STANDARD CHARTERED PLC – FINANCIAL REVIEW

GROUP SUMMARY

The Group has delivered another strong performance in the six months ended 30 June 2005. Operating profit before tax of $1,333 million was up 20 per cent on the equivalent period last year. Normalised earnings per share has grown by 32 per cent to 75.2 cents. (Refer to note 11 on page 55 for the details of basic and diluted earnings per share).

On 15 April 2005 the Group acquired 100 per cent of Korea First Bank (KFB).

The impact of including the post acquisition results of KFB in 2005 together with significant one-off items in the first half of 2004, make the comparability of the results for the six months to June 2005 with the equivalent period in 2004 complex. The underlying results are analysed in the table below to assist with an understanding of the underlying trends excluding these two components.

	6 months ended 30.06.05			6 months ended 30.06.04			6 months ended 31.12.04			
	KFB $m	**Under-lying $m**	**As reported $m**	*One off items $m	Under-lying $m	As reported $m	Acquisitions $m	*One off items $m	Under-lying $m	As reported $m
Net interest income	**214**	**1,758**	**1,972**	-	1,551	1,551	27	-	1,604	1,631
Fees and commissions income, net	**22**	**705**	**727**	-	663	663	1	-	668	669
Net trading income	**12**	**397**	**409**	-	333	333	2	-	316	318
Other operating income	**10**	**118**	**128**	110	68	178	1	(2)	40	39
	44	**1,220**	**1,264**	110	1,064	1,174	4	(2)	1,024	1,026
Operating income	**258**	**2,978**	**3,236**	110	2,615	2,725	31	(2)	2,628	2,657
Operating expenses	**(146)**	**(1,562)**	**(1,708)**	(18)	(1,392)	(1,410)	(19)	(5)	(1,415)	(1,439)
Operating profit before provisions	**112**	**1,416**	**1,528**	92	1,223	1,315	12	(7)	1,213	1,218
Impairment losses on loans and advances	**(28)**	**(166)**	**(194)**	-	(139)	(139)	(4)	-	(71)	(75)
Other impairment	**-**	**(1)**	**(1)**	(67)	(2)	(69)	-	-	1	1
Operating profit before taxation	**84**	**1,249**	**1,333**	25	1,082	1,107	8	(7)	1,143	1,144

* See note 11 on page 55

Operating Income and Profit

Underlying profit before tax was $1,249 million, up 15 per cent.

Operating income including the acquisition of KFB increased by 19 per cent to $3,236 million compared to the first half of last year. Of this increase, $258m arose from the inclusion of KFB. The underlying income growth, excluding KFB and 2004 one-off items was 14 per cent to $2,978 million. On an underlying basis Consumer Banking and Wholesale Banking continued to deliver double-digit income growth. Business momentum is strong.

Net interest income grew by 27 per cent to $1,972 million. Underlying growth was 13 per cent. Interest margins have remained broadly stable at 2.6 per cent with the growth driven by an increase in average earning assets.

Fees and commissions increased by 10 per cent from $663 million to $727 million. Underlying growth of six per cent was driven by wealth management, mortgages, trade and corporate advisory services.

GROUP SUMMARY (continued)

Net trading income grew by 23 per cent from $333 million to $409 million. Underlying growth was 19 per cent largely driven by customer led foreign exchange dealing.

Other operating income at $128 million compares to $178 million for the same period last year. This reduction is primarily due to inclusion of income from the sale of shares in KorAm and Bank of China (Hong Kong) in the first half of 2004. On an underlying basis there has been strong growth driven by asset and liability management.

Operating expenses increased from $1,410 million to $1,708 million. Of this increase, $146 million arose from the inclusion of KFB.

The underlying expense increase was 12 per cent, which was lower than the underlying income growth. As such the normalised cost income ratio has fallen from 54.0 per cent in the first half of 2004 to 52.6 per cent. The Group's investments in market expansion, new products, distribution outlets and sales capabilities have been paying off in good double-digit income growth. This investment continued in 2005 together with increased expenditure on the Group's technology and operations platforms and support infrastructure.

Impairment losses on loans and advances rose by 40 per cent from $139 million to $194 million an increase of $55 million, of which KFB accounted for $28 million. The underlying increase in impairment losses was 19 per cent reflecting mainly asset growth in Consumer Banking and changes in provisioning due to IAS 39. Wholesale Banking continued to benefit from a benign credit environment and strong recoveries.

The investments made in Travelex, Asia Commercial Bank Vietnam and the commercial banking business of American Express Limited in Bangladesh have had no impact on the first half results.

CONSUMER BANKING

Including the acquisition of KFB, Consumer Banking grew operating profit by 24 per cent to $642 million compared to the first half of 2004. Of the $123 million incremental profit, KFB accounted for $52 million. Underlying growth was 14 per cent.

Consumer Banking has maintained its strong revenue momentum with income up 29 per cent to $1,723 million. Underlying growth was up 14 per cent to $1,525 million. The accelerated investment in growth opportunities in the second half of 2004 is delivering sustained results. Excluding KFB, assets grew 31 per cent outside Hong Kong and Singapore. Businesses acquired in 2004, including Prime Credit and Bank Permata, contributed to income growth. Bank Permata accounted for $35 million of income and $11 million of profit before tax in the first half of 2005. Over 200 new products and variants were launched in the last six months.

Reflecting the rising interest rate environment, the revenue mix has changed with narrower margins in asset products offset by strong growth in fee and interest income in Wealth Management.

Excluding KFB, total expense growth to sustain income momentum was 14 per cent, broadly in line with income growth for the period. Efficiencies in support and operational functions have allowed Consumer Banking to invest in new businesses such as Bank Permata and Prime Credit, launch new products and extend distribution in fast growing markets like India, MESA and China. KFB accounted for $117 million, or just over half of the $209 million first half expense growth.

Overall, Consumer Banking impairment losses on loans and advances rose to $193 million from $137 million reflecting the impact of asset growth, KFB and IAS 39. On the back of this asset growth, impairment losses on loans and advances grew by 20 per cent to $164 million excluding KFB. The charge in Hong Kong fell

CONSUMER BANKING (continued)

by half due to the improving economic environment. Bankruptcy charges in Hong Kong reduced from $40 million in 2004 to $21 million in 2004.

Hong Kong delivered an increase in operating profit of nine per cent to $254 million. This was largely driven by a lower impairment charge and tight expense control. Income growth was broadly flat year on year but up four per cent on the second half of 2004 reflecting a good performance in Wealth Management and SME, offset by lower asset margins across the market. Customer assets grew by two per cent. Costs were kept flat as investment for growth was funded from the actions taken to reconfigure the cost base towards the end of 2004.

In Singapore, income was slightly down on the first half of 2004, but up on the second half. Singapore is an intensively competitive environment, primarily in Mortgage lending. Income from other products showed good growth driven by better margins and volumes in Wealth Management and SME.

Operating profit in Malaysia was up nine per cent to $38 million with strong performance across all products. Income grew by 15 per cent. Continued margin pressure in the Mortgage portfolio was offset by higher volume. Wealth Management income increased significantly, driven by investment product sales. Cards and Loans enjoyed good growth in both volume and income through the introduction of new products.

