$839 million. Revenue from dealing profits and foreign exchange decreased by 15% to U.S.$93 million from U.S.$110 million in 1999, as spreads reduced and volumes continued to fall. Operating expenses, excluding the restructuring charge, Year 2000 costs of U.S.$23 million and amortisation of goodwill of U.S.$71 million, were 6% lower at U.S.$505 million compared to U.S.$537 million in 1999. The net provision for bad debts at U.S.$130 million was 51% higher than the U.S.$86 million in 1999 and reflected continuing difficulties in the Latin American economies and lower recoveries in the United States.

SELECTED STATISTICAL FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read in connection with the audited consolidated financial statements contained in the paragraph headed "Trading Record" and in the paragraph headed "Results of Operations" in this section. Information included in this paragraph relates to the consolidated operations of the Company, which has no significant operations or assets other than its 100% interest in Standard Chartered Bank.

Average Balance Sheets and Yield

The following tables set out the average balances and yields for Standard Chartered's assets and liabilities for the six months ended 30th June, 2002 and 2001 and each of the three years ended 31st December, 2001. For the purposes of the following table, average balances have generally been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. Standard Chartered does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	Six months ended 30th June,							
	2002				2001			
	Average non interest earning balance	Average interest earning balance	Interest income	Yield	Average non interest earning balance	Average interest earning balance	Interest income	Yield
	(in U.S.$ millions, except percentages)							
Assets								
Cash, balances at central banks and cheques in course of collection	979	150	2	2.7%	774	161	3	3.7%
Treasury bills and other eligible bills	—	4,818	126	5.2%	—	3,226	121	7.5%
Gross loans and advances to banks	1,067	21,131	364	3.4%	962	24,545	687	5.6%
Gross loans and advances to customers	951	56,205	1,692	6.0%	1,036	54,596	2,195	8.0%
Provisions against loans and advances to banks and customers	(2,564)	(697)	—	—	(2,370)	(708)	—	—
Debt securities	145	16,470	369	4.5%	264	13,108	394	6.0%
Equity shares	75	—	—	—	66	—	—	—
Premises and equipment	950	—	—	—	943	—	—	—
Prepayments, accrued income and other assets	7,376	—	—	—	9,369	—	—	—
Total average assets	8,979	98,077	2,553	5.2%	11,044	94,928	3,400	7.1%

	Year ended 31st December,											
	2001				2000				1999			
	Average non interest earning balance	Average interest earning balance	Interest income	Yield	Average non interest earning balance	Average interest earning balance	Interest income	Yield	Average non interest earning balance	Average interest earning balance	Interest income	Yield
	(in U.S.$ millions, except percentages)											
Assets												
Cash, balances at central banks and cheques in course of collection	758	180	7	3.8%	747	165	5	3.0%	471	152	2	1.3%
Treasury bills and other eligible bills	—	3,690	253	6.9%	—	3,966	314	7.9%	—	5,362	380	7.1%
Gross loans and advances to banks	1,117	24,518	1,172	4.8%	979	24,021	1,523	6.3%	803	19,471	1,061	5.4%
Gross loans and advances to customers	901	55,286	4,211	7.6%	706	49,543	4,452	9.0%	523	46,516	4,184	9.0%
Provisions against loans and advances to banks and customers	(2,404)	(735)	—	—	(2,491)	(693)	—	—	(2,090)	(579)	—	—
Debt securities	14	13,799	776	5.6%	12	9,569	611	6.4%	—	6,705	408	6.1%
Equity shares	59	—	—	—	61	—	—	—	81	—	—	—
Premises and equipment	942	—	—	—	964	—	—	—	856	—	—	—
Prepayments, accrued income and other assets	8,576	—	—	—	7,267	—	—	—	7,613	—	—	—
Total average assets	9,963	96,738	6,419	6.6%	8,245	86,571	6,905	8.0%	8,257	77,627	6,035	7.8%

	Six months ended 30th June, 2002				2001			
	Average non interest bearing balance	Average interest bearing balance	Interest expense	Rate Paid	Average non interest bearing balance	Average interest bearing balance	Interest expense	Rate Paid
	(in U.S.$ millions, except percentages)							
Liabilities								
Non interest bearing current and demand accounts	6,603	—	—	—	5,383	—	—	—
Interest bearing current and demand accounts	—	17,463	88	1.0%	—	15,378	262	3.4%
Saving deposits	42	4,733	54	2.3%	15	4,764	75	3.1%
Time deposits	1	51,113	642	2.5%	14	52,661	1,270	4.8%
Other deposits	175	3,383	55	3.3%	590	3,274	89	5.4%
Debt securities in issue	1,946	3,993	53	2.7%	1,746	4,920	134	5.4%
Accruals, deferred income and other liabilities	4,001	—	—	—	4,798	—	—	—
Subordinated liabilities:								
Undated loan capital	—	1,518	46	6.1%	—	1,803	46	5.1%
Dated loan capital	—	4,288	73	3.4%	—	2,989	119	8.0%
Minority interests	121	—	—	—	78	—	—	—
Shareholders' funds	7,676	—	—	—	7,559	—	—	—
Total average liabilities and shareholders' funds	20,565	86,491	1,011	2.3%	20,183	85,789	1,995	4.7%
Net yield				2.9%				2.4%
Net interest margin				3.1%				3.0%

	Year ended 31st December, 2001				2000				1999			
	Average non interest bearing balance	Average interest bearing balance	Interest expense	Rate paid	Average non interest bearing balance	Average interest bearing balance	Interest expense	Rate paid	Average non interest bearing balance	Average interest bearing balance	Interest expense	Rate paid
	(in U.S.$ millions, except percentages)											
Liabilities												
Non interest bearing current and demand accounts	5,322	—	—	—	5,198	—	—	—	4,084	—	—	—
Interest bearing current and demand accounts	—	16,140	421	2.6%	—	14,320	649	4.5%	—	12,255	489	4.0%
Saving deposits	45	4,703	132	2.8%	6	4,348	132	3.0%	5	3,624	125	3.4%
Time deposits	21	51,864	2,204	4.2%	2	46,067	2,645	5.7%	—	42,401	2,227	5.3%
Other deposits	45	3,648	180	4.9%	35	3,102	236	7.6%	31	1,898	115	6.1%
Debt securities in issue	1,758	4,696	238	5.1%	1,669	4,871	299	6.1%	1,474	4,590	252	5.5%
Accruals, deferred income and other liabilities	6,512	—	—	—	5,289	—	—	—	6,955	443	15	3.4%
Subordinated liabilities:												
Undated loan capital	—	1,507	78	5.2%	—	1,514	108	7.1%	—	1,608	87	5.4%
Dated loan capital	—	4,066	266	6.5%	—	2,367	156	6.6%	—	1,134	78	6.9%
Minority interests	74	—	—	—	89	—	—	—	91	—	—	—
Shareholders' funds	6,300	—	—	—	5,939	—	—	—	5,291	—	—	—
Total average liabilities and shareholders' funds	20,077	86,624	3,519	4.1%	18,227	76,589	4,225	5.5%	17,931	67,953	3,388	5.0%
Net yield				2.5%				2.5%				2.8%
Net interest margin				3.0%				3.1%				3.4%

Volume and Price Variances

The following table analyses the estimated change in Standard Chartered's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective interest rates for the periods presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to changes in volume.

	Six months ended 30th June, 2002 vs. Six months ended 30th June, 2001		
	Increase/(decrease) in interest due to		Net increase/ (decrease) in interest
	Volume	Rate	
	(in U.S.$ millions)		
Interest-earning assets			
Cash, and unrestricted balances at central banks	—	(1)	(1)
Treasury bills and other eligible bills	42	(37)	5
Loans and advances to banks	(59)	(264)	(323)
Loans and advances to customers	55	(556)	(501)
Debt securities and equity shares	75	(100)	(25)
Other assets	—	(2)	(2)
Total interest-earning assets	113	(960)	(847)
Interest-bearing liabilities			
Dated subordinated loan capital	22	(68)	(46)
Undated subordinated loan capital	(9)	9	—
Interest bearing current and demand accounts	11	(185)	(174)
Savings deposits	—	(21)	(21)
Time deposits	(19)	(609)	(628)
Other deposits	2	(36)	(34)
Debt securities in issue	(12)	(69)	(81)
Total interest-bearing liabilities	(5)	(979)	(984)

	Year ended December 31, 2001 vs. Year ended December 31, 2000		
	Increase/(decrease) in interest due to		Net increase/ (decrease) in interest
	Volume	Rate	
	(in U.S.$ millions)		
Interest-earning assets			
Cash, and unrestricted balances at central banks	1	1	2
Treasury bills and other eligible bills	(19)	(42)	(61)
Loans and advances to banks	24	(375)	(351)
Loans and advances to customers	440	(681)	(241)
Debt securities and equity shares	238	(73)	165
Total interest-earning assets	684	(1,170)	(486)
Interest-bearing liabilities			
Dated subordinated loan capital	111	(1)	110
Undated subordinated loan capital	—	(30)	(30)
Interest bearing current and demand accounts	47	(275)	(228)
Savings deposits	10	(10)	—
Time deposits	246	(687)	(441)
Other deposits	27	(83)	(56)
Debt securities in issue	(9)	(52)	(61)
Total interest-bearing liabilities	432	(1,138)	(706)

	Year ended 31st December, 2000 vs. Year ended 31st December, 1999		
	Increase/(decrease) in interest due to		Net increase/ (decrease) in interest
	Volume	Rate	
	(in U.S.$ millions)		
Interest-earning assets			
Cash, and unrestricted balances at central banks	—	3	3
Treasury bills and other eligible bills	(111)	45	(66)
Loans and advances to banks	288	174	462
Loans and advances to customers	265	3	268
Debt securities and equity shares	183	20	203
Total interest-earning assets	625	245	870
Interest-bearing liabilities			
Dated subordinated loan capital	81	(3)	78
Undated subordinated loan capital	(7)	28	21
Interest bearing current and demand accounts	94	66	160
Savings deposits	22	(15)	7
Time deposits	210	208	418
Other deposits	92	29	121
Debt securities in issue	17	30	47
Other liabilities	—	(15)	(15)
Total interest-bearing liabilities	509	328	837

Investment Portfolio

The following table sets out the book value of Standard Chartered's portfolio of investment securities and securities held for trading at 30th June, 2002 and 31st December, 2001, 2000 and 1999.

