

The following is the full text of a report prepared for the purpose of incorporation in this prospectus received from the independent reporting accountants of the Company, KPMG Audit Plc, Chartered Accountants, United Kingdom and KPMG, Certified Public Accountants, Hong Kong. As described in the paragraph headed "Documents available for inspection" in Appendix IX to this prospectus, a copy of the accountants' report is available for inspection.


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The Directors
Standard Chartered PLC
Goldman Sachs (Asia) L.L.C
Cazenove Asia Limited

21st October, 2002

Dear Sirs

We set out below our report on the financial information relating to Standard Chartered PLC (the "Company") and its subsidiaries (herein after collectively referred to as the "Group"), in sections I to VI below (the "Financial Information"), including the consolidated profit and loss account, consolidated cash flow statement, and the consolidated statement of total recognised gains and losses of the Group for each of the years ended 31st December, 1999, 2000 and 2001 and for the six-month periods ended 30th June, 2001 and 2002 (the "Relevant Periods") and the consolidated balance sheet of the Group as at 31st December, 1999, 2000, 2001 and 30th June, 2001 and 2002, for inclusion in the prospectus of the Company dated 21st October 2002 (the "prospectus").

The Company is incorporated in the United Kingdom and listed on the London Stock Exchange. The Company is a holding company co-ordinating the activities of its subsidiary undertakings which are principally engaged in the business of banking and the provision of other financial services.

As a company incorporated in the United Kingdom and listed on the London Stock Exchange, the Company prepares financial statements in accordance with accounting rules relevant to the United Kingdom and regulations applicable to listed United Kingdom financial institutions.

KPMG Audit Plc has acted as auditors of the Company and its principal subsidiaries throughout the Relevant Periods. We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 30th June, 2002.

The Financial Information has been prepared by the directors of the Company based on the audited financial statements of the Group prepared under generally accepted accounting principles in the United Kingdom, on the basis set out in section VI: "Principal accounting policies", and after making such adjustments as are appropriate.

The directors of the Company are responsible for preparing the Financial Information, which gives a true and fair view. In preparing the Financial Information, which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion on the Financial Information.

We have examined the audited financial statements of the Group for the Relevant Periods in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

In our opinion, the Financial Information referred to above, for the purposes of this report, and on the basis of preparation set out in section VI below, all adjustments considered necessary have been made, and the Financial Information gives a true and fair view of the state of the Group's affairs as at 31st December, 1999, 2000, 2001 and 30th June, 2001 and 2002, and of its profits and cash flows for the Relevant Periods.

I. CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th June,		Year ended 31st December,		
		2002	2001	2001	2000	1999
(in U.S.\$ millions)						
Interest receivable.....	1	2,553	3,400	6,419	6,905	6,035
Interest payable.....	2	(1,011)	(1,995)	(3,519)	(4,225)	(3,388)
Net interest income		1,542	1,405	2,900	2,680	2,647
Fees and commissions receivable.....		553	546	1,135	1,114	942
Fees and commissions payable		(77)	(69)	(158)	(226)	(233)
Dealing profits and exchange	3	229	249	470	377	398
Other operating income	4	38	33	58	116	94
		743	759	1,505	1,381	1,201
Net revenue		2,285	2,164	4,405	4,061	3,848
Administrative expenses:						
Staff	5	(634)	(617)	(1,241)	(1,387)	(1,154)
Premises and equipment.....	5	(138)	(150)	(285)	(302)	(278)
Other.....	5	(315)	(348)	(735)	(728)	(605)
Depreciation and amortisation	7	(157)	(152)	(324)	(297)	(189)
Total expenses:						
On-going.....		(1,244)	(1,267)	(2,585)	(2,391)	(2,226)
Restructuring.....		—	—	—	(323)	—
Total operating expenses		(1,244)	(1,267)	(2,585)	(2,714)	(2,226)
Operating profit before provisions		1,041	897	1,820	1,347	1,622
Provisions for bad and doubtful debts.....	18	(406)	(269)	(732)	(462)	(801)
Provisions for contingent liabilities and commitments		(1)	—	1	(8)	—
Operating profit		634	628	1,089	877	821
Profit on disposal of subsidiary undertakings....	24	—	—	—	532	—
Profit before taxation		634	628	1,089	1,409	821
Taxation.....	9	(201)	(218)	(378)	(377)	(241)
Profit after taxation.....		433	410	711	1,032	580
Minority interests (equity).....		(17)	(6)	(12)	(6)	(23)
Profit attributable to shareholders		416	404	699	1,026	557
Dividends on non-equity preference shares	10	(56)	(12)	(68)	(24)	(26)
Dividends on Shares.....	11	(160)	(145)	(474)	(424)	(392)
Retained profit		200	247	157	578	139
Basic earnings per Share(c).....	12	31.8	34.8	55.9	92.2	50.8
Diluted earnings per Share(c).....	12	31.5	34.2	55.4	90.7	50.3

Acquisitions

Grindlays was acquired on 1st August, 2000. MCCL and the Hong Kong-based retail banking business of The Chase Manhattan Bank were acquired on 1st November, 2000. Standard Chartered Bank s.a.l. (formerly Metropolitan Bank of the Lebanon), was acquired on 28th February, 2000.

Discontinued operations

The Group disposed of its interests in the Chartered Trust businesses on 31st August, 2000. The 1999 results of discontinued operations are shown in note 24.

II. CONSOLIDATED BALANCE SHEET

Notes	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Assets					
Cash and balances at central banks.....	853	1,031	1,004	791	986
Cheques in course of collection	151	141	170	104	56
Treasury bills and other eligible bills	13 4,501	3,227	5,105	3,962	4,376
Loans and advances to banks	14 20,103	26,967	19,578	23,759	18,470
Securitised loans and advances to customers.....	15 —	8	—	10	664
Less: non-returnable proceeds.....	15 —	(8)	—	(10)	(664)
Other loans and advances to customers	16 54,883	52,927	53,005	51,882	46,651
Total loans and advances to customers.....	54,883	52,927	53,005	51,882	46,651
Debt securities and other fixed income securities	21 18,659	14,298	15,971	9,846	8,223
Equity shares and other variable yield securities	22 131	95	109	103	62
Intangible fixed assets	25 2,201	2,342	2,269	2,327	593
Tangible fixed assets	26 993	970	992	977	970
Other assets	28, 34 9,354	6,697	8,250	7,342	6,335
Prepayments and accrued income.....	988	1,142	1,082	1,342	1,064
Total assets	<u>112,817</u>	<u>109,837</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>
Liabilities					
Deposits by banks	29 13,281	14,771	11,688	11,103	8,999
Customer accounts.....	30 70,178	66,884	67,855	65,037	56,941
Debt securities in issue	31 3,485	4,983	3,706	4,533	4,317
Other liabilities	33 11,209	8,547	9,910	9,029	7,471
Accruals and deferred income.....	1,051	1,227	1,267	1,310	1,198
Provisions for liabilities and charges	35 106	270	150	306	77
Subordinated liabilities:					
Undated loan capital.....	36 1,829	1,788	1,804	1,818	1,546
Dated loan capital (including convertible bonds)	36 3,767	3,645	3,544	2,715	1,531
Minority interests (equity)	37 168	80	73	76	112
Called up share capital.....	38 876	851	861	719	753
Share premium account	39 2,774	2,742	2,761	1,907	1,319
Capital reserve.....	39 5	5	5	—	—
Premises revaluation reserve	39 60	64	61	65	77
Profit and loss account	39 4,028	3,980	3,850	3,817	3,445
Shareholders' funds (including non-equity interests)	<u>7,743</u>	<u>7,642</u>	<u>7,538</u>	<u>6,508</u>	<u>5,594</u>
Total liabilities and shareholders' funds.....	<u>112,817</u>	<u>109,837</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>
Memorandum items					
Contingent liabilities:					
Acceptances and endorsements	45 672	630	704	945	954
Guarantees and irrevocable letters of credit	45 12,742	10,933	11,227	9,951	9,521
Other contingent liabilities	45 3,789	3,303	3,645	3,526	1,053
	<u>17,203</u>	<u>14,866</u>	<u>15,576</u>	<u>14,422</u>	<u>11,528</u>
Commitments.....	45 39,144	43,580	42,622	42,848	40,900

III. CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Profit attributable to shareholders	416	404	699	1,026	557
Exchange translation differences:					
Arising from change in reporting currency	—	—	—	(434)	(113)
Other	(39)	(97)	(118)	(105)	17
Unrealised net deficit on revaluation of premises	—	—	—	—	(20)
Total recognised gains and losses relating to the period	<u>377</u>	<u>307</u>	<u>581</u>	<u>487</u>	<u>441</u>

IV. NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the periods ended 30th June, 2002 and 2001 and years ended 31st December, 2001, 2000 and 1999

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

V. CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30th June,		Year ended 31st December,		
		2002	2001	2001	2000	1999
Net cash inflow from operating activities	40a	960	1,258	6,113	3,623	1,582
Returns on investments and servicing of finance						
Interest paid on subordinated loan capital.....		(208)	(164)	(321)	(202)	(165)
Subordinated loan capital issue expenses.....		—	(12)	(12)	(29)	(6)
Dividends paid to minority shareholders of subsidiary undertakings.....		(1)	(3)	(18)	(21)	(36)
Dividends paid on preference shares.....		(57)	(11)	(41)	(24)	(26)
Net cash outflow from returns on investments and servicing of finance		(266)	(190)	(392)	(276)	(233)
Taxation						
U.K. taxes paid.....		(29)	(52)	(103)	(47)	(99)
Overseas taxes paid.....		(154)	(198)	(417)	(252)	(272)
Total taxes paid		(183)	(250)	(520)	(299)	(371)
Capital expenditure and financial investment						
Purchases of tangible fixed assets.....		(99)	(115)	(283)	(238)	(354)
Acquisitions of treasury bills held for investment purposes.....		(5,449)	(4,043)	(10,383)	(10,383)	(9,221)
Acquisitions of debt securities held for investment purposes.....		(15,044)	(13,427)	(26,356)	(12,390)	(11,473)
Acquisitions of equity shares held for investment purposes.....		(37)	(8)	(28)	(62)	(8)
Disposals of tangible fixed assets.....		13	16	58	32	24
Disposals and maturities of treasury bills held for investment purposes.....		6,177	4,735	9,138	10,542	9,731
Disposals and maturities of debt securities held for investment purposes.....		13,622	8,763	20,562	11,393	9,386
Disposals of equity shares held for investment purposes.....		9	13	17	8	31
Net cash outflow from capital expenditure and financial investment		(808)	(4,066)	(7,275)	(1,098)	(1,884)
Net cash (outflow)/inflow before acquisitions and disposals, equity dividends paid and financing...		(297)	(3,248)	(2,074)	1,950	(906)
Acquisitions and disposals						
Purchases of interests in subsidiary undertakings.....	23	—	—	—	(2,513)	(328)
Purchase of subordinated debt in subsidiary undertaking.....		—	—	—	(186)	—
Disposals of interests in subsidiary undertakings.....	24	—	2	—	934	—
Purchases of other businesses.....		—	—	—	—	(209)
Net cash inflow/(outflow) from acquisitions and disposals		—	2	—	(1,765)	(537)
Equity dividends paid to members of the Company		(308)	(298)	(442)	(240)	(246)
Financing						
Gross proceeds from issue of ordinary share capital....		25	15	22	723	645
Issue expenses related to Share issue.....		—	—	—	(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	—
Gross proceeds from issue of subordinated loan capital.....		—	700	700	1,166	1,178
Repayment of subordinated liabilities.....		—	(3)	(204)	(18)	—
Net cash inflow from financing	40d	25	2,099	1,908	2,324	1,817
(Decrease)/increase in cash	40b	(580)	(1,445)	(608)	2,269	128

VI. NOTES TO THE FINANCIAL INFORMATION

The Company confirms that the Accountants' Report includes the Company's results for each of the three years immediately preceding the issue of the prospectus (including the six months ended 30th June, 2001) as well as the six months period ended 30th June, 2002 (as required by Hong Kong Listing Rule 4.04(1)).

PRINCIPAL ACCOUNTING POLICIES

Accounting Convention

The financial information relating to the Group has been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions.

Consolidated Financial Information

The consolidated financial information relating to the Group comprises the accounts of the Company and its subsidiary undertakings for the six-month periods ended 30th June, 2002 and 2001 and the three years ended 31st December, 2001 and is drawn up in accordance with applicable Accounting Standards in the United Kingdom and the British Bankers' Association's Statements of Recommended Accounting Practice.

Reporting currency

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 using the following bases:

- (i) Assets and liabilities have been translated at the rate of exchange between Pound Sterling and the U.S. dollar applicable on the date of the relevant balance sheet, as follows:-

<u>At</u>	<u>Exchange Rate</u> (U.S.\$ per £1.00)
31st December, 2000	1.491
31st December, 1999	1.620

- (ii) Profits and losses and cash flows have been translated at the average exchange rate between Pound Sterling and the U.S. dollar for the periods in which such amounts were earned or incurred, as follows:-

<u>Period</u>	<u>Exchange Rate</u> (U.S.\$ per £1.00)
Year ended 31st December, 2000	1.516
Year ended 31st December, 1999	1.618

Bad and Doubtful Debts

Provisions for bad and doubtful debts are held in respect of loans and advances, including cross border exposures. The provisions comprise two elements—specific and general.

Provisions against loans and advances are based on an appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision is for the inherent risk of loan losses which, although they have not been separately identified, are known from experience to be present in any loan portfolio. The amount of the general provision reflects past experience and judgements about current conditions in particular locations or business sectors.

Provisions are made against cross border exposures where a country may experience or has experienced external liquidity problems and doubts exist as to whether full recovery will be achieved.

Provisions are applied to write off advances, in part or in whole, when they are considered 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. Such suspended interest is deducted from loans and advances on the balance sheet.

Debt Securities, Equity Shares and Treasury Bills

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis in the Group's activities are classified as investment securities. They include portfolios of securities held in countries where the Group is required to maintain a stock of liquid assets. Investment securities are stated at cost less any amounts written off in the event that their carrying value is not fully recoverable. The cost of dated investment securities is adjusted to reflect the amortisation or accretion of premiums and discounts on acquisition on a straight-line basis over the residual period to maturity. The amortisation and accretion of premiums and discounts are included in interest income.

Securities other than investment securities are classified as dealing securities and are held at market value. Where the market value of such securities is higher than cost, the original cost is not disclosed as its determination is not practicable.

Deferred Taxation

Provision is made on the liability basis, for the tax effects arising from all timing differences which have originated but not reversed at the balance sheet date, to the extent that they are not identified by FRS19 as specific exclusions from this general principle.

Equipment Leased to Customers and Instalment Credit Agreements

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

The balance sheet amount represents total minimum lease payments receivable less unearned income. Income from finance leases is recognised in the profit and loss account in proportion to the funds invested. Fixed rate instalment credit agreements are treated in a similar manner to finance leases.

Lease agreements other than finance leases are classified as operating leases. Operating leases are included in loans and advances but are treated as fixed assets and depreciated over the shorter of the lease term and the estimated useful life of the asset. The profits arising from operating leases are recognised in the profit and loss account on a straight-line basis over the duration of each lease.

Income arising from the residual interest in instalment credit agreements which have been sold is credited to the profit and loss account as it accrues. Expenses incurred in generating this income are deferred and amortised over the duration of the income flow and in proportion to it.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in U.S. dollar terms at rates of exchange ruling on the balance sheet date. Profits and losses earned in foreign currencies are expressed in U.S. dollar terms at the average exchange rate of each currency against U.S. dollar during the year. Exchange differences arising from the balance sheet period end rate and the profit and loss average rate are taken to reserves. Gains or losses arising from positions taken to hedge such profits and losses are included in the profit and loss account.

Translation differences arising from the application of closing rates of exchange to opening net assets denominated in foreign currencies are taken directly to reserves.

Exchange differences arising on the translation of opening net monetary assets and results of operations in areas experiencing hyper-inflation are included in the profit and loss account. Non-monetary assets in these areas are not retranslated.

All other exchange differences arising from normal trading activities, and on branch profit and dividend remittances to the U.K., are included in the profit and loss account.

Off-balance Sheet Financial Instruments

Off-balance sheet financial instruments are valued with reference to market prices and the resultant profit or loss is included in the profit and loss account, except where the position in the instrument has been designated as a hedge when the profit or loss resulting from marking them to market is dealt with in the same way as the accounting treatment applied to the position hedged.

Retirement Benefits

The Group operates some 50 retirement benefit schemes throughout the world. Arrangements for retirement benefits for members of staff are made in a variety of ways in accordance with local regulations and customs. The major schemes, which cover the majority of scheme members, are of the defined benefit type.

The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries. The assets of the schemes are generally held in separate funds administered by trustees.

The cost of providing pensions and other post-retirement benefits for employees is charged to the profit and loss account over their expected working lives.

Sale and Repurchase Agreements

These are arrangements under which assets are sold by one party to another on terms that provide for the seller to repurchase the assets in certain circumstances at a later date.

Where the substance of the transaction is that of a secured loan, the sale and any apparent profit will not be recorded as such in the books of the seller, but the proceeds of sale will be recorded as a deposit.

Swaps and Sales of Assets

Assets acquired through debt exchange transactions are included in the accounts at the directors' assessment of their fair value. Where the asset represents exposure to a country which is experiencing payment difficulties, it is stated at its principal amount and any provision required to reduce the exposure to its fair value is included with other provisions of a like nature.

Profits and losses on sales of assets are calculated by reference to their net carrying amount, whether at historical cost (less any provisions made) or at a valuation, at the time of disposal.

Tangible Fixed Assets

Freehold and long leasehold premises (premises with unexpired lease terms of 50 years or more) are included in the accounts at their historical cost or at the amount of any subsequent valuation. Leasehold premises with no long-term premium value are not revalued.

Land is not depreciated. Freehold premises are amortised on a straight-line basis over their estimated residual lives. Leasehold premises are amortised over the remaining term of each lease on a straight-line basis.

Equipment, including fixed plant in buildings, computers and capitalised software development expenditure, is stated at cost and is depreciated on a straight-line basis over its expected economic life, which is six years on a weighted average basis.

Intangible Fixed Assets

Any purchased goodwill is capitalised and amortised to nil, on a straight-line basis, over its estimated useful life. The amortisation period of capitalised goodwill is up to 20 years,

being the period over which the Group expects to derive economic benefit from the assets. Purchased goodwill arising on consolidation in respect of acquisitions before 1st January, 1998 was written off through reserves in the year of acquisition and has not been restated. Any goodwill previously written off through reserves is charged through the profit and loss account in the year of disposal.

Fees and Commissions

Fees or commissions which represent a payment for a service provided in setting up a transaction are credited to the profit and loss account once they are receivable.

Fees or commissions which in substance amount to an additional interest charge are recognised over the life of the underlying transaction on a level yield basis.