In Other Asia Pacific excluding KFB, operating profit grew 117 per cent to $78 million. Income grew at 69 per cent, expense growth was 49 per cent, underpinned by asset growth of 45 per cent.

There was good income and profit growth in Taiwan fuelled by Cards and Loans. Wealth Management, business and personal loans helped contribute to income growth of 49 per cent and 40 per cent respectively in Indonesia and Thailand. Income in China grew by 70 per cent.

The Consumer Banking division of KFB earned $52 million of operating profit on an operating income of $198 million. This is a broadly based business with income from Wealth Management showing steady growth, a high quality Mortgage portfolio growing strongly but facing margin pressure and a significant but stable Cards and Loans portfolio. The product range will be expanded by the Group in the remainder of 2005.

In India, 15 per cent income growth was achieved through excellent Wealth Management growth offset by significant compression in asset margins. Mortgage lending assets grew 54 per cent. Expenses increased by $16 million to $86 million as a result of continued investment to support rapid business growth coupled with an enhanced risk management and control infrastructure.

Operating profit in the UAE increased by $5 million to $35 million with income up by 25 per cent, driven by credit cards and personal loans, SME and Wealth Management. Expenses were higher by $6 million, reflecting continued investment in distribution and technology. Elsewhere MESA operating profit grew by 38 per cent to $44 million with strong performance in Pakistan.

In Africa, operating profit nearly doubled to $21 million with income up by 16 per cent to $124 million, largely fuelled by 42 per cent asset growth. This was particularly strong in Botswana, Kenya and Uganda in SME, credit cards and personal loans. Wealth Management revenue also grew strongly as margins improved.

The Americas, UK and Group Head Office saw a decrease in operating profit from $10 million to $6 million, largely driven by continued reconfiguration of the Jersey business.

CONSUMER BANKING (continued)

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

6 months ended 30.06.05

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	*Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Consumer Banking Total $m
Income	**483**	**163**	**101**	**502**	**143**	**74**	**103**	**124**	**30**	**1,723**
Expenses	**(201)**	**(62)**	**(46)**	**(285)**	**(86)**	**(31)**	**(53)**	**(100)**	**(24)**	**(888)**
Loan impairment	**(28)**	**(17)**	**(17)**	**(87)**	**(27)**	**(8)**	**(6)**	**(3)**	**-**	**(193)**
Operating profit	**254**	**84**	**38**	**130**	**30**	**35**	**44**	**21**	**6**	**642**

6 months ended 30.06.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Consumer Banking Total $m
Income	489	168	88	180	124	59	81	107	39	1,335
Expenses	(201)	(59)	(45)	(113)	(70)	(25)	(44)	(93)	(29)	(679)
Specific	(55)	(20)	(8)	(31)	(11)	(4)	(5)	(3)	-	(137)
General	-	-	-	-	-	-	-	-	-	-
Loan impairment	(55)	(20)	(8)	(31)	(11)	(4)	(5)	(3)	-	(137)
Operating Profit	233	89	35	36	43	30	32	11	10	519

6 months ended 31.12.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Consumer Banking Total $m
Income	465	162	87	220	134	65	91	111	30	1,365
Expenses	(215)	(58)	(41)	(124)	(83)	(26)	(49)	(103)	(22)	(721)
Specific	(33)	(20)	(10)	(38)	(18)	(6)	(6)	(3)	-	(134)
General	11	6	4	3	2	1	1	-	1	29
Loan impairment	(22)	(14)	(6)	(35)	(16)	(5)	(5)	(3)	1	(105)
Operating Profit	228	90	40	61	35	34	37	5	9	539

* Includes post acquisition results of KFB (income $198 million, expenses $117 million, loan impairment $29 million and operating profit of $52 million). See page 20.

CONSUMER BANKING (continued)

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

Income by product	6 months ended 30.06.05 Total $m	KFB $m	Underlying $m	6 months ended 30.06.04 $m	6 months ended 31.12.04 $m
Cards and Loans	**677**	**77**	**600**	538	579
Wealth Management / Deposits	**634**	**53**	**581**	425	466
Mortgages and Auto Finance	**350**	**66**	**284**	351	287
Other	**62**	**2**	**60**	21	33
	1,723	**198**	**1,525**	1,335	1,365

Including KFB, Cards and Loans have delivered a solid performance with 26 per cent growth in income to $677 million in an increasingly competitive environment. Underlying assets have grown by 22 per cent outside of Hong Kong. Loans now contribute nearly half of total underlying Cards and Loans outstandings with a 27 per cent growth in assets. This is a result of continued investment in products and sales channels. Despite a seven per cent decline in Card outstandings Hong Kong has had strong growth in profitability.

Overall Wealth Management income has increased by 49 per cent to $634 million driven by strong fee income growth in investment products and improved deposit margins. Innovation in core and structured products has boosted sales in Singapore, India, MESA and China. Fee income in KFB is growing.

Total Mortgages and Auto Finance income including KFB is flat at $350 million. Underlying growth was affected by significant margin compression in Hong Kong, Singapore and India, in spite of record new sales. Proactive repricing by the Group has helped to offset margin compression. However, margins are down as much as half on the same period in 2004.

WHOLESALE BANKING

Wholesale Banking's performance continued to reflect the successful execution of its strategy, delivering strong client driven growth across multiple geographies, products and customer segments.

Including KFB, operating profit was up 23 per cent to $691 million. Underlying growth was 17 per cent to $659 million. This was achieved through targeted development of new businesses such as project finance, local corporates, and by deepening core banking relationships whilst keeping a tight hold on expenses. Total income increased by 18 per cent to $1,513 million. Underlying growth was up 14 per cent to $1,453 million. Client revenues grew at 16 per cent.

The strong performance in the first half of 2005 was driven by Global Markets and Cash Management.

Expenses in Wholesale Banking increased by 15 per cent to $820 million. Underlying expense growth was 11 per cent. Expense growth was focused on increased investment in corporate finance, local corporates and geographic expansion, with increased spend on credit risk infrastructure and controls together with an increase in performance driven compensation.

The loan impairment charge in the first half of 2005 was $1 million, compared to a charge of $2 million in 2004. New provisions were up by 28 per cent and recoveries up by 36 per cent. This reflected continued enhancement of risk management processes, success in recoveries, together with a favourable credit environment. It also includes the successful resolution of the Loan Management Agreement (LMA) in Thailand.