	At 30th June,	At 31st December,		
	2002	2001	2000	1999
	(in U.S.$ millions)			
Held for trading (dealing securities)				
Treasury bills and other eligible bills	160	144	179	119
Debt and other fixed income securities (incl bonds)	2,203	1,526	950	930
Equity shares and variable yield securities	—	—	—	—
	2,363	1,670	1,129	1,049
Held for investment				
One year or less				
Treasury bills and other eligible bills	4,216	4,678	3,671	3,975
Debt and other fixed income securities (incl bonds)	7,893	7,063	4,901	4,547
Equity shares and variable yield securities	1	—	3	5
	12,110	11,741	8,575	8,527
Held for investment				
One year through five years				
Treasury bills and other eligible bills	104	263	112	282
Debt and other fixed income securities (incl bonds)	6,256	6,370	3,653	2,257
Equity shares and variable yield securities	33	26	4	2
	6,393	6,659	3,769	2,541
Held for investment				
More than five years				
Treasury bills and other eligible bills	21	20	—	—
Debt and other fixed income securities (incl bonds)	2,303	1,012	301	267
Equity shares and variable yield securities	—	4	—	—
	2,324	1,036	301	267
Held for investment				
Undated				
Treasury bills and other eligible bills	—	—	—	—
Debt and other fixed income securities (incl bonds)	4	—	41	222
Equity shares and variable yield securities	97	79	96	55
	101	79	137	277
Total investments	23,291	21,185	13,911	12,661

Loan Portfolio

Maturities of Loan Portfolio

The following table sets out by maturity the amounts of customer loans net of provisions in the principal categories of the borrower's business or industry, outstanding at 30th June, 2002 and 31st December, 2001 and 2000 as well as the total customer loans in the principal categories of the borrower's business or industry, outstanding at 31st December, 1999, 1998 and 1997.

	At 30th June,				At 31st December,										
	2002				2001				2000				1999	1998	1997
	One year or less	One to five years	More than five years	Total	One year or less	One to five years	More than five years	Total	One year or less	One to five years	More than five years	Total	Total	Total	Total
	(in U.S.$ millions)														
Loans to individuals:															
Mortgages	2,914	3,989	13,156	20,059	2,372	4,136	12,241	18,749	2,110	3,073	12,553	17,736	15,118	13,458	11,428
Other	4,727	2,780	1,140	8,647	4,907	2,756	1,003	8,666	4,639	2,292	443	7,374	8,966	8,458	7,868
Consumer Banking	7,641	6,769	14,296	28,706	7,279	6,892	13,244	27,415	6,749	5,365	12,996	25,110	24,084	21,916	19,296
Loans to Governments	775	100	31	906	520	152	250	922	1,006	152	67	1,225	1,217	797	596
Agriculture, forestry and fishing	382	23	11	416	601	30	6	637	555	39	1	595	575	410	427
Mining and quarrying	560	360	40	960	680	259	38	977	353	197	6	556	692	427	252
Manufacturing	6,766	1,235	374	8,375	6,809	1,083	449	8,341	6,487	1,156	231	7,874	6,478	6,296	6,881
Electricity, gas and water	636	115	208	959	693	108	164	965	675	110	144	929	446	508	439
Construction	281	78	45	404	349	38	15	402	334	91	12	437	434	518	602
Commerce	4,001	251	209	4,461	3,849	295	95	4,239	5,569	659	195	6,423	5,928	6,305	6,186
Transport, storage and communication	1,343	452	428	2,223	1,162	459	608	2,229	1,604	672	283	2,559	899	935	767
Financing, insurance and business services	4,671	415	317	5,403	4,523	455	201	5,179	4,081	754	173	5,008	4,555	3,966	5,328
Other	1,406	468	664	2,538	1,103	430	634	2,167	256	652	726	1,634	1,782	1,680	1,905
Wholesale Banking	20,821	3,497	2,327	26,645	20,289	3,309	2,460	26,058	20,920	4,482	1,838	27,240	23,006	21,842	23,383
General provisions				(468)				(468)				(468)	(439)	(447)	(360)
				54,883				53,005				51,882	46,651	43,311	42,319

Interest Rate Sensitivity of Loan Portfolio

The following table sets out the interest rate sensitivity of customer loans outstanding at 30th June, 2002 and 31st December, 2001 and 2000. Interest rate risk on the customer loan portfolio is managed as part of Standard Chartered's risk management practices. See paragraph headed "Risk Management" in this section.

	At 30th June,			At 31st December,					
	2002			2001			2000		
	One to five years	More than five years	Total	One to five years	More than five years	Total	One to five years	More than five years	Total
	(in U.S.$ millions)								
Fixed interest rate	3,174	1,219	4,393	3,324	1,051	4,375	1,885	1,715	3,600
Variable interest rate	7,092	15,404	22,496	6,877	14,653	21,530	7,962	13,119	21,081
	10,266	16,623	26,889	10,201	15,704	25,905	9,847	14,834	24,681

Geographical Distribution

The following table sets out the geographical distribution of customer loans in each principal category of borrower's business or industry, outstanding at 30th June, 2002 and 31st December, 2001, 2000, 1999, 1998 and 1997.

At 30th June, 2002

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	12,764	3,447	1,970	1,104	192	26	36	520	20,059	36%	83
Other	2,952	1,324	541	1,159	812	1,467	188	204	8,647	16%	177
Consumer Banking	15,716	4,771	2,511	2,263	1,004	1,493	224	724	28,706	52%	260
Loans to Governments	—	40	338	67	2	13	—	446	906	2%	43
Agriculture, forestry and fishing	2	2	68	42	13	16	91	182	416	1%	4
Mining and quarrying	—	1	27	20	9	126	33	744	960	2%	7
Manufacturing	1,129	500	203	1,999	792	940	302	2,510	8,375	15%	284
Electricity, gas and water	330	44	24	285	31	99	22	124	959	2%	7
Construction	53	47	28	108	6	138	17	7	404	1%	15
Commerce	1,048	536	236	664	61	799	253	864	4,461	8%	153
Transport, storage and communication	304	196	68	202	45	157	89	1,162	2,223	4%	10
Financing, insurance and business services	1,643	641	208	621	101	318	49	1,822	5,403	10%	23
Other	930	997	49	285	—	135	22	120	2,538	4%	34
Wholesale Banking	5,439	3,004	1,249	4,293	1,060	2,741	878	7,981	26,645	49%	580
General Provisions								(468)	(468)	-1%	—
Total	21,155	7,775	3,760	6,556	2,064	4,234	1,102	8,237	54,883	100%	840

At 31st December, 2001

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	12,560	3,005	1,784	698	142	38	16	506	18,749	36%	74
Other	3,368	1,172	519	1,111	721	1,462	155	158	8,666	16%	136
Consumer Banking	15,928	4,177	2,303	1,809	863	1,500	171	664	27,415	52%	210
Loans to Governments	—	—	309	19	5	12	1	576	922	1%	5
Agriculture, forestry and fishing	8	16	69	64	103	16	80	281	637	1%	8
Mining and quarrying	—	2	28	35	15	139	32	726	977	2%	39
Manufacturing	1,005	510	277	2,261	553	1,037	288	2,410	8,341	16%	262
Electricity, gas and water	318	34	28	188	80	29	40	248	965	2%	1
Construction	56	57	40	39	22	104	16	68	402	1%	43
Commerce	936	554	223	605	45	703	245	928	4,239	8%	218
Transport, storage and communication	313	247	75	88	103	192	38	1,173	2,229	4%	13
Financing, insurance and business services	1,836	558	309	532	124	312	40	1,468	5,179	10%	70
Other	745	673	44	202	10	73	18	402	2,167	4%	45
Wholesale Banking	5,217	2,651	1,402	4,033	1,060	2,617	798	8,280	26,058	49%	704
General Provisions								(468)	(468)	-1%	—
Total	21,145	6,828	3,705	5,842	1,923	4,117	969	8,476	53,005	100%	914