1. INTEREST RECEIVABLE

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Balances at central banks	2	3	7	5	2
Treasury bills and other eligible bills	126	121	253	314	380
Loans and advances to banks	364	687	1,172	1,523	1,061
Loans and advances to customers	1,692	2,195	4,211	4,452	4,184
Listed debt securities	225	189	377	165	165
Unlisted debt securities	144	205	399	446	243
	<u>2,553</u>	<u>3,400</u>	<u>6,419</u>	<u>6,905</u>	<u>6,035</u>

2. INTEREST PAYABLE

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Deposits by banks	221	450	649	748	553
Customer accounts:					
Current and demand accounts	75	209	374	560	447
Savings deposits	53	72	131	132	120
Time deposits	490	965	1,783	2,222	1,851
Debt securities in issue	53	134	238	299	252
Subordinated loan capital:					
Wholly repayable within 5 years	—	15	24	18	23
Other	119	150	320	246	142
	<u>1,011</u>	<u>1,995</u>	<u>3,519</u>	<u>4,225</u>	<u>3,388</u>

3. DEALING PROFITS AND EXCHANGE

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Income from foreign exchange dealing.....	162	193	374	325	353
Profits less losses on dealing securities	22	25	22	26	27
Other dealing profits and exchange	45	31	74	26	18
	<u>229</u>	<u>249</u>	<u>470</u>	<u>377</u>	<u>398</u>

4. OTHER OPERATING INCOME

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Other operating income includes:					
Share of profits arising on securitised instalment credit agreements (note 15)	—	—	—	26	39
Profits less losses on disposal of investment securities.....	19	7	23	11	5
Dividend income.....	4	2	3	6	10
	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>	<u>10</u>

5. ADMINISTRATIVE EXPENSES

	Six months ended 30th June,		Year ended 31st December,				
	2002 Total	2001 Total	2001 Total	2000 On-going	2000 Restructuring	2000 Total	1999 Total
	(in U.S.\$ millions)						
Staff costs:							
Wages and salaries	503	520	1,011	923	—	923	880
Social security costs	18	18	35	38	—	38	34
Other pension costs (note 6)	35	27	54	47	3	50	51
Other staff costs.....	78	52	141	155	221	376	189
	<u>634</u>	<u>617</u>	<u>1,241</u>	<u>1,163</u>	<u>224</u>	<u>1,387</u>	<u>1,154</u>
Premises and equipment expenses:							
Rental of premises.....	73	75	149	156	—	156	167
Other premises and equipment costs.....	57	67	118	105	23	128	94
Rental of computers and equipment	8	8	18	18	—	18	17
	<u>138</u>	<u>150</u>	<u>285</u>	<u>279</u>	<u>23</u>	<u>302</u>	<u>278</u>
Other expenses.....	315	348	735	697	31	728	605
Total administrative expenses	<u>1,087</u>	<u>1,115</u>	<u>2,261</u>	<u>2,139</u>	<u>278</u>	<u>2,417</u>	<u>2,037</u>

Other expenses in the year ended 31st December, 2001 include U.S.\$4.6 million (2000: U.S.\$4.4 million; 1999: U.S.\$4.4 million) in respect of auditors' remuneration for the Group of which U.S.\$0.4 million (2000: U.S.\$0.5 million; 1999: U.S.\$0.3 million) relates to the Company.

The fees paid to the Group's auditors, KPMG Audit Plc, in respect of work performed on the Hong Kong Stock Exchange listing totalled U.S.\$3.8 million.

6. RETIREMENT BENEFITS

The total charge for benefits under the Group's retirement benefit schemes was U.S.\$35 million for the six months ended 30th June, 2002 (six months ended 30th June, 2001: U.S.\$27 million) (year ended 31st December, 2001: U.S.\$54 million; 2000: U.S.\$50 million; 1999: U.S.\$51 million), of which U.S.\$24 million (six months ended 30th June, 2001: U.S.\$18 million) (year ended 31st December, 2001: U.S.\$32 million; 2000: U.S.\$38 million; 1999: U.S.\$39 million) was for defined benefit pension schemes, U.S.\$10 million (six months ended 30th June, 2001: U.S.\$8 million) (year ended 31st December, 2001: U.S.\$20 million; 2000: U.S.\$9 million; 1999: U.S.\$10 million) was for defined contribution pension schemes and U.S.\$1 million (six months ended 30th June, 2001: U.S.\$1 million) (year ended 31st December, 2001: U.S.\$2 million; 2000: U.S.\$3 million; 1999: U.S.\$2 million) was for post-retirement benefits other than pensions.

The financial position of the Group's principal retirement benefit scheme, the Standard Chartered Pension Fund (the "Fund") (a defined benefit scheme) is assessed in the light of the advice of an independent qualified actuary. The most recent actuarial assessment of the Fund, using the projected unit method, was at 31st December, 2000. The assumptions having the most significant effect on the outcome of the valuation were:

Financial assumptions

Return from investments held for pensioners.....	4.5% per annum
Return from investments held for non-pensioners before retirement.....	6.5% per annum
Return from investments held for non-pensioners after retirement.....	5.5% per annum
General increase in salaries	5.0% per annum
Increase in pensions:	
In deferment.....	2.5% per annum (where applicable)
In payment (pre April 1997 service)(discretionary increases only; guaranteed increases assumed to be nil)	2.5% per annum (excepting GMP element)
In payment (post April 1997 service).....	2.5% per annum

Applying these assumptions, at the valuation date, the market value of the assets of the Fund (U.S.\$1,110 million) was sufficient to cover 116% of the benefits that had accrued to members (98% including the allowance for discretionary benefit increases). The Group is paying additional contributions of U.S.\$3.3 million per year over a period of ten years to ensure future discretionary increases are fully covered.

Pension costs for the purpose of these accounts were assessed using the same method, but the assumptions were different in several respects. In particular, the return from

investments held for non-pensioners was 7% per annum before retirement and 6% per annum after retirement, and the mortality table used for members who had not yet retired was reappraised.

During the six months ended 30th June, 2002, payments of U.S.\$8 million (six months ended 30th June, 2001: U.S.\$6 million) (year ended 31st December, 2001: U.S.\$11 million; 2000: U.S.\$23 million; 1999: U.S.\$24 million) were made to the Fund and the charge in these accounts for pension costs attributable to the Fund was U.S.\$6 million (six months ended 30th June, 2001: U.S.\$3 million) (year ended 31st December, 2001: U.S.\$3 million; 2000: U.S.\$14 million; 1999: U.S.\$16 million). This was made up of a regular cost of U.S.\$6 million (six months ended 30th June, 2001: U.S.\$4 million) (year ended 31st December, 2001: U.S.\$9 million; 2000: U.S.\$17 million; 1999: U.S.\$19 million) and a credit of U.S.\$nil (six months ended 30th June, 2001: credit of U.S.\$1 million) (year ended 31st December, 2001: credit of U.S.\$6 million; 2000: credit of U.S.\$3 million; 1999: credit of U.S.\$3 million) being the annual cost of spreading the surplus, using the straight-line method over a 10 year period (2001: 10 year period; 2000: 11.2 year period; 1999: 11.2 year period). There were no material charges in respect of benefit improvements.

With effect from 1st July, 1998 the Fund was closed to new entrants and all new employees are offered membership of a new, defined contribution scheme.

Charges to the profit and loss account in the six months ended 30th June, 2002 in respect of other U.K. pension schemes amounted to U.S.\$3 million (six months ended 30th June, 2001: U.S.\$3 million) (year ended 31st December, 2001: U.S.\$7 million; 2000: U.S.\$6 million; 1999: U.S.\$6 million).

The actuarial positions of the Group's principal overseas defined benefit pension schemes have been assessed at various dates since 30th June, 1998 by independent qualified actuaries. The total market value of the assets of the schemes at their respective assessment dates was U.S.\$207 million, and the total actuarial value of these assets was sufficient to cover 95% of the benefits that had accrued to members after allowing for expected future increases in earnings. Within this total, there were schemes which had deficits amounting to U.S.\$12 million.

The total charge to the profit and loss account in the six months ended 30th June, 2002 for all overseas schemes was U.S.\$26 million (six months ended 30th June, 2001: U.S.\$21 million) (year ended 31st December, 2001: U.S.\$44 million; 2000: U.S.\$30million; 1999: U.S.\$28 million) of which U.S.\$18 million (six months ended 30th June, 2001: U.S.\$14 million) (year ended 31st December, 2001: U.S.\$29 million; 2000: U.S.\$24 million; 1999: U.S.\$23 million) was for defined benefit schemes, U.S.\$7 million (six months ended 30th June, 2001: U.S.\$6 million) (year ended 31st December, 2001: U.S.\$13 million; 2000: U.S.\$3 million; 1999: U.S.\$3 million) was for defined contribution schemes and U.S.\$1 million (six months ended 30th June, 2001: U.S.\$1 million) (year ended 31st December, 2001: U.S.\$2 million; 2000: U.S.\$3 million; 1999: U.S.\$2 million) was for post-retirement benefits other than

pensions. The charge of U.S.\$26 million comprises a regular cost of U.S.\$24 million and a net charge of U.S.\$2 million in respect of the spreading of other surpluses and deficits. The charges have the effect of eliminating the U.S.\$12 million of scheme deficits over no more than 10 years.

Provisions for liabilities and charges (note 35) includes U.S.\$24 million (at 30th June, 2001: U.S.\$40 million) (at 31st December, 2001: U.S.\$27 million; 2000: U.S.\$41 million; 1999: U.S.\$36 million) representing the excess of the accumulated amount charged against the Group's profits in 2002 and previous years in respect of pension costs compared with the contributions paid into the schemes concerned, together with U.S.\$12 million (at 30th June, 2001: U.S.\$12 million) (at 31st December, 2001: U.S.\$12 million; 2000: U.S.\$13 million; 1999: U.S.\$8 million) representing provisions for post-retirement benefits other than pensions.

The disclosures required under the transitional arrangements within Financial Reporting Standard 17 'Retirement Benefits' ("FRS 17") have been calculated by qualified independent actuaries based upon the most recent full actuarial valuations updated to 30th June, 2002. (The effective date of the full valuations range between 31st July and 31st December, 2000.)

The financial assumptions used at 30th June, 2002 were:

	<u>U.K. Fund</u>	<u>Overseas Pension Schemes⁽¹⁾</u>	<u>Post Retirement Medical⁽²⁾</u>
Rate of price inflation	2.70%	1.50 - 3.50%	2.00%
Rate of increase in salaries	5.20%	4.25 - 7.00%	4.25%
Rate of increase in pensions	2.70%	2.50 - 3.00%	n/a
Discount rate	5.90%	5.75 - 12.00%	7.25%
Expected return on assets (aggregate)	6.00%	7.00 - 12.00%	n/a
Post retirement medical trend rate.....	n/a	n/a	12% in 2001, decreasing by 1% increments to 5% in 2008

Notes:

- (1) The range of assumptions shown are in respect of Hong Kong, India, Jersey, Kenya and the U.S. They do not include those assumptions used for Zimbabwe as they lie well outside these ranges.
- (2) These values only cover the Post Retirement Medical Plan in the U.S.

The assets in the schemes at 30th June, 2002 were:

	<u>U.K. Fund</u>	<u>Overseas Pension Schemes</u> (in U.S.\$ millions)	<u>Post Retirement Medical</u>
Equities	260	122	n/a
Bonds.....	798	74	n/a
Property	2	2	n/a
Other.....	43	8	n/a
Total market value of assets.....	<u>1,103</u>	<u>206</u>	<u>n/a</u>

The following amounts at 30th June, 2002 were measured in accordance with FRS17:

	<u>U.K. Fund</u>	<u>Overseas Pension Schemes</u> (in U.S.\$ millions)	<u>Post Retirement Medical</u>
Total market value of the schemes' assets	1,103	206	—
Present value of the schemes' liabilities	<u>(1,152)</u>	<u>(275)</u>	<u>(13)</u>
Surplus/(deficit) recognised in balance sheet	(49)	(69)	(13)
Related deferred tax (liabilities)/asset	<u>15</u>	<u>21</u>	<u>4</u>
Net pension asset/(liability).....	<u><u>(34)</u></u>	<u><u>(48)</u></u>	<u><u>(9)</u></u>

If the above amounts had been recognised in the accounts, the Group's net assets and profit and loss account reserve at 30th June, 2002 would be as follows:

	<u>U.S.\$ millions</u>
Net assets excluding pension assets	7,743
Pension liability	<u>(91)</u>
Net assets including pension assets	<u>7,652</u>
Profit and loss account excluding pension asset	4,028
Pension liability	<u>(91)</u>
Profit and loss account	<u><u>3,937</u></u>

7. DEPRECIATION AND AMORTISATION

	Six months ended 30th June,		Year ended 31st December,				
	2002	2001	2001	2000		1999	
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>On- going</u>	<u>Restructuring</u>	<u>Total</u>	<u>Total</u>
	(in U.S.\$ millions)						
Goodwill	68	68	140	71	—	71	35
Premises	21	21	55	36	—	36	31
Equipment	68	63	129	145	45	190	123
	<u>157</u>	<u>152</u>	<u>324</u>	<u>252</u>	<u>45</u>	<u>297</u>	<u>189</u>

8. DIRECTORS AND OFFICERS

Directors' Emoluments

Details of Directors' pay and benefits are disclosed in the paragraph headed Directors' remuneration in the section headed "Directors, Senior Management and Staff" of this prospectus, and Directors' interests in shares are disclosed in paragraph 5(B) in Appendix VIII to this prospectus.

Transactions with Directors, Officers and Others

As at 30th June, 2002, the total amounts to be disclosed under the Companies Act 1985 about loans to directors and officers were as follows:

	Six months ended 30 June,		Year ended 31st December,					
	2002		2001		2000		1999	
	Number	(U.S.\$)	Number	(U.S.\$)	Number	(U.S.\$)	Number	(U.S.\$)
	(in thousands, except numbers)							
Directors	1	10	3	17	2	19	2	16
Officers ⁽¹⁾	9	4,718	7	5,189	6	7,629	10	4,123

Note:

(1) For this disclosure, the term "officers" means band 1 senior management.

There were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Companies Act 1985 or the rules of the U.K. Listing Authority.

9. TAXATION

Analysis of taxation charge in the period

	Six months ended 30th June,		Year ended 31 December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ million)				
The charge for taxation based upon the profits for the period comprises:					
U.K. Corporation Tax at 30% (2001: 30%; 2000: 30%; 1999: 30.25%)					
Current tax on income for the period	130	106	207	214	134
Adjustments in respect of prior periods.....	(1)	—	(2)	(3)	11
Double Taxation Relief.....	(90)	(75)	(179)	(150)	(83)
Foreign Tax					
Current tax on income for the period	183	174	345	342	181
Adjustments in respect of prior periods.....	(1)	8	(15)	15	(18)
Total current tax	221	213	356	418	225
Deferred Tax					
Origination/reversal of timing differences	(20)	5	22	(41)	16
	(20)	5	22	(41)	16
Tax on profits on ordinary activities.....	201	218	378	377	241

There is no tax chargeable against the profit on sale of subsidiary undertakings of U.S.\$532 million recognised in the year ended 31st December, 2000.

Overseas taxation includes taxation on Hong Kong profits of U.S.\$21 million (six months ended 30th June, 2001: U.S.\$39 million) (year ended 31st December, 2001: U.S.\$90 million; 2000: U.S.\$63 million; 1999: U.S.\$36 million). Subsidiary undertakings in Hong Kong provide for Hong Kong profits tax at the rate of 16% (2001: 16%; 2000: 16%; 1999: 16%) on the profits for the year assessable in Hong Kong.

Factors affecting the taxation charge for the current period

Six months ended 30th June,		Year ended 31st December,		
2002	2001	2001	2000	1999

(in U.S.\$ million)

The current taxation charge for the period is higher (six months ended 30th June, 2001: higher) (year ended 31st December, 2001: higher; 2000:lower; 1999:lower) than the standard rate of corporation tax in the U.K., 30% (2001:30%; 2000:30%; 1999:30.25%) The differences are explained below

Current tax reconciliation

Profit on ordinary activities before taxation.....	634	628	1,089	1,409	821
Current tax at 30% (1999:30.25%)	190	188	327	423	248
Effects of:					
Goodwill amortisation not deductible for tax purposes	20	19	41	17	—
Higher taxes on overseas earnings	17	8	24	32	30
Tax relief on share option schemes	(9)	(2)	(11)	(4)	(3)
Capital allowances for the period in excess of depreciation	(1)	(3)	—	20	(17)
Overseas losses not relieviable against U.K. tax	14	12	38	62	9
Adjustments to tax charge in respect of previous periods.....	(5)	(8)	(45)	(6)	(12)
Tax free disposal of Chartered Trust Group	—	—	—	(166)	—
Malaysia Tax Waiver	—	—	—	—	(31)
Other items	(5)	(1)	(18)	40	1
Total current taxation charge (see above)	<u>221</u>	<u>213</u>	<u>356</u>	<u>418</u>	<u>225</u>

The factor most likely to affect the future taxation charge is the incidence of profits in high tax jurisdictions.

10. 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:					
7½% 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	—	—
	<u>56</u>	<u>12</u>	<u>68</u>	<u>24</u>	<u>26</u>

11. DIVIDENDS ON ORDINARY EQUITY SHARES

	Six months ended 30th June,				Year ended 31st December,					
	2002		2001		2001		2000		1999	
	Cents per Share	Amount (U.S.\$)	Cents per Share	Amount (U.S.\$)	Cents per Share	Amount (U.S.\$)	Cents per Share	Amount (U.S.\$)	Cents per Share	Amount (U.S.\$)

(in millions, except for Cents per share)

Interim paid ...	14.10	160	12.820	145	12.820	145	11.651	126	10.921	115
Final paid	—	—	—	—	29.100	329	26.454	298	26.046	277
	<u>14.10</u>	<u>160</u>	<u>12.820</u>	<u>145</u>	<u>41.920</u>	<u>474</u>	<u>38.105</u>	<u>424</u>	<u>36.967</u>	<u>392</u>

12. EARNINGS PER SHARE

	Six months ended 30th June,					
	2002			2001		
	Profit (in millions) (U.S.\$)	Average number of Shares (in thousands)	Amount per Share (¢)	Profit (in millions) (U.S.\$)	Average number of Shares (in thousands)	Amount per Share (¢)
Basic earnings per Share						
Profit attributable to ordinary shareholders.....	360	1,131,734	31.8	392	1,127,853	34.8
Effect of dilutive potential Shares						
Convertible bonds	8	34,488		8	34,488	
Options	—	2,978		—	5,907	
Diluted earnings per Share	<u>368</u>	<u>1,169,200</u>	<u>31.5</u>	<u>400</u>	<u>1,168,248</u>	<u>34.2</u>

	Year ended 31st December,								
	2001			2000			1999		
	Profit (in millions) (U.S.\$)	Average number of Shares (in thousands)	Amount per Share (¢)	Profit (in millions) (U.S.\$)	Average number of Shares (in thousands)	Amount per Share (¢)	Profit (in millions) (U.S.\$)	Average number of Shares (in thousands)	Amount per Share (¢)
Basic earnings per Share									
Profit attributable to ordinary shareholders	631	1,128,407	55.9	1,002	1,086,619	92.2	531	1,046,182	50.8
Effect of dilutive potential Shares									
Convertible bonds.....	16	34,488		14	25,866		—	—	
Options.....	—	4,478		—	7,009		—	10,086	
Diluted earnings per Share..	<u>647</u>	<u>1,167,373</u>	<u>55.4</u>	<u>1,016</u>	<u>1,119,494</u>	<u>90.7</u>	<u>531</u>	<u>1,056,268</u>	<u>50.3</u>

Normalised earnings per Share

Standard Chartered measures earnings per share on a normalised basis. The following table shows the calculation of normalised headline earnings per share, i.e. based on the Group's results excluding the profit on disposal of subsidiary undertakings and the charge for restructuring.

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions, unless otherwise specified)				
Profit attributable to shareholders after preference dividends.....	360	392	631	1,002	531
Amortisation of goodwill	68	68	140	71	35
Profits less losses on disposal of investment securities.....	(19)	(7)	(23)	(11)	(5)
Profit on disposal of subsidiary undertakings	—	—	—	(532)	—
Restructuring charge	—	—	—	323	—
Tax credit relating to restructuring charge.....	—	—	—	(81)	—
Normalised earnings	<u>409</u>	<u>453</u>	<u>748</u>	<u>772</u>	<u>561</u>
Normalised earnings per Share (¢)	<u>36.1</u>	<u>40.2</u>	<u>66.3</u>	<u>71.1</u>	<u>53.7</u>

13. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Dealing securities	160	155	144	179	119
Investment securities	4,341	3,072	4,961	3,783	4,257
Total treasury bills and other eligible bills	<u>4,501</u>	<u>3,227</u>	<u>5,105</u>	<u>3,962</u>	<u>4,376</u>

The estimated market value of treasury bills and similar securities held for investment purposes amounted to U.S.\$4,346 million (at 30th June, 2001: U.S.\$3,072 million) (at 31st December, 2001: U.S.\$4,973 million; 2000: U.S.\$3,783 million 1999: U.S.\$4,257 million)

Treasury bills and other eligible bills include U.S.\$151 million (at 30th June, 2001: U.S.\$18 million) (at 31st December, 2001: U.S.\$5 million; 2000: U.S.\$106 million 1999: U.S.\$nil) of bills sold subject to sale and repurchase transactions.

The change in the book amount of treasury bills and similar securities held for investment purposes comprised:

	Six months ended 30th June, 2002		
	Historical cost	Amortisation of discounts/premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2002	4,972	(11)	4,961
Exchange translation differences	87	—	87
Acquisitions	5,449	—	5,449
Maturities and disposals.....	(6,177)	—	(6,177)
Amortisation of discounts and premiums.....	—	21	21
At 30th June, 2002.....	<u>4,331</u>	<u>10</u>	<u>4,341</u>
	Six months ended 30th June 2001		
	Historical cost	Amortisation of discounts/premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2001	3,803	(20)	3,783
Exchange translation differences	(22)	—	(22)
Acquisitions	4,043	—	4,043
Maturities and disposals.....	(4,730)	(5)	(4,735)
Amortisation of discounts and premiums.....	—	3	3
At 30th June, 2001.....	<u>3,094</u>	<u>(22)</u>	<u>3,072</u>
	Year ended 31st December, 2001		
	Historical cost	Amortisation of discounts/premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2001	3,803	(20)	3,783
Exchange translation differences	(86)	—	(86)
Acquisitions	10,383	—	10,383
Maturities and disposals.....	(9,128)	(10)	(9,138)
Amortisation of discounts and premiums.....	—	19	19
At 31st December, 2001	<u>4,972</u>	<u>(11)</u>	<u>4,961</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Year ended 31st December, 2000		
	Historical cost	Amortisation of discounts/ premiums	Book amount
		(in U.S.\$ millions)	
At 1st January, 2000	4,296	(39)	4,257
Exchange translation differences	(337)	4	(333)
Acquisitions	10,383	—	10,383
Maturities and disposals.....	(10,539)	(3)	(10,542)
Amortisation of discounts and premiums.....	—	18	18
At 31st December, 2000	<u>3,803</u>	<u>(20)</u>	<u>3,783</u>
	Year ended 31st December, 1999		
	Historical cost	Amortisation of discounts/ premiums	Book amount
		(in U.S.\$ millions)	
At 1st January, 1999	4,777	(53)	4,724
Exchange translation differences	(112)	(1)	(113)
Acquisitions	9,339	—	9,339
Maturities and disposals.....	(9,718)	(13)	(9,731)
Amortisation of discounts and premiums.....	—	39	39
Other.....	10	(11)	(1)
At 31st December, 1999	<u>4,296</u>	<u>(39)</u>	<u>4,257</u>

At 30th June, 2002, unamortised discounts on treasury bills and similar securities held for investment purposes amounted to U.S.\$25 million (at 30th June, 2001: U.S.\$23 million) (at 31st December, 2001: U.S.\$19 million; 2000: U.S.\$21 million; 1999: U.S.\$34 million) and there were U.S.\$4 million (at 30th June 2001: U.S.\$1 million) unamortised premiums (at 31st December, 2001: U.S.\$3 million; 2000: U.S.\$2 million; 1999: U.S.\$2 million).

14. LOANS AND ADVANCES TO BANKS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Repayable on demand	2,198	1,664	2,545	3,487	1,264
With a residual maturity of:					
3 months or less.....	10,970	16,956	9,082	12,799	11,405
Between 3 months and 1 year.....	5,993	7,199	6,795	5,965	5,072
Between 1 and 5 years.....	527	723	775	1,159	442
Over 5 years.....	528	439	418	361	305
	<u>20,216</u>	<u>26,981</u>	<u>19,615</u>	<u>23,771</u>	<u>18,488</u>
Provisions for bad and doubtful debts (note 18)....	(110)	(14)	(37)	(12)	(18)
Interest in suspense	(3)	—	—	—	—
	<u>20,103</u>	<u>26,967</u>	<u>19,578</u>	<u>23,759</u>	<u>18,470</u>

Loans and advances to banks include balances with central banks and other regulatory authorities amounting to U.S.\$1,277 million (at 30th June, 2001: U.S.\$1,250 million) (at 31st December, 2001: U.S.\$1,288 million; 2000: U.S.\$1,127 million; 1999: U.S.\$956 million) which are required by local statute and regulation.

15. SECURITISED LOANS AND ADVANCES TO CUSTOMERS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Securitised instalment credit agreements	—	—	—	—	648
Securitised Hong Kong residential mortgage receivables	—	8	—	10	16
	<u>—</u>	<u>8</u>	<u>—</u>	<u>10</u>	<u>664</u>

Debts subject to financing arrangements relate to securitised instalment credit and mortgage receivables as described below. In accordance with Financial Reporting Standard 5, the agreements have been shown on the balance sheet under the linked presentation method. The amounts shown on the balance sheet represent the gross asset values securitised less the remaining amount of the floating rate notes which were issued to finance the acquisition of the securitised receivables.

On 31st August, 2000, the Group disposed of its investment in Chartered Trust. Details of securitised instalment credit agreements entered into by Chartered Trust and included in the Group's balance sheet as at 31st December 1999 are given in the Group's 1999 Annual Report and Accounts.

In 1994, a subsidiary undertaking, Standard Chartered Bank, sold HK\$1,000 million (U.S.\$129 million) of Hong Kong residential mortgage receivables to a special purpose company, Mortgaged Asset Receivables Securitisation (1) Limited ("MARS"). MARS funded the purchase by issuing HK\$1 billion of notes secured on the mortgages. MARS is owned by a Bermuda trust, MARS Trustee (Pvt.) (Bermuda) Limited.

When MARS has met all its operational expenses and its obligations to redeem the notes, Standard Chartered Bank is entitled to receive any surplus generated from the mortgages. Standard Chartered Bank is also entitled to receive origination and servicing fees. The payment of these fees takes priority over MARS' obligations to its noteholders. There are no interest swap or cap arrangements between MARS and the Group, nor are there any provisions whereby additional assets can be transferred to MARS, except where the trustee for the noteholders determines that the original qualifying criteria for the mortgages sold to MARS have not been met, in which case qualifying assets must be substituted.

Neither the Company nor any of its subsidiaries or associates are obliged to support any losses which might arise from any asset securitised under the arrangements described above, nor does it or any other Group company intend to do so. The noteholders have agreed in writing, in the financing documentation, that they will seek repayment of the notes, as to both the principal and interest, only to the extent that sufficient funds are generated by the assets securitised and that they will not seek recourse in other form. The Group has no interest in the share capital of any of the purchasers of the securitised assets or of the trustee companies responsible for the collection of the related receivables.

The terms of each of the transactions entered into meet the conditions for disclosure using a linked presentation as specified in Financial Reporting Standard 5. The amounts shown on the balance sheet under the linked presentation represent the gross asset values

securitised, and the amount of the notes outstanding which were issued to finance the acquisition of the securitised assets.

16. OTHER LOANS AND ADVANCES TO CUSTOMERS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Repayable on demand	6,522	6,002	4,345	6,465	7,052
With a residual maturity of:					
3 months or less	12,640	15,695	14,883	14,551	13,153
Between 3 months and 1 year	10,359	7,150	8,570	7,631	6,049
Between 1 and 5 years	10,266	11,097	10,466	10,189	8,913
Over 5 years	16,622	14,744	16,348	14,970	13,761
	56,409	54,688	54,612	53,806	48,928
Specific provision for bad and doubtful debts (note 18)	(840)	(1,009)	(914)	(1,134)	(1,501)
General provision for bad and doubtful debts (note 18)	(468)	(467)	(468)	(468)	(439)
Interest in suspense (note 19)	(218)	(285)	(225)	(322)	(337)
	<u>54,883</u>	<u>52,927</u>	<u>53,005</u>	<u>51,882</u>	<u>46,651</u>

There are loans of U.S.\$4 million (at 30th June, 2001: U.S.\$nil) (at 31st December, 2001: U.S.\$4 million; 2000: U.S.\$nil; 1999: U.S.\$3 million) which are subordinated to the claims of other parties.

The Group's exposure to credit risk is concentrated in Hong Kong and the Asia Pacific region. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty, and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Hong Kong residents of approximately U.S.\$12.8 billion (at 30th June, 2001: U.S.\$12.3 billion) (at 31st December, 2001: U.S.\$12.6 billion; 2000: U.S.\$12.1 billion; 1999: U.S.\$10.4 billion).

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The following table shows loans and advances to customers by each principal category of borrower's business or industry:

	At 30th June,						
	2002				2001		
	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
	(in U.S.\$ millions)						
Loans to individuals:							
Mortgages.....	2,914	3,989	13,156	20,059	2,558	3,613	12,234
Other.....	4,727	2,780	1,140	8,647	4,009	2,511	347
Consumer Banking	7,641	6,769	14,296	28,706	6,567	6,124	12,581
Loans to Governments	775	100	31	906	463	210	39
Agriculture, forestry and fishing	382	23	11	416	511	49	3
Mining and quarrying	560	360	40	960	649	129	61
Manufacturing	6,766	1,235	374	8,375	7,442	709	336
Electricity, gas and water	636	115	208	959	908	90	75
Construction	281	78	45	404	384	37	18
Commerce	4,001	251	209	4,461	4,550	223	88
Transport, storage and communication	1,343	452	428	2,223	2,076	118	37
Financing, insurance and business services	4,671	415	317	5,403	4,717	1,207	141
Other	1,406	468	664	2,538	1,936	315	601
Wholesale Banking	20,821	3,497	2,327	26,645	23,636	3,087	1,399
General provisions				(468)			
				54,883			52,927
	At 31st December,						
	2001				2000		1999
	One year or less	One to five years	More than five years	Total	Total	Total	
Loans to individuals:							
Mortgages	2,372	4,136	12,241	18,749	17,736	15,118	
Other	4,907	2,756	1,003	8,666	7,374	8,966	
Consumer Banking	7,279	6,892	13,244	27,415	25,110	24,084	
Loans to Governments	520	152	250	922	1,225	1,217	
Agriculture, forestry and fishing.....	601	30	6	637	595	575	
Mining and quarrying.....	680	259	38	977	556	692	
Manufacturing	6,809	1,083	449	8,341	7,874	6,478	
Electricity, gas and water.....	693	108	164	965	929	446	
Construction.....	349	38	15	402	437	434	
Commerce	3,849	295	95	4,239	6,423	5,928	
Transport, storage and communication.....	1,162	459	608	2,229	2,559	899	
Financing, insurance and business services	4,523	455	201	5,179	5,008	4,555	
Other.....	1,103	430	634	2,167	1,634	1,782	
Wholesale Banking.....	20,289	3,309	2,460	26,058	27,240	23,006	
General provisions.....				(468)	(468)	(439)	
				53,005	51,882	46,651	

17. ASSETS LEASED TO CUSTOMERS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Operating leases:					
Cost of equipment	—	—	—	—	915
Accumulated depreciation	—	—	—	—	(285)
	—	—	—	—	630
Finance leases	289	244	457	273	369
Instalment credit agreements	1,073	656	787	681	3,846
	<u>1,362</u>	<u>900</u>	<u>1,244</u>	<u>954</u>	<u>4,845</u>

In addition, the Group has securitised instalment credit agreements as disclosed in note 15. Assets leased to customers are included in other loans and advances to customers.

As a result of the disposal of the Group's investment in its consumer finance companies in the U.K., assets for leasing to customers under finance leases and instalment credit agreements at 31st December, 1999 amounting to U.S.\$3,461 million were sold during 2000.

The cost of assets acquired during the period for leasing to customers under finance leases and instalment credit agreements amounted to U.S.\$405 million (at 30th June, 2001: U.S.\$223 million) (at 31st December, 2001: U.S.\$159 million; 2000: U.S.\$343 million (excluding assets acquired by the U.K. consumer finance companies in the period prior to disposal); 1999: U.S.\$3,003 million).

The aggregate amounts of leasing income receivable, including capital repayments, under finance leases amounted to U.S.\$89 million (six months ended 30th June, 2001: U.S.\$99 million) (year ended 31st December, 2001: U.S.\$161 million; 2000: U.S.\$204 million; 1999: U.S.\$259 million) and under operating leases amounted to U.S.\$nil million (six months ended 30th June, 2001: U.S.\$nil) (year ended 31st December, 2001: U.S.\$nil; 2000: U.S.\$152 million; 1999: U.S.\$256 million).

18. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Six months ended 30th June,				Year ended 31st December,					
	2002		2001		2001		2000		1999	
	Specific	General	Specific	General	Specific	General	Specific	General	Specific	General
	(in U.S.\$ millions)									
Provisions held at 1st January	951	468	1,146	468	1,146	468	1,519	439	1,064	447
Exchange translation differences	(6)	—	(14)	(1)	(12)	—	(27)	—	(19)	(8)
Amounts written off	(427)	—	(404)	—	(1,001)	—	(1,005)	—	(489)	—
Recoveries of amounts previously written off	26	—	30	—	51	—	52	—	84	—
Acquisitions of subsidiary undertakings	—	—	—	—	—	—	165	32	103	—
Disposal of subsidiary undertakings	—	—	—	—	—	—	(68)	(3)	—	—
Other	—	—	(4)	—	35	—	48	—	(25)	—
New provisions	550	—	404	—	994	—	705	—	1,006	—
Recoveries and provisions no longer required	(144)	—	(135)	—	(262)	—	(243)	—	(205)	—
Net charge against profit	406	—	269	—	732	—	462	—	801	—
Provisions held at end of period	<u>950</u>	<u>468</u>	<u>1,023</u>	<u>467</u>	<u>951</u>	<u>468</u>	<u>1,146</u>	<u>468</u>	<u>1,519</u>	<u>439</u>

Corporate loans and advances to customers against which provisions have been outstanding for 2 years or more are written down to their net realisable value.

At 30th June, 2002 specific provisions for bad and doubtful debts included U.S.\$nil (at 30th June, 2001: U.S.\$nil) (at 31st December, 2001: U.S.\$nil; 2000: U.S.\$nil; 1999: U.S.\$123 million) of provisions against enhanced and other performing emerging markets debt.

The following table shows specific provisions by each principle category of borrower's business or industry:

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Loans to individuals:					
Mortgages.....	83	72	74	40	55
Other.....	176	127	136	142	163
Consumer Banking.....	259	199	210	182	218
Loans to Governments.....	43	—	5	—	86
Agriculture, forestry and fishing.....	4	19	8	18	45
Mining and quarrying.....	7	7	39	4	10
Manufacturing.....	284	308	262	377	394
Electricity, gas and water.....	7	2	1	2	3
Construction.....	15	45	43	51	68
Commerce.....	153	280	218	314	424
Transport, storage and communication.....	10	16	13	13	19
Financing, insurance and business services.....	23	82	70	127	157
Other.....	35	51	45	46	77
Wholesale Banking.....	581	810	704	952	1,283
Provisions for bad and doubtful debts against loans and advances to customers (note 16).....	840	1,009	914	1,134	1,501
Provisions for bad and doubtful debts against loans and advances to banks (note 14).....	110	14	37	12	18
Total provisions for bad and doubtful debts against loans and advances.....	950	1,023	951	1,146	1,519

Corporate loans and advances to customers against which provisions have been outstanding for two years or more are written down to their net realisable value.

19. INTEREST IN SUSPENSE

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
At 1st January.....	337	411	411	412	306
Exchange translation differences.....	(18)	11	(4)	31	(2)
Withheld from profit.....	120	123	229	223	264
Amounts written off.....	(91)	(150)	(321)	(293)	(151)
Acquisition of subsidiary undertakings.....	—	—	—	23	—
Other.....	—	(3)	22	15	(5)
At end of period.....	348	392	337	411	412
Total interest in suspense relating to:					
Loans and advances to banks (note 14).....	3	—	—	—	—
Loans and advances to customers (note 16).....	218	285	225	322	337
Prepayments and accrued income.....	127	107	112	89	75
	348	392	337	411	412

20. NON-PERFORMING LOANS AND ADVANCES

	At 30th June,						At 31st December,								
	2002			2001			2001			2000			1999		
	SCNB	Other	Total	SCNB	Other	Total	SCNB	Other	Total	SCNB	Other	Total	SCNB	Other	Total
	(in U.S.\$ millions)														
Loans and advances on which interest is suspended.....	767	2,308	3,075	759	2,480	3,239	753	2,440	3,193	796	2,557	3,353	966	3,243	4,209
Specific provisions for bad and doubtful debts.....	(68)	(882)	(950)	(79)	(944)	(1,023)	(69)	(882)	(951)	(72)	(1,074)	(1,146)	(103)	(1,297)	(1,400)
Interest in suspense.....	(4)	(217)	(221)	—	(285)	(285)	—	(225)	(225)	—	(322)	(322)	—	(337)	(337)
	<u>695</u>	<u>1,209</u>	<u>1,904</u>	<u>680</u>	<u>1,251</u>	<u>1,931</u>	<u>684</u>	<u>1,333</u>	<u>2,017</u>	<u>724</u>	<u>1,161</u>	<u>1,885</u>	<u>863</u>	<u>1,609</u>	<u>2,472</u>

The Group acquired Standard Chartered Nakornthon Bank (SCNB) (formerly Nakornthon Bank) in September 1999. Under the terms of the acquisition, non-performing loans (NPLs) of THB 35.24 billion (U.S.\$849 million) are subject to a Loan Management Agreement (LMA) with the Financial Institutions Development Fund (FIDF), a Thai Government agency. Under the LMA, the FIDF has guaranteed the recovery of a principal amount of the NPLs of THB 23 billion (U.S.\$554 million). The LMA also provides, inter alia, for loss sharing arrangements whereby the FIDF will bear up to 85% of losses in excess of the guaranteed amount. The carrying cost of the NPLs is reimbursable by the FIDF to SCNB, every half year, for a period of five years from the date of acquisition.

Excluding the SCNB non-performing loan portfolio, specific provisions and interest in suspense together cover 48% (at 30th June, 2001: 50%) (at 31st December, 2001: 45%; 2000: 55%; 1999: 54%) including provisions held against enhanced and other performing emerging markets debt) of total non-performing lending to customers. If lending and provisions are adjusted for the cumulative amounts written off of U.S.\$1,645 million (At 30th June, 2001: U.S.\$1,362 million) (at 31st December, 2001: U.S.\$1,574 million; 2000: U.S.\$780 million; 1999: U.S.\$767 million), the effective cover is 69% (at 30th June 2001: 68%) (at 31st December, 2001: 67%; 2000: 69%; 1999: 60%), including provisions held against enhanced and other performing emerging markets debt).

	At 30th June,					
	2002			2001		
	Customers	Banks	Total	Customers	Banks	Total
	(in U.S.\$ millions)					
Gross loans and advances on which interest is suspended.....	234	—	234	393	—	393
Gross loans and advances on which provisions have been raised.....	2,662	179	2,841	2,813	33	2,846
Total gross loans and advances on which interest is suspended.....	<u>2,896</u>	<u>179</u>	<u>3,075</u>	<u>3,206</u>	<u>33</u>	<u>3,239</u>

	At 31st December,								
	2001			2000			1999		
	Customers	Banks	Total	Customers	Banks	Total	Customers	Banks	Total
	(in U.S.\$ millions)								
Gross loans and advances on which interest is suspended.....	275	—	275	374	—	374	352	3	355
Gross loans and advances on which provisions have been raised.....	2,777	141	2,918	2,937	42	2,979	3,789	65	3,854
Total gross loans and advances on which interest is suspended.....	<u>3,052</u>	<u>141</u>	<u>3,193</u>	<u>3,311</u>	<u>42</u>	<u>3,353</u>	<u>4,141</u>	<u>68</u>	<u>4,209</u>

21. DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	At 30th June, 2002			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(in U.S.\$ millions)			
Issued by public bodies:				
Government securities	4,520	1,532	6,052	4,596
Other public sector securities	577	20	597	585
	<u>5,097</u>	<u>1,552</u>	<u>6,649</u>	<u>5,181</u>
Issued by banks:				
Certificates of deposit	3,602	30	3,633	3,609
Other debt securities	4,287	26	4,312	4,288
	<u>7,889</u>	<u>56</u>	<u>7,945</u>	<u>7,897</u>
Issued by other issuers:				
Bills discountable with recognised markets	—	155	155	—
Other debt securities	3,470	440	3,910	3,467
	<u>3,470</u>	<u>595</u>	<u>4,065</u>	<u>3,467</u>
Total debt securities	<u>16,456</u>	<u>2,203</u>	<u>18,659</u>	<u>16,545</u>
Of which:				
Listed on a recognised U.K. exchange	6,802	—	6,802	6,806
Listed elsewhere	3,674	640	4,314	3,705
Unlisted	5,980	1,563	7,543	6,034
	<u>16,456</u>	<u>2,203</u>	<u>18,659</u>	<u>16,545</u>
Book amount investment securities:				
One year or less	7,893			
One to five years	6,256			
More than five years	2,303			
Undated	4			
	<u>16,456</u>			
	At 30th June, 2001			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(in U.S.\$ millions)			
Issued by public bodies:				
Government securities	4,251	804	5,054	4,571
Other public sector securities	699	54	753	713
	<u>4,950</u>	<u>858</u>	<u>5,807</u>	<u>5,284</u>
Issued by banks:				
Certificates of deposit	3,727	23	3,750	3,756
Other debt securities	1,814	22	1,836	1,815
	<u>5,541</u>	<u>45</u>	<u>5,586</u>	<u>5,571</u>
Issued by other issuers:				
Bills discountable with recognised markets	—	198	198	—
Other debt securities	2,445	261	2,707	2,613
	<u>2,445</u>	<u>459</u>	<u>2,905</u>	<u>2,613</u>
Total debt securities	<u>12,936</u>	<u>1,362</u>	<u>14,298</u>	<u>13,468</u>
Of which:				
Listed on a recognised UK exchange	3,500	—	3,500	3,501
Listed elsewhere	2,559	262	2,821	2,810
Unlisted	6,877	1,100	7,977	7,157
	<u>12,936</u>	<u>1,362</u>	<u>14,298</u>	<u>13,468</u>
Book amount investment securities:				
One year or less	7,912			
One to five years	4,746			
More than five years	278			
	<u>12,936</u>			

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	At 31st December, 2001			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(in U.S.\$ millions)			
Issued by public bodies:				
Government securities	4,454	1,006	5,460	4,532
Other public sector securities	607	20	627	613
	<u>5,061</u>	<u>1,026</u>	<u>6,087</u>	<u>5,145</u>
Issued by banks:				
Certificates of deposit	3,872	61	3,933	3,841
Other debt securities	2,260	33	2,293	2,261
	<u>6,132</u>	<u>94</u>	<u>6,226</u>	<u>6,102</u>
Issued by other issuers:				
Bills discountable with recognised markets	—	137	137	—
Other debt securities	3,252	269	3,521	3,258
	<u>3,252</u>	<u>406</u>	<u>3,658</u>	<u>3,258</u>
Total debt securities	<u>14,445</u>	<u>1,526</u>	<u>15,971</u>	<u>14,505</u>
Of which:				
Listed on a recognised U.K. exchange	4,208	—	4,208	4,219
Listed elsewhere	4,109	108	4,217	4,145
Unlisted	6,128	1,418	7,546	6,141
	<u>14,445</u>	<u>1,526</u>	<u>15,971</u>	<u>14,505</u>
Book amount investment securities:				
One year or less	7,063			
One to five years	6,370			
More than five years	1,012			
	<u>14,445</u>			

	At 31st December, 2000			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(in U.S.\$ millions)			
Issued by public bodies:				
Government securities	3,911	584	4,495	3,956
Other public sector securities	686	13	699	682
	<u>4,597</u>	<u>597</u>	<u>5,194</u>	<u>4,638</u>
Issued by banks:				
Certificates of deposit	2,639	46	2,685	2,635
Other debt securities	743	15	758	744
	<u>3,382</u>	<u>61</u>	<u>3,443</u>	<u>3,379</u>
Issued by other issuers:				
Bills discountable with recognised markets	—	226	226	—
Other debt securities	917	66	983	917
	<u>917</u>	<u>292</u>	<u>1,209</u>	<u>917</u>
Total debt securities	<u>8,896</u>	<u>950</u>	<u>9,846</u>	<u>8,934</u>
Of which:				
Listed on a recognised U.K. exchange	248	—	248	250
Listed elsewhere	2,137	71	2,208	2,152
Unlisted	6,511	879	7,390	6,532
	<u>8,896</u>	<u>950</u>	<u>9,846</u>	<u>8,934</u>
Book amount investment securities:				
One year or less	4,901			
One year to five years	3,653			
More than five years	301			
Undated	41			
	<u>8,896</u>			

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	At 31st December, 1999			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(in U.S.\$ millions)			
Issued by public bodies:				
Government securities	2,963	403	3,366	2,969
Other public sector securities	627	7	634	615
	<u>3,590</u>	<u>410</u>	<u>4,000</u>	<u>3,584</u>
Issued by banks:				
Certificates of deposit	2,982	100	3,082	2,969
Other debt securities	115	4	119	117
	<u>3,097</u>	<u>104</u>	<u>3,201</u>	<u>3,086</u>
Issued by other issuers:				
Bills discountable with recognised markets	—	347	347	—
Other debt securities	606	69	675	591
	<u>606</u>	<u>416</u>	<u>1,022</u>	<u>591</u>
Total debt securities	<u>7,293</u>	<u>930</u>	<u>8,223</u>	<u>7,261</u>
Of which:				
Listed on a recognised U.K. exchange	240	—	240	240
Listed elsewhere	1,111	133	1,244	1,105
Unlisted	5,942	797	6,739	5,916
	<u>7,293</u>	<u>930</u>	<u>8,223</u>	<u>7,261</u>
Book amount investment securities:				
One year or less	4,547			
One to five years	2,257			
More than five years	267			
Undated	222			
	<u>7,293</u>			

Debt securities and other fixed income securities include U.S.\$409 million (at 30th June, 2001: U.S.\$355 million) (at 31st December, 2001: U.S.\$203 million; 2000: U.S.\$127 million; 1999: U.S.\$63 million) of securities sold subject to sale and repurchase transactions.

The valuation of listed investments is at market value and of unlisted investments at directors' estimate.

The change in the book amount of debt securities and other fixed income securities held for investment purposes comprised:

	Six months ended 30th June, 2002		
	Historical cost	Amortisation of discounts/ premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2002	14,422	23	14,445
Exchange translation differences	569	6	575
Acquisitions	15,044	—	15,044
Maturities and disposals	(13,616)	13	(13,603)
Amortisation of discounts and premiums	—	(5)	(5)
At 30th June, 2002	<u>16,419</u>	<u>37</u>	<u>16,456</u>

Six months ended 30th June, 2001			
	Historical cost	Amortisation of discounts/ premiums	Book amount
	(US\$)	(US\$)	(US\$)
	(in millions)		
At 1st January, 2001.....	8,898	(2)	8,896
Exchange translation differences	(628)	(3)	(631)
Acquisitions.....	13,427	—	13,427
Maturities and disposals.....	(8,760)	4	(8,756)
Amortisation of discounts and premiums	—	—	—
At 30th June, 2001	<u>12,937</u>	<u>(1)</u>	<u>12,936</u>

Year ended 31st December, 2001			
	Historical cost	Amortisation of discounts/ premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2001	8,898	(2)	8,896
Exchange translation differences	(260)	—	(260)
Acquisitions	26,356	—	26,356
Maturities and disposals.....	(20,572)	33	(20,539)
Amortisation of discounts and premiums.....	—	(8)	(8)
At 31st December, 2001	<u>14,422</u>	<u>23</u>	<u>14,445</u>

Year ended 31st December, 2000			
	Historical cost	Amortisation of discounts/ premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 2000	7,303	(10)	7,293
Exchange translation differences	(465)	(1)	(466)
Acquisitions.....	13,426	7	13,433
Maturities and disposals.....	(11,366)	(16)	(11,382)
Amortisation of discounts and premiums	—	18	18
At 31st December, 2000.....	<u>8,898</u>	<u>(2)</u>	<u>8,896</u>

Year ended 31st December, 1999			
	Historical cost	Amortisation of discounts/ premiums	Book amount
	(in U.S.\$ millions)		
At 1st January, 1999	5,269	(30)	5,239
Exchange translation differences	(58)	1	(57)
Acquisitions.....	11,473	—	11,473
Maturities and disposals.....	(9,381)	—	(9,381)
Amortisation of discounts and premiums	—	19	19
At 31st December, 1999.....	<u>7,303</u>	<u>(10)</u>	<u>7,293</u>

At 30th June, 2002, unamortised premiums on debt securities held for investment purposes amounted to U.S.\$126 million (at 30th June, 2001: U.S.\$41 million) (at 31st December, 2001: U.S.\$75 million; 2000: U.S.\$30 million; 1999: U.S.\$11 million) and unamortised discounts amounted to U.S.\$5 million (at 30th June, 2001: U.S.\$30 million) (at 31st December, 2001: U.S.\$4 million; 2000: U.S.\$25 million; 1999: U.S.\$19 million).

22. EQUITY SHARES AND OTHER VARIABLE YIELD SECURITIES

	At 30th June,				At 31st December,					
	2002		2001		2001		2000		1999	
	Book amount investment securities	Valuation investment securities	Book amount investment securities	Valuation investment securities	Book amount investment securities	Valuation investment securities	Book amount investment securities	Valuation investment securities	Book amount investment securities	Valuation investment securities
	(in U.S.\$ millions)									
Listed on a recognised UK exchange	—	—	—	—	1	1	—	—	—	—
Listed elsewhere	35	36	5	5	10	12	21	21	15	15
Unlisted	96	96	90	90	98	98	82	82	47	51
	<u>131</u>	<u>132</u>	<u>95</u>	<u>95</u>	<u>109</u>	<u>111</u>	<u>103</u>	<u>103</u>	<u>62</u>	<u>66</u>
One year or less	1		1		—		3		5	
One to five years	33		19		26		4		2	
More than five years	—		17		4		—		—	
Undated	97		58		79		96		55	
	<u>131</u>		<u>95</u>		<u>109</u>		<u>103</u>		<u>62</u>	

The valuation of listed securities is at market value and of unlisted securities at directors' estimate.

Income from listed equity shares amounted to U.S.\$nil (six months ended 30th June, 2001: U.S.\$nil) (year ended 31st December, 2001: U.S.\$1 million; 2000: U.S.\$1 million; 1999: U.S.\$2 million) and income from unlisted equity shares amounted to U.S.\$4 million (six months ended 30th June, 2001: U.S.\$1 million) (year ended 31st December, 2001: U.S.\$2 million; 2000: U.S.\$5 million; 1999: U.S.\$8 million).

The change in the book amount of equity shares and other variable yield securities held for investment purposes comprised:

	Six months ended 30th June, 2002		
	Historical cost	Provisions	Book amount
	(in U.S.\$ millions)		
At 1st January, 2002	123	(14)	109
Exchange translation differences	(2)	5	3
Acquisitions	37	(9)	28
Disposals	(9)	—	(9)
At 30th June, 2002	<u>149</u>	<u>(18)</u>	<u>131</u>
	Six months ended 30th June, 2001		
	Historical cost	Provisions	Book amount
	(in U.S.\$ millions)		
At 1st January, 2001	112	(9)	103
Acquisitions	8	—	8
Disposals	(13)	—	(13)
Other	—	(3)	(3)
At 30th June, 2001	<u>107</u>	<u>(12)</u>	<u>95</u>

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ACCOUNTANTS' REPORT

	Year ended 31st December, 2001		
	Historical cost	Provisions	Book amount
	(in U.S.\$ millions)		
At 1st January, 2001	112	(9)	103
Acquisitions	28	—	28
Disposals	(17)	—	(17)
Other	—	(5)	(5)
At 31st December, 2001	<u>123</u>	<u>(14)</u>	<u>109</u>

	Year ended 31st December, 2000		
	Historical cost	Provisions	Book amount
	(in U.S.\$ millions)		
At 1st January, 2000	86	(24)	62
Exchange translation differences	(8)	2	(6)
Acquisitions	62	—	62
Disposals	(21)	13	(8)
Other	(7)	—	(7)
At 31st December, 2000	<u>112</u>	<u>(9)</u>	<u>103</u>

	Year ended 31st December, 1999		
	Historical cost	Provisions	Book amount
	(in U.S.\$ millions)		
At 1st January, 1999	50	(10)	40
Exchange translation differences	(1)	1	—
Acquisitions	8	—	8
Disposals	(31)	—	(31)
Acquisition of subsidiary	55	(13)	42
Other	5	(2)	3
At 31st December, 1999	<u>86</u>	<u>(24)</u>	<u>62</u>

23. BUSINESS ACQUISITIONS

Summary of the cash flow effects of acquisitions of subsidiary undertakings and businesses

	Book value at date of acquisition	Fair value adjustments for consistent accounting policies	Revaluations	Fair value at date of acquisition
	(in U.S.\$ millions)			
Grindlays				
Tangible fixed assets.....	128	(11)	2	119
Loans and advances to banks and customers ...	5,583	(8)	5	5,580
Debt securities and other fixed income securities.....	1,009	—	—	1,009
Cash and balances at central banks	304	—	—	304
Other assets	216	(2)	(24)	190
Total assets	7,240	(21)	(17)	7,202
Deposits by banks and customer accounts	6,364	—	—	6,364
Other liabilities (including U.S.\$16 million provision for restructuring).....	280	4	41	325
Total liabilities	6,644	4	41	6,689
Net assets				513
Minority interests				—
Goodwill.....				850
				<u>1,363</u>
Consisting of:				
Cash				1,348
Acquisition costs.....				15
				<u>1,363</u>
Other acquisitions				
Tangible fixed assets.....	36	(11)	—	25
Loans and advances to banks and customers ...	2,080	(18)	—	2,062
Debt securities and other fixed income securities.....	984	—	—	984
Cash and balances at central banks	—	—	—	—
Other assets	79	(12)	—	67
Total assets	3,179	(41)	—	3,138
Deposits by banks and customer accounts	2,656	—	—	2,656
Other liabilities.....	178	—	—	178
Total liabilities	2,834	—	—	2,834
Net assets				304
Minority interests				—
Goodwill.....				1,149
				<u>1,453</u>
Consisting of:				
Cash				1,442
Acquisition costs.....				11
				<u>1,453</u>

Fair value adjustments for consistent accounting policies principally relate to alignment of policies on depreciation of tangible fixed assets, provisions against bad and doubtful debts, and recognition of loan origination fees.

Revaluations relate largely to re-assessment of deferred and income tax balances.

	<u>Grindlays</u>	<u>Other Acquisitions</u>	<u>Total</u>
	(in U.S.\$ millions)		
Post acquisition loss after taxation.....	(57)	(30)	(87)
Cash Flow effects of acquisitions:			
Net cash outflow from operating activities	(152)	(13)	(165)
Total taxes paid	(39)	(2)	(41)
Net cash outflow from capital expenditure and financial investment.....	73	—	73
Net cash outflow from financing.....	—	—	—
	<u>(118)</u>	<u>(15)</u>	<u>(133)</u>
Purchase of interests in subsidiary undertakings			
Cash and acquisition costs	1,363	1,453	2,816
Cash acquired	(303)	—	(303)
	<u>1,060</u>	<u>1,453</u>	<u>2,513</u>

The effective date of acquisition of Grindlays was 1st August, 2000. It has been accounted for using the acquisition method. Purchased goodwill is being amortised over 20 years. Grindlays' post acquisition loss after taxation for the year ended 31st December, 2000 was U.S.\$55 million, after taking a restructuring charge of U.S.\$55 million. Its pre-acquisition profit after taxation for the period from the start of its financial year on 1st October, 1999 to 31st July, 2000 was U.S.\$15 million. Profit after taxation and minority interests for the year ended 30th September, 1999 was U.S.\$49 million. The post acquisition loss after taxation of the Grindlays Private Banking business was U.S.\$2 million, after taking a restructuring charge of U.S.\$3 million.

Other acquisitions in the table above include the Hong Kong-based retail business of The Chase Manhattan Bank, MCCL, Standard Chartered Bank s.a.l. and purchase of part of the minority shareholders' interests in Banco Standard Chartered.

The effective date of acquisition of MCCL and the Hong Kong-based retail business of The Chase Manhattan Bank was 1st November, 2000. It has been accounted for using the acquisition method. Purchased goodwill is being amortised over 20 years. The post-acquisition loss after taxation for the year ended 31st December, 2000 was U.S.\$23 million, after taking a restructuring charge of U.S.\$15 million. Pre-acquisition results are not available.

The effective date of acquisition of Standard Chartered Bank s.a.l. was 28th February, 2000. It has been accounted for using the acquisition method. Purchased goodwill of U.S.\$17 million is being amortised over 20 years. The fair value of net assets acquired was U.S.\$2 million. Standard Chartered Bank s.a.l.'s post acquisition loss after taxation was U.S.\$7 million.

No goodwill arose on the purchase of part of the minority shareholders' interests in Banco Standard Chartered.

24. BUSINESS DISPOSAL

On 31st August, 2000, the Group disposed of its interests in consumer finance operations in the U.K. and Channel Islands.

Cash flow effects arising from the disposal

	<u>in U.S.\$ millions</u>
Net assets disposed of:	
Cash.....	8
Loans and advances to banks and customers	3,665
Intangible fixed assets—goodwill	118
Tangible fixed assets	52
Other assets	168
Deposits by banks	(2,721)
Customer accounts	(714)
Other liabilities	(185)
Minority interests.....	(6)
Reserves—write back of goodwill previously charged against reserves	25
	<u>410</u>
Surplus over book value	532
Satisfied in cash, net of expenses	<u>942</u>

Results of discontinued operations

The following table sets out the results of the discontinued operations in the years ended 31st December, 2000 and 1999:

	Year ended 31st December,					
	2000			1999		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	(in U.S.\$ millions)					
Interest receivable.....	6,573	332	6,905	5,500	535	6,035
Interest payable.....	(4,078)	(147)	(4,225)	(3,150)	(238)	(3,388)
Net interest income	2,495	185	2,680	2,350	297	2,647
Fees and commissions receivable	1,063	51	1,114	874	68	942
Fees and commissions payable	(150)	(76)	(226)	(118)	(115)	(233)
Dealing profits and exchange	377	—	377	398	—	398
Other operating income	90	26	116	53	41	94
	<u>1,380</u>	<u>1</u>	<u>1,381</u>	<u>1,207</u>	<u>(6)</u>	<u>1,201</u>
Net revenue	3,875	186	4,061	3,557	291	3,848
Administrative expenses:						
Staff.....	(1,326)	(61)	(1,387)	(1,060)	(94)	(1,154)
Premises and equipment	(292)	(10)	(302)	(264)	(14)	(278)
Other	(703)	(25)	(728)	(566)	(39)	(605)
Depreciation and amortisation	(281)	(16)	(297)	(163)	(26)	(189)
Total expenses:						
On-going	(2,284)	(107)	(2,391)	(2,053)	(173)	(2,226)
Restructuring.....	(318)	(5)	(323)	—	—	—
Total operating expenses	<u>(2,602)</u>	<u>(112)</u>	<u>(2,714)</u>	<u>(2,053)</u>	<u>(173)</u>	<u>(2,226)</u>
Operating profit before provisions	1,273	74	1,347	1,504	118	1,622
Provisions for bad and doubtful debts, contingent liabilities and commitments.....	(434)	(36)	(470)	(749)	(52)	(801)
Operating profit	839	38	877	755	66	821
Profit on disposal of subsidiary undertakings ..	532	—	532	—	—	—
Profit before taxation	1,371	38	1,409	755	66	821
Taxation.....	(362)	(15)	(377)	(217)	(24)	(241)
Profit after taxation	<u>1,009</u>	<u>23</u>	<u>1,032</u>	<u>538</u>	<u>42</u>	<u>580</u>

25. INTANGIBLE FIXED ASSETS

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Goodwill					
Cost					
At 1st January.....	2,493	2,411	2,411	640	266
Exchange translation differences.....	—	—	—	(80)	—
Additions.....	—	—	—	1,999	384
Disposal.....	—	—	—	(148)	(10)
Other movements during the period.....	—	83	82	—	—
At end of period.....	<u>2,493</u>	<u>2,494</u>	<u>2,493</u>	<u>2,411</u>	<u>640</u>
Provision for amortisation					
At 1st January.....	224	84	84	47	12
Exchange translation differences.....	—	—	—	(4)	—
Amortisation.....	68	68	140	71	35
Disposal.....	—	—	—	(30)	—
At end of period.....	<u>292</u>	<u>152</u>	<u>224</u>	<u>84</u>	<u>47</u>
Net book value at end of period.....	<u>2,201</u>	<u>2,342</u>	<u>2,269</u>	<u>2,327</u>	<u>593</u>

Other movements during the period relate to retirement of provisional fair values relating to business acquisitions in 2000.