WHOLESALE BANKING (continued)

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

6 months ended 30.06.05

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	*Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Wholesale Banking Total $m
Income	**264**	**98**	**56**	**330**	**159**	**87**	**124**	**131**	**264**	**1,513**
Expenses	**(116)**	**(61)**	**(27)**	**(178)**	**(57)**	**(32)**	**(42)**	**(95)**	**(212)**	**(820)**
Loan impairment	**(41)**	**(17)**	**3**	**64**	**4**	**1**	**(2)**	**(27)**	**14**	**(1)**
Other impairment	**(1)**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**(1)**	**(1)**
Operating profit	**106**	**20**	**32**	**216**	**107**	**56**	**80**	**9**	**65**	**691**

6 months ended 30.06.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Wholesale Banking Total $m
Income	201	97	51	222	136	75	95	163	240	1,280
Expenses	(114)	(60)	(30)	(136)	(47)	(26)	(37)	(75)	(188)	(713)
Specific	(37)	3	7	17	-	4	7	4	(7)	(2)
General	-	-	-	-	-	-	-	-	-	-
Loan impairment	(37)	3	7	17	-	4	7	4	(7)	(2)
Other impairment	-	-	-	-	-	-	-	-	(2)	(2)
Operating profit	50	40	28	103	89	53	65	92	43	563

6 months ended 31.12.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Wholesale Banking Total $m
Income	215	86	44	203	95	72	110	203	266	1,294
Expenses	(112)	(51)	(28)	(145)	(51)	(23)	(39)	(89)	(175)	(713)
Specific	(17)	(5)	4	5	3	2	-	(10)	22	4
General	6	3	1	4	2	2	2	-	6	26
Loan impairment	(11)	(2)	5	9	5	4	2	(10)	28	30
Other impairment	-	-	-	-	2	-	-	-	(1)	1
Operating profit	92	33	21	67	51	53	73	104	118	612

* Includes post acquisition profits of KFB (income $60 million, expenses $29 million, loan impairment recovery $1million and operating profit of $32 million). See page 20

WHOLESALE BANKING (continued)

In Hong Kong, income grew by 31 per cent from $201 million to $264 million. Growth was driven by Global Markets and Cash Management on the back of strong local corporates volumes and rising interest rates. Expenses were up two per cent at $116 million with investment focused on the local corporates segment.

Income in Singapore was flat at $98 million. Strong customer income was offset by a decline in income from asset and liability management. Expenses also remained flat with productivity improvements absorbing investments.

In Malaysia, income increased 10 per cent from $51 million to $56 million with good growth in Global Markets products. Expenses were lower by 10 per cent at $27 million.

The Other Asia Pacific region delivered strong results with excellent contributions from all countries. Income grew by 49 per cent to $330 million, including $60 million income from KFB. The underlying increase of 22 per cent was broadly spread across geographies, products and segments. Expenses increased by 31 per cent to $178 million, reflecting investment in product capability in the region together with $29 million of KFB expenses. Underlying expense growth was 10 per cent.

The Wholesale Banking division of KFB earned $32 million of operating profit on an operating income of $60 million. The current business is focused on trade, clearing services and lending and a limited range of Global Markets products. Integration activities to date have contributed to income through winning an asset backed securities mandate, moving US dollar clearings to the Group, expanding the product range and sales capacity in Global Markets and reshaping of the balance sheet.

In India, income grew by 17 percent with strong client income growth partially offset by lower trading income. The increase in expenses of 21 per cent to $57 million is the result of investment in a broader product mix and increased staffing to capture further growth opportunities.

In the UAE, income increased by 16 per cent to $87 million, driven largely by corporate finance, cash management and debt capital markets. Elsewhere in the MESA region income grew 31 per cent to $124 million, led by strong growth in the large local corporates and financial institutions segments. The increase in expenses of 14 per cent in the region was due to investment in new products, infrastructure and continued strengthening of risk and governance functions.

In Africa, income at $131 million was 20 per cent lower than in 2004. Lower income in key markets together with a marked deterioration in Zimbabwe have contributed to this result. A hyper-inflationary charge of $44 million has been taken in Zimbabwe reflecting the rapid exchange devaluation. This was largely borne by Wholesale Banking. The difficult trading environment was further affected by margin compression in some product areas. Expenses grew by $20 million, mainly due to inflationary pressure and broad based expansion, including South Africa.

The Americas, UK and Group Head Office has seen income increase by 10 per cent to $264 million.

WHOLESALE BANKING (continued)

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

Income by product	6 months ended 30.06.05 Total $m	KFB $m	Underlying $m	6 months ended 30.06.04 $m	6 months ended 31.12.04 $m
Trade and Lending	**437**	**25**	**412**	433	435
Global Markets	**757**	**32**	**725**	618	599
Cash Management and Custody	**319**	**3**	**316**	229	260
	1,513	**60**	**1,453**	1,280	1,294

Trade and Lending income was broadly flat at $437 million. Trade finance grew on the back of a 21 per cent volume increase, underpinned by strong intra-Asian trade flow, but this was offset by a decline in lending.

Global Markets income has grown strongly at 22 per cent. Underlying growth was 17 per cent. Investment in new product capability and expansion in corporate finance, options and fixed income have delivered good returns. Income from asset and liability management was strong.

Cash Management and Custody revenue was up by 39 per cent to $319 million. Cash Management grew on the back of rising interest rates coupled with steady volumes and new client acquisitions.

ACQUISITION OF KOREA FIRST BANK

On 15 April 2005 the Group acquired 100 per cent of KFB. The post-acquisition profit has been included in the Group results within Other Asia Pacific geographic segment.

The following table provides an analysis of KFB's post acquisition results by business segment.

Consumer Banking	6 months ended 30.06.05			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Income	**1,723**	**198**	**1,525**	1,335
Expenses	**(888)**	**(117)**	**(771)**	(679)
Loan impairment	**(193)**	**(29)**	**(164)**	(137)
Operating profit	**642**	**52**	**590**	519

KFB Consumer Banking income was broadly based with fee income growth in Wealth Management and Mortgage volume growth. The portfolio quality continues to improve.

Wholesale Banking	6 months ended 30.06.05			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Income	**1,513**	**60**	**1,453**	1,280
Expenses	**(820)**	**(29)**	**(791)**	(713)
Loan impairment	**(1)**	**1**	**(2)**	(2)
Other impairment	**(1)**	**-**	**(1)**	(2)
Operating profit	**691**	**32**	**659**	563

KFB Wholesale Banking income is largely based on trade services and a quality lending portfolio, together with an increasing contribution from Global Markets products as the balance sheet is reshaped.

Other Asia Pacific – Total	6 months ended 30.06.05			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Income	**832**	**258**	**574**	402
Expenses	**(463)**	**(146)**	**(317)**	(249)
Loan impairment	**(23)**	**(28)**	**5**	(14)
Operating profit	**346**	**84**	**262**	139

Operating profit from KFB for the two and half months since taking control on 15 April 2005 was $84 million. Operating income for the period was $258 million, expenses were $146 million and loan impairment was $28 million.