	At 31st December, 2000										
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	12,088	2,829	1,730	458	119	46	18	448	17,736	34%	40
Other	3,178	877	118	1,106	638	1,208	128	121	7,374	14%	142
Consumer Banking	15,266	3,706	1,848	1,564	757	1,254	146	569	25,110	48%	182
Loans to Governments	—	58	755	34	5	11	4	358	1,225	2%	—
Agriculture, forestry and fishing	13	59	90	79	19	15	95	225	595	1%	18
Mining and quarrying	—	2	19	52	1	41	71	370	556	1%	4
Manufacturing	1,070	397	420	1,953	701	1,193	346	1,794	7,874	15%	377
Electricity, gas and water	250	45	108	202	55	21	33	215	929	2%	2
Construction	72	46	58	67	26	105	17	46	437	1%	51
Commerce	1,187	773	249	612	27	947	238	2,390	6,423	13%	314
Transport, storage and communication	516	337	136	244	39	125	63	1,099	2,559	5%	13
Financing, insurance and business services	1,625	529	360	666	95	367	21	1,345	5,008	10%	127
Other	616	342	48	31	35	183	37	342	1,634	3%	46
Wholesale Banking	5,349	2,588	2,243	3,940	1,003	3,008	925	8,184	27,240	53%	952
General Provisions								(468)	(468)	-1%	—
Total	20,615	6,294	4,091	5,504	1,760	4,262	1,071	8,285	51,882	100%	1,134

	At 31st December, 1999										
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	10,362	2,599	1,352	397	13	8	21	366	15,118	33%	55
Other	1,772	986	281	1,037	395	638	177	3,680	8,966	19%	163
Consumer Banking	12,134	3,585	1,633	1,434	408	646	198	4,046	24,084	52%	218
Loans to Governments	—	—	748	20	—	—	15	434	1,217	2%	86
Agriculture, forestry and fishing	15	41	96	77	8	7	125	206	575	1%	45
Mining and quarrying	—	34	47	66	—	—	87	458	692	1%	10
Manufacturing	1,063	501	471	1,946	288	566	360	1,283	6,478	14%	394
Electricity, gas and water	105	15	123	68	3	9	57	66	446	1%	3
Construction	40	71	77	92	21	55	21	57	434	1%	68
Commerce	1,183	819	271	885	21	544	266	1,939	5,928	13%	424
Transport, storage and communication	220	145	92	179	7	55	68	133	899	2%	19
Financing, insurance and business services	1,513	539	462	668	26	309	41	997	4,555	10%	157
Other	620	306	81	(118)	—	141	26	726	1,782	4%	77
Wholesale Banking	4,759	2,471	2,468	3,883	374	1,686	1,066	6,299	23,006	49%	1,283
General Provisions								(439)	(439)	-1%	—
Total	16,893	6,056	4,101	5,317	782	2,332	1,264	9,906	46,651	100%	1,501

	At 31st December, 1998										
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	9,333	2,418	1,241	162	17	8	18	261	13,458	31%	35
Other	1,866	1,168	244	733	274	541	127	3,505	8,458	20%	119
Consumer Banking	11,199	3,586	1,485	895	291	549	145	3,766	21,916	51%	154
Loans to Governments	—	—	420	—	—	2	5	370	797	2%	129
Agriculture, forestry and fishing	15	17	116	31	8	20	78	125	410	1%	22
Mining and quarrying	—	30	93	10	—	—	45	249	427	1%	3
Manufacturing	1,282	353	525	1,582	299	563	289	1,403	6,296	14%	257
Electricity, gas and water	91	—	91	82	8	5	33	198	508	1%	3
Construction	80	38	147	112	6	39	45	51	518	1%	58
Commerce	1,673	774	332	855	14	491	340	1,826	6,305	15%	183
Transport, storage and communication	108	220	144	200	55	45	48	115	935	2%	13
Financing, insurance and business services	1,278	629	282	275	10	199	51	1,242	3,966	9%	143
Other	547	261	86	(104)	—	123	17	750	1,680	4%	67
Wholesale Banking	5,074	2,322	2,236	3,043	400	1,487	951	6,329	21,842	50%	878
General Provisions								(447)	(447)	-1%	—
Total	16,273	5,908	3,721	3,938	691	2,036	1,096	9,648	43,311	100%	1,032

	At 31st December, 1997										
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total Loans and Advances to Customers	Percentage of loans to total	Provisions for bad and doubtful debts
Loans to Individuals:											
Mortgages	7,722	2,210	1,150	134	15	(3)	20	180	11,428	27%	3
Other	1,779	1,374	266	647	220	407	150	3,025	7,868	19%	36
Consumer Banking	9,501	3,584	1,416	781	235	404	170	3,205	19,296	46%	39
Loans to Governments	—	—	—	—	—	10	—	586	596	1%	55
Agriculture, forestry and fishing	12	7	91	54	10	6	108	139	427	1%	3
Mining and quarrying	—	18	41	45	1	1	50	96	252	1%	—
Manufacturing	1,427	718	532	1,717	410	461	274	1,342	6,881	16%	254
Electricity, gas and water	89	18	8	108	9	16	26	165	439	1%	—
Construction	137	41	150	113	8	35	48	70	602	1%	12
Commerce	2,127	1,013	212	834	51	518	259	1,172	6,186	15%	38
Transport, storage and communication	87	100	186	184	30	24	50	106	767	2%	8
Financing, insurance and business services	1,978	1,205	229	640	80	174	26	996	5,328	12%	50
Other	470	186	107	14	—	274	33	821	1,905	5%	76
Wholesale Banking	6,327	3,306	1,556	3,709	599	1,519	874	5,493	23,383	55%	496
General Provisions								(360)	(360)	-1%	—
Total	15,828	6,890	2,972	4,490	834	1,923	1,044	8,338	42,319	100%	535

Provisioning Policies

General description

Standard Chartered has established policies for each of Wholesale Banking and Consumer Banking customers that cover both direct (loans and advances) and indirect (contingent, foreign exchange, and derivative) exposure of Standard Chartered. The policies apply to all lending classified in the Standard Chartered consolidated balance sheet as "Loans and Advances to Banks" and "Loans and Advances to Customers", together with any contingent liabilities, including foreign exchange and derivatives activities.

Standard Chartered holds provisions for bad and doubtful debts in respect of loans and advances, including cross border exposures. Provisions against loans and advances are based on an appraisal of the loan portfolio and include two elements—specific and general. Standard Chartered takes specific provisions, which reflect an estimate of the amount of loss expected, where the repayment of identified loans is in doubt. The general provision relates to the inherent risk of loan losses which have not been separately identified, but which Standard Chartered believes based on experience to be present in any loan portfolio. The amount of the general provision reflects Standard Chartered's past experience and judgements about current conditions in particular locations or business sectors. Standard Chartered also takes provisions against cross border exposures where a country may experience or has experienced external liquidity problems and Standard Chartered has doubts as to whether full recovery will be achieved. Standard Chartered applies provisions to write off loans and advances, in part or in whole, when it considers such loans or advances wholly or partly irrecoverable.

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability; thereafter, and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Standard Chartered deducts such suspended interest from loans and advances on its balance sheet.

Review and Monitoring Process

Consumer Banking

An account is considered to be in default when a payment is not received on its due date. Accounts in default which are overdue by 30 days or more (60 days or more for mortgages) are categorised as delinquent. A non-performing loan is defined as one on which interest is no longer being credited to the profit and loss account or where a provision has been raised. Delinquent accounts are monitored at their account or portfolio level and reported to Group Risk Management on a monthly basis. Portfolio quality and trend information is submitted to the Group Risk Committee quarterly.

Wholesale Banking

Standard Chartered operates an Early Alert Process as the first step in the identification of potential problem accounts that it characterises as Early Alert Accounts. An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision or close attention by management. The objective of the Early Alert Process is to identify developing problems so that Standard Chartered can take action to prevent deterioration. The principal steps in the Early Alert Process are:

— reassessment of a credit grade for a particular loan;

— determination of extent of risk and taking action to minimise potential loss; and

— regular reviews and reassessment of the credit status.

Standard Chartered transfers accounts that show further signs of deterioration into a special asset unit. This unit closely manages both performing loans, with the aim of either rehabilitation or workout, and non-performing loans, where minimising loss is the key objective.

Standard Chartered may consider an account on which payments of interest, principal or other amounts are overdue by more than 30 days to be performing provided there are certain other countervailing factors which support a continued classification of the account as performing.

Non-performing accounts include any account:

— on which interest has been suspended and not recognised as income, even if there is a reasonable expectation that the underlying principal obligation will be repaid in full; or

— where a loss of principal is expected and against which a specific provision has been taken in part or full.

General Provision

The general provision relates to the inherent risk of losses that, although not attributable to specific loans, Standard Chartered believes based on its experience to be present in any loan portfolio. Standard Chartered's general provision is set at a level which the Board considers appropriate to cover the inherent risk of loss in its loan portfolio. The level of the general provision reflects Standard Chartered's assessment of the current economic conditions, past loan loss experience and any other relevant factors which may have an impact on inherent loss. Part of the process includes a review of the statistically-derived expected loss over the next six month period in the loan portfolio.

Specific Provisions

Consumer Banking

Specific provisions and charge-offs are made in accordance with defined levels of delinquency. For unsecured credit, 100% of the outstanding balance is charged off at 150 days past due, without any intermediate provisioning, except that, with respect to credit cards in Hong Kong, given the bankruptcy situation, Standard Chartered charges off the outstanding balance at 120 days past due. For secured credit, the level of provisioning is derived by reference to the difference between the total outstanding amount of the delinquent loan and the estimated forced sale value of the collateral for the loan. Periodic revaluation is done to increase the amount of provision in case of a continued decline in the value of the collateral. Immediate provisioning will also be made where Standard Chartered is advised that a borrower is bankrupt or cannot be traced or where the borrower voluntarily surrenders to Standard Chartered the collateral securing a loan.

The specific provisions in respect of the Consumer Banking delinquent loan portfolio are reviewed by reference to dynamic forecasting models on a monthly basis.

The reversal of provisions is determined by reference to a formula and, where the facility is secured by collateral, the reversal of provisions is also related to the value of the underlying collateral.

If a loan is considered either uncollectable in the foreseeable future, or the borrower is unable, or unwilling, to maintain contractual payments, the debt may be charged off in accordance with established procedures. Any payments received from debtors after charge off are treated as recoveries. When Standard Chartered considers an account is no longer recoverable, it will "write-off" the amount outstanding only after exhausting all legal remedies.

In circumstances where Standard Chartered determines that a borrower is or will be unable to meet the terms of a loan, the loan may be restructured, provided the new terms are within the means of the customer to repay the loan and Standard Chartered's risk position is not weakened. Loan restructuring is permitted only where approved by an appropriately authorised person.

In general, wherever practicable, Standard Chartered registers its interest over the collateral taken or retains in its possession either the collateral and/or documents, that would impede the borrower from selling or utilising the collateral for other purposes. Assets used as collateral against loans are revalued according to their propensity to vary in value over time, or as the result of changes in the economy, or following a request from the borrower to revise the loan.

Wholesale Banking

Standard Chartered takes a specific provision for a particular Wholesale Banking loan when it considers full recovery of such debt doubtful. It takes specific provisions against a specific account, or any portion thereof, when it considers, based on known facts, conditions and values, the account to be uncollectable and of such reduced value that it can no longer be included at its full nominal value on Standard Chartered's consolidated balance sheet. The amount of a specific provision is the amount needed to reduce the carrying value of the credit to the amount that Standard Chartered expects it may ultimately recover and is intended to reflect the value of any collateral held by Standard Chartered and other relevant information, such as projected cashflows and profitability, general economic climate and specific market conditions.

When Standard Chartered receives part payment of a loan, it uses the amount received first to reduce the outstanding amount of the relevant loan not covered by the remaining collateral, specific provision and unpaid interest. If the uncovered outstanding amount of the relevant loan has been repaid, the remaining amount of the settlement is applied first against the remainder of the principal and related specific provisions are reversed accordingly. Once the total principal has been repaid, any surplus amount of the settlement is then applied to reduce the amount of unpaid interest. Where additional collateral is provided by the borrower, Standard Chartered may consider the release of part of the specific provision in line with a conservative assessment of the additional collateral provided.

The adequacy of provision cover is reviewed at least quarterly by the management or more frequently as circumstances require. The provisioning policy process is monitored and approved by the Group Risk Committee, the Audit and Risk Committee and the full Board. A detailed provision paper is submitted to Audit and Risk Committee at least twice a year recommending the specific amount of charges and releases to profits.

Standard Chartered generally writes a loan off when it considers an outstanding amount to be beyond realistic prospect of recovery. Where Standard Chartered has taken a specific provision with respect to a loan, it will write off the loan when it has concluded that there is no realistic prospect of recovering the principal of an account against which specific provision has been raised. This may be prompted by a specific event, such as the completion of formal insolvency proceedings, or may reflect Standard Chartered's judgement on the prospects for recovery. When that point is reached, the outstanding amount which is considered to be beyond realistic prospect of recovery is written off. Outstanding loans which are too small to justify the taking of a specific provision are written off directly to the consolidated profit and loss account as soon as Standard Chartered deems the outstanding amount to be irrecoverable. Standard Chartered writes down the outstanding amount to the net realisable value of any applicable security by the application of unpaid interest and specific provision two years after raising the initial specific provision.

Standard Chartered values the assets held as collateral which it intends to sell in order to recover amounts outstanding using either a forced sale value or an open market value basis, with both valuation methods calculated net of all realisation costs. Collateral values are reviewed on a regular basis, the frequency of such reviews depending on the nature of the collateral and volatilities.

Standard Chartered reports its loans and advances to customers at their net realisable value two years after the initial raising of the provisions. The cumulative provision amount less the net realisable value of the loans and advances to customers under this policy was U.S.$1,737 million at 30th June, 2002, U.S.$1,660 million at 31st December, 2001, U.S.$1,267 million at 31st December, 2000 and U.S.$768 million at 31st December, 1999.

The following tables set out an analysis of Standard Chartered's non-performing loans and advances by business in the principal geographic regions at 30th June, 2002 and at 31st December, 2001, 2000 and 1999.

At 30th June, 2002	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, UK & Group Head Office	Total
				(in U.S.$ millions)					
Consumer Banking									
Gross non-performing loans and advances	200	115	172	136	40	85	17	11	776
Specific provisions for bad and doubtful debts	(121)	(18)	(21)	(27)	(9)	(54)	(6)	(3)	(259)
Interest in suspense	—	(3)	(21)	(9)	(5)	(20)	(8)	(1)	(67)
Net non-performing loans and advances	79	94	130	100	26	11	3	7	450
Wholesale Banking									
Gross non-performing loans and advances	151	109	247	868	27	147	83	667	2,299
Specific provisions for bad and doubtful debts	(32)	(27)	(112)	(107)	(17)	(90)	(40)	(266)	(691)
Interest in suspense	(15)	(12)	(26)	(22)	(7)	(25)	(27)	(20)	(154)
Net non-performing loans and advances	104	70	109	739	3	32	16	381	1,454
Total									
Gross non-performing loans and advances	351	224	419	1,004	67	232	100	678	3,075
Specific provisions for bad and doubtful debts	(153)	(45)	(133)	(134)	(26)	(144)	(46)	(269)	(950)
Interest in suspense	(15)	(15)	(47)	(31)	(12)	(45)	(35)	(21)	(221)
Net non-performing loans and advances	183	164	239	839	29	43	19	388	1,904

At 31st December, 2001	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, UK & Group Head Office	Total
				(in U.S.$ millions)					
Consumer Banking									
Gross non-performing loans and advances	164	115	168	126	39	78	18	21	729
Specific provisions for bad and doubtful debts	(70)	(15)	(20)	(24)	(11)	(52)	(5)	(13)	(210)
Interest in suspense	—	(2)	(20)	(8)	(6)	(15)	(7)	—	(58)
Net non-performing loans and advances	94	98	128	94	22	11	6	8	461
Wholesale Banking									
Gross non-performing loans and advances	252	120	275	905	43	284	87	498	2,464
Specific provisions for bad and doubtful debts	(60)	(36)	(126)	(122)	(29)	(121)	(47)	(200)	(741)
Interest in suspense	(18)	(11)	(23)	(14)	(10)	(33)	(29)	(29)	(167)
Net non-performing loans and advances	174	73	126	769	4	130	11	269	1,556
Total									
Gross non-performing loans and advances	416	235	443	1,031	82	362	105	519	3,193
Specific provisions for bad and doubtful debts	(130)	(51)	(146)	(146)	(40)	(173)	(52)	(213)	(951)
Interest in suspense	(18)	(13)	(43)	(22)	(16)	(48)	(36)	(29)	(225)
Net non-performing loans and advances	268	171	254	863	26	141	17	277	2,017

	At 31st December, 2000								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, UK & Group Head Office	Total
	(in U.S.$ millions)								
Consumer Banking									
Gross non-performing loans and advances	84	62	151	110	50	64	17	2	540
Specific provisions for bad and doubtful debts	(41)	(17)	(21)	(22)	(30)	(45)	(6)	—	(182)
Interest in suspense	—	(3)	(18)	(6)	(5)	(5)	(5)	—	(42)
Net non-performing loans and advances	43	42	112	82	15	14	6	2	316
Wholesale Banking									
Gross non-performing loans and advances	565	215	184	1,067	48	302	93	339	2,813
Specific provisions for bad and doubtful debts	(186)	(73)	(50)	(270)	(23)	(164)	(46)	(152)	(964)
Interest in suspense	(91)	(33)	(24)	(38)	(8)	(44)	(28)	(14)	(280)
Net non-performing loans and advances	288	109	110	759	17	94	19	173	1,569
Total									
Gross non-performing loans and advances	649	277	335	1,177	98	366	110	341	3,353
Specific provisions for bad and doubtful debts	(227)	(90)	(71)	(292)	(53)	(209)	(52)	(152)	(1,146)
Interest in suspense	(91)	(36)	(42)	(44)	(13)	(49)	(33)	(14)	(322)
Net non-performing loans and advances	331	151	222	841	32	108	25	175	1,885

	At 31st December, 1999								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, UK & Group Head Office	Total
	(in U.S.$ millions)								
Consumer Banking									
Gross non-performing loans and advances	71	65	168	170	16	28	23	162	703
Specific provisions for bad and doubtful debts	(32)	(41)	(15)	(32)	(6)	(17)	(4)	(71)	(218)
Interest in suspense	(2)	(3)	(16)	(5)	(2)	(5)	(8)	(3)	(44)
Net non-performing loans and advances	37	21	137	133	8	6	11	88	441
Wholesale Banking									
Gross non-performing loans and advances	785	291	220	1,592	55	124	55	384	3,506
Specific provisions for bad and doubtful debts	(297)	(92)	(94)	(447)	(26)	(93)	(10)	(123)	(1,182)
Interest in suspense	(79)	(31)	(34)	(95)	(6)	(13)	(15)	(20)	(293)
Net non-performing loans and advances	409	168	92	1,050	23	18	30	241	2,031
Total									
Gross non-performing loans and advances	856	356	388	1,762	71	152	78	546	4,209
Specific provisions for bad and doubtful debts	(329)	(133)	(109)	(479)	(32)	(110)	(14)	(194)	(1,400)
Interest in suspense	(81)	(34)	(50)	(100)	(8)	(18)	(23)	(23)	(337)
Net non-performing loans and advances	446	189	229	1,183	31	24	41	329	2,472

The following table sets out the amount of customer loans written off by Standard Chartered at 30th June, 2002 and 31st December, 2001, 2000 and 1999.

	At 30th June, 2002	At 31st December, 2001	2000	1999
		(in U.S.$ millions)		
Customer loans written off:				
Covered by specific provisions	321	817	923	402
Not covered by specific provisions	106	184	82	87
Recoveries of loans written off	(26)	(51)	(52)	(84)
Net	401	950	953	405

The following tables set out the total non-accrual customer loans outstanding at 30th June, 2002 and 31st December, 2001, 2000, 1999, 1998 and 1997, as well as the total amount of income suspended and income recognised in the six months ended 30th June, 2002 and in the years ended 31st December, 2001, 2000, 1999, 1998 and 1997.

	At 30th June, 2002			At 31st December, 2001			2000		
	Customers	Banks	Total	Customers	Banks	Total	Customers	Banks	Total
				(in U.S.$ millions)					
Non accrual outstandings:									
Gross loans and advances on which interest is suspended	234	—	234	275	—	275	374	—	374
Gross loans and advances on which provisions have been raised	2,662	179	2,841	2,777	141	2,918	2,937	42	2,979
Total gross loans on which interest is suspended	2,896	179	3,075	3,052	141	3,193	3,311	42	3,353
Income suspended in period			153			286			282
Income recognised in period			33			57			59

	At 31st December, 1999			1998			1997		
	Customers	Banks	Total	Customers	Banks	Total	Customers	Banks	Total
				(in US$ millions)					
Non accrual outstandings:									
Gross loans and advances on which interest is suspended	352	3	355	357	5	362	180	—	180
Gross loans and advances on which provisions have been raised	3,789	65	3,854	1,922	70	1,992	968	46	1,014
Total gross loans on which interest is suspended	4,141	68	4,209	2,279	75	2,354	1,148	46	1,194
Income suspended in period			334			258			125
Income recognised in period			70			56			64

Cross-Border Assets

The following table sets out the distribution of cross-border assets of Standard Chartered outstanding to borrowers at 30th June, 2002 and 31st December, 2001, 2000, 1999, 1998 and 1997 where such outstandings exceed 1% of Standard Chartered's consolidated total assets as determined by the relevant FSA rules.

	At 30th June, 2002				At 31st December, 2001			
	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total
	(in U.S.$ millions)							
Australia	387	656	94	1,137				
Austria	—	1,216	—	1,216				
France	4	1,316	336	1,656	—	1,281	409	1,690
Germany	—	3,554	118	3,672	—	3,546	119	3,665
Hong Kong	8	100	1,671	1,779	8	167	1,685	1,860
Italy	438	1,322	323	2,083	396	1,047	239	1,682
Korea	164	1,355	128	1,647	5	1,214	203	1,422
Singapore	10	395	1,420	1,825	25	310	1,485	1,820
U.S.A.	1,078	1,154	2,078	4,310	1,637	1,330	1,750	4,717
Other countries (0.75 to 1.00%)(1)	—	444	545	989	397	1,276	649	2,322

	At 31st December, 2000				At 31st December, 1999			
	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total
	(in U.S.$ millions)							
Australia	122	877	69	1,068				
Brazil					13	905	112	1,030
France	3	857	665	1,525	86	1,095	52	1,233
Germany	—	2,408	13	2,421	52	1,923	11	1,986
Hong Kong	12	81	1,921	2,014	13	154	1,925	2,092
Italy	194	1,243	32	1,469				
Japan	—	1,027	57	1,084	3	1,032	31	1,066
Korea	97	1,349	112	1,558	5	1,108	164	1,277
Singapore	4	672	1,070	1,746	29	590	847	1,466
U.S.A.	643	1,583	696	2,922	1,238	457	687	2,382
Other countries (0.75 to 1.00%)(2)	174	1,979	434	2,587	403	851	1,118	2,372

Notes:

(1) At 30th June, 2002, these countries were Ireland and at 31st December, 2001, these countries were Ireland and Australia.

(2) At 31st December, 2000, these countries were Brazil, the Netherlands and Mexico, and at 31st December, 1999, these countries were Italy, Malaysia and China.

	At 31st December, 1998				At 31st December, 1997			
	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total
				(in U.S.$ millions)				
Australia					380	343	97	820
Canada					474	330	—	804
China	—	320	920	1,240	—	602	1,074	1,676
France	153	845	46	1,044	—	972	63	1,035
Germany	—	1,179	—	1,179				
Hong Kong	12	111	2,306	2,429	17	170	2,342	2,529
Indonesia					—	795	493	1,288
Japan					—	1,911	64	1,975
Korea					5	954	248	1,207
Malaysia					228	203	432	863
Singapore	33	317	838	1,188	5	340	997	1,342
U.S.A.	1,200	438	470	2,108	91	602	302	995
Other countries (0.75 to 1.00%)[3]	224	1,096	548	1,868	63	1,972	1,049	3,084

Note:

(3) At 31st December, 1998, these countries were Japan, Mexico and Taiwan and at 31st December, 1997, these countries were Taiwan, Mexico, Brazil, Thailand and Germany.

Loan Loss Experience

The following tables set out an analysis of Standard Chartered's loan loss experience in the principal geographic regions where it operates for the six months ended 30th June, 2002 and the years ended 31st December, 2001, 2000, 1999, 1998 and 1997.

	Six months ended 30th June, 2002									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
					(in U.S.$ millions)					
Balance at beginning of period	130	51	146	146	40	173	52	213	468	1,419
Exchange translation differences	2	1	—	(6)	—	(1)	(3)	1	—	(6)
Amounts written off and written down	(215)	(26)	(29)	(46)	(38)	(29)	—	(44)	—	(427)
Recoveries of amounts previously written off	5	2	6	6	6	1	—	—	—	26
New provisions	269	25	21	62	45	17	3	108	—	550
Recoveries/provisions no longer required	(38)	(8)	(11)	(28)	(27)	(17)	(6)	(9)	—	(144)
Net charge against profit	231	17	10	34	18	—	(3)	99	—	406
Balance at end of period	153	45	133	134	26	144	46	269	468	1,418

	Year ended 31st December, 2001									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
	(in U.S.$ millions)									
Balance at beginning of period	227	90	71	292	53	209	52	152	468	1,614
Exchange translation differences	(3)	(2)	—	6	(1)	(2)	(5)	(5)	—	(12)
Amounts written off	(359)	(96)	(64)	(230)	(54)	(106)	(9)	(83)	—	(1,001)
Recoveries of amounts previously written off	8	7	11	10	8	1	1	5	—	51
Other	—	—	(2)	(18)	7	32	—	16	—	35
New provisions	318	71	154	140	68	66	20	157	—	994
Recoveries/provisions no longer required	(61)	(19)	(24)	(54)	(41)	(27)	(7)	(29)	—	(262)
Net charge against profit	257	52	130	86	27	39	13	128	—	732
Balance at end of period	130	51	146	146	40	173	52	213	468	1,419