Purchased goodwill in respect of acquisitions in 1998 is being amortised on a straight line basis over ten years, and goodwill arising on acquisitions in 1999-2000 is being amortised on a straight line basis over 20 years.

26. TANGIBLE FIXED ASSETS

	Six months ended 30th June, 2002		
	Premises	Equipment	Total
	(in U.S.\$ millions)		
Cost or valuation			
At 1st January, 2002.....	742	724	1,466
Exchange translation differences.....	2	9	11
Additions.....	26	73	99
Disposals and fully depreciated assets written off.....	(29)	(56)	(85)
At 30th June, 2002.....	<u>741</u>	<u>750</u>	<u>1,491</u>
Depreciation			
Accumulated at 1st January, 2002.....	148	326	474
Exchange translation differences.....	2	4	6
Charge for the period.....	21	68	89
Attributable to assets sold or written off.....	(16)	(55)	(71)
Accumulated at 30th June, 2002.....	<u>155</u>	<u>343</u>	<u>498</u>
Net book value at 30th June, 2002.....	<u>586</u>	<u>407</u>	<u>993</u>

	Six months ended 30th June, 2001		
	Premises	Equipment	Total
	(in U.S.\$ millions)		
Cost or valuation			
At 1st January, 2001	774	638	1,412
Exchange translation differences	(17)	(20)	(37)
Additions.....	35	80	115
Disposals and fully depreciated assets written off.....	(29)	(24)	(53)
At 30th June, 2001	<u>763</u>	<u>674</u>	<u>1,437</u>
Depreciation			
Accumulated at 1st January, 2001	134	301	435
Exchange translation differences	(6)	(9)	(15)
Charge for the period	21	63	84
Attributable to assets sold or written off.....	(12)	(25)	(37)
Accumulated at 30th June, 2001	<u>137</u>	<u>330</u>	<u>467</u>
Net book value at 30th June, 2001	<u>626</u>	<u>344</u>	<u>970</u>

	Year ended 31st December, 2001		
	Premises	Equipment	Total
	(in U.S.\$ millions)		
Cost or valuation			
At 1st January, 2001	774	638	1,412
Exchange translation differences	(13)	(22)	(35)
Additions.....	57	226	283
Disposals and fully depreciated assets written off.....	(76)	(118)	(194)
At 31st December, 2001	<u>742</u>	<u>724</u>	<u>1,466</u>
Depreciation			
At 1st January, 2001	134	301	435
Exchange translation differences	(2)	(8)	(10)
Charge for the period	55	129	184
Attributable to assets sold or written off.....	(39)	(96)	(135)
At 31st December, 2001	<u>148</u>	<u>326</u>	<u>474</u>
Net book value at 31st December, 2001	<u>594</u>	<u>398</u>	<u>992</u>

	Year ended 31st December, 2000		
	Premises	Equipment	Total
	(in U.S.\$ millions)		
Cost or valuation			
At 1st January, 2000	663	697	1,360
Exchange translation differences	(43)	(61)	(104)
Additions.....	76	162	238
Disposals and fully depreciated assets written off.....	(45)	(154)	(199)
Acquisition of subsidiary undertakings.....	141	67	208
Disposal of subsidiary undertakings	(18)	(73)	(91)
At 31st December, 2000	<u>774</u>	<u>638</u>	<u>1,412</u>
Depreciation			
At 1st January, 2000	118	272	390
Exchange translation differences	(8)	(31)	(39)
Charge for the year.....	36	190	226
Attributable to assets sold or written off.....	(24)	(143)	(167)
Acquisition of subsidiary undertakings.....	12	52	64
Disposal of subsidiary undertakings	—	(39)	(39)
At 31st December, 2000	<u>134</u>	<u>301</u>	<u>435</u>
Net book value at 31st December, 2000	<u>640</u>	<u>337</u>	<u>977</u>

	Year ended 31st December, 1999		
	Premises	Equipment	Total
	(in U.S.\$ millions)		
Cost or valuation			
At 1st January, 1999	549	500	1,049
Exchange translation differences	(12)	(8)	(20)
Additions.....	110	280	390
Net deficit on revaluation	(16)	—	(16)
Disposals and fully depreciated assets written off.....	(39)	(98)	(137)
Acquisition of subsidiary undertakings.....	71	23	94
At 31st December, 1999	<u>663</u>	<u>697</u>	<u>1,360</u>
Depreciation			
At 1st January, 1999	95	225	320
Exchange translation differences	(2)	(3)	(5)
Charge for the year.....	31	123	154
Attributable to assets sold or written off.....	(26)	(87)	(113)
Acquisition of subsidiary undertakings.....	13	11	24
Other.....	7	3	10
At 31st December, 1999	<u>118</u>	<u>272</u>	<u>390</u>
Net book value at 31st December, 1999	<u>545</u>	<u>425</u>	<u>970</u>

APPENDIX I

ACCOUNTANTS' REPORT

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Premises—analysis of net book value					
Freehold.....	175	187	171	191	141
Long leasehold	72	75	72	73	66
Short leasehold.....	339	364	351	376	338
	<u>586</u>	<u>626</u>	<u>594</u>	<u>640</u>	<u>545</u>
Premises—cost or valuation					
At cost.....	605	631	606	625	464
At valuations made:					
Prior to 1996.....	17	18	17	18	34
1996.....	22	19	22	24	42
1999.....	97	95	97	107	123
	<u>741</u>	<u>763</u>	<u>742</u>	<u>774</u>	<u>663</u>
On the historical cost basis, the book amount of premises amounted to:					
Cost	678	624	679	705	583
Accumulated depreciation	(154)	(134)	(144)	(131)	(118)
Net book value	<u>524</u>	<u>490</u>	<u>535</u>	<u>574</u>	<u>465</u>

Valuations were carried out on an open market existing use basis by the directors based upon the advice of independent professional valuers. The net book value of premises occupied by the Group for its own activities at 30th June, 2002 was U.S.\$586 million (at 30th June, 2001: U.S.\$626 million) (at 31st December, 2001: U.S.\$594 million; 2000: U.S.\$640 million; 1999: U.S.\$545 million). Cost or valuation of premises subject to depreciation at 30th June, 2002 was U.S.\$701 million (at 30th June, 2001: U.S.\$718 million) (at 31st December, 2001: U.S.\$702 million; 2000: U.S.\$722 million; 1999: U.S.\$429 million). The transitional provisions of Financial Reporting Standard 15 are being followed and the valuations of premises have not been updated since 31st December, 1999.

27. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

The Group's future annual rental commitments under operating leases are as follows:

	At 30th June,				At 31st December,					
	2002		2001		2001		2000		1999	
	Premises	Equipment	Premises	Equipment	Premises	Equipment	Premises	Equipment	Premises	Equipment
	(in U.S.\$ millions)									
Annual rental on operating leases expiring:										
Within 1 year ...	18	1	27	7	18	2	25	3	16	2
Between 1 and 5 years.....	67	3	58	7	65	4	61	3	65	2
5 years or more.....	24	—	32	1	14	—	30	2	28	—
	<u>109</u>	<u>4</u>	<u>117</u>	<u>15</u>	<u>97</u>	<u>6</u>	<u>116</u>	<u>8</u>	<u>109</u>	<u>4</u>

The majority of leases relating to premises are subject to rent reviews.

28. OTHER ASSETS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	5,689	3,407	4,784	4,631	3,418
Hong Kong Government certificates of indebtedness (note 42)	1,910	1,719	1,884	1,665	1,717
Assets awaiting sale	2	15	4	16	23
Deferred taxation	208	189	188	185	92
Other	1,545	1,367	1,390	845	1,085
	<u>9,354</u>	<u>6,697</u>	<u>8,250</u>	<u>7,342</u>	<u>6,335</u>

Other assets include balances relating to securitised loans and advances to customers (note 15) of U.S.\$nil (at 30th June, 2001: U.S.\$8 million) (at 31st December, 2001: U.S.\$nil million; 2000: U.S.\$10 million; 1999: U.S.\$78 million) which are subordinated to the claims of other parties.

29. DEPOSITS BY BANKS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Repayable on demand	2,703	2,572	2,810	3,092	1,341
With agreed maturity dates or periods of notice, by residual maturity:					
3 months or less	9,081	9,963	7,342	5,141	6,614
Between 3 months and 1 year	1,005	1,537	1,042	2,096	434
Between 1 and 5 years	492	699	494	774	564
Over 5 years	—	—	—	—	46
	<u>13,281</u>	<u>14,771</u>	<u>11,688</u>	<u>11,103</u>	<u>8,999</u>

30. CUSTOMER ACCOUNTS

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Repayable on demand	23,751	20,173	22,135	19,252	17,146
With agreed maturity dates or periods of notice, by residual maturity:					
3 months or less	39,116	39,834	39,210	38,849	34,083
Between 3 months and 1 year	5,795	5,955	5,331	5,857	4,930
Between 1 and 5 years	1,488	883	1,132	1,048	747
Over 5 years	28	39	47	31	35
	<u>70,178</u>	<u>66,884</u>	<u>67,855</u>	<u>65,037</u>	<u>56,941</u>

31. DEBT SECURITIES IN ISSUE

	At 30th June,						At 31st December,						
	2002			2001			2001			2000			1999
	Certificates of deposit of \$100,000 or more	Other debt securities in issue	Total	Certificates of deposit of \$100,000 or more	Other debt securities in issue	Total	Certificates of deposit of \$100,000 or more	Other debt securities in issue	Total	Certificates of deposit of \$100,000 or more	Other debt securities in issue	Total	Total
	(in U.S.\$ millions)												
By residual maturity:													
3 months or less	1,257	278	1,535	2,164	118	2,282	1,278	65	1,343	1,590	26	1,616	1,383
Between 3 months and 6 months.....	371	27	398	384	115	499	1,204	37	1,241	322	31	353	879
Between 6 months and 1 year.....	211	57	268	1,321	255	1,576	239	82	321	712	417	1,129	519
Between 1 and 5 years	1,061	101	1,162	443	98	541	594	84	678	1,350	—	1,350	1,536
Over 5 years	—	122	122	—	85	85	—	123	123	—	85	85	—
	<u>2,900</u>	<u>585</u>	<u>3,485</u>	<u>4,312</u>	<u>671</u>	<u>4,983</u>	<u>3,315</u>	<u>391</u>	<u>3,706</u>	<u>3,974</u>	<u>559</u>	<u>4,533</u>	<u>4,317</u>

32. STRUCTURE OF DEPOSITS

	At 30th June, 2002								Total
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	
	(in U.S.\$ millions)								
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
	<u>30,020</u>	<u>12,272</u>	<u>4,813</u>	<u>9,407</u>	<u>4,412</u>	<u>6,468</u>	<u>2,596</u>	<u>16,956</u>	<u>86,944</u>
Deposits by banks (note 29).....	2,052	2,529	486	1,879	1,171	813	120	4,231	13,281
Customer accounts (note 30)	26,870	9,630	3,967	7,004	3,160	5,655	2,473	11,419	70,178
	28,922	12,159	4,453	8,883	4,331	6,468	2,593	15,650	83,459
Debt securities in issue (note 31).....	1,098	113	360	524	81	—	3	1,306	3,485
	<u>30,020</u>	<u>12,272</u>	<u>4,813</u>	<u>9,407</u>	<u>4,412</u>	<u>6,468</u>	<u>2,596</u>	<u>16,956</u>	<u>86,944</u>

	At 30th June, 2001								Total
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & Other South Asia	Africa	Americas, U.K. & Group Head Office	
	(in U.S.\$ millions)								
Non interest bearing current and demand accounts	984	814	669	412	605	868	731	471	5,554
Interest bearing current and demand accounts.....	8,673	1,468	112	1,483	5	577	535	2,757	15,610
Savings deposits.....	880	431	593	917	491	903	353	20	4,588
Time deposits.....	18,470	8,720	2,741	5,361	2,644	3,636	484	11,247	53,303
Other deposits.....	4	1	358	507	59	225	35	1,411	2,600
Debt securities in issue.....	1,793	82	387	441	84	—	—	2,196	4,983
	<u>30,804</u>	<u>11,516</u>	<u>4,860</u>	<u>9,121</u>	<u>3,888</u>	<u>6,209</u>	<u>2,138</u>	<u>18,102</u>	<u>86,638</u>
Deposits by banks (note 29).....	1,291	2,807	649	2,393	921	929	97	5,684	14,771
Customer accounts (note 30)	27,720	8,627	3,824	6,287	2,883	5,280	2,041	10,222	66,884
	29,011	11,434	4,473	8,680	3,804	6,209	2,138	15,906	81,655
Debt securities in issue (note 31).....	1,793	82	387	441	84	—	—	2,196	4,983
	<u>30,804</u>	<u>11,516</u>	<u>4,860</u>	<u>9,121</u>	<u>3,888</u>	<u>6,209</u>	<u>2,138</u>	<u>18,102</u>	<u>86,638</u>

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ACCOUNTANTS' REPORT

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
	(in U.S.\$ millions)								
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
	<u>29,787</u>	<u>10,372</u>	<u>4,786</u>	<u>8,809</u>	<u>4,132</u>	<u>6,664</u>	<u>2,451</u>	<u>16,248</u>	<u>83,249</u>
Deposits by banks (note 29).....	1,001	1,028	472	2,051	1,115	1,298	67	4,656	11,688
Customer accounts (note 30).....	27,481	9,263	4,069	6,395	2,935	5,366	2,381	9,965	67,855
	28,482	10,291	4,541	8,446	4,050	6,664	2,448	14,621	79,543
Debt securities in issue (note 31).....	1,305	81	245	363	82	—	3	1,627	3,706
	<u>29,787</u>	<u>10,372</u>	<u>4,786</u>	<u>8,809</u>	<u>4,132</u>	<u>6,664</u>	<u>2,451</u>	<u>16,248</u>	<u>83,249</u>

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
	(in U.S.\$ millions)								
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
	<u>30,099</u>	<u>9,220</u>	<u>4,749</u>	<u>8,913</u>	<u>3,731</u>	<u>5,768</u>	<u>2,020</u>	<u>16,173</u>	<u>80,673</u>
Deposits by banks (note 29).....	1,594	478	555	2,335	831	795	69	4,446	11,103
Customer accounts (note 30).....	26,667	8,658	4,173	6,206	2,815	4,972	1,938	9,608	65,037
	28,261	9,136	4,728	8,541	3,646	5,767	2,007	14,054	76,140
Debt securities in issue (note 31).....	1,838	84	21	372	85	1	13	2,119	4,533
	<u>30,099</u>	<u>9,220</u>	<u>4,749</u>	<u>8,913</u>	<u>3,731</u>	<u>5,768</u>	<u>2,020</u>	<u>16,173</u>	<u>80,673</u>

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	1,084	—	360	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	1,092	2,305	514	7,979	40,850
Other deposits.....	6	—	382	289	1	129	75	2,117	2,999
Debt securities in issue.....	1,673	210	29	615	—	—	15	1,775	4,317
	<u>26,986</u>	<u>10,141</u>	<u>4,367</u>	<u>6,989</u>	<u>1,466</u>	<u>3,669</u>	<u>2,161</u>	<u>14,478</u>	<u>70,257</u>
Deposits by banks (note 29).....	538	714	528	1,073	321	755	81	4,989	8,999
Customer accounts (note 30).....	24,775	9,216	3,810	5,302	1,145	2,914	2,065	7,714	56,941
	25,313	9,930	4,338	6,375	1,466	3,669	2,146	12,703	65,940
Debt securities in issue (note 31).....	1,673	211	29	614	—	—	15	1,775	4,317
	<u>26,986</u>	<u>10,141</u>	<u>4,367</u>	<u>6,989</u>	<u>1,466</u>	<u>3,669</u>	<u>2,161</u>	<u>14,478</u>	<u>70,257</u>

33. OTHER LIABILITIES

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	5,824	3,691	4,792	4,573	3,465
Notes in circulation (note 42)	1,910	1,719	1,884	1,665	1,717
Short positions in treasury bills	70	189	210	177	10
Short positions in debt securities and equity shares	167	58	166	—	47
Current taxation	192	241	162	252	183
Proposed dividend	160	145	329	298	277
Other liabilities	2,886	2,504	2,367	2,064	1,772
	<u>11,209</u>	<u>8,547</u>	<u>9,910</u>	<u>9,029</u>	<u>7,471</u>

Short positions in treasury bills and short positions in debt securities and equity shares are stated at market value.

34. DEFERRED TAXATION

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Accelerated tax depreciation	17	11	17	10	32
Provisions for bad debts	(149)	(148)	(171)	(170)	(127)
Other timing differences	(76)	(52)	(34)	(25)	3
	<u>(208)</u>	<u>(189)</u>	<u>(188)</u>	<u>(185)</u>	<u>(92)</u>

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
At 1st January	(188)	(185)	(185)	(92)	(118)
Exchange translation differences	—	3	2	(9)	2
Charge against/(credit to) profit	(20)	5	22	(41)	16
Other	—	(12)	(27)	(43)	8
At end of period	<u>(208)</u>	<u>(189)</u>	<u>(188)</u>	<u>(185)</u>	<u>(92)</u>

At 30th June, 2002 and 2001 and 31st December, 2001, 2000 and 1999, the net deferred tax asset is included in other assets.

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
No account has been taken of the following potential deferred taxation assets/(liabilities):					
Accelerated tax depreciation	52	55	52	54	50
Tax losses carried forward	48	53	137	70	31
Provisions for bad debts	20	20	20	27	21
Other timing differences	10	10	10	10	11
Unrelieved foreign tax	43	10	31	—	—
Premises revaluation	(16)	(16)	(16)	(16)	(16)

No provision is made for any tax liability which might arise on the disposal of subsidiary undertakings at the amounts stated in these accounts, other than in respect of disposals which are intended in the foreseeable future. As it is expected that substantially all such assets will be retained by the Group, it is considered that no useful purpose would be served by attempting to quantify the unprovided potential liability.

35. PROVISIONS FOR LIABILITIES AND CHARGES

	Six months ended 30th June, 2002			
	Provision for restructuring	Provision for retirement benefits	Provision for contingent liabilities and commitments	Total
	(in U.S.\$ millions)			
At 1st January, 2002	102	39	9	150
Exchange translation differences	—	(1)	—	(1)
Charge against profit	—	35	1	36
Provisions utilised	(42)	(36)	(3)	(81)
Other	—	(1)	3	2
At 30th June, 2002	<u>60</u>	<u>36</u>	<u>10</u>	<u>106</u>

	Six months ended 30th June, 2001			
	Provision for restructuring	Provision for retirement benefits	Provision for contingent liabilities and commitments	Total
	(in U.S.\$ millions)			
At 1st January, 2001	236	54	16	306
Exchange translation differences	(4)	(3)	5	(2)
Charge against profit	—	27	—	27
Provisions utilised	(52)	(28)	(7)	(87)
Acquisition of subsidiary undertakings	—	—	—	—
Other	2	2	22	26
At 30th June, 2001	<u>182</u>	<u>52</u>	<u>36</u>	<u>270</u>

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Year ended 31st December, 2001				
	Provision for restructuring	Provision for retirement benefits	Provision for contingent liabilities and commitments	Total
	(in U.S.\$ millions)			
At 1st January, 2001.....	236	54	16	306
Exchange translation differences	(6)	(3)	1	(8)
Charge against/(credit to) profit.....	—	54	(1)	53
Provisions utilised.....	(128)	(62)	(8)	(198)
Other.....	—	(4)	1	(3)
At 31st December, 2001.....	<u>102</u>	<u>39</u>	<u>9</u>	<u>150</u>

Year ended 31st December, 2000					
	Provision for restructuring	Provision for retirement benefits	Provision for other commitments	Provision for contingent liabilities & commitments	Total
	(in U.S.\$ millions)				
At 1st January, 2000	—	44	8	25	77
Exchange translation differences	(8)	(3)	(1)	(2)	(14)
Charge against profit.....	323	50	—	8	381
Provisions utilised.....	(95)	(69)	(7)	(16)	(187)
Acquisition of subsidiary undertakings....	16	25	—	1	42
Other.....	—	7	—	—	7
At 31st December, 2000	<u>236</u>	<u>54</u>	<u>—</u>	<u>16</u>	<u>306</u>

Year ended 31st December, 1999				
	Provision for retirement benefits	Provision for other commitments ⁽¹⁾	Provision for contingent liabilities and commitments	Total
	(in U.S.\$ millions)			
At 1st January, 1999	38	20	8	66
Exchange translation differences	—	(1)	—	(1)
Charge against profit.....	50	31	—	81
Provisions utilised.....	(55)	(42)	(2)	(99)
Acquisition of subsidiary undertakings.....	13	—	—	13
Other.....	(2)	—	19	17
At 31st December, 1999	<u>44</u>	<u>8</u>	<u>25</u>	<u>77</u>

Note:

(1) Provision for other commitments relates to a voluntary redundancy scheme launched in India.

36. SUBORDINATED LOAN CAPITAL

	At 30th June,		As at 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Undated—Company					
Primary Capital floating rate notes:					
U.S.\$400 million	400	400	400	400	400
U.S.\$300 million (Series 2)	300	300	300	300	300
U.S.\$400 million (Series 3)	400	400	400	400	400
U.S.\$200 million (Series 4)	200	200	200	200	200
£150 million	228	211	218	225	246
Undated—Subsidiary undertakings					
£200 million step-up notes	301	277	286	293	—
Undated subordinated loan capital.....	<u>1,829</u>	<u>1,788</u>	<u>1,804</u>	<u>1,818</u>	<u>1,546</u>
Dated—Company					
£100 million 12 ⁷ / ₈ % subordinated unsecured loan stock					
2002/2007	149	137	141	145	158
Dated—Subsidiary undertakings					
U.S.\$200 million floating rate notes 2006	—	200	—	200	200
£30 million floating rate notes 2009	45	42	44	45	48
£300 million 6.75% notes 2009	454	419	432	444	483
€600 million 5.375% notes 2009	586	502	526	550	596
U.S.\$25 million floating rate notes 2004/2009	25	25	25	25	25
U.S.\$4 million floating rate notes 2001/2006	—	—	—	4	21
U.S.\$325 million floating rate notes 2005/2010	323	323	323	323	—
€575 million 4.5% bonds 2010	557	475	498	521	—
U.S.\$700 million subordinated 8% notes 2031	688	687	688	—	—
€500 million 8.16% non-cumulative Trust Preferred Securities					
2010	488	417	437	458	—
£300 million 8.103% Step-up Callable Perpetual Trust Preferred					
Securities	452	418	430	—	—
Dated subordinated loan capital.....	<u>3,767</u>	<u>3,645</u>	<u>3,544</u>	<u>2,715</u>	<u>1,531</u>
Dated subordinated loan capital—repayable:					
One year or less	149	137	141	—	—
Between one and two years	—	—	—	149	—
Between two and five years	348	225	348	200	204
Over 5 years	3,270	3,283	3,055	2,366	1,327
Dated subordinated loan capital—Group	<u>3,767</u>	<u>3,645</u>	<u>3,544</u>	<u>2,715</u>	<u>1,531</u>
Total subordinated liabilities	<u>5,596</u>	<u>5,433</u>	<u>5,348</u>	<u>4,533</u>	<u>3,077</u>

Claims in respect of the Group's loan capital are subordinated to the claims of other creditors.

On 17th March, 2000, the Group issued at par the €575 million 4.5% bonds 2010 (the "Bonds"). 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 in the Company at a price of 1,018.70 pence per Share (the "exchange price", which is subject to adjustment as set out in the prospectus). Unless previously redeemed, purchased and cancelled or converted, 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.

On 30th May, 2001 the Group issued U.S.\$700 million of 8.0% subordinated notes due 2031. The notes were issued at a discount, which will be amortised over the life of the notes (30 years). The notes can be redeemed prior to maturity at the option of the issuer.

On 11th May, 2001, the Group issued Tier 1 capital of £300 million of 8.103% Step-up Callable Perpetual Trust Preferred Securities. They are redeemable at the option of the Bank on 11th May, 2016 or on any coupon payment date thereafter. Dividends are set at a rate of 8.103% per annum until 2016. Thereafter they will be reset every five years as the aggregate of 4.275% and the five year benchmark gilt-rate. The preferred securities may at the Bank's option, be either exchanged or their terms varied so that they become Upper Tier 2 securities, upon the occurrence of certain tax or regulatory events.

On 22nd March, 2000, the Group issued Tier 1 capital of €500 million of 8.16% non-cumulative Trust Preferred Securities in Standard Chartered Capital Trust 1 LP, a Delaware statutory business trust, representing a corresponding amount of 8.16% Non-cumulative Partnership Preferred Securities of Standard Chartered Capital 1 LP (the "Partnership"), a Delaware limited partnership in which the Bank is the general partner. The securities may be redeemed at the option of the Bank in its capacity as general partner of the Partnership in whole or (in certain circumstances) in part on 23rd March, 2010 or in whole or in part on any dividend payment date thereafter. Dividends are fixed at 8.16% for ten years and at Euribor plus 3.8% thereafter. The securities will be exchanged for preference shares in Standard Chartered PLC in the event that they have not been redeemed by 2045, the Bank's or Group's total capital ratio is less than the regulatory minimum or the Partnership is liquidated. The holders of the securities will have the right, subject to the Partnership's right of redemption, to exchange their securities for the cash proceeds of a sale of ordinary shares or Standard Chartered PLC on 23rd March, 2010.

U.S.\$200 million subordinated floating rate notes due 2006 (the "Notes") were redeemed by Standard Chartered Bank on 26th December, 2001 (the "Redemption Date") pursuant to the terms and conditions of the Notes. The Notes were redeemed at 100% of their principal amount together with accrued interest to the Redemption Date.

With the exception of the Bonds described above, none of the Group's loan capital is secured or convertible.

37. MINORITY INTERESTS

The change in minority shareholders' interests (equity) in subsidiary undertakings comprised:

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
At beginning of period	73	76	76	112	94
Exchange translation differences	—	(1)	(3)	(18)	(11)
Additions	—	—	6	—	—
Retained profits	16	3	(7)	(17)	(14)
Other	79	2	1	(1)	43
At end of period	<u>168</u>	<u>80</u>	<u>73</u>	<u>76</u>	<u>112</u>

38. CALLED-UP SHARE CAPITAL**Authorised**

The authorised share capital of the Company at 30th June, 2002 was U.S.\$4,591 million (at 30th June, 2001: U.S.\$4,366 million) (at 31st December, 2001: U.S.\$4,427 million; 2000: U.S.\$2,296 million; 1999: U.S.\$1,448 million) made up of 2,632 million ordinary shares of U.S.\$0.50 each, 500 million non-cumulative preference shares of £1 each, 300 million non-cumulative preference shares of U.S.\$5 each and 1 million non-cumulative preference shares of €1,000 each.

Allotted, called-up and fully paid

	Number of preference shares of £1 each	Number of preference shares of U.S.\$5 each	Number of ordinary shares of U.S.\$0.50 each	Total (in U.S.\$ millions)
	(in thousands)			
At 1st January, 2002	200,000	1,000	1,130,678	861
Exchange translation difference	—	—	—	14
Issued in lieu of dividend	—	—	1,623	1
Issued under employee share option schemes	—	—	1,415	—
At 30th June, 2002	<u>200,000</u>	<u>1,000</u>	<u>1,133,716</u>	<u>876</u>

Under the terms of the share conversion on 18th January, 2001, each shareholder of the Company received one ordinary share of U.S.\$0.50 for each ordinary share of £0.25 that he or she held before the conversion. The ordinary shares of £0.25 each have been cancelled and share certificates for these shares are no longer valid.

On 26th June, 2001 the Company issued one million non-cumulative preference shares with a nominal value of U.S.\$5 each at a price of U.S.\$1,000 per preference share.

The preference shares rank pari passu inter se with the existing preference shares and in priority to the ordinary shares. Subject to certain conditions, all or part of the preference shares may be redeemed at the option of the Company, at dividend payment dates on or after October 2006.

The non-cumulative 7 $\frac{3}{8}$ % and 8 $\frac{1}{4}$ % preference shares of £1 each are irredeemable and carry the right to repayment of capital in the event of a winding up of the Company. They do not carry a right to vote at general meetings unless a dividend is unpaid or a resolution is proposed at the meeting to vary their rights.

Up to 113,067,848 ordinary shares, being part of the authorised share capital, may be issued under the Employee Share Schemes.

Executive share option schemes

As at 1st January, 2002, there were options outstanding over 6,964,259 Shares under the schemes. During the period, no options lapsed and options over 286,043 Shares were exercised at various prices from 256p to 808.5p. There were no options granted under these schemes during the period.

As at 30th June, 2002, there were options outstanding over 6,678,216 Shares which may be exercised on various dates up to 2009 under the rules of the schemes.

Supplemental executive share option scheme

As at 1st January, 2002, there were options outstanding over 2,963,884 Shares under the scheme. The exercise of these options will be linked to performance criteria. During the period, 555,031 options lapsed and there were no exercises. There were no options granted under this scheme during the period.

As at 30th June, 2002, there were options outstanding over 2,408,853 Shares, which may be exercised on various dates up to 2005 under the scheme rules.

1997 restricted share scheme

As at 1st January, 2002, there were allocations outstanding over 3,329,106 Shares. During the period, allocations over 463,683 Shares were exercised and allocations over (3,473) options lapsed during the period. The following allocations were made:

<u>Date allocation made</u>	<u>Number of Shares allocated</u>	<u>Exercise period</u>
6th March, 2002	2,190,462	2004-2009
20th May, 2002	52,216	2004-2009

As at 30th June, 2002, there were allocations outstanding over 5,111,574 Shares which may be exercised at various dates up to 2009 under the rules of the scheme.

2000 executive share option scheme

As at 1st January, 2002 there were options outstanding over 12,858,920 Shares. During the period, no options lapsed and no options were exercised. The following options were granted under the scheme:

<u>Date option granted</u>	<u>Option price per Share</u>	<u>Number of Shares under option</u>	<u>Exercise period</u>
6th March, 2002	722.8p	8,366,700	2005-2012
20th May, 2002	861.8p	208,865	2005-2012

The exercise of options granted during the period will be linked to performance criteria and a personal shareholding requirement.

As at 30th June, 2002, there were options outstanding over 21,434,485 Shares which may be exercised at various dates up to 2012 under the rules of the scheme.

2001 performance share plan

In May 2001 a new performance share plan was introduced to complement the 2000 Executive Share Option Scheme introduced last year. The following options were granted under the plan:

<u>Date option granted</u>	<u>Number of Shares under option</u>	<u>Exercise period</u>
6th March, 2002	899,866	2005-2012
20th May, 2002	52,216	2005-2012

The exercise of options granted during the period will be linked to performance criteria and a personal shareholding requirement.

As at 30th June, 2002, there were allocations outstanding over 1,621,832 Shares.

Savings related share option schemes***U.K. scheme***

The terms of the Group's savings related share option schemes were amended in 1996 so that existing and future options may be subscribed for, at up to full market value, by a qualifying share ownership trust ("QUEST") which will deliver them to the employees on payment of the option price. 340,778 Shares were issued to the QUEST during the period. This makes the Group's subsidiaries more accountable for the cost of granting options. During the period, options were exercised over 249,928 Shares at an average price to the employees of 376p per Share, with the price received by the Company from the qualifying share ownership trust averaging 771p per Share. The difference between the exercise price and the issue price was met by the Company's U.K. subsidiaries and has been included in the consolidated accounts as share premium.

At 1st January, 2002, there were options outstanding over 1,926,630 Shares under this scheme. During the period, options were exercised over 249,928 Shares at prices from 200p to 723p and 85,342 options were registered as having lapsed. There were no options granted under this scheme during the period.

As at 30th June, 2002, there were options outstanding over 1,591,360 Shares, which may be exercised at various dates up to 2007 under the rules of the schemes.

International scheme

The Company's savings related share option scheme is now available in all countries where the Group operates.

At 1st January, 2002, there were 6,420,309 options outstanding under the scheme. During the period, 501,331 options were registered as having lapsed. Options were exercised over 795,558 Shares at prices from 334p to 723p and no options were granted under the scheme:

As at 30th June, 2002, there were options outstanding over 5,123,420 Shares which may be exercised on various dates up to 2006 under the scheme rules.

39. SHAREHOLDERS' FUNDS

Six months ended 30th June, 2002						
Share capital	Share premium account	Capital reserve	Premises revaluation reserve	Profit & loss account	Total shareholders' funds	
(in U.S.\$ millions)						
At 1st January, 2002	861	2,761	5	61	3,850	7,538
Exchange translation differences.....	14	—	—	(1)	(52)	(39)
Shares issued, net of expenses	1	11	—	—	32	44
Retained profit for the period.....	—	—	—	—	200	200
Capitalised on exercise of share options ..	—	2	—	—	(2)	—
At 30th June, 2002	<u>876</u>	<u>2,774</u>	<u>5</u>	<u>60</u>	<u>4,028</u>	<u>7,743</u>
Equity interests						6,470
Non-equity interests						1,273
At 30th June, 2002						<u>7,743</u>
Six months ended 30th June, 2001						
Share capital	Share premium account	Capital reserve	Premises revaluation reserve	Profit & loss account	Total shareholders' funds	
(in U.S.\$ millions)						
At 1st January, 2001	719	1,907	—	65	3,817	6,508
Exchange translation differences.....	(17)	—	—	(1)	(79)	(97)
Transfer from share premium as a result of capital conversion	144	(149)	5	—	—	—
Shares issued, net of expenses	5	979	—	—	—	984
Retained profit for the period.....	—	—	—	—	247	247
Capitalised on exercise of share options ..	—	5	—	—	(5)	—
At 30th June, 2001	<u>851</u>	<u>2,742</u>	<u>5</u>	<u>64</u>	<u>3,980</u>	<u>7,642</u>
Equity interests						6,391
Non-equity interests						1,251
At 30th June, 2001						<u>7,642</u>

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	Year ended 31st December, 2001					Total shareholders' funds
	Share capital	Share premium account	Capital reserve	Premises revaluation reserve	Profit & loss account	
	(in U.S.\$ millions)					
At 1st January, 2001	719	1,907	—	65	3,817	6,508
Exchange translation differences.....	(9)	—	—	(2)	(107)	(118)
Transfer from share premium as a result of capital conversion	144	(149)	5	—	—	—
Shares issued, net of expenses	7	984	—	—	—	991
Retained profit for the period.....	—	—	—	—	157	157
Capitalised on exercise of share options ..	—	19	—	—	(19)	—
Realised on disposal of premises.....	—	—	—	(2)	2	—
At 31st December, 2001	<u>861</u>	<u>2,761</u>	<u>5</u>	<u>61</u>	<u>3,850</u>	<u>7,538</u>
Equity interests						6,279
Non-equity interests						1,259
At 31st December, 2001						<u>7,538</u>

	Year ended 31st December, 2000					Total shareholders' funds
	Share capital	Share premium account	Premises revaluation reserve	Profit & loss account		
	(in U.S.\$ millions)					
At 1st January, 2000	753	1,319	77	3,445		5,594
Exchange translation differences	(60)	(105)	(8)	(366)		(539)
Shares issued, net of expenses.....	26	680	—	134		840
Goodwill previously written off against reserves....	—	—	—	25		25
Retained profit for the period	—	—	—	578		578
Capitalised on exercise of share options.....	—	13	—	(13)		—
Realised on disposal of premises	—	—	(4)	4		—
Other.....	—	—	—	10		10
At 31st December, 2000	<u>719</u>	<u>1,907</u>	<u>65</u>	<u>3,817</u>		<u>6,508</u>
Equity interests.....						6,210
Non-equity interests						298
At 31st December, 2000						<u>6,508</u>

	Year ended 31st December, 1999					Total shareholders' funds
	Share capital	Share premium account	Premises revaluation reserve	Profit & loss account		
	(in U.S.\$ millions)					
At 1st January, 1999	747	710	99	3,281		4,837
Exchange translation differences	(18)	(17)	—	(61)		(96)
Shares issued, net of expenses.....	24	616	—	104		744
Premises revaluation.....	—	—	(16)	(4)		(20)
Retained profit for the period	—	—	—	139		139
Capitalised on exercise of share options.....	—	10	—	(10)		—
Other.....	—	—	(6)	(4)		(10)
At 31st December, 1999	<u>753</u>	<u>1,319</u>	<u>77</u>	<u>3,445</u>		<u>5,594</u>
Equity interests.....						5,270
Non-equity interests						324
At 31st December, 1999						<u>5,594</u>

The cumulative amount of premiums on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is U.S.\$27 million (at 30th June, 2001: U.S.\$27 million) (at 31st December, 2001: U.S.\$27 million; 2000: U.S.\$27 million; 1999: U.S.\$55 million). This excludes amounts in respect of businesses sold.

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches principally to support local operations or to comply with local regulations. If these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

40. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation between operating profit before taxation and net cash inflow from operating activities

	Six months ended 30th June,		Year ended 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Operating profit.....	634	628	1,089	877	821
Items not involving cash flow:					
Amortisation of goodwill.....	68	68	140	71	35
Depreciation and amortisation of premises and equipment.....	89	84	184	226	154
Loss on disposal of tangible fixed assets.....	1	—	1	1	—
Gain on disposal of investment securities.....	(19)	(7)	(23)	(11)	(5)
Amortisation of investments.....	(16)	(3)	(11)	(27)	(49)
Charge for bad and doubtful debts and contingent liabilities.....	407	269	731	470	801
Debts written off, net of recoveries.....	(401)	(374)	(950)	(953)	(405)
Increase/(decrease) in accruals and deferred income.....	(149)	(52)	(66)	159	(358)
(Increase)/decrease in prepayments and accrued income.....	109	176	236	(340)	197
Adjustments for items shown separately:					
Interest paid on subordinated loan capital.....	208	164	321	202	165
Net cash inflow from trading activities.....	931	953	1,652	675	1,356
Net (increase)/decrease in cheques in the course of collection.....	(2)	(41)	(71)	(58)	5
Net (increase)/decrease in treasury bills and other eligible bills.....	(47)	(19)	1	(103)	(50)
Net increase in loans and advances to banks and customers.....	(2,063)	(6,942)	1,282	(5,630)	(5,412)
Net increase in deposits from banks, customer accounts and debt securities in issue.....	3,043	7,082	3,805	7,525	5,661
Net (increase)/decrease in dealing securities.....	(615)	(409)	(606)	(47)	(374)
Net (increase)/decrease in mark-to-market adjustment.....	128	342	63	(106)	(105)
Net (decrease)/increase in other accounts.....	(415)	292	(13)	1,367	501
Net cash inflow from operating activities.....	960	1,258	6,113	3,623	1,582

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(b) Analysis of changes in cash

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Balance at 1st January	3,549	4,278	4,278	2,245	2,117
Exchange translation differences	81	(138)	(121)	(236)	—
Net cash (outflow)/inflow	(580)	(1,445)	(608)	2,269	128
Balance at end of period	<u>3,050</u>	<u>2,695</u>	<u>3,549</u>	<u>4,278</u>	<u>2,245</u>

(c) Analysis of cash

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Cash and balances at central banks	852	1,031	1,004	791	986
Demand loans and advances to banks	2,198	1,664	2,545	3,487	1,264
	<u>3,050</u>	<u>2,695</u>	<u>3,549</u>	<u>4,278</u>	<u>2,250</u>

(d) Analysis of changes in financing during the period

	Six months ended 30th June,							
	2002				2001			
	Share capital	Share premium	Capital reserve	Loan capital	Share capital	Capital premium	Capital reserve	Loan capital
	(in U.S.\$ millions)							
At 1st January	861	2,761	5	5,348	719	1,907	—	4,533
Exchange translation differences	14	—	—	248	(17)	—	—	(211)
Transfer from share premium as a result of capital conversion ..	—	—	—	—	144	(149)	5	—
Share capital issued, net of expenses	1	11	—	—	5	979	—	—
Capitalised on exercise of share options	—	2	—	—	—	5	—	—
Issue of subordinated loan capital, net of expenses	—	—	—	—	—	—	—	1,109
Repayment of subordinated liabilities	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	2
At 30th June	<u>876</u>	<u>2,774</u>	<u>5</u>	<u>5,596</u>	<u>851</u>	<u>2,742</u>	<u>5</u>	<u>5,433</u>

	Year ended 31st December,									
	2001			2000			1999			
	Share capital	Share premium	Capital reserve	Loan capital	Share capital	Share premium	Loan capital	Share capital	Share premium	Loan capital
	(in U.S.\$ millions)									
At 1st January	719	1,907	—	4,533	753	1,319	3,077	747	710	1,909
Exchange translation differences	(9)	—	—	(108)	(60)	(105)	(121)	(18)	(17)	(37)
Transfer from share premium as a result of capital conversion	144	(149)	5	—	—	—	—	—	—	—
Share capital issued, net of expenses	7	984	—	—	26	680	—	24	616	—
Capitalised on exercise of share options	—	19	—	—	—	13	—	—	10	—
Issue of subordinated loan capital, net of expenses	—	—	—	1,119	—	—	1,593	—	—	1,244
Repayment of subordinated liabilities	—	—	—	(200)	—	—	(18)	—	—	(40)
Other	—	—	—	4	—	—	2	—	—	1
At 31st December	<u>861</u>	<u>2,761</u>	<u>5</u>	<u>5,348</u>	<u>719</u>	<u>1,907</u>	<u>4,533</u>	<u>753</u>	<u>1,319</u>	<u>3,077</u>

41. SEGMENTAL INFORMATION

By geographic segment

	Six months ended 30th June, 2002								
	Hong Kong	Singapore	Malaysia	Other Asia Pacific	India	Middle East & South Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.\$ millions)								
Interest receivable.....	848	359	164	369	298	303	163	759	3,263
Interest payable.....	(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	734	235	115	283	198	242	176	302	2,285
Costs	(296)	(97)	(73)	(195)	(103)	(92)	(111)	(209)	(1,176)
Amortisation of goodwill	—	—	—	—	—	—	—	(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)
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	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.
- (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.
- (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) 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 summarised consolidated balance sheet. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.
- (5) 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 S Asia	Africa	Americas, U.K. & Group Head Office	Total
	(in U.S.\$ millions)								
Interest receivable.....	1,280	454	193	434	279	385	168	1,377	4,570
Interest payable	(753)	(309)	(105)	(278)	(181)	(256)	(70)	(1,213)	(3,165)
Net interest income	<u>527</u>	<u>145</u>	<u>88</u>	<u>156</u>	<u>98</u>	<u>129</u>	<u>98</u>	<u>164</u>	<u>1,405</u>
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	<u>697</u>	<u>218</u>	<u>124</u>	<u>265</u>	<u>170</u>	<u>208</u>	<u>177</u>	<u>305</u>	<u>2,164</u>
Costs	(330)	(99)	(61)	(200)	(106)	(99)	(110)	(194)	(1,199)
Amortisation of goodwill.....								(68)	(68)
Total operating expenses	<u>(330)</u>	<u>(99)</u>	<u>(61)</u>	<u>(200)</u>	<u>(106)</u>	<u>(99)</u>	<u>(110)</u>	<u>(262)</u>	<u>(1,267)</u>
Operating profit before provisions	<u>367</u>	<u>119</u>	<u>63</u>	<u>65</u>	<u>64</u>	<u>109</u>	<u>67</u>	<u>43</u>	<u>897</u>
Charge for debts, contingent liabilities and commitments...	(102)	(23)	(55)	(27)	(11)	(11)	(3)	(37)	(269)
Profit before taxation	<u>265</u>	<u>96</u>	<u>8</u>	<u>38</u>	<u>53</u>	<u>98</u>	<u>64</u>	<u>6</u>	<u>628</u>
Loans and advances to customers—average	<u>21,147</u>	<u>6,174</u>	<u>3,538</u>	<u>5,316</u>	<u>1,888</u>	<u>4,181</u>	<u>1,078</u>	<u>9,080</u>	<u>52,402</u>
Net interest margin (%)	<u>3.0</u>	<u>2.0</u>	<u>2.9</u>	<u>2.8</u>	<u>4.0</u>	<u>3.8</u>	<u>8.1</u>	<u>1.2</u>	<u>3.0</u>
Loans and advances to customers-period end	<u>21,612</u>	<u>6,171</u>	<u>3,550</u>	<u>5,376</u>	<u>1,904</u>	<u>3,992</u>	<u>973</u>	<u>9,349</u>	<u>52,927</u>
Loans and advances to banks-period end	<u>4,082</u>	<u>4,093</u>	<u>1,174</u>	<u>3,292</u>	<u>255</u>	<u>1,455</u>	<u>225</u>	<u>12,391</u>	<u>26,967</u>
Total assets employed	<u>40,239</u>	<u>16,112</u>	<u>6,657</u>	<u>14,119</u>	<u>6,052</u>	<u>9,129</u>	<u>3,149</u>	<u>40,593</u>	<u>136,050</u>
Total risk weighted assets and contingents	<u>20,565</u>	<u>8,786</u>	<u>4,068</u>	<u>6,815</u>	<u>3,648</u>	<u>5,572</u>	<u>1,443</u>	<u>18,353</u>	<u>69,250</u>

Notes:

- (1) Total interest receivable and total interest payable include intra-group interest of U.S.\$1,170 million.
- (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.
- (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 segments.
- (4) 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 Summarized Consolidated Balance Sheet. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.
- (5) The geographic segment is based on the location of the office.

Year ended 31st December, 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	2,377	913	385	892	572	749	339	2,479	8,706
Interest payable	(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	1,442	440	237	529	355	436	355	611	4,405
Costs	(679)	(205)	(131)	(404)	(209)	(207)	(226)	(384)	(2,445)
Amortisation of goodwill								(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)
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	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 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 assets employed.
- (3) Business acquisitions have been made as part of the Group's growth strategy. These activities are 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 segments 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.....	2,501	825	347	972	383	618	408	2,969	9,023
Interest payable	(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	<u>1,188</u>	<u>432</u>	<u>261</u>	<u>514</u>	<u>272</u>	<u>301</u>	<u>367</u>	<u>726</u>	<u>4,061</u>
Costs	(553)	(176)	(116)	(448)	(132)	(155)	(212)	(505)	(2,297)
Amortisation of goodwill.....								(71)	(71)
Restructuring charge.....								(323)	(323)
Year 2000 costs								(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
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	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 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) 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.
- (4) 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.
- (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	2,183	969	392	691	231	422	417	2,562	7,867
Interest payable	(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	1,116	430	250	475	134	227	377	839	3,848
Costs	(511)	(165)	(112)	(340)	(126)	(105)	(197)	(537)	(2,093)
Amortisation of goodwill								(35)	(35)
Year 2000 costs								(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)
Profit before taxation	317	179	96	(41)	(18)	35	170	83	821
Loans and advances to customers—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	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 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) 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.
- (4) 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.
- (5) The geographic segment is based on the location of the office.

By class of business

	Six months ended 30th June,					
	2002			2001		
	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	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	<u>1,215</u>	<u>1,070</u>	<u>2,285</u>	<u>1,078</u>	<u>1,086</u>	<u>2,164</u>
Costs.....	(568)	(608)	(1,176)	(614)	(585)	(1,199)
Amortisation of goodwill.....			(68)			(68)
Total operating expenses	<u>(568)</u>	<u>(608)</u>	<u>(1,244)</u>	<u>(614)</u>	<u>(585)</u>	<u>(1,267)</u>
Operating 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	<u>326</u>	<u>376</u>	<u>634</u>	<u>341</u>	<u>355</u>	<u>628</u>
Total assets employed	<u>41,541</u>	<u>103,105</u>	<u>144,646</u>	<u>39,900</u>	<u>96,150</u>	<u>136,050</u>

Notes:

- (1) Total operating expenses include a U.S.\$68 million (six months ended 30th June, 2001: U.S.\$68 million) charge relating to the amortisation of goodwill. 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.
- (2) 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.
- (3) Total assets employed include intra-group items of U.S.\$26,234 million (at 30th June, 2001: U.S.\$23,132 million) and balances of U.S.\$5,595 million (at 30th June, 2001: U.S.\$3,081 million) which are netted in the consolidated balance sheet. Assets held at the centre have been distributed between classes of business in proportion to their total assets employed.

	Year ended 31st December,								
	2001			2000			1999		
	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	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	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	(1,254)	(1,191)	(2,585)	(1,124)	(1,173)	(2,714)	(990)	(1,103)	(2,226)
Operating 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 after provisions, before exceptional items	638	591	1,089	754	540	877	646	308	821
Profit on disposal of subsidiary undertakings.....			—			532			—
Profit before taxation			1,089			1,409			821
Total assets employed	44,992	90,825	135,817	42,729	84,112	126,841	34,631	73,959	108,590

Notes:

- (1) Total operating expenses include a U.S.\$nil restructuring charge (2000: U.S.\$323 million; 1999: U.S.\$nil), U.S.\$140 million relating to amortisation of goodwill charge (2000: U.S.\$71 million; 1999: U.S.\$35 million) and U.S.\$nil of year 2000 costs (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.
- (2) 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.
- (3) Total assets employed include intra-group items of 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.\$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.

42. SECURED LIABILITIES

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Notes in circulation (note 33)	1,910	1,719	1,884	1,665	1,717

The notes in circulation were secured by the deposit of funds of U.S.\$1,910 million (at 30th June, 2001: U.S.\$1,719 million) (at 31st December, 2001: U.S.\$1,884 million; 2000: U.S.\$1,665 million 1999: U.S.\$1,717 million) in respect of which Hong Kong Government certificates of indebtedness were held (note 28).

43. CAPITAL COMMITMENTS

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Contracted.....	19	9	29	6	11
Not contracted.....	20	15	32	6	3

44. ASSETS AND LIABILITIES IN CURRENCIES OTHER THAN U.S. DOLLAR

	At 30th June,		At 31st December,		
	2002	2001	2001	2000	1999
	(in U.S.\$ millions)				
Total assets denominated in:					
U.S. dollar.....	52,184	43,395	52,513	38,635	30,965
Other currencies.....	60,633	66,442	55,022	63,800	56,821
	<u>112,817</u>	<u>109,837</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>
Total liabilities denominated in:					
U.S. dollar.....	45,961	44,641	52,750	39,535	30,707
Other currencies.....	66,856	65,196	54,785	62,900	57,079
	<u>112,817</u>	<u>109,837</u>	<u>107,535</u>	<u>102,435</u>	<u>87,786</u>

45. CONTINGENT LIABILITIES AND COMMITMENTS

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

	At 30th June,					
	2002			2001		
	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount <small>(in U.S.\$ millions)</small>	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount
Contingent liabilities						
Acceptances and endorsements	672	672	595	630	630	595
Guarantees and irrevocable letters of credit.....	12,742	9,262	6,503	10,933	7,648	5,637
Other contingent liabilities.....	3,789	2,425	1,836	3,303	2,207	1,726
	<u>17,203</u>	<u>12,359</u>	<u>8,934</u>	<u>14,866</u>	<u>10,485</u>	<u>7,958</u>
Commitments						
Documentary credits and short term trade-related transactions.....	1,987	397	343	2,478	496	439
Forward asset purchases and forward deposits placed	100	100	20	147	147	29
Undrawn formal standby facilities, credit lines and other commitments to lend: 1 year and over.....	7,621	3,811	2,763	7,630	3,815	2,952
Less than 1 year.....	29,436	—	—	33,325	—	—
	<u>39,144</u>	<u>4,308</u>	<u>3,126</u>	<u>43,580</u>	<u>4,458</u>	<u>3,420</u>

	At 31st December,								
	2001			2000			1999		
	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount
	(in U.S.\$ millions)								
Contingent liabilities									
Acceptances and endorsements	704	704	671	945	945	664	954	954	700
Guarantees and irrevocable letters of credit ..	11,227	7,926	5,940	9,951	6,950	5,154	9,521	6,674	5,105
Other contingent liabilities	3,645	2,352	1,895	3,526	2,344	1,812	1,053	909	659
	<u>15,576</u>	<u>10,982</u>	<u>8,506</u>	<u>14,422</u>	<u>10,239</u>	<u>7,630</u>	<u>11,528</u>	<u>8,537</u>	<u>6,464</u>
Commitments									
Documentary credits and short term trade- related transactions	2,032	406	328	2,532	507	406	1,575	314	298
Forward asset purchases and forward deposits placed	41	41	8	24	24	7	79	79	29
Undrawn note issuance and revolving underwriting facilities	—	—	—	—	—	—	18	10	10
Undrawn formal standby facilities, credit lines and other commitments to lend:									
1 year and over	6,487	3,244	2,358	6,977	3,489	2,077	6,054	3,026	1,848
Less than 1 year	34,062	—	—	33,315	—	—	33,174	—	—
	<u>42,622</u>	<u>3,691</u>	<u>2,694</u>	<u>42,848</u>	<u>4,020</u>	<u>2,490</u>	<u>40,900</u>	<u>3,429</u>	<u>2,185</u>

Under the Basel Accord, credit equivalent amounts, obtained by applying credit conversion factors to the contract amount, are risk weighted according to the nature of the counterparty. Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

46. FAIR VALUES

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

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

Trading activities are defined as positions held in financial instruments with the intention of benefiting from short term rates or price movements.

The paragraph headed "Risk Management" in the section "Financial Information" of this prospectus explains the Group's risk management of derivative contracts.

	At 30th June, 2002		
	Notional principal amounts	Positive fair value	Negative fair value
(in U.S.\$ millions)			
Trading book			
Forward foreign exchange contracts	360,862	7,767	7,953
Foreign exchange derivative contracts			
Currency swaps and options	89,272	1,389	1,622
Interest rate derivative contracts			
Swaps	174,891	1,685	1,583
Forward rate agreements and options	49,688	126	113
Exchange traded futures and options	65,468	51	54
Total	290,047	1,862	1,750
Equity and stock index derivatives	8	—	—
Total trading book derivative financial instruments	740,189	11,018	11,325
Effect of netting		(5,595)	(5,595)
		5,423	5,730
	At 30th June, 2001		
	Notional principal amounts	Positive fair value	Negative fair value
(in U.S.\$ millions)			
Trading book			
Forward foreign exchange contracts	439,841	3,922	3,963
Foreign exchange derivative contracts			
Currency swaps and options	53,326	636	665
Interest rate derivative contracts			
Swaps	131,622	947	1,030
Forward rate agreements and options	58,200	103	68
Exchange traded futures and options	106,689	30	38
Total	296,511	1,080	1,136
Commodity derivative financial instruments	1,152	41	41
Total trading book derivative financial instruments	790,830	5,679	5,805
Effect of netting		(3,081)	(3,081)
		2,598	2,724

	At 31st December,								
	2001			2000			1999		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	(in U.S.\$ millions)								
Trading book									
Forward foreign exchange contracts.....	373,796	5,050	4,636	341,800	4,765	4,686	228,793	2,759	2,945
Foreign exchange derivative contracts									
Currency swaps and options.....	56,327	760	776	33,067	699	677	23,338	544	484
Interest rate derivative contracts									
Swaps.....	172,144	1,508	1,354	94,508	668	701	48,043	407	440
Forward rate agreements and options...	73,051	158	114	37,525	72	64	25,512	70	81
Exchange traded futures and options....	45,646	22	23	31,623	16	30	12,722	11	2
Total.....	290,841	1,688	1,491	163,656	756	795	86,277	488	523
Equity and stock index derivatives.....	123	—	—	—	—	—	—	—	—
Total trading book derivative financial instruments.....	721,087	7,498	6,903	538,523	6,220	6,158	338,408	3,791	3,952
Effect of netting		(3,558)	(3,558)		(2,616)	(2,616)		(1,011)	(1,011)
		3,940	3,345		3,604	3,542		2,780	2,941

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

	At 30th June,					
	2002			2001		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	(in U.S.\$ millions)					
Non-trading book						
Forward foreign exchange contracts.....	—	—	—	31	5	—
Interest rate derivative contracts						
Swaps.....	786	—	1	6,173	42	19
Forward rate agreements and options.....	6	—	—	682	—	1
Exchange traded futures and options.....	3,480	1	4	2,279	7	2
Total.....	4,272	1	5	9,134	49	22
Commodity derivative contracts	1,862	20	20	—	—	—
Total non-trading book derivative financial instruments.....	6,134	21	25	9,165	54	22

	At 31st December,								
	2001			2000			1999		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	(in U.S.\$ millions)								
Non-trading book									
Forward foreign exchange contracts.....	—	—	—	9	1	3	—	—	—
Interest rate derivative contracts									
Swaps.....	1,639	2	7	7,341	28	10	4,551	—	11
Forward rate agreements and options...	6	—	—	315	—	—	32	—	—
Exchange traded futures and options....	2,781	—	1	4,339	12	9	9,474	10	—
Total.....	4,426	2	8	11,995	40	19	14,057	10	11
Commodity derivative contracts	954	39	39	128	—	—	124	—	—
Total non-trading book derivative financial instruments	5,380	41	47	12,132	41	22	14,181	10	11

	At 30th June,				At 31st December,					
	2002		2001		2001		2000		1999	
	Book value	Market value	Book value	Market value	Book value	Market value	Book value	Market value	Book value	Market value
	(in U.S.\$ millions)									
Listed and publicly traded securities:										
Financial assets	14,771	14,814	9,120	9,372	13,223	13,283	6,168	6,188	5,453	5,450
Preference shares.....	1,273	1,380	1,251	1,314	1,259	1,377	298	331	324	383
Other financial liabilities	8,512	8,134	9,832	9,417	7,809	7,385	8,083	7,667	6,887	6,342
Financial liabilities	9,785	9,514	11,083	10,731	9,068	8,762	8,381	7,998	7,211	6,725

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

47. CREDIT EXPOSURES IN RESPECT OF DERIVATIVE CONTRACTS

The residual maturity analysis of the notional principal amounts of derivative contracts, excluding exchange traded futures and options, held at 30th June, 2002 and 2001, and at 31st December, 2001, 2000 and 1999 for trading and non-trading purposes is set out below:

	At 30th June,							Total
	2002			2001				
	Under one year	One to five years	Over five years	Total	Under one year	One to five years	Over five years	
	(in U.S.\$ millions)							
Forward foreign exchange and foreign exchange derivative contracts								
Notional principal amount.....	429,473	16,601	4,060	450,134	478,205	13,474	1,519	493,198
Net replacement cost	8,589	490	77	9,156	4,291	238	34	4,563
Interest rate derivative contracts								
Notional principal amount.....	136,020	72,870	16,481	225,371	128,961	59,575	8,141	196,677
Net replacement cost	519	978	314	1,811	471	546	75	1,092
Equity and stock index derivatives								
Notional principal amount.....	8	—	—	8	—	—	—	—
Net replacement cost	—	—	—	—	—	—	—	—
Commodity derivative contracts								
Notional principal amount.....	970	892	—	1,862	486	666	—	1,152
Net replacement cost	9	11	—	20	17	24	—	41
Counterparty risk								
Financial institutions				9,244				5,203
Non financial institutions				1,743				493
Total net replacement cost.....				<u>10,987</u>				<u>5,696</u>

	At 31st December,											
	2001				2000				1999			
	Under one year	One to five years	Over five years	Total	Under one year	One to five year	Over five years	Total	Under one year	One to five years	Over five years	Total
	(in U.S.\$ millions)											
Forward foreign exchange and foreign exchange derivative contracts..												
Notional principal amount.....	415,360	12,608	2,155	430,123	364,976	9,284	616	374,876	246,476	5,579	76	252,131
Net replacement cost	5,513	232	65	5,810	5,140	312	13	5,465	2,967	335	3	3,305
Interest rate derivative contracts												
Notional principal amount.....	160,364	74,811	11,665	246,840	95,382	39,452	4,855	139,689	41,232	31,933	4,972	78,137
Net replacement cost	637	836	195	1,668	268	425	76	769	204	253	66	523
Equity and stock index derivatives												
Notional principal amount.....	123	—	—	123	—	—	—	—	—	—	—	—
Net replacement cost	—	—	—	—	—	—	—	—	—	—	—	—
Commodity derivative contracts												
Notional principal amount.....	424	530	—	954	128	—	—	128	125	—	—	125
Net replacement cost	18	21	—	39	—	—	—	—	—	—	—	—
Counterparty risk												
Financial institutions.....				7,057				5,899				3,238
Non financial institutions.....				460				335				590
Total net replacement cost				<u>7,517</u>				<u>6,234</u>				<u>3,828</u>

The paragraph headed "Risk Management" in the section "Financial Information" of this Prospectus explains the Group's risk management of derivative contracts.

48. INTEREST RATE SENSITIVITY GAP FOR THE NON-TRADING BOOK

This table shows the extent to which the Group's interest rate exposures on assets and liabilities are matched but does not take into account the currency of the exposure or the effect of interest rate options used by the Group to hedge these exposures. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and maturity date.

	At 30th June, 2002 Non-trading book					Non- interest bearing	Trading book	Total
	3 months or less	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years			
	(in U.S.\$ millions)							
Assets								
Cash, balances at central banks and cheques in course of collection	282	—	—	—	—	722	—	1,004
Treasury bills and other eligible bills	2,158	964	1,181	107	21	—	70	4,501
Loans and advances to banks	12,907	3,242	2,630	184	12	924	204	20,103
Loans and advances to customers	44,597	4,455	2,179	2,860	633	119	40	54,883
Debt securities and equity shares	8,285	1,706	3,082	3,758	562	142	1,255	18,790
Other assets	160	28	45	20	—	7,357	5,926	13,536
Total assets	68,389	10,395	9,117	6,929	1,228	9,264	7,495	112,817
Liabilities								
Deposits by banks	10,812	738	205	492	—	653	381	13,281
Customer accounts	56,826	3,131	2,482	1,458	1	6,280	—	70,178
Debt securities in issue	1,831	106	258	1,140	122	—	28	3,485
Other liabilities	141	1	218	23	—	5,468	6,515	12,366
Subordinated liabilities	1,373	700	305	—	3,267	(49) ⁽¹⁾	—	5,596
Minority interests and shareholders' funds	—	—	—	—	7	7,904	—	7,911
Total liabilities	70,983	4,676	3,468	3,113	3,397	20,256	6,924	112,817
Off balance sheet items	(2,179)	37	2,018	140	(13)	(3)	—	—
Interest rate sensitivity gap	(4,773)	5,756	7,667	3,956	(2,182)	(10,995)	571	—
Cumulative gap	(4,773)	983	8,650	12,606	10,424	(571)	—	—

Note:

(1) Unamortised discount on the issue of subordinated loan capital.

Six months ended 30th June, 2001								
Non-trading book								
3 months or less	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years	Non- interest bearing	Trading book	Total	
(in U.S.\$ millions)								
Assets								
Cash, balances at central banks and cheques in course of collection	276	—	—	—	—	896	—	1,172
Treasury bills and other eligible bills	1,254	832	920	135	—	—	86	3,227
Loans and advances to banks	19,741	3,973	2,057	360	12	726	98	26,967
Loans and advances to customers	45,101	2,986	1,555	2,662	582	41	—	52,927
Debt securities and equity shares	4,666	1,762	2,004	4,615	470	124	752	14,393
Other assets	5	1	—	—	—	7,556	3,589	11,151
Total assets	71,043	9,554	6,536	7,772	1,064	9,343	4,525	109,837
Liabilities								
Deposits by banks	12,591	621	565	647	—	207	140	14,771
Customer accounts	57,478	3,399	2,613	956	50	2,375	13	66,884
Debt securities in issue	3,550	412	582	355	84	—	—	4,983
Other liabilities	93	2	6	8	—	5,845	4,090	10,044
Subordinated liabilities	—	566	1,514	347	3,046	(40)	—	5,433
Minority interests and shareholders' funds	—	—	—	—	—	7,722	—	7,722
Total liabilities	73,712	5,000	5,280	2,313	3,180	16,109	4,243	109,837
Off balance sheet items	2,915	(2,361)	(150)	(460)	56	—	—	—
Interest rate sensitivity gap	246	2,193	1,106	4,999	(2,060)	(6,766)	282	—
Cumulative gap	246	2,439	3,545	8,544	6,484	(282)	—	—

Note:

(1) Unamortised discount on the issue of subordinated loan capital.

At 31st December, 2001								
Non-trading book								
	3 months or less	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years	Non- interest bearing	Trading book	Total
(in U.S.\$ millions)								
Assets								
Cash, balances at central banks and cheques in course of collection	374	—	—	—	—	800	—	1,174
Treasury bills and other eligible bills.....	2,548	1,496	718	266	22	—	55	5,105
Loans and advances to banks.....	11,647	4,617	2,103	276	16	896	23	19,578
Loans and advances to customers.....	44,158	3,753	1,904	2,707	468	—	15	53,005
Debt securities and equity shares	5,854	2,548	2,403	3,789	354	120	1,012	16,080
Other assets	165	5	86	25	2	7,412	4,898	12,593
Total assets.....	<u>64,746</u>	<u>12,419</u>	<u>7,214</u>	<u>7,063</u>	<u>862</u>	<u>9,228</u>	<u>6,003</u>	<u>107,535</u>
Liabilities								
Deposits by banks	9,208	784	487	613	—	585	11	11,688
Customer accounts.....	55,417	2,862	2,530	1,065	5	5,725	251	67,855
Debt securities in issue	1,252	1,513	188	630	123	—	—	3,706
Other liabilities	145	34	110	32	—	5,665	5,341	11,327
Subordinated liabilities.....	1,511	542	—	—	3,338	(43) ⁽¹⁾	—	5,348
Minority interests and shareholders' funds.....	—	—	—	—	—	7,611	—	7,611
Total liabilities	<u>67,533</u>	<u>5,735</u>	<u>3,315</u>	<u>2,340</u>	<u>3,466</u>	<u>19,543</u>	<u>5,603</u>	<u>107,535</u>
Off balance sheet items.....	(9,064)	1,043	225	4,855	2,941	—	—	—
Interest rate sensitivity gap ...	(11,851)	7,727	4,124	9,578	337	(10,315)	400	—
Cumulative gap.....	<u>(11,851)</u>	<u>(4,124)</u>	<u>—</u>	<u>9,578</u>	<u>9,915</u>	<u>(400)</u>	<u>—</u>	<u>—</u>

Note:

(1) Unamortised discount on the issue of subordinated loan capital.

At 31st December, 2000 Non-trading book								
	3 months or less	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years	Non- interest bearing	Trading book	Total
(in U.S.\$ millions)								
Assets								
Cash, balances at central banks and cheques in course of collection	325	—	—	—	—	570	—	895
Treasury bills and other eligible bills	2,498	717	538	133	1	—	75	3,962
Loans and advances to banks	16,365	4,701	1,619	420	34	601	19	23,759
Loans and advances to customers	42,074	3,599	1,813	3,881	514	1	—	51,882
Debt securities and equity shares	1,839	1,336	1,952	3,856	410	115	441	9,949
Other assets	55	—	7	—	1	7,403	4,522	11,988
Total assets	63,156	10,353	5,929	8,290	960	8,690	5,057	102,435
Liabilities								
Deposits by banks	8,811	441	523	738	—	465	125	11,103
Customer accounts	55,197	3,095	2,599	1,082	6	3,058	—	65,037
Debt securities in issue	1,752	352	1,084	1,205	85	55	—	4,533
Other liabilities	39	—	—	—	—	6,167	4,439	10,645
Subordinated liabilities	468	1,048	599	346	2,103	(31) ⁽¹⁾	—	4,533
Minority interests and shareholders' funds	—	—	—	—	—	6,584	—	6,584
Total liabilities	66,267	4,936	4,805	3,371	2,194	16,298	4,564	102,435
Off balance sheet items	385	188	(6)	(9)	(558)	—	—	—
Interest rate sensitivity gap	(2,726)	5,605	1,118	4,910	(1,792)	(7,608)	493	—
Cumulative gap	(2,726)	2,879	3,997	8,907	7,115	(493)	—	—

Note:

(1) Unamortised discount on the issue of subordinated loan capital.

At 31st December, 1999 Non-trading book								
	3 months or less	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years	Non- interest bearing	Trading book	Total
(in U.S.\$ millions)								
Assets								
Cash, balances at central banks and cheques in course of collection	240	—	—	—	—	802	—	1,042
Treasury bills and other eligible bills	1,875	1,699	483	280	—	—	39	4,376
Loans and advances to banks	12,161	3,080	2,270	180	175	546	58	18,470
Loans and advances to customers	35,305	3,306	1,941	4,782	1,314	3	—	46,651
Debt securities and equity shares	2,745	1,166	2,210	1,771	133	66	194	8,285
Other assets	41	141	26	8	—	5,336	3,410	8,962
Total assets	52,367	9,392	6,930	7,021	1,622	6,753	3,701	87,786
Liabilities								
Deposits by banks	7,428	416	66	454	49	416	170	8,999
Customer accounts	47,775	2,132	2,751	698	11	3,546	28	56,941
Debt securities in issue	3,041	690	335	251	—	—	—	4,317
Other liabilities	438	1,187	113	162	39	3,290	3,517	8,746
Subordinated liabilities	1,120	701	—	178	1,091	(13) ⁽¹⁾	—	3,077
Minority interests and shareholders' funds	—	—	—	—	—	5,706	—	5,706
Total liabilities	59,802	5,126	3,265	1,743	1,190	12,945	3,715	87,786
Off balance sheet items	3,343	(633)	(2,015)	(663)	(32)	—	—	—
Interest rate sensitivity gap	(4,092)	3,633	1,650	4,615	400	(6,192)	(14)	—
Cumulative gap	(4,092)	(459)	1,191	5,806	6,206	14	—	—

Note:

(1) Unamortised discount on the issue of subordinated loan capital.

49. NON-STRUCTURAL CURRENCY EXPOSURES

The Group does not maintain material non-trading open currency positions other than the structural currency exposures arising from its investment in overseas operations and their related funding (see note 50).

The paragraph headed "Risk Management" in the section "Description of Business" of this prospectus explains risk management with respect to the Group's hedging policies.

50. STRUCTURAL CURRENCY EXPOSURES

The Group's structural currency exposures were as follows:

	At 30th June,					
	2002			2001		
	Net investments in overseas units	Borrowing in the functional currency of the units concerned hedging the net investment in the units	Structural currency exposures	Net investments in overseas units	Borrowing in the functional currency of the units concerned hedging the net investment in the units	Structural currency exposures
	(in U.S.\$ millions)					
Functional currency of the business unit:						
U.S. dollar	—	—	—	—	—	—
Singapore dollar	17	—	17	—	—	—
Indian Rupee	324	—	324	396	—	396
Hong Kong dollar	17	—	17	—	—	—
Malaysia Ringgit	454	—	454	396	—	396
Thai Baht	5	—	5	11	—	11
UAE Dirham	260	—	260	206	—	206
Sterling	4	—	4	644	(725)	(81)
Other non U.S. dollar	700	—	700	409	—	409
Total	<u>1,781</u>	<u>—</u>	<u>1,781</u>	<u>2,062</u>	<u>(725)</u>	<u>1,337</u>

	At 31st December,								
	2001			2000			1999		
	Net investments in overseas units	Borrowing in the functional currency of the units concerned hedging the net investment in the units	Structural currency exposures	Net investments in overseas units	Borrowing in the functional currency of the units concerned hedging the net investment in the units	Structural currency exposures	Net investments in overseas units	Borrowing in the functional currency of the units concerned hedging the net investment in the units	Structural currency exposures
	(in U.S.\$ millions)								
Functional currency of the business unit:									
U.S. dollar	—	—	—	2,652	—	2,652	658	—	658
Singapore dollar	4	—	4	751	—	751	240	—	240
Indian Rupee	278	—	278	477	—	477	110	—	110
Hong Kong dollar	—	—	—	440	—	440	81	—	81
Malaysian Ringgit	453	—	453	394	—	394	400	—	400
Thai Baht	20	—	20	312	—	312	340	—	340
UAE Dirham	316	—	316	268	—	268	161	—	161
Sterling	633	(725)	(92)	—	—	—	—	—	—
Other non U.S. dollar	808	—	808	862	—	862	387	—	387
Total	<u>2,512</u>	<u>(725)</u>	<u>1,787</u>	<u>6,156</u>	<u>—</u>	<u>6,156</u>	<u>2,377</u>	<u>—</u>	<u>2,377</u>

The year ended 31st December, 2001 is the first year in which the Group reported in U.S. dollars. Up until the year ended 31st December, 2000, the reporting currency was Sterling.

Structural currency exposures for 2001 and 2002 relate to net investments in non U.S. dollar units. In the years ended 31st December, 2000 and 1999 structural currency exposures related to net investments in non Sterling units, which were all overseas.

In 2001 and 2002, the Group's main operations in non U.S. dollar units were Asia, Africa and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong Dollar, Malaysian Ringgit, Singapore Dollar and Sterling. As the Group prepares its consolidated financial statements in U.S. dollars, it follows that the Group's consolidated balance sheet is affected by movements in the exchange rates between functional currencies and U.S. dollars.

In the years ended 31st December, 2000 and 1999, the Group's main overseas operations were in Asia, Africa and Americas. The main operating (or 'functional') currencies of its overseas business units therefore included U.S. Dollar, Hong Kong Dollar, Malaysian Ringgit and Singapore Dollar. As the Group prepared its consolidated financial statements in Sterling, it followed that the Group's consolidated balance sheet was effected by movements in the exchange rates between functional currencies and Sterling.

These currency exposures are referred to as structural. Translation gains and losses arising from these exposures are recognised in the Consolidated Statement of Total Recognised Gains and Losses.

51. MARKET RISK FOR THE TRADING BOOK

	Six months ended 30th June, 2002			At 30th June, 2002	Six months ended 30th June, 2001			At 30th June, 2001
	Average	High	Low	Actual	Average	High	Low	Actual
(in U.S.\$ millions)								
Daily value at risk:								
Interest rate risk.....	3.5	6.6	2.5	3.6	5.5	7.9	1.0	6.4
Foreign exchange risk.....	3.0	4.0	2.4	2.8	1.4	2.1	0.7	1.5
Total	<u>6.0</u>	<u>9.6</u>	<u>4.4</u>	<u>5.8</u>	<u>6.9</u>	<u>10.0</u>	<u>1.7</u>	<u>7.9</u>

	Year ended 31st December, 2001			At 31st December, 2001	Year ended 31st December, 2000			At 31st December, 2000	Year ended 31st December, 1999			At 31st December, 1999
	Average	High	Low	Actual	Average	High	Low	Actual	Average	High	Low	Actual
(in U.S.\$ millions)												
Daily value at risk:												
Interest rate risk.....	2.6	4.2	2.1	2.1	2.7	6.7	1.8	3.6	4.7	8.2	2.6	2.6
Foreign exchange risk.....	2.5	5.3	1.3	1.5	2.0	3.2	1.1	2.4	2.1	3.2	1.3	1.3
Total.....	<u>5.1</u>	<u>9.5</u>	<u>3.5</u>	<u>3.5</u>	<u>4.7</u>	<u>8.5</u>	<u>3.0</u>	<u>5.8</u>	<u>6.8</u>	<u>9.7</u>	<u>3.9</u>	<u>3.9</u>

This note should be read in conjunction with the paragraph headed "Risk Management" in the section "Financial Information" of this prospectus which explains the Group's risk management, including VAR and derivatives.

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

The total Group exposure shown in the table above is not a sum of the interest rate and exchange rate risks. The highest and lowest VAR, are independent, and could have occurred on different days.

The Group uses a combination of variance-covariance methodology and historical simulation to measure VAR on its trading positions. In the period from 1st January, 1999 to 30th June, 2002, most of the trading book was measured using the historical simulation with the remainder using the variance-covariance approach.

VAR is calculated for expected movements over a minimum of one business day and to a confidence level of approximately 97.5%. This confidence level suggests that potential daily losses, i.e. 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 method is used with an observation period of 250 days. The historical simulation approach involves the complete revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This entails building a set of valuations of the portfolio and a set of changes in value relative to the current market valuation, from which VAR can be derived.

The 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.

Offsetting between exchange rate and interest rate exposures is not allowed. This approach is conservative, as the diversification effects that would be implied if such offsetting were allowed, are likely to have the impact of reducing the overall VAR.

The Group recognises that there are limitations to the VAR methodology. These include the fact that the risk factors may not fall within the assumption of a Normal distribution, i.e. that a greater than expected number of observations may fall outside the stated confidence level. Also the historical data may not be the best proxy for future price movements, either because the observation period does not include extreme price movements or, in some cases, because data is not available. Losses beyond the confidence interval are not captured by a VAR calculation, which therefore gives no indication of the size of unexpected losses in these situations. This is particularly relevant in the case of extreme market movements, which may arise in periods of low liquidity and thus making the assumption, that positions can be closed in a liquid market, invalid.

To manage the risks arising from events which the VAR methodology does not capture the Group regularly back-tests and stress tests its main risk exposures. In back testing 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.

52. HEDGING INSTRUMENTS—UNRECOGNISED GAINS AND LOSSES ON DERIVATIVE HEDGES

Gains and losses on derivatives used for hedging are recognised and reported in the profit and loss account and balance sheet in line with the underlying items which are being hedged. At 30th June, 2002, the unrecognised gains and losses on derivatives used for hedging where the item being hedged had not been recognised were U.S.\$21 million and U.S.\$28 million respectively.

	At 30th June,					
	2002			2001		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
	(in U.S. millions)					
Unrecognised gains and losses at 1st January....	41	47	(6)	42	22	20
Exchange translation differences	—	—	—	—	—	—
Gains and losses arising in previous years recognised in the period	(32)	(31)	(1)	(37)	(19)	(18)
Gains and losses arising in the period but not recognised	12	12	—	—	—	—
Unrecognised gains and losses at end of period	<u>21</u>	<u>28</u>	<u>(7)</u>	<u>5</u>	<u>3</u>	<u>2</u>
Of which:						
Gains and losses expected to be recognised within 1 year	2	4	(2)	3	4	(1)
Gains and losses expected to be recognised in more than 1 year	<u>19</u>	<u>24</u>	<u>(5)</u>	<u>2</u>	<u>(1)</u>	<u>3</u>
	<u>21</u>	<u>28</u>	<u>(7)</u>	<u>5</u>	<u>3</u>	<u>2</u>

	At 31st December,								
	2001			2000			1999		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
	(in U.S. millions)								
Unrecognised gains and losses at 1st January.....	42	22	20	9	10	(1)	13	23	(10)
Exchange translation differences.....	—	—	—	—	3	(3)	—	—	—
Gains and losses arising in previous years recognised in the year.....	(40)	(20)	(20)	(3)	(3)	—	(11)	(15)	4
Gains and losses arising in the year but not recognised...	<u>39</u>	<u>45</u>	<u>(6)</u>	<u>36</u>	<u>12</u>	<u>24</u>	<u>8</u>	<u>3</u>	<u>5</u>
Unrecognised gains and losses at end of period.....	<u>41</u>	<u>47</u>	<u>(6)</u>	<u>42</u>	<u>22</u>	<u>20</u>	<u>10</u>	<u>11</u>	<u>(1)</u>
Of which:									
Gains and losses expected to be recognised within 1 year.....	20	22	(2)	28	16	12	5	6	(1)
Gains and losses expected to be recognised in more than 1 year.....	<u>21</u>	<u>25</u>	<u>(4)</u>	<u>14</u>	<u>6</u>	<u>8</u>	<u>5</u>	<u>5</u>	<u>—</u>
	<u>41</u>	<u>47</u>	<u>(6)</u>	<u>42</u>	<u>22</u>	<u>20</u>	<u>10</u>	<u>11</u>	<u>(1)</u>

53. SUBSEQUENT EVENTS

Subsequent to 30th June, 2002 no material subsequent events have occurred.

54. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30th June, 2002.

Yours faithfully

Yours faithfully

KPMG Audit Plc
Chartered Accountants
United Kingdom

KPMG
Certified Public Accountants
Hong Kong