ACQUISITION OF KOREA FIRST BANK (continued)

Other Asia Pacific – Total Loans and Advances	**6 months ended 30.06.05**			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Mortgages	**19,687**	**18,792**	**895**	714
Other	**6,634**	**3,394**	**3,240**	2,241
Small and medium enterprises	**4,932**	**4,616**	**316**	124
Consumer Banking	**31,253**	**26,802**	**4,451**	3,079
Wholesale Banking	**12,608**	**5,929**	**6,679**	5,085
Portfolio impairment provision	**(164)**	**(88)**	**(76)**	-
Total loans and advances to customers	**43,697**	**32,643**	**11,054**	8,164

Non-Performing Loans and Advances – Consumer Banking	**6 months ended 30.06.05**			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Loans and advances - Gross non-performing	**1,252**	**707**	**545**	583
Individual impairment provision	**(438)**	**(242)**	**(196)**	(138)
Non-performing loans and advances net of individual impairment provision	**814**	**465**	**349**	445
Portfolio impairment provision	**(220)**	**(46)**	**(174)**	-
Interest in suspense	**-**	**-**	**-**	(63)
Net non-performing loans	**594**	**419**	**175**	382
Cover Ratio	**53%**	**41%**	**68%**	34%

Non-Performing Loans and Advances – Wholesale Banking	**6 months ended 30.06.05**			6 months ended 30.06.04
	Total	**KFB**	**Underlying**	
	$m	**$m**	**$m**	$m
Loans and advances - Gross non-performing	**1,548**	**92**	**1,456**	2,917
Individual impairment provision	**(1,236)**	**(15)**	**(1,221)**	(1,395)
Non-performing loans and advances net of individual impairment provision	**312**	**77**	**235**	1,522
Portfolio impairment provision	**(127)**	**(42)**	**(85)**	-
Interest in suspense	**-**	**-**	**-**	(521)
Net non-performing loans	**185**	**35**	**150**	1,001
Cover Ratio	**88%**	**62%**	**90%**	66%

RISK

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

The basic principles of risk management followed by the Group include:

- ensuring that business activities are controlled on the basis of risk adjusted return;
- managing risk within agreed parameters with risk quantified wherever possible;
- assessing risk at the outset and throughout the time that we continue to be exposed to it;
- abiding by all applicable laws, regulations, and governance standards in every country in which we do business;
- applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

Risk Management Framework

Ultimate responsibility for the effective management of risk rests with the Company's Board of Directors. The Audit and Risk Committee reviews specific risk areas and monitors the activities of the Group Risk Committee and the Group Asset and Liability Committee.

All the Executive Directors of Standard Chartered PLC, members of the Standard Chartered Bank Court and the Group Head of Risk and Group Special Asset Management are members of the Group Risk Committee which is chaired by the Group Executive Director responsible for Risk ("GED Risk"). Group standards and policies for risk measurement and management, and also delegating authorities and responsibilities to various sub committees.

The committee process ensures that standards and policy are cascaded down through the organisation from the Board through the Group Risk Committee and the Group Asset and Liability Committee to the functional, regional and country level committees. Key information is communicated through the country, regional and functional committees to Group, to provide assurance that standards and policies are being followed.

The GED Risk manages an independent risk function which:

- recommends Group standards and policies for risk measurement and management;
- monitors and reports Group risk exposures for country, credit, market and operational risk;
- approves market risk limits and monitors exposure;
- sets country risk limits and monitors exposure;
- chairs the credit committee and delegates credit authorities subject to oversight;
- validates risk models; and
- recommends risk appetite and strategy.

Individual Group Executive Directors are accountable for risk management in their businesses and support functions and for countries where they have governance responsibilities. This includes:

- implementing the policies and standards as agreed by the Group Risk Committee across all business activity;
- managing risk in line with appetite levels agreed by the Group Risk Committee; and
- developing and maintaining appropriate risk management infrastructure and systems to facilitate compliance with risk policy.

The GED Risk, together with Group Internal Audit, provides independent assurance that risk is being measured and managed in accordance with the Group's standards and policies.

Credit Risk

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

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

Clear responsibility for credit risk is delegated from the Board to the Group Risk Committee. Standards and policies are determined by the Group Risk Committee which also delegates credit authorities through the GED Risk to independent Risk Officers at Group and at the Wholesale Banking and Consumer Banking business levels.

Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals. The Risk Officers are located in the businesses to maximise the efficiency of decision-making, but have an independent reporting line into the GED Risk.

Within the Wholesale Banking business, credit analysis includes a review of facility detail, credit grade determination and financial spreading/ratio analysis. The Group uses a numerical grading system for quantifying the risk associated with a counterparty. The grading is based on a probability of default measure with customers analysed against a range of quantitative and qualitative measures.

There is a clear segregation of duties with loan applications being prepared separately from the approval chain. Significant exposures are reviewed and approved centrally through a Group or Regional level Credit Committee. This Committee receives its authority and delegated responsibilities from the Group Risk Committee.

The businesses, working with the Risk Officers, take responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Group standards, policies, and business strategy.

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

Loan Portfolio

Loans and advances to customers have increased by 69 per cent during the year to $108 billion. Of this increase, KFB accounts for $33 billion. In Consumer Banking growth has resulted from increases in the mortgage book, mainly in Singapore, Malaysia and India. In Wholesale Banking growth was across all regions.

Approximately 59 per cent (30 June 2004: 51 per cent; 31 December 2004: 49 per cent) of the portfolio relates to Consumer Banking, predominantly retail mortgages. Other Consumer Banking covers credit cards, personal loans and other secured lending.

Approximately 48 per cent of the Group's loans and advances are short term in nature and have a maturity of one year or less. The Wholesale Banking portfolio is predominantly short term, with 74 per cent of loans and advances having a maturity of one year or less. In Consumer Banking, 64 per cent of the portfolio is in the mortgage book, traditionally longer term in nature.

STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

Loan Portfolio (continued)

The following tables set out by maturity the amount of customer loans net of provisions:

	30.06.05 One year or less $m	One to five years $m	Over five years $m	Total $m
Consumer Banking				
Mortgages	**5,016**	**10,432**	**25,555**	**41,003**
Other	**6,262**	**5,079**	**1,838**	**13,179**
SME	**7,114**	**415**	**1,941**	**9,470**
Total	**18,392**	**15,926**	**29,334**	**63,652**
Wholesale Banking	**32,898**	**8,011**	**3,715**	**44,624**
Portfolio impairment provision				**(347)**
Loans and advances to customers	**51,290**	**23,937**	**33,049**	**107,929**

	30.06.04 One year or less $m	One to five years $m	Over five years $m	Total $m
Consumer Banking				
Mortgages	1,937	4,256	14,379	20,572
Other	4,440	3,347	360	8,147
SME	1,342	333	2,188	3,863
Total	7,719	7,936	16,927	32,582
Wholesale Banking	25,547	4,211	1,789	31,547
General provision				(386)
Loans and advances to customers	33,266	12,147	18,716	63,743

	31.12.04 One year or less $m	One to five years $m	Over five years $m	Total $m
Consumer Banking				
Mortgages	1,865	4,156	15,985	22,006
Other	4,779	3,880	403	9,062
SME	1,940	440	2,050	4,430
Total	8,584	8,476	18,438	35,498
Wholesale Banking	27,670	5,227	4,099	36,996
General provision				(335)
Loans and advances to customers	36,254	13,703	22,537	72,159

Loan Portfolio (continued)

The following tables set out an analysis of the Group's loans and advances net of impairment as at 30 June 2005, 30 June 2004 and 31 December 2004 by the principal category of borrowers, business or industry and/or geographical distribution:

30.06.05	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	*Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans to individuals										
Mortgages	**12,599**	**4,416**	**2,559**	**19,687**	**1,390**	**-**	**81**	**85**	**186**	**41,003**
Other	**1,967**	**1,087**	**538**	**6,634**	**1,269**	**872**	**183**	**413**	**216**	**13,179**
Small and medium enterprises	**761**	**1,618**	**705**	**4,932**	**281**	**24**	**1,057**	**92**	**-**	**9,470**
Consumer Banking	**15,327**	**7,121**	**3,802**	**31,253**	**2,940**	**896**	**1,321**	**590**	**402**	**63,652**
Agriculture, forestry and fishing	**-**	**19**	**54**	**78**	**15**	**1**	**19**	**146**	**283**	**615**
Construction	**64**	**240**	**10**	**92**	**99**	**98**	**104**	**47**	**31**	**785**
Commerce	**1,765**	**948**	**189**	**1,152**	**270**	**924**	**449**	**339**	**894**	**6,930**
Electricity, gas and water	**507**	**21**	**90**	**309**	**108**	**-**	**185**	**31**	**636**	**1,887**
Financing, insurance and business services	**1,450**	**909**	**628**	**3,447**	**605**	**1,185**	**370**	**170**	**1,956**	**10,720**
Loans to governments	**-**	**1,520**	**1,270**	**279**	**-**	**-**	**72**	**-**	**506**	**3,647**
Mining and quarrying	**-**	**31**	**30**	**231**	**9**	**30**	**103**	**106**	**729**	**1,269**
Manufacturing	**1,531**	**288**	**273**	**4,398**	**837**	**308**	**1,119**	**423**	**2,220**	**11,397**
Commercial real estate	**1,181**	**629**	**1**	**1,590**	**9**	**-**	**1**	**33**	**1**	**3,445**
Transport, storage and communication	**296**	**299**	**75**	**480**	**220**	**51**	**298**	**127**	**1,051**	**2,897**
Other	**18**	**68**	**52**	**552**	**59**	**51**	**150**	**12**	**70**	**1,032**
Wholesale Banking	**6,812**	**4,972**	**2,672**	**12,608**	**2,231**	**2,648**	**2,870**	**1,434**	**8,377**	**44,624**
Portfolio impairment provision	**(37)**	**(29)**	**(23)**	**(164)**	**(33)**	**(12)**	**(17)**	**(10)**	**(22)**	**(347)**
Total loans and advances to customers	**22,102**	**12,064**	**6,451**	**43,697**	**5,138**	**3,532**	**4,174**	**2,014**	**8,757**	**107,929**
Total loans and advances to banks	**3,667**	**2,956**	**474**	**4,400**	**195**	**432**	**734**	**199**	**7,898**	**20,955**

* Other Asia Pacific includes the following amounts relating to KFB: Mortgages, $18,792 million, other, $3,394 million, small and medium enterprises, $4,616 million, total Consumer Banking, $26,802 million, total Wholesale Banking, $5,929 million, total loans and advances to customers, $32,731 million, and total loans and advances to banks, $1,147 million.

Under "Loans to individuals - Other", $1,165 million (30 June 2004: $1,250 million; 31 December 2004: $1,270 million) relates to the cards portfolio in Hong Kong. The total cards portfolio is $4,362 million (30 June 2004: $3,289 million; 31 December 2004: $3,586 million).

The Wholesale Banking portfolio is well diversified across both geography and industry, with no concentration in exposure to sub-industry classification levels in manufacturing, financing, insurance and business services, commerce and transport, storage and communication.

Loan Portfolio (continued)

	30.06.04									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans to individuals										
Mortgages	12,342	4,086	2,126	714	903	-	78	40	283	20,572
Other	1,983	1,152	390	2,241	1,082	718	176	298	107	8,147
Small and medium enterprises	663	1,359	465	124	156	2	1,017	77	-	3,863
Consumer Banking	14,988	6,597	2,981	3,079	2,141	720	1,271	415	390	32,582
Agriculture, forestry and fishing	-	33	54	62	22	-	40	143	325	679
Construction	56	29	19	63	63	91	100	21	5	447
Commerce	1,327	790	154	791	160	710	384	343	737	5,396
Electricity, gas and water	421	53	23	227	111	1	117	166	98	1,217
Financing, insurance and business services	1,656	876	375	718	335	720	292	41	1,032	6,045
Loans to governments	-	1,045	1,155	53	-	-	13	11	232	2,509
Mining and quarrying	-	1	66	40	-	98	79	40	345	669
Manufacturing	1,504	587	258	2,537	902	204	1,119	391	1,646	9,148
Commercial real estate	457	680	176	344	-	-	1	11	18	1,687
Transport, storage and communication	385	223	230	126	99	33	248	139	1,539	3,022
Other	48	86	137	124	30	36	184	19	64	728
Wholesale Banking	5,854	4,403	2,647	5,085	1,722	1,893	2,577	1,325	6,041	31,547
General Provision									(386)	(386)
Total loans and advances to customers	20,842	11,000	5,628	8,164	3,863	2,613	3,848	1,740	6,045	63,743
Total loans and advances to banks	4,608	799	47	4,140	128	458	718	155	6,334	17,387

Loan Portfolio (continued)

	31.12.04									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans to individuals										
Mortgages	12,189	5,064	2,422	737	1,194	-	75	63	262	22,006
Other	2,097	651	488	3,103	1,201	819	170	431	102	9,062
Small and medium enterprises	731	1,622	578	200	230	13	980	76	-	4,430
Consumer Banking	15,017	7,337	3,488	4,040	2,625	832	1,225	570	364	35,498
Agriculture, forestry and fishing	-	26	55	56	15	-	19	171	314	656
Construction	154	27	6	34	105	103	136	46	4	615
Commerce	1,560	804	136	895	262	824	378	353	1,113	6,325
Electricity, gas and water	387	40	71	271	104	-	119	102	300	1,394
Financing, insurance and business services	1,914	1,608	554	762	497	951	411	47	2,268	9,012
Loans to governments	-	306	1,551	-	-	-	16	7	225	2,105
Mining and quarrying	-	65	63	122	1	92	57	95	1,032	1,527
Manufacturing	1,343	423	269	2,512	814	236	1,031	404	2,294	9,326
Commercial real estate	984	721	2	388	-	-	-	29	2	2,126
Transport, storage and communication	366	280	128	321	226	56	243	165	1,177	2,962
Other	19	128	51	354	43	38	205	24	86	948
Wholesale Banking	6,727	4,428	2,886	5,715	2,067	2,300	2,615	1,443	8,815	36,996
General Provision									(335)	(335)
Total loans and advances to customers	21,744	11,765	6,374	9,755	4,692	3,132	3,840	2,013	8,844	72,159
Total loans and advances to banks	2,852	2,072	349	3,351	171	237	655	374	7,321	17,382

Problem Credits

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

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

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

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

Until 31 December 2004, a general provision was held to cover the inherent risk of losses, which, although not identified, were known by experience to be present in a loan portfolio and to other material uncertainties where specific provisioning is not appropriate. It was not held to cover losses arising from future events.

At 31 December 2004, the balance of general provision stood at $335 million, 0.5 per cent of Loans and Advances to Customers.

With the adoption of IAS 39 from 1 January 2005, the Group holds a portfolio impairment provision.

Consumer Banking

Provisions are raised on a formulaic basis depending on the product. For secured lending provisions are generally raised at 150 days past due for mortgages and 90 days past due for other secured products on the difference between the outstanding amount of the loan and the present value of the estimated cash flows. For unsecured products loans are charged off at 150 days past due.

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known by experience to be present in the loan portfolio. The provision is set with reference to past experience using flow rate methodology as well as taking account of judgemental factors such as the economic environment in our core markets, and a range of portfolio indicators. At 30 June 2005 the portfolio impairment provision was $220 million, 0.3 per cent of the Consumer Bank portfolio. This includes $46 million relating to KFB.

The relatively low Consumer Banking cover ratio reflects the fact that for a number of products the underlying loan is secured.

STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

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

30.06.05

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	*Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances										
Gross non-performing	**69**	**124**	**162**	**771**	**42**	**13**	**24**	**16**	**31**	**1,252**
Individual impairment provision	**(28)**	**(29)**	**(61)**	**(267)**	**(12)**	**(11)**	**(18)**	**(7)**	**(5)**	**(438)**
Non-performing loans net of individual impairment provision	**41**	**95**	**101**	**504**	**30**	**2**	**6**	**9**	**26**	**814**
Portfolio impairment provision										**(220)**
Net non-performing loans and advances										**594**
Cover ratio										**53%**

* Other Asia Pacific includes net non performing loans and advances net of individual impairment provision relating to KFB of $465 million (see page 21).

30.06.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances										
Gross non-performing	101	125	170	61	42	13	24	20	27	583
Impairment provision	(38)	(19)	(26)	(15)	(10)	(11)	(8)	(6)	(5)	(138)
Interest in suspense	(1)	(3)	(22)	(8)	(9)	(2)	(8)	(8)	(2)	(63)
Net non-performing loans and advances	62	103	122	38	23	-	8	6	20	382
Cover ratio										34%

31.12.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances										
Gross non-performing	72	146	181	94	42	14	28	24	46	647
Impairment provision	(32)	(24)	(28)	(47)	(12)	(11)	(11)	(9)	(5)	(179)
Interest in suspense	(1)	(4)	(24)	(7)	(8)	(2)	(13)	(8)	(7)	(74)
Net non-performing loans and advances	39	118	129	40	22	1	4	7	34	394
Cover ratio										39%

Wholesale Banking

Loans are designated as impaired as soon as payment of interest or principal is 90 days or more overdue or where sufficient weakness is recognised and full payment of either interest or principal becomes questionable. Where customer accounts are recognised as impaired, management control is passed to a specialist unit which is independent of the main businesses of the Group. Where the principal, or a portion thereof, is considered uncollectible and of such little realisable value that it can no longer be included at its full nominal amount on the balance sheet, a specific provision is raised.

The provision is measured as the difference between the loan carrying amount and the present value of estimated future cash flows.

In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience and the results of independent asset reviews.

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

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known by experience to be present in any loan portfolio. The provision is not held to cover losses arising from future events.

In the Wholesale Bank, the provision is set with reference to past experience using expected loss and judgement factors such as the economic environment and key portfolio indicators. At 30 June 2005 the portfolio impairment provision was $127 million, 0.3 per cent of the Wholesale Banking portfolio of which KFB is $42 million.

STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

The following tables set out the total non-performing portfolio in Wholesale Banking.

30.06.05

	Asia Pacific									
	Hong Kong $m	**Singapore $m**	**Malaysia $m**	***Other Asia Pacific $m**	**India $m**	**UAE $m**	**Other Middle East & Other S Asia $m**	**Africa $m**	**Americas UK & Group Head Office $m**	**Total $m**
Loans and advances Gross non-performing	**356**	**135**	**50**	**258**	**79**	**39**	**57**	**85**	**489**	**1,548**
Individual Impairment provision	**(300)**	**(116)**	**(47)**	**(163)**	**(69)**	**(27)**	**(57)**	**(50)**	**(407)**	**(1,236)**
Non-performing loans and advances net of individual impairment provision	**56**	**19**	**3**	**95**	**10**	**12**	**-**	**35**	**82**	**312**
Portfolio impairment provision										**(127)**
Net non-performing loans and advances										**185**

* Other Asia Pacific includes net non-performing loans and advances net of individual impairment provision relating to KFB of $77 million (see page 21).

30.06.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances Gross non-performing	404	183	170	957	69	52	166	90	826	2,917
Impairment provision	(247)	(86)	(98)	(333)	(24)	(35)	(83)	(40)	(449)	(1,395)
Interest in suspense	(92)	(53)	(46)	(55)	(28)	(13)	(62)	(40)	(132)	(521)
Net non-performing loans and advances	65	44	26	569	17	4	21	10	245	1,001

31.12.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances Gross non-performing	409	185	117	558	68	49	126	104	674	2,290
Impairment provision	(257)	(89)	(68)	(256)	(29)	(31)	(69)	(46)	(435)	(1,280)
Interest in suspense	(92)	(56)	(35)	(54)	(26)	(13)	(55)	(42)	(127)	(500)
Net non-performing loans and advances	60	40	14	248	13	5	2	16	112	510

Wholesale Banking Cover Ratio

The following tables show the Wholesale Banking cover ratio. At 88 per cent, the Wholesale Banking non-performing portfolio is well covered. The balance uncovered by impairment provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

In the comparative period, the non-performing loans recorded below under Standard Chartered Nakornthon Bank (SCNB) are excluded from the cover ratio calculation as they are the subject of a Loan Management Agreement (LMA) with a Thai Government Agency. Refer to note 14 on page 57.

Claims under the LMA were settled in the first half of 2005 and accordingly, the balances reported under SCNB have reduced to nil in the June 2005 table below.

		30.06.05	
	Total $m	**SCNB (LMA) $m**	**Total excl LMA $m**
Loans and advances – Gross non-performing	**1,548**	-	**1,548**
Impairment provision	**(1,363)**	-	**(1,363)**
Net non-performing loans and advances	**185**	-	**185**
Cover ratio			**88%**

The June 2005 cover ratio of 88 per cent above includes KFB. Excluding KFB, the June 2005 cover ratio is 90 per cent. The cover ratios as at June 2004 and December 2004 shown below were calculated on a UK GAAP basis which includes interest in suspense as part of the cover.

		30.06.04	
	Total $m	SCNB (LMA) $m	Total excl LMA $m
Loans and advances – Gross non-performing	2,917	711	2,206
Impairment provision	(1,395)	(108)	(1,287)
Interest in suspense	(521)	-	(521)
Net non-performing loans and advances	1,001	603	398
Cover ratio			82%

		31.12.04	
	Total $m	SCNB (LMA) $m	Total excl LMA $m
Loans and advances – Gross non-performing	2,290	351	1,939
Impairment provision	(1,280)	(115)	(1,165)
Interest in suspense	(500)	-	(500)
Net non-performing loans and advances	510	236	274
Cover ratio			86%

Group

The following tables set out the movements in the Group's total individual specific impairment provisions against loans and advances.

6 months ended 30.06.05

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	*Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Provisions held at 1 January 2005	**289**	**113**	**96**	**303**	**41**	**42**	**80**	**55**	**440**	**1,459**
Adjusted for adoption of IAS 39	**5**	**6**	**31**	**17**	**2**	**1**	**2**	**9**	**17**	**90**
Restated provision held at 1 January 2005	**294**	**119**	**127**	**320**	**43**	**43**	**82**	**64**	**457**	**1,549**
Exchange translation differences	**2**	**(4)**	**-**	**(10)**	**-**	**-**	**(2)**	**(4)**	**(6)**	**(24)**
Amounts written off	**(48)**	**(9)**	**(36)**	**(151)**	**(30)**	**(15)**	**(12)**	**(21)**	**(30)**	**(352)**
Recoveries of amounts previously written off	**17**	**3**	**5**	**16**	**11**	**4**	**2**	**2**	**5**	**65**
Acquisitions	**-**	**-**	**-**	**258**	**37**	**-**	**-**	**-**	**-**	**295**
Discount unwind	**(3)**	**(2)**	**(2)**	**(11)**	**-**	**-**	**1**	**(3)**	**(3)**	**(23)**
Other	**-**	**-**	**4**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**
New provisions	**92**	**56**	**26**	**103**	**57**	**10**	**15**	**28**	**2**	**389**
Recoveries/provisions no longer required	**(26)**	**(18)**	**(16)**	**(91)**	**(37)**	**(4)**	**(11)**	**(9)**	**(13)**	**(225)**
Net charge against/(credit to) profit	**66**	**38**	**10**	**12**	**20**	**6**	**4**	**19**	**(11)**	**164**
Provisions held at 30 June 2005	**328**	**145**	**108**	**430**	**81**	**38**	**75**	**57**	**412**	**1,674**

*Other Asia Pacific provisions at 30 June 2005 includes $257 million relating to KFB.

6 months ended 30.06.04

	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Provisions held at 1 January 2004	268	123	144	390	55	51	107	58	465	1,661
Exchange translation differences	(1)	(1)	-	(4)	-	-	(1)	-	2	(5)
Amounts written off	(87)	(37)	(25)	(58)	(39)	(5)	(12)	(12)	(13)	(288)
Recoveries of amounts previously written off	13	3	4	6	12	3	2	1	-	44
Other	-	-	-	-	(5)	(3)	(3)	-	(7)	(18)
New provisions	128	26	14	46	54	6	10	9	11	304
Recoveries/provisions no longer required	(36)	(9)	(13)	(32)	(43)	(6)	(12)	(10)	(4)	(165)
Net charge against/(credit to) profit	92	17	1	14	11	-	(2)	(1)	7	139
Provisions held at 30 June 2004	285	105	124	348	34	46	91	46	454	1,533

STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

Group (continued)

	6 months ended 31.12.04									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Other Asia Pacific $m	India $m	UAE $m	Other Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Provisions held at 1 July 2004	285	105	124	348	34	46	91	46	454	1,533
Exchange translation differences	1	4	-	6	2	(3)	-	2	6	18
Acquisitions	-	-	-	36	-	-	-	-	-	36
Amounts written off	(67)	(25)	(38)	(84)	(26)	(8)	(17)	(9)	(45)	(319)
Recoveries of amounts previously written off	16	4	6	6	12	-	2	3	2	51
Other	4	-	(2)	(6)	4	3	(2)	-	9	10
New provision	79	34	22	49	52	9	18	18	24	305
Recoveries/provisions no longer required	(29)	(9)	(16)	(16)	(37)	(5)	(12)	(5)	(46)	(175)
Net charge against/(credit to) profit	50	25	6	33	15	4	6	13	(22)	130
Provisions held at 31 December 2004	289	113	96	339	41	42	80	55	404	1,459

Country Risk

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

This covers the risk that:

- the sovereign borrower of a country may be unable or unwilling to fulfil its foreign currency or cross-border contractual obligations; and/or
- a non-sovereign counterparty may be unable to fulfil its contractual obligations as a result of currency shortage due to adverse economic conditions or actions taken by the government of the country.

The Group Risk Committee approves country risk policy and procedures and delegates the setting and management of country limits to the Group Head, Credit and Country Risk.

The business and country Chief Executive Officers manage exposures within these set limits and policies. Countries designated as higher risk are subject to increased central monitoring.

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

Country Risk (continued)

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

	30.06.05				30.06.04			
	Public sector $m	**Banks $m**	**Other $m**	**Total $m**	Public sector $m	Banks $m	Other $m	Total $m
USA	**1,676**	**830**	**2,637**	**5,143**	1,558	891	2,170	4,619
Korea	**15**	**1,644**	**2,228**	**3,887**	19	1,534	632	2,185
Hong Kong	**2**	**218**	**2,731**	**2,951**	38	150	2,537	2,725
France	**164**	**2,032**	**194**	**2,390**	4	1,331	182	1,517
Singapore	**1**	**173**	**2,075**	**2,249**	1	853	937	1,791
India	**49**	**885**	**1,252**	**2,186**	37	1,146	917	2,100
China	**41**	**903**	**1,233**	**2,177**	62	652	692	1,406
Netherlands*	**-**	**-**	**-**	**-**	-	2,091	308	2,399
Germany*	**-**	**-**	**-**	**-**	-	1,372	300	1,672

	31.12.04			
	Public sector $m	Banks $m	Other $m	Total $m
USA	824	745	2,660	4,229
Hong Kong	4	199	2,719	2,922
Netherlands	-	2,639	406	3,045
Korea	47	1,258	698	2,003
India	74	1,132	867	2,073
Singapore	-	325	1,939	2,264
France	149	1,243	183	1,575
China	101	686	902	1,689

* Less than one per cent of total assets at 30 June 2005

Market Risk

The Group recognises market risk as the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer driven transactions.

Market Risk is governed by the Group Risk Committee, which agrees policies and levels of risk appetite in terms of Value at Risk (VaR). The Group Market Risk Committee provides market risk oversight and guidance on policy setting. Policies cover the trading book of the Group and also market risks within the banking book. Trading and Banking books are defined as per the Financial Services Authority (FSA) Handbook IPRU (Bank). Limits by location and portfolio are proposed by the businesses within the terms of agreed policy. Group Market Risk approves the limits within delegated authorities and monitors exposures against these limits.

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

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

Value at Risk

The Group uses historic simulation to measure VaR on all market risk related activities.

The total VaR for trading and banking books combined at 30 June 2005 was $12.9 million (30 June 2004: $13.6 million; 31 December 2004: $15.4 million).

Interest rate related VaR was $14.0 million (30 June 2004: $13.5 million; 31 December 2004: $15.6 million) and foreign exchange related VaR was $1.4 million (30 June 2004: $2.5 million; 31 December 2004: $3.0 million). The total VaR recognises offsets between interest rate and foreign exchange risks. Additional information is given in note 32 on page 74

The average total VaR for trading and banking books during the six months to 30 June 2005 was $14.3 million (30 June 2004: $15.1 million; 31 December 2004: $15.8 million) with a maximum exposure of $20.6 million.

VaR for interest rate risk in the banking books of the Group totalled $10.8 million at 30 June 2005 (30 June 2004: $13.2 million; 31 December 2004: $16.7 million).

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

The average daily revenue earned from market risk related activities was $4.5 million, compared with $3.8 million during 2004.

Foreign Exchange Exposure

The Group's foreign exchange exposures comprise trading and banking foreign currency translation exposures.

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily revenue from foreign exchange trading businesses during the six months ended 30 June 2005 was $2.1 million.

Interest Rate Exposure

The Group's interest rate exposures comprise trading exposures and banking interest rate exposures.

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

The average daily revenue from interest rate trading businesses during the six months ended 30 June 2005 was $2.4 million.

Derivatives

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

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

The Group enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest, credit and exchange rates.

Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities. Recognition of fair value gains and losses depends on whether the derivatives are classified as trading or for hedging purposes.

The Group applies a future exposure methodology to manage counterparty credit exposure associated with derivative transactions. Please refer to note 32 on page 74 for further information on Market Risk.

Hedging

In accounting terms, hedges are classified into three typical types: *Fair value hedges*, where fixed rates of interest or foreign exchange are exchanged for floating rates; *cash flow hedges*, where variable rates of interest or foreign exchange are exchanged for fixed rates, and; *hedges of net investments* in overseas operations translated to the parent company's functional currency, US dollars.

The Group uses futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets to hedge risk.

The Group occasionally hedges the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, management believes that the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation. The Group seeks to match assets denominated in foreign currencies with corresponding liabilities in the same currencies.

The effect of exchange rate movements on the capital risk asset ratio is mitigated by the fact that both the value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same exchange rate movements.

Liquidity Risk

The Group defines liquidity risk as the risk that the bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost.

It is the policy of the Group to maintain adequate liquidity at all times, in all geographical locations and for all currencies. Hence the Group is in a position to meet all obligations, to repay depositors, to fulfil commitments to lend and to meet any other commitments made.

Liquidity risk management is governed by the Group Asset and Liability Committee (GALCO). This Committee, chaired by the Group Executive Director Finance and with authority derived from the Board, is responsible for both statutory and prudential liquidity. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by the Liquidity Management Committee (LMC) with regional and country Asset and Liability Committees (ALCO).

Due to the diversified nature of the Group's business, the Group's policy is that liquidity is more effectively managed locally, in-country. Each Country ALCO is responsible for ensuring that the country is self-sufficient and is able to meet all its obligations to make payments as they fall due. The Country ALCO has primary responsibility for compliance with regulations and Group policy and maintaining a Country Liquidity Crisis Contingency Plan.

A substantial portion of the Group's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Group also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

The GALCO oversees the structural foreign exchange and interest rate exposures that arise within the Group. Policies and terms of reference are set within which Group Corporate Treasury manage these exposures on a day-to-day basis.

Policies and guidelines for the setting and maintenance of capital ratio levels are also delegated by GALCO. Group ratios are monitored centrally by Group Corporate Treasury, while local requirements are monitored by the local ALCO.

Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of technology, processes, infrastructure, personnel and other risks having an operational impact. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control, and report such risks.

The Group Operational Risk Committee (GORC) has been established to supervise and direct the management of operational risks across the Group. GORC is also responsible for ensuring adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

An independent Group operational risk function is responsible for establishing and maintaining the overall operational risk framework, and for monitoring the Group's key operational risk exposures. This unit is supported by Wholesale Banking and Consumer Banking Operational Risk units. They are responsible for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures, and the provision of guidance to the respective business areas on operational risk.

Compliance with operational risk policies and procedures is the responsibility of all managers. Every country operates a Country Operational Risk Group (CORG). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

Business Risk

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

Compliance and Regulatory Risk

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

Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Group, failure to protect the title to and ability to control the rights to assets of the Group (including intellectual property rights), changes in the law, or jurisdictional risk.

The Group manages legal risk through the Group Legal Risk Committee, Legal risk policies and procedures and effective use of its internal and external lawyers.

Reputational Risk

Reputational risk is defined as the risk that any action taken by the Group or its employees creates a negative perception in the external market place.

This includes the Group's and/or its customers' impact on the environment.

The Group Risk Committee examines issues that are considered to have reputational repercussions for the Group and issues guidelines or policies as appropriate. It also delegates responsibilities for the management of legal/regulatory and reputational risk to the business through business risk committees. In Wholesale Banking, potential reputational risks resulting from transactions or policies and procedures are reviewed and actioned through the Wholesale Banking Reputational Risk Committee. Consumer Banking's Product and Reputational Risk Committee provides similar assurance.

Independent Monitoring

Group Internal Audit is an independent Group function that reports directly to the Group Chief Executive and the Audit and Risk Committee. Group Internal Audit provides independent confirmation that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

CAPITAL

The Group Asset and Liability Committee targets Tier 1 and Total capital ratios of 7 - 9 per cent and 12 - 14 per cent respectively.

	30.06.05 $m	*30.06.04 $m	*31.12.04 $m
Tier 1 capital:			
Called up ordinary share capital and preference shares	**5,964**	3,778	3,818
Eligible reserves	**5,466**	4,244	4,617
Minority interests	**84**	93	111
Innovative Tier 1 securities	**1,458**	1,142	1,246
Less: Restriction on innovative Tier 1 securities	**(125)**	(42)	(68)
Goodwill and other intangible assets	**(4,233)**	(1,895)	(1,900)
Unconsolidated associated companies	**180**	9	30
Other regulatory adjustments	**95**	81	110
Total Tier 1 capital	**8,889**	7,410	7,964
Tier 2 capital:			
Eligible revaluation reserves	**94**	-	-
Portfolio impairment provision (2004: general provision)	**347**	386	335
Qualifying subordinated liabilities:			
Perpetual subordinated debt	**2,618**	1,572	1,961
Other eligible subordinated debt	**4,027**	3,209	3,525
Less: Amortisation of qualifying subordinated liabilities	**(237)**	-	-
Restricted innovative Tier 1 securities	**125**	42	68
Total Tier 2 capital	**6,974**	5,209	5,889
Investments in other banks	**(24)**	(20)	(33)
Other deductions	**(86)**	(4)	(34)
Total capital base	**15,753**	12,595	13,786
Banking book:			
Risk weighted assets	**95,856**	59,999	69,438
Risk weighted contingents	**16,576**	13,525	14,847
	112,432	73,524	84,285
Trading book:			
Market risks	**6,091**	4,576	4,608
Counterparty/settlement risk	**3,008**	2,877	3,231
Total risk weighted assets and contingents	**121,531**	80,977	92,124
Capital ratios			
Tier 1 capital	**7.3%**	9.2%	8.6%
Total capital	**13.0%**	15.6%	15.0%

* As previously reported under UK GAAP