Supplementary Offering Circular

Standard Chartered

Standard Chartered Bank

(Incorporated with limited liability in England by Royal Charter with reference number ZC 18)

U.S. $3,000,000,000

Debt Issuance Programme

This supplementary offering circular ("Supplementary Offering Circular") is prepared in connection with the above-named Programme and supplements the offering circular dated September 8, 2000 (the "Offering Circular"). Terms defined in the Offering Circular have the same meanings when used in this Supplementary Offering Circular, unless otherwise defined herein or unless the context requires otherwise. When used in the Offering Circular, the terms "herein" and "this Offering Circular" and any other similar term shall mean this Supplementary Offering Circular together with the Offering Circular, which together form one document and this Supplementary Offering Circular modifies and supercedes the contents of the Offering Circular to the extent that a statement herein is inconsistent with such contents. A copy of this document, which comprises supplementary listing particulars in relation to Notes to be issued under the Programme in accordance with Part IV of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales as required by Section 149 of such Act.

The Issuer accepts responsibility for the information contained in this Supplementary Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure such is the case), the information contained in this Supplementary Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed herein, there has been no significant change and no significant new matter has arisen since publication of the Offering Circular.

Arranger

JPMorgan

Dealers

Banc of America Securities Limited | **Credit Suisse First Boston**
Goldman Sachs International | **JPMorgan**
Standard Chartered Bank

May 25, 2001

The Issuer is proposing to make an issue in May 2001 of Dated Subordinated Notes denominated in United States dollars ("dollar Notes"). For the purposes only of the offer and sale of the dollar Notes pursuant to an offering memorandum dated May 2001 ("Offering Memorandum") and prepared specifically by the Issuer for that purpose, and not otherwise, the section in the Offering Circular on page 4 headed "*Documents Incorporated by Reference*" shall be treated as deleted in its entirety and accordingly for the aforesaid purpose, no documents will be deemed to be incorporated in or to form part of the Offering Circular (as supplemented by this Supplementary Offering Circular). In addition, for the purpose of the offer and sale of the dollar Notes pursuant to the Offering Memorandum and not otherwise, the section in the Offering Circular on pages 37 to 39 headed "*United Kingdom Taxation*" shall be treated as replaced in its entirety by the information contained on page 3 of this Supplementary Offering Circular.

In addition, and in accordance with the statements set out on page 1 of this Supplementary Offering Circular, the information contained on pages 27 to 36 of the Offering Circular shall be treated as replaced in its entirety by the information contained on pages 4 to F-59 of this Supplementary Offering Circular.

Neither this Supplementary Offering Circular nor the Offering Circular constitute an offer of, or an invitation by or on behalf of the Issuer, the Dealers or the Arranger to subscribe for or purchase, any Notes. The only document being used in connection with the offer and sale of the dollar Notes is the Offering Memorandum.

The Arranger and the Dealers have not separately verified the information contained in this Supplementary Offering Circular or the Offering Circular. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplementary Offering Circular or the Offering Circular. None of the Supplementary Offering Circular, the Offering Circular or any document incorporated by reference or any other financial statements are intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Supplementary Offering Circular or the Offering Circular or any other financial statements or any document incorporated by reference should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplementary Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and Inland Revenue practice relating to the withholding tax treatment of payments of interest on the Notes as at the date of this Supplementary Offering Circular and may be subject to change, possibly with retroactive effect. They are not exhaustive. They do not address any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes.

PROSPECTIVE NOTEHOLDERS WHO ARE IN ANY DOUBT AS TO THEIR TAX POSITION OR WHO MAY BE SUBJECT TO TAX IN A JURISDICTION OTHER THAN THE UNITED KINGDOM SHOULD SEEK INDEPENDENT ADVICE.

Withholding of tax on interest

The Issuer is entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax while the Notes constitute "quoted Eurobonds" within the meaning of section 349 Income and Corporation Taxes Act 1988 ("ICTA 1988"). The Notes will constitute "quoted Eurobonds" within the meaning of section 349 ICTA 1988 while they are and remain listed on a "recognised stock exchange" within the meaning of section 841 ICTA 1988, whether or not the Issuer is a bank for the purposes of section 349 ICTA 1988 and whether or not the interest is paid within the ordinary course of its business.