	Year ended 31st December, 2000									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
	(in U.S.$ millions)									
Balance at beginning of period	329	133	109	479	32	110	14	313	439	1,958
Exchange translation differences	(2)	(3)	(1)	(14)	(3)	3	(6)	(1)	—	(27)
Amounts written off	(252)	(63)	(73)	(292)	(52)	(68)	(7)	(198)	—	(1,005)
Recoveries of amounts previously written off	7	5	11	14	5	2	1	7	—	52
Business acquisitions	9	—	—	—	40	116	—	—	32	197
Business disposals	—	—	—	—	—	—	—	(68)	(3)	(71)
Other	10	—	—	45	1	18	—	(26)	—	48
New provisions	170	43	50	131	53	37	56	165	—	705
Recoveries/provisions no longer required	(44)	(25)	(25)	(71)	(23)	(9)	(6)	(40)	—	(243)
Net charge against profit	126	18	25	60	30	28	50	125	—	462
Balance at end of period	227	90	71	292	53	209	52	152	468	1,614

	Year ended 31st December, 1999									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
	(in U.S.$ millions)									
Balance at beginning of period	143	79	74	345	26	39	26	332	447	1,511
Exchange translation differences	4	—	—	(12)	—	—	(3)	(8)	(8)	(27)
Amounts written off	(112)	(37)	(13)	(123)	(21)	(21)	(19)	(143)	—	(489)
Recoveries of amounts previously written off	6	4	7	7	3	—	—	57	—	84
Business acquisitions	—	—	—	103	—	—	—	—	—	103
Other	—	—	(1)	(16)	(1)	4	—	(11)	—	(25)
New provisions	312	111	56	211	41	92	16	167	—	1,006
Recoveries/provisions no longer required	(24)	(24)	(14)	(36)	(16)	(4)	(6)	(81)	—	(205)
Net charge against profit	288	87	42	175	25	88	10	86	—	801
Balance at end of period	329	133	109	479	32	110	14	313	439	1,958

	Year ended 31st December, 1998									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
	(in U.S.$ millions)									
Balance at beginning of period	40	8	10	104	22	46	26	302	360	918
Exchange translation differences	1	—	3	27	(2)	—	(2)	(5)	(3)	19
Amounts written off	(60)	(29)	(24)	(37)	(17)	(28)	(15)	(50)	—	(260)
Recoveries of amounts previously written off	5	4	5	4	2	—	2	32	—	54
Business acquisitions	—	—	—	—	—	—	—	27	7	34
Other	8	—	—	5	—	2	—	8	—	23
New provisions	159	101	89	249	28	23	22	97	83	851
Recoveries/provisions no longer required	(10)	(5)	(9)	(7)	(7)	(4)	(7)	(79)	—	(128)
Net charge against profit	149	96	80	242	21	19	15	18	83	723
Balance at end of period	143	79	74	345	26	39	26	332	447	1,511

	Year ended 31st December, 1997									
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. and Group Head Office		Total
	Specific	Specific	Specific	Specific	Specific	Specific	Specific	Specific	General	
	(in U.S.$ millions)									
Balance at beginning of period	46	8	17	82	369	78	46	(8)	216	854
Exchange translation differences	—	(1)	(6)	(47)	7	(12)	(8)	20	(20)	(67)
Amounts written off	(41)	(12)	(22)	(62)	(381)	(33)	(25)	407	—	(169)
Recoveries of amounts previously written off	7	4	6	5	2	—	2	42	—	68
Other	(15)	—	—	12	—	—	—	(8)	—	(11)
New provisions	54	14	24	124	29	15	20	49	164	493
Recoveries/provisions no longer required	(11)	(5)	(9)	(10)	(4)	(2)	(9)	(200)	—	(250)
Net charge against profit	43	9	15	114	25	13	11	(151)	164	243
Balance at end of period	40	8	10	104	22	46	26	302	360	918

Structure of Deposits

The following table sets out the structure of Standard Chartered's deposits in the principal geographic regions where it operates, at 30th June, 2002 and 31st December, 2001, 2000 and 1999.

At 30th June, 2002 (in U.S.$ millions)

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
Non interest bearing current and demand accounts	1,383	1,045	699	523	674	1,175	862	572	6,933
Interest bearing current and demand accounts	10,278	1,633	102	1,540	46	675	648	2,332	17,254
Savings deposits	577	451	531	1,901	544	1,089	417	198	5,708
Time deposits	16,679	8,782	2,812	4,226	3,064	3,201	519	10,988	50,271
Other deposits	5	248	309	693	3	328	147	1,560	3,293
Debt securities in issue	1,098	113	360	524	81	—	3	1,306	3,485
	30,020	12,272	4,813	9,407	4,412	6,468	2,596	16,956	86,944

At 31st December, 2001 (in U.S.$ millions)

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
Non interest bearing current and demand accounts	1,207	901	728	439	672	980	714	669	6,310
Interest bearing current and demand accounts	10,002	1,622	107	1,301	5	767	711	2,228	16,743
Savings deposits	582	437	579	1,042	518	1,040	372	220	4,790
Time deposits	16,687	7,078	2,824	4,565	2,798	3,672	461	9,831	47,916
Other deposits	4	253	303	1,099	57	205	190	1,673	3,784
Debt securities in issue	1,305	81	245	363	82	—	3	1,627	3,706
	29,787	10,372	4,786	8,809	4,132	6,664	2,451	16,248	83,249

At 31st December, 2000 (in U.S.$ millions)

	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
Non interest bearing current and demand accounts	1,002	813	935	383	599	809	452	394	5,387
Interest bearing current and demand accounts	7,850	1,487	133	2,283	2	584	763	2,226	15,328
Savings deposits	924	449	597	916	473	882	341	15	4,597
Time deposits	18,482	6,385	2,472	4,447	2,466	3,292	417	9,363	47,324
Other deposits	3	2	591	512	106	200	34	2,056	3,504
Debt securities in issue	1,838	84	21	372	85	1	13	2,119	4,533
	30,099	9,220	4,749	8,913	3,731	5,768	2,020	16,173	80,673

	At 31st December, 1999								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.$ millions)								
Non interest bearing current and demand accounts	964	988	829	414	258	455	413	473	4,794
Interest bearing current and demand accounts	7,319	1,608	90	1,085	—	359	789	2,102	13,352
Savings deposits	1,000	515	556	952	115	420	355	32	3,945
Time deposits	16,024	6,820	2,481	3,635	1,091	2,306	514	7,979	40,850
Other deposits	6	—	382	288	2	129	75	2,117	2,999
Debt securities in issue	1,673	210	29	615	—	—	15	1,775	4,317
	26,986	10,141	4,367	6,989	1,466	3,669	2,161	14,478	70,257

The following table sets out the amounts of time certificates of deposit in amounts of U.S.$100,000 or more by time remaining until maturity, outstanding at 30th June, 2002 and 31st December, 2001 and 2000.

Time Remaining Until Maturity	At 30th June, 2002	At 31st December, 2001	2000
	(in U.S.$ millions)		
3 months or less	1,257	1,278	1,590
3 to 6 months	371	1,204	322
6 months to one year	211	239	712
Over one year	1,061	594	1,350
Total	2,900	3,315	3,974

CAPITALISATION

The table below sets out the consolidated capitalisation of the Group as at 30th June, 2002.

	U.S.$ (in millions)
Authorised share capital	
Shares (ordinary shares of U.S.$0.50 each)	1,316
Non-cumulative preference shares of £1.00 each	762
Non-cumulative preference shares of U.S.$5.00 each	1,500
Non-cumulative preference shares of €1,000 each	1,013
Total	4,591
Shareholders' equity	
Allotted, called-up and fully paid:	
Equity	567
Non-equity	309
Reserves:	
Equity	5,903
Non-equity	964
Total	7,743
Equity minority interests	168
Total Capitalisation	12,502

INDEBTEDNESS

At the close of business on 15th September, 2002, being the latest practicable date prior to the printing of this prospectus for the purpose of this indebtedness statement, the Group had the following indebtedness:

	U.S.$ (in millions)
Undated loan capital(1)(2)	
U.S.$400 million Primary Capital Floating Rate Notes	400
U.S.$300 million Primary Capital Floating Rate Notes (Series 2)	300
U.S.$400 million Primary Capital Floating Rate Notes (Series 3)	400
U.S.$200 million Primary Capital Floating Rate Notes (Series 4)	200
£150 million Primary Capital Floating Rate Notes	233
£200 million Step-Up Notes(3)	307
Total undated loan capital	1,840
Dated loan capital(2)	
£100 million 12.875% Subordinated Unsecured Loan Stock 2002/07(3)	152
£30 million Floating Rate Notes 2009(1)	46
£300 million 6.75% Notes 2009	439
€600 million 5.375% Notes 2009	549
U.S.$25 million Floating Rate Notes 2004/09(1)	25
U.S.$325 million Floating Rate Notes 2005/10(1)	316
€575 million 4.5% Notes 2010(5)	551
U.S.$700 million 8.00% subordinated notes due 2031	621
€500 million 8.16% non-cumulative Trust Preferred Securities 2010(6)	482
£300 million 8.103% Step-up Callable Perpetual Trust Preferred Securities(7)	461
Total dated loan capital	3,642

Notes:

(1) These notes bear interest rates fixed periodically based on London interbank rates, save for the £200 million Step-Up Notes.

(2) All dated and undated loan capital described above is unsecured, unguaranteed and subordinated to the claims of other creditors including, without limitation, customer deposits and deposits by banks.
(3) The £200 million Step-Up Notes bear interest at the rate of 7.75% per annum and thereafter at the rate equal to the sum of the Five Year Bench Mark Gilt Rate plus 3.8% per annum.
(4) The £100 million 12.875% subordinated unsecured loan stock 2002/2007 was redeemed on 30th September, 2002.
(5) The €575 million of 4.5% subordinated guaranteed convertible bonds (the "Bonds") were issued via SCF(J)L. The bondholders have the right to convert each Bond (denominated in units of €1,000 face value) into one fully paid €1,000 preference share in SCF(J)L at any time on or after 26th April, 2000. These will be exchanged immediately for Shares at a price of 1,018.7p per Share. Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on 30th March, 2010 although they may be redeemed at Standard Chartered's option after 15th April, 2005. They may be redeemed earlier if 85% of the Bonds have been converted.
(6) Standard Chartered Bank has agreed that it will pay in full on a subordinated basis to the holders of the €500 million 8.16% non-cumulative partnership preferred securities issued by the Partnership definitive dividends and amounts payable on redemption and liquidation to the extent that such amounts are not paid by the Partnership.
(7) These securities are redeemable at the option of Standard Chartered Bank on or after 11th May, 2016 or any interest payment date.

In addition, at the close of business on 15th September, 2002, the Group had deposits and money market takings (including certificates of deposit) from customers and other banks in the normal course of the Group's banking business and direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of banking business carried out by the Group.

Disclaimer

Save as aforesaid or as otherwise disclosed in this prospectus, the Company did not have, at the close of business on 15th September, 2002, outstanding liabilities or any debentures or other loan capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees, other material contingent liabilities or any material mortgages and charges.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Company since 15th September, 2002.

Practice Note 19 to the Hong Kong Listing Rules

The Directors have confirmed that they were not aware of any circumstances which, had the Company been required to comply with Practice Note 19 of the Hong Kong Listing Rules, would give rise to a disclosure requirement under that Practice Note (other than as disclosed in this prospectus).

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group's cash flow statement for the period ended 30th June, 2002 is shown in the paragraph headed "Trading Record" in this section. The cash held by the Group as at 30th June, 2002 is shown in note 40 to the Accountants' Report shown in Appendix I to this prospectus.

Standard Chartered's policy is to maintain a conservative balance sheet and strong capital base. The Group is supervised by the FSA and is required to maintain a minimum capital ratio, the risk asset ratio, expressed in terms of the ratio of capital to the risk weighted value of assets and contingent liabilities. The Group's total capital ratio at 30th June, 2002 was 15.9% and the Tier 1 ratio was 9.0%, both above the internationally agreed minimum requirements of 8% and 4% respectively.

The Group manages its capital resources and their allocation centrally and funds move between the different parts of the Group to ensure each country maintains required levels of capital. Local capital requirements can apply to both subsidiaries and branches. The Group does not consider that these local regulatory requirements have material consequences for its activities, taken as a whole.

For a discussion of the principal liquidity risks inherent to Standard Chartered's business, please refer to the paragraph headed "Risk Management—Liquidity Risk" in this section.

The capitalisation and indebtedness of the Group is shown in the paragraphs headed "Capitalisation" and "Indebtedness" in this section.

The Group does not have any intention to raise capital during the 12 months immediately following commencement of dealings in the Shares on the Hong Kong Stock Exchange other than in the normal course of banking business of the Group.

RISK MANAGEMENT

The principal types of risk inherent in Standard Chartered's business include market, liquidity, credit, country, operational and legal risks.

Risk Management Operations

There is a comprehensive risk management organisation reporting to an executive Director. This is composed of the Group risk management head office supported by risk management teams within the individual businesses and risk officers at the country levels. Standard Chartered has a coordinated approach to risk under the GRC chaired by an executive Director. This committee is responsible for supervising and directing the management of market (excluding balance sheet risk), credit, country, operational, compliance and reputational risks within Standard Chartered. This committee is supported by risk committees established in the business and geographies operating within guidelines set by the GRC.

Standard Chartered's policy is to maintain what it considers is a conservative balance sheet and strong capital base. Standard Chartered is regulated by the FSA and is required to maintain a minimum capital ratio, the risk asset ratio, expressed in terms of the ratio of capital to the risk weighted value of assets and contingent liabilities. Standard Chartered's total capital ratio at 30th June, 2002 was 15.9% (at 31st December, 2001, it was 16.2%) and its Tier 1 ratio was 9.0% (at 31st December, 2001 it was 9.0%), both above the internationally agreed minimum requirements of 8% and 4%, respectively. Responsibility for asset and liability management policies lies with Group Asset and Liability Committee ("GALCO"), whose members are the Company's executive Directors. GALCO oversees the management of Standard Chartered's capital, the size and composition of the balance sheet, and liquidity. Policies are implemented through Regional and Country Asset & Liability Committees chaired by either the local Chief Executive or the local Head of Markets, operating within guidelines set by GALCO.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other changes that affect market risk sensitive instruments.

Standard Chartered's exposure to market risk is a function of its trading activities for its own account and its role as a financial intermediary in consumer and wholesale transactions. The objective of market risk management is to avoid excessive exposure to loss of Standard Chartered's earnings and equity, and to reduce the volatility inherent in financial instruments. Limits have been set to control Standard Chartered's exposure to movements in prices and volatilities arising from trading, lending, deposit taking and investment activities. These exposures are controlled at each business location by product type, using delegated limits.

Interest Rate Risk

In Standard Chartered, interest rate sensitivity arises where there is an imbalance between assets (e.g. customer loans) and liabilities (e.g., deposits and debt securities) on which interest rates change periodically or at different intervals (e.g., customer loans may bear a fixed rate of interest, while the deposits may be repriced periodically). Standard Chartered addresses the risks of changes in interest rates by closely monitoring levels of interest-earning assets and interest-bearing liabilities. In addition, limits have been set by business location and by product type to control Standard Chartered's exposure to movements in interest rates. These limits are complemented by VAR limits that control the overall of quantum risk assumed by Standard Chartered.

Exchange Rate Risk

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 Standard Chartered'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 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 rate movements.

VAR Methodology and Quantification of Risk

Standard Chartered measures the market risk of losses arising as a result of potential adverse movements in interest and exchange rates, prices and volatilities using a VAR system. Standard Chartered has no significant trading exposure to equity or commodity price risk. The tables below set out the total interest rate risk and exchange rate exposure for the six months ended and at 30th June, 2002 and the three years ended and at 31st December, 2001. No offsets are allowed between exchange rate and interest rate exposures when VAR limits are set.

	Six months ended 30th June, 2002			At 30th June, 2002
	Average	High	Low	Actual
		(in U.S.$ millions)		
Daily value at risk:				
Interest rate risk	3.5	6.6	2.5	3.6
Foreign exchange risk	3.0	4.0	2.4	2.8
Total	6.0	9.6	4.4	5.8

	Year ended 31st December, 2001			At 31st December, 2001
	Average	High	Low	Actual
		(in U.S.$ millions)		
Daily value at risk:				
Interest rate risk	2.6	4.2	2.1	2.1
Foreign exchange risk	2.5	5.3	1.3	1.5
Total	5.1	9.5	3.5	3.5

	Year ended 31st December, 2000			At 31st December, 2000
	Average	High	Low	Actual
		(in U.S.$ millions)		
Daily value at risk:				
Interest rate risk	2.7	6.7	1.8	3.6
Foreign exchange risk	2.0	3.2	1.1	2.4
Total	4.7	8.5	3.0	5.8

	Year ended 31st December, 1999			At 31st December, 1999
	Average	High	Low	Actual
		(in U.S.$ millions)		
Daily value at risk:				
Interest rate risk	4.7	8.2	2.6	2.6
Foreign exchange risk	2.1	3.2	1.3	1.3
Total	6.8	9.7	3.9	3.9

VAR methodology measures on a daily basis the estimated potential change in the realisable or market value of a portfolio during a specified period.

The total exposure for Standard Chartered is not a sum of the interest rate and exchange rate risks. The high and low are independent and can occur on different days.

Standard Chartered uses a combination of variance-covariance methodology and historical simulation to measure the VAR on its trading positions. Since 2000, the majority of the trading book was covered by the historical simulation approach with the remainder using variance-covariance approach. VAR is calculated for expected price movements over a minimum of one business day and to a confidence level of 97.5%. This confidence level suggests that potential daily losses, i.e., value at risk, in excess of the VAR measure are only likely to be experienced six times per year.

For derivative products and foreign exchange products the historic simulation is used with an observation period of 250 days. The historic simulation approach involves the complete revaluation of all unmatured derivatives contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This entails building up a set of values of the portfolio, and a set of changes in value relative to the current market valuation, from which VAR can be derived.

The variance-covariance method used is based on statistical analysis of past interest and exchange rate movements over the past two to three years with greater weight given to more recent data.

There is no offsetting, reflecting diversification, between exchange rate and interest rate exposures. Standard Chartered believes this approach is conservative because it believes the diversification effects, implied by such offsetting, are likely to have the impact of reducing the overall VAR.

Standard Chartered recognises that there are limitations to the VAR method. These include the fact that the risk factors may not fall within a normal distribution. Also the historical data may not be the best estimate 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 the VAR calculation, which does not give an indication of the size of unexpected losses in these situations.

To manage the risks arising from events which the VAR methodology does not capture Standard Chartered regularly back-tests and stress tests its main exposures. In back testing the actual profits and losses are compared with VAR estimates to track the accuracy of the predictions. 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 senior management.

Risks associated with Derivative Instruments

Derivatives are contracts whose characteristics and value derive from underlying financial instruments, interest rates, 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.

Standard Chartered 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 future change in the 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.

Liquidity Risk

Liquidity management is directed towards ensuring that all Standard Chartered operations can meet their current funding needs, whether this is to replace existing funding as it matures, or is to satisfy the requirement for additional borrowings. The concentration of funding requirements at any one date or from any one source is managed continuously.

A substantial proportion of Standard Chartered's assets are funded by customer deposits, made up of current and savings accounts and other short-term deposits. Management believes that 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.

Liquidity risk is managed by Standard Chartered's high proportion of liquid assets, including interbank assets (which are diversified by type, maturity and source), money market assets and short-term customer loans. For longer-term assets, Standard Chartered has significant sources of longer-term funds, including debt, certificates of deposit and notes, money market borrowings and longer-term customer deposits. Standard Chartered regularly stress tests its liquidity position.

Credit Risk

Credit risk arises from the possibility that counterparties may default on their obligations. These obligations arise from Standard Chartered's financing, trading activities (taking the form of loans), trading account assets or derivative instruments. Policies for managing credit risk are determined by the GRC. Specific procedures and limits for accepting credit risk are determined at the Consumer Banking and Wholesale Banking business levels. The specific policies and procedures are adapted to different risk environments and business goals.

All credit proposals are documented prior to approval. Within the Wholesale Banking business, basic credit requirements are fairly standard but the formats are customised according to the client base—the principal ones being multinational corporations, middle market corporations and banks and other financial institutions. This credit analysis includes facility details, credit grade determination, risk review and analysis and financial spreads.

There is a clear segregation of duties with applications being prepared by one or more persons at Standard Chartered and approved by a different person or a Credit Committee. Post approval procedures are in place to monitor the level of risks in individual credits and to escalate any concerns should there be deterioration. Portfolio risks are also monitored on a regular basis.

For Consumer Banking, standard application forms are generally used which are processed in central units using manual or automated approval processes as appropriate to the customer, the product and the market. As with Wholesale Banking, origination and approval are organisationally segregated.

Country Risk

Cross-border exposure to individual countries is controlled by grading countries according to Standard Chartered's analysis of country risk and setting appropriate limits. Limits are kept under constant review and changes made as and when circumstances dictate. Regular reports on country exposures are reviewed by the GRC.

Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action causing the failure of technology processes, infrastructure, personnel and other risks having operational risk impact. An independent Group Operational Risk function is responsible for establishing and maintaining the overall Operational Risk framework. The Group Operational Risk function provides reports to the GRC.

Compliance with Operational Risk policy is the responsibility of all managers. In every country, a Country Operational Risk Group ("CORG") has been established. It is the responsibility of the CORG to ensure appropriate risk management frameworks are in place and to monitor and manage operational risk. CORGs are chaired by Country Chief Executives.

Business units are required to monitor their operational risks using Group and business level standards and indicators. Significant issues and exceptions must be reported to the CORG. Where appropriate, issues must also be reported to business and functional risk committees and the GRC. The Group purchases insurance where appropriate to address operational risk inherent to its business activities.

Business Risk

Business risk includes the risk of failing to achieve business targets due to inappropriate strategies, inadequate resources or changes in the economic or competitive environment. This is managed through the Group's management processes. Regular reviews of the performance of Group businesses by executive Directors are used to assess business risks and agree management action. The reviews incorporate financial performance measures, capital usage, resource utilisation and risk statistics to provide a broad understanding of the current business position.

Regulatory Risk

Regulatory risk includes the risk of non-compliance with regulatory requirements in a country in which the Group operates. The Group Legal and Compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

Legal Risk

Legal risk includes the risk of unexpected loss from transactions not being enforceable under applicable law or regulation or from inadequate or unsound contractual documentation. The Group manages legal risk through effective use of its internal and external legal advisers and by seeking to ensure that transactions are properly authorised and documented.

Reputational Risk

Reputational risk is defined as the risk that any action taken by the Group or its employees creates a negative perception in the external market place. This includes the Group's and/or its customers' impact on the environment. The GRC examines issues that are considered to have reputational repercussions for the Group and issues guidelines or policies as appropriate. It also delegates responsibilities for the management of legal/regulatory and reputational risk to the business through business risk committees.

SHARE PRICE HISTORY

The following table sets out, for the periods indicated, the reported high and low mid-market closing price quotations for the Shares on the London Stock Exchange, as derived from the Official List[(1)].

Financial Year	High p	Low p
1997	1081.5	609.5
1998	1039.5	375
1999	1135	683.5
2000	1050	673
2001	1128	566
1999		
First quarter	940	683.5
Second quarter	1135	896.5
Third quarter	1095	766.5
Fourth quarter	1014.5	733
2000		
First quarter	934.5	673
Second quarter	953.5	801
Third quarter	1028	823.5
Fourth quarter	1050	903
2001		
First quarter	1128	775
Second quarter	1012	828
Third quarter	956	566
Fourth quarter	891	642
2002		
First quarter	854	691
Second quarter	872.5	692.5
Third quarter	780.5	592.5
Month		
October 2002 (through 15th October, 2002)	712	639
September 2002	740	633
August 2002	780.5	599
July 2002	704	592.5
June 2002	800	692.5
May 2002	872.5	801
April 2002	850	753

Note:

(1) The past performance of the Shares is not necessarily indicative of future performance.

On 15th October, 2002, the mid-market closing price quotation for the Shares on the London Stock Exchange was 712p.

DIVIDEND POLICY

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the shareholders, but no dividend will exceed the amount recommended by the Board. The declaration and payment of dividends will depend upon, among other things, future earnings, capital requirements, the financial condition and general business conditions of the Company.

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board in accordance with the terms of issue of the shares to which the right to such dividends attaches.

Following the change in the Company's reporting currency from Pounds Sterling into U.S. dollars, dividends are declared in U.S. dollars but are paid in Pounds Sterling. Shareholders have the option to receive dividends in U.S. dollars. Shareholders on the Hong Kong branch register will automatically receive cash dividends in Hong Kong dollars, but may elect to receive dividends 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 dividends paid or proposed to be paid on the different classes of shares of the Company are set out below.

Dividends on Shares

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.

	Six months ended 30th June,	Year ended 31st December,				
	2002	2001	2000	1999	1998	1997
			Cents per Share			
Interim paid	14.100	12.820	11.651	10.921	10.363	8.605
Final paid		29.100	26.454	26.046	24.032	21.707
	14.100	41.920	38.105	36.967	34.395	30.312

At the annual general meeting of the Company held on 11th May, 2000, the Directors were authorised to offer to holders of Shares the choice of receiving new Shares instead of cash for all or part of any interim or final dividend for any financial period ending or before 31st December, 2004.

The Directors may set the terms of any such offer and are authorised to capitalise such reserves and other available funds as may be necessary to pay up any new Shares.

Shareholders registered as at the record date of 16th August, 2002 were offered the option of receiving Shares instead of some or all of the cash dividend paid as part of the interim dividend declared in respect of the six months ended 30th June, 2002. However, there is no guarantee that a Share dividend will be offered in respect of any future final or interim dividends.

Dividends on non-equity preference shares

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.$ millions)				
Non-cumulative irredeemable preference shares:					
7⅜% preference shares of £1 each	6	5	11	12	13
8¼% preference shares of £1 each	6	6	12	12	13
Non-cumulative redeemable preference shares:					
8.9% preference shares of U.S.$5 each	44	1	45	—	—
	56	12	68	24	26

ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets is based on the Company's audited financial statements as at 30th June, 2002, contained in Appendix I to this prospectus, adjusted as described below.

	U.S.$ (in millions, except per Share data)
Net tangible assets as at 30th June, 2002(1)	5,542
Estimated net proceeds from the Share Offer (based on the closing price of the Shares on the London Stock Exchange on the Latest Practicable Date)	291
Adjusted net tangible assets	5,833
Adjusted net tangible assets per Share (based on 1,164,378,160 Shares in issue immediately following the Share Offer and no account has been taken 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 on conversion of the Bonds or which may be issued or repurchased under the Issue Mandate or the Repurchase Mandate, as the case may be, after the Latest Practicable Date)	5.01

The above information has been prepared on the assumption that no Shares will be allotted under the Over-allotment Option.

Note:

(1) Shareholders' funds (including non-equity interests) less intangible fixed assets.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this prospectus, the Board believes that there has been no material adverse change in the financial or trading position or prospects of the Company since 30th June, 2002.