In all cases falling outside the exemption described above, interest on the Notes may be paid under deduction of United Kingdom income tax at the lower rate (currently 20%) subject to such relief as may be available either under the provisions of any applicable double taxation treaty or in circumstances where the exemption for payments between certain companies (contained in the Finance Act 2001) applies.

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they may be subject to further amendment and clarification.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue or redemption of the Notes and no stamp duty or stamp duty reserve tax will be payable on the transfer or issue of the Notes to the depositary (DTC) or the clearing systems (Euroclear and Clearstream, Luxembourg). On the basis that the Notes carry no more than a reasonable commercial return on their nominal amount, no stamp duty or stamp duty reserve tax will be due on their transfer.

RISK FACTORS

Risks Relating to Standard Chartered's Business Operations

Standard Chartered operates in the emerging markets, primarily in Asia, and these operations expose it to risks that could adversely affect its financial condition and results of operations.

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

Standard Chartered operates primarily in Asia and is exposed to credit and market risks in Hong Kong, Malaysia, Thailand and other Asian countries that experienced severe economic crises from 1997 to 1999. An economic deterioration in Asia, including a recession that may be related to global economic conditions, and, in particular, to economic conditions in the United States or other parts of the world, another collapse of the region's currencies, a devaluation of the Hong Kong dollar, which is currently pegged to the U.S. dollar, or a significant decrease in property values or liquidity in Asian property markets, could adversely affect the creditworthiness of some of Standard Chartered's borrowers, reduce the credit quality of Standard Chartered's loan portfolio, result in material credit losses and adversely affect Standard Chartered's financial condition and results of operations.

Standard Chartered is facing significant competition, which may have an adverse effect on its financial condition and results of operations.

Standard Chartered is subject to significant competition from many other international banks operating in the emerging markets, including competitors that may have greater financial and other resources, and, in certain of these markets, from local banks operating in these markets. Local regulations in a number of jurisdictions that favor local banks by restricting the ability of international banks operating in the relevant country to enter the market and/or expand their existing operations could adversely affect Standard Chartered's ability to compete against local banks in these markets. Many of the international and local banks operating in Standard Chartered's markets compete for substantially the same customers as Standard Chartered. Competition may increase in some or all of Standard Chartered's principal markets and may have an adverse effect on its financial condition and results of operations.

Home mortgage loans in Hong Kong, Standard Chartered's largest market in the Asia Pacific region, constitute a significant part of Standard Chartered's business. During 2000, certain banks in Hong Kong, including Standard Chartered, lowered the interest rates that they charge on non-Hong Kong Government guaranteed new home mortgage loans. In many cases, rates for new mortgage loans were reduced to as low as approximately 2.25% below the prime rate. Competition among banks in Hong Kong for home mortgage lending business could result in further reductions in home mortgage interest margins.

Competition may also intensify in Hong Kong following the final stage of deregulation of interest rates on current and savings accounts in July 2001. Net interest margins may narrow in Hong Kong. At this time, Standard Chartered cannot predict the impact of this deregulation.

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

Standard Chartered's businesses and earnings are affected by the fiscal or other policies and regulations that are adopted by various regulatory authorities of the United Kingdom, other jurisdictions where Standard Chartered operates, particularly Hong Kong, and international agencies. In particular, local regulations in a number of jurisdictions that favor local banks by restricting the ability of international banks operating in each country to enter the market and/or expand their existing operations could adversely affect Standard Chartered's ability to compete in these markets.

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

Standard Chartered may not be able to manage effectively the integration of its recent acquisitions or any subsequent acquisitions.

Standard Chartered is currently experiencing significant growth as it expands geographically and in the scope of products and service it offers. This expansion has included the acquisition in 2000 of ANZ Grindlays Banking Group Limited from ANZ for U.S.$1.34 billion and Chase Manhattan Card Company Limited and Hong Kong-based retail banking business from The Chase Manhattan Bank for U.S.$1.32 billion. Standard Chartered is in the process of integrating these acquired businesses into its existing businesses. In 2000, Standard Chartered took a restructuring charge of £213 million, £71 million of which related to these acquisitions. The integration process requires significant operational and administrative resources. The success of Standard Chartered's acquisitions will depend in part on the ability of its management to integrate the operations of newly-acquired businesses with its existing operations and to integrate various departments, systems and procedures. Consequently, Standard Chartered's ability to implement its business strategy may be constrained and the timing of such implementation may be impacted due to demands placed on existing resources by this process. There is no assurance that:

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

— the projected demand for and prices of Standard Chartered's products and services will be realized.

Standard Chartered's business strategy includes selective plans to continue to acquire assets or businesses that it believes are logical extensions of its existing businesses in order to increase cash flow and earnings. It continues to look at potential acquisitions in a number of markets, including Taiwan. Standard Chartered also continues to look at potential acquisitions of a single-product Consumer Banking business portfolio in South Korea. Standard Chartered may experience some or all of the difficulties described above managing the integration of any subsequent acquisitions into its existing businesses.

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

CAPITALIZATION OF THE ISSUER

The authorized share capital of the Issuer at December 31, 2000 was £2,200 million divided into 2,200 million ordinary shares of £1.00 each, of which 1,892 million shares were fully paid and were in issue. The following table sets forth the capitalization of the Issuer at December 31, 2000.

	At December 31, 2000 (£)	($)(4)
	(in millions)	
Authorized share capital		
Ordinary shares of £1.00 each(1)	2,200	3,280
Total	2,200	3,280
Shareholders' equity		
Allotted, called-up and fully paid	1,892	2,821
Reserves	2,343	3,493
Total	4,235	6,314
Undated loan capital(2)(3)		
U.S.$400 million primary capital floating rate notes	268	400
U.S.$300 million primary capital floating rate notes (Series 2)	202	301
U.S.$400 million primary capital floating rate notes (Series 3)	268	400
U.S.$200 million primary capital floating rate notes (Series 4)	134	200
£150 million primary capital floating rate notes	150	224
£200 million primary capital floating rate notes (step-up notes)	197	294
Total undated loan capital	1,219	1,819
Dated loan capital(3)		
£97 million 12⅞% subordinated unsecured loan stock 2002/07	97	145
U.S.$200 million floating rate notes 2006(2)	134	200
£30 million floating rate notes 2009(2)	30	45
£300 million 6.75% notes 2009	298	444
€600 million 5.375% notes 2009	370	552
U.S.$25 million floating rate notes 2004/09(2)	17	25
U.S.$325 million floating rate notes 2005/10(2)	216	322
€575 million 4.5% notes 2010(7)	350	522
€500 million 8.16% non-cumulative trust preferred securities 2010(8)	307	458
Total dated loan capital	1,819	2,713
Total capitalization and indebtedness	7,273	10,846

(1) On January 18, 2001, the authorized and issued share capital was re-denominated into U.S. dollars, the authorized capital to U.S. $3,093,980,894 and the issued share capital to U.S. $2,786,003,951, comprising ordinary shares of U.S. $1.00 each. Each issued ordinary share of U.S. $1.00 carries the same rights as each ordinary share of £1. The redenomination had no effect on the U.S. dollar value of total share capital and reserves. For accounting purposes, the redenomination was treated as taking place at the start of the year.

(2) These notes bear interest rates fixed periodically based on London interbank rates.

(3) All dated and undated loan capital described above is unsecured, unguaranteed and subordinated to the claims of other creditors including, without limitation, customer deposits and deposits by banks.

(4) Liabilities denominated in foreign currencies are translated into pounds sterling at market exchange rates prevailing at December 31, 2000. The exchange rates used were £1.00 = U.S.$1.491 and €1.00 = £0.624.

(5) Contingent liabilities of the Issuer amounted to £7,465 million as at December 31, 2000, of which £4,819 million relates to guarantees and irrevocable letters of credit. There has been no material change in the contingent liabilities (including guarantees and irrevocable letters of credit) of the Issuer since December 31, 2000.

(6) The total amount of all borrowings and indebtedness as at December 31, 2000 was £53,421 million, of which the majority is deposits from banks and customers accounts. There has been no material change in the total amount of all other borrowings and indebtedness of the Issuer since December 31, 2000.

(7) The €575 million 5.375 per cent loan stock due 2010 was issued to Standard Chartered Finance (Jersey) Limited, a subsidiary of Standard Chartered PLC, in connection with the issue of €575 million 4.5 per cent Subordinated Guaranteed Convertible Bonds due 2010 by Standard Chartered Finance (Jersey) Limited guaranteed on a subordinated basis by the Issuer.

(8) The Issuer has agreed that it will pay in full on a subordinated basis to the holders of the €500 million 8.16 per cent non-cumulative partnership preferred securities issued by Standard Chartered Capital 1, L.P. (the "Partnership") definitive dividends and amounts payable on redemption and liquidation to the extent that such amounts are not paid by the Partnership.

(9) On May 11, 2001 the Issuer issued £300 million 8.103% Step-up Callable Perpetual Preferred Securities. These securities are redeemable at the option of the Issuer on or after May 11, 2016 on any interest payment date.

(10) Save as disclosed herein, there has been no material change in the authorized and issued share capital and no material change in total capitalization and indebtedness as set out in the above table of the Issuer since December 31, 2000.

EXCHANGE RATES

The following table sets forth, for the years, periods and dates indicated, period-end, average, high and low market exchange rates for pounds sterling, expressed in U.S. dollars per £1.00:

Year ended December 31,	Period End	Average(1)	High	Low
1996	1.7000	1.5618	1.7113	1.4965
1997	1.6537	1.6385	1.7113	1.5783
1998	1.6620	1.6576	1.7185	1.6149
1999	1.6161	1.6178	1.6760	1.5528
2000	1.4910	1.5160	1.6522	1.4002
2001 (through April 30, 2001)	1.4307	1.4534	1.5049	1.4193

(1) The average of the exchange rates during the period. The market exchange rate for pounds sterling on April 30, 2001 was U.S.$ 1.4307 = £1.00.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present the selected consolidated financial data at December 31 of each year, and for each of the five years, in the five-year period ended December 31, 2000 of Standard Chartered PLC. Standard Chartered PLC is the holding company of Standard Chartered Bank. Standard Chartered PLC has no significant operations or assets other than its 100% interest in Standard Chartered Bank. The historical selected financial data at December 31, 1999 and 2000 and for the years ended December 31, 1998, 1999 and 2000 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of Standard Chartered PLC, audited by KPMG Audit Plc ("KPMG"), chartered accountants and registered auditors, and included elsewhere herein. The historical selected financial data at December 31, 1996, 1997 and 1998 and for the years ended December 31, 1996 and 1997 have been derived from Standard Chartered PLC's audited consolidated financial statements for such years, which are not included in this Supplementary Offering Circular. The following data should be read in conjunction with those audited consolidated financial statements and in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the audited consolidated financial statements of Standard Chartered PLC.

The ratios set forth under the caption "Financial Ratios" in the table below have not been audited by KPMG. The consolidated financial statements have been prepared in accordance with U.K. generally accepted accounting principles ("U.K. GAAP"), which differ in certain significant respects from U.S. generally accepted accounting principles ("U.S. GAAP"). For a narrative discussion of the principal differences between U.K. GAAP and U.S. GAAP with respect to the consolidated financial statements, see "Description of Material Differences between U.K. GAAP and U.S. GAAP".

	For the year ended December 31,					
	2000 ($)(1)	2000 (£)	1999 (£)	1998 (£)	1997 (£)	1996 (£)
			(in millions)			
Consolidated Profit and Loss Account Data						
Interest receivable	6,905	4,555	3,730	4,003	3,400	3,003
Interest payable	(4,196)	(2,768)	(2,094)	(2,479)	(2,030)	(1,712)
Net interest income	2,709	1,787	1,636	1,524	1,370	1,291
Fees and commissions receivable, net	888	586	438	405	445	423
Dealing profits and exchange	377	249	246	418	352	213
Other operating income	116	76	58	20	35	48
Net revenue	4,090	2,698	2,378	2,367	2,202	1,975
Administrative expenses:						
Staff	(1,387)	(915)	(713)	(638)	(610)	(578)
Premises	(302)	(199)	(172)	(163)	(165)	(168)
Other	(728)	(480)	(374)	(354)	(295)	(273)
Depreciation and amortisation	(297)	(196)	(117)	(73)	(63)	(67)
Total expenses:						
Ongoing	(2,391)	(1,577)	(1,376)	(1,228)	(1,133)	(1,086)
Restructuring	(323)	(213)	—	—	—	—
Total operating expenses	(2,714)	(1,790)	(1,376)	(1,228)	(1,133)	(1,086)
Operating profit before provisions	1,376	908	1,002	1,139	1,069	889
Provision for bad and doubtful debts	(462)	(305)	(495)	(436)	(148)	(64)
Provisions for liabilities and commitments	(8)	(5)	—	—	(8)	—
Operating profit	906	598	507	703	913	825
Profit on disposal of subsidiary undertakings	532	351	—	—	(43)	45
Profit before taxation	1,438	949	507	703	870	870
Taxation	(377)	(249)	(149)	(227)	(269)	(264)
Profit after taxation	1,061	700	358	476	601	606
Minority interests (equity)	(6)	(4)	(14)	(13)	(17)	(14)
Minority interests (non-equity)	(29)	(19)	—	—	—	—
Profit for the year attributable to shareholders	1,026	677	344	463	584	592
Dividends on non-equity preference shares	(24)	(16)	(16)	(16)	(16)	(16)
Dividends on ordinary equity shares	(424)	(280)	(242)	(207)	(184)	(143)
Retained profit	578	381	86	240	384	433

(1) The selected consolidated profit and loss account data for the year ended December 31, 2000 includes a convenience translation into U.S. dollars using the average market exchange rate for pounds sterling for that year of £1.00 = U.S.$1.516.

	At December 31,					
	2000		1999	1998	1997	1996
	($)[1]	(£)	(£) (in millions)	(£)	(£)	(£)
Consolidated Balance Sheet Data						
Assets						
Cash and balances at central banks and cheques in course of collection	895	601	643	448	311	284
Treasury bills and other eligible bills	3,962	2,657	2,701	2,887	2,506	2,862
Loans and advances to banks	23,759	15,935	11,401	9,528	9,085	10,636
Total loans and advances to customers	51,882	34,797	28,797	26,091	25,648	20,447
Debt securities and equity shares	9,949	6,673	5,114	3,485	3,320	3,086
Intangible fixed assets	2,327	1,561	366	153	—	—
Tangible fixed assets	977	655	599	439	310	325
Prepayments and accrued income and other assets	8,529	5,720	4,511	4,827	6,001	4,498
Total assets	102,280	68,599	54,132	47,858	47,181	42,138
Liabilities						
Deposits by banks	11,103	7,447	5,555	4,930	6,767	7,212
Customer accounts	65,037	43,620	35,149	30,272	27,543	24,007
Debt securities in issue	4,533	3,040	2,665	2,956	2,135	1,606
Accruals and deferred income and other liabilities	10,617	7,121	5,429	5,674	6,992	5,715
Subordinated liabilities:						
Undated loan capital	1,818	1,219	954	932	936	914
Dated loan capital (including convertible bonds)	2,257	1,514	945	218	219	312
Minority interests	562	377	69	56	36	33
Shareholders' funds	6,353	4,261	3,366	2,820	2,553	2,339
Total liabilities and shareholders' funds	102,280	68,599	54,132	47,858	47,181	42,138

(1) The selected consolidated balance sheet data at December 31, 2000, includes a convenience translation into U.S. dollars using the market exchange rate for pounds sterling prevailing at that date of £1.00 = U.S.$1.491.

	For the year ended December 31,				
	2000	1999	1998	1997	1996
	(in % or pence)				
Financial Ratios					
Return on average total assets (normalized)[1]	0.8%	0.7%	1.0%	1.4%	1.3%
Post-tax return on average shareholders' funds (excluding non-equity interests) (normalized)[1]	14.1%	12.0%	18.0%	25.3%	29.5%
Average shareholders' funds (excluding non-equity interests) to average total assets	5.9%	5.7%	5.2%	5.0%	4.8%
Net interest margin	3.1%	3.4%	3.5%	3.3%	3.5%
Cost to income ratio (normalized)[1]	56.9%	57.0%	51.6%	49.7%	56.6%
Earnings per share (normalized)[1]	46.9p	33.2p	45.4p	49.8p	55.5p
Dividend cover	2.4	1.4	2.2	3.1	4.0
Net asset value per share	360.4p	298.4p	261.8p	237.0p	217.6p
Total loans and advances to total deposits	99.3%	98.8%	101.2%	101.2%	99.6%
Gross non-performing loans to total assets	3.3%	4.8%	3.0%	1.5%	1.7%
Specific provisions and interest in suspense to gross non-performing loans	43.8%	41.3%	50.0%	53.7%	50.7%
Total provisions to total assets	1.6%	2.2%	1.9%	1.2%	1.2%
Total capital adequacy ratio under Bank for International Settlements ("BIS") guidelines (at year end)	14.0%	14.8%	12.7%	12.5%	13.6%
Tier 1 capital adequacy ratio under BIS guidelines (at year end)	7.0%	8.6%	8.2%	8.0%	8.6%

(1) Results on a normalized basis reflect Standard Chartered's results excluding profits on disposal of subsidiary undertakings and charges for restructuring.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion is based upon, and should be read together with, the audited consolidated financial statements of Standard Chartered PLC at December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999 and 1998 included elsewhere in this Supplementary Offering Circular. Standard Chartered PLC is the ultimate holding company of Standard Chartered Bank, a leading international banking and financial services group, which focuses on the emerging markets of Asia, the Middle East, Africa and Latin America. Standard Chartered PLC has no significant operations or assets other than its 100% interest in Standard Chartered Bank. (In this Supplementary Offering Circular, "Standard Chartered" refers to the consolidated operations of Standard Chartered PLC.) The audited consolidated financial statements have been prepared in accordance with U.K. GAAP. For a summary of the significant differences between U.K. GAAP and U.S. GAAP relevant to Standard Chartered, see "Description of Material Differences between U.K. GAAP and U.S. GAAP". See also "Selected Consolidated Financial Data" and "Selected Statistical Information" for additional information with respect to Standard Chartered's financial condition and results of operations.

INTRODUCTION

Standard Chartered's largest market is currently the Asia Pacific region, which accounted for approximately 60% of its total profit before tax for the year ended December 31, 2000. Within the Asia Pacific Region, Standard Chartered's largest markets in 2000 were Hong Kong, Singapore and Malaysia. Because of its focus on the Asia Pacific Region, Standard Chartered's results and financial condition are heavily influenced by economic conditions within that region, and the Asian economic crisis adversely affected Standard Chartered's results in both 1998 and 1999. Given the significance of the United States in the world ecomony, any slowdown in the United States is likely to have some impact on Asia and on Standard Chartered's customers in Asia. Standard Chartered cannot quantify this impact at this stage and how its different and how its different markets will be impacted.

Standard Chartered operates two business divisions: Consumer Banking and Wholesale Banking. Consumer Banking offers banking, deposit taking, credit card, personal loan, auto loan, mortgage and wealth management services to individuals and small and medium-sized businesses in a number of Standard Chartered's markets. Wholesale Banking provides trade finance, cash management, custody, lending, foreign exchange, interest rate management and Asian debt capital markets services to a wide range of corporate and institutional clients. For the year ended December 31, 2000, Consumer Banking and Wholesale Banking contributed 58% and 42% respectively, to Standard Chartered's operating profit before the amortization of goodwill, the restructuring charge, year 2000 costs and the profit on disposal of subsidiary undertakings, and after provisions.

In 1999, Standard Chartered announced a growth strategy which focuses on:

— growing its position in its core markets of Hong Kong, Singapore and Malaysia;

— developing new core markets such as India (which it now considers to be a core market), Thailand and Taiwan;

— building on the strength of its businesses outside Asia Pacific; and

— strengthening Standard Chartered's network business with multinational corporations and institutions.

As part of the implementation of its growth strategy in 2000, Standard Chartered made the two largest acquisitions in its history. It acquired ANZ Grindlays Bank Limited in the Middle East and the Asian subcontinent and the associated Grindlays Private Banking business, and Chase Manhattan Card Company Limited and The Chase Manhattan Bank's Hong Kong consumer banking operations. Consistent with its emerging markets strategy, Standard Chartered disposed of Chartered Trust, a U.K. consumer finance business, in 2000.

To support this strategy, Standard Chartered in August 2000 announced a productivity program to improve efficiency and increase operational capacity. In 2000, Standard Chartered took a £213 million restructuring charge in connection with its productivity program. Standard Chartered is implementing the productivity program to centralize operational and support platforms covering both businesses and countries; to simplify the organization and identify outsourcing efficiencies; and to integrate the acquisitions. Standard Chartered estimates that the program will reduce headcount by 6,200 and achieve significant ongoing annual cost synergies by the end of 2003.

Beginning with the six months ending June 30, 2001, Standard Chartered's financial reporting and accounting currency will be the U.S. dollar. Standard Chartered believes that the U.S. dollar is the most appropriate currency for its financial reporting and accounting because a large proportion of its business is denominated in U.S. dollars or currencies linked to the U.S. dollar.

Year Ended December 31, 2000 Compared with the Year Ended December 31, 1999

Overview

Standard Chartered's profit before taxation for the year ended December 31, 2000 was £949 million, compared with £507 million in 1999. This included a gain on the disposal of the Chartered Trust business of £351 million and restructuring costs of £213 million associated with the productivity program that Standard Chartered announced in August 2000 and the acquisitions of Grindlays and Chase consumer banking operations in Hong Kong. The profit after provisions and before restructuring and the gain on the sale of Chartered Trust was £811 million, an increase of 60% compared to 1999.

During 2000, Standard Chartered:

— acquired ANZ Grindlays Bank Limited and the associated Grindlays Private Banking business from ANZ for U.S.$1.34 billion on August 1, 2000;

— acquired Chase Manhattan Card Company Limited and the Hong Kong-based consumer banking business from The Chase Manhattan Bank for U.S.$1.32 billion on November 1, 2000; and

— sold Chartered Trust to a subsidiary of Lloyds TSB Group for £627 million on August 31, 2000.

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

In 2000, net revenue increased 13% to £2,698 million from £2,378 million in 1999, while revenue from the underlying business grew by 11%. The increase in total net interest income of 9% to £1,787 million from £1,636 million in 1999 reflects a 19% increase in average interest earning assets to £57.1 billion from £48.0 billion in 1999. The overall net interest margin narrowed to 3.1% in 2000 from 3.4% in 1999. Margins were adversely impacted by margin pressure on the mortgage portfolio. The acquisitions and disposals in 2000 also diluted margins. Interest spread declined to 2.5% in 2000 from 2.8% in 1999. Strong performances in cards, wealth management, trade, cash management and custody led to strong growth in fee-based income.

Total operating expenses of £1,790 million in 2000 included £213 million of restructuring costs associated with the productivity program. Excluding these restructuring costs, the increase in underlying business costs from continuing operations was 9.6%.

Bad debts declined significantly in 2000, particularly in Asia. Net provisions for bad and doubtful debts and contingents in 2000 of £310 million were 37% lower than the £495 million in the previous year. This decrease reflected a reduction in new provisions to £465 million in 2000 from £622 million and an increase in recoveries to £160 million in 2000 from £127 million in 1999. In Consumer Banking, net provisions for bad debts decreased to £121 million in 2000 from £141 million in 1999. The net charge in Wholesale Banking decreased to £189 million in 2000 from £354 million in 1999. This charge was after recoveries of £95 million compared to £70 million in 1999. At the end of 2000, total non-performing loans after provisions and suspended interest amounted to £1,264 million, compared to £1,526 million in 1999, representing a decrease of 17%. This included £477 million (£533 million in 1999) of net non-performing loans in Standard Chartered Nakornthon Bank ("SCNB"), which are subject to a guarantee and loss-sharing arrangement under an agreement with the Financial Institutions Development Fund ("FIDF"), a Thai Government agency. Under this agreement, FIDF has guaranteed the recovery of a principal amount of the non-performing loans of £356 million. The provisions cover ratio on the non-performing loan portfolio (specific provisions plus interest in suspense as a percentage of gross non-performing loans), excluding SCNB, was 55% in 2000 compared to 54% in 1999.

The balance sheet grew by 27% to £68.6 billion in 2000, from £54.1 billion in 1999, of which 11% resulted from the acquisitions. Standard Chartered raised £0.7 billion of Tier 1 capital and £0.8 billion of Tier 2 capital during 2000 which it used to finance the acquisitions and fund underlying growth. The Tier 1 ratio at the end of the year was 7.0%.

Net Revenue

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

	For the year ended December 31,	
	2000	1999
	(£) (in millions)	(£)
Interest receivable	4,555	3,730
Interest payable	(2,768)	(2,094)
Net interest income	1,787	1,636
Fees and commissions receivable, net and other income	662	496
Dealing profits and exchange	249	246
Net revenue	2,698	2,378

Net Interest Income

Standard Chartered's net interest income increased 9% in 2000. The increase reflected primarily a 19% increase in average interest earning assets in 2000. The overall net interest margin narrowed from 3.4% in 1999 to 3.1% in 2000. Margins have been particularly affected by pressure on mortgage pricing. The acquisitions and disposals undertaken have also diluted margins.

Net Fees and Commissions Receivable and Other Income

Net fees and commissions receivable and other income increased 33% as a result of significant growth in the credit card, wealth management, trade, custody, cash management and loan syndications businesses.

Dealing Profits and Exchange

Dealing profits and exchange increased marginally in 2000, reflecting increasing customer volumes but lower volatility in Asian currencies.

Net Revenue

Standard Chartered's net revenue increased 13% in 2000.

Operating Expenses

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

	For the year ended December 31,	
	2000	1999
	(£) (in millions)	(£)
Administrative expenses:		
Staff	915	713
Premises	199	172
Other	480	374
Depreciation and amortization	196	117
Total operating expenses	1,790	1,376

Standard Chartered's operating expenses increased 30% in 2000 to £1,790 million from £1,376 million in 1999. Excluding the impact of the restructuring charge and costs relating to the acquisitions and disposals in 2000, the underlying growth in operating expenses was 9.6% and excluding goodwill, it was 9%. The increase in underlying operating expenses was primarily the result of investment in new products, systems and markets. Staff expenses increased 28% in 2000 primarily as a result of the costs associated with the restructuring program.

Premises expenses increased 16% in 2000. Depreciation and amortization charges rose 68% in 2000 primarily as a result of increases in the goodwill amortization charge arising from the acquisitions in 2000 and additional depreciation charges resulting from the restructuring program.

Operating Profit Before Provisions

Operating profit before provisions decreased 9% to £908 million in 2000 from £1,002 million in 1999, reflecting the one-off restructuring charge of £213 million in 2000.

Provisions

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

	For the year ended December 31,	
	2000	1999
	(£) (in millions)	(£)
Provisions for bad and doubtful debts	305	495
Provisions for liabilities and commitments	5	—
Total	310	495

Provisions for bad and doubtful debts declined 38% in 2000, reflecting the improvement in 2000 in economic conditions in Standard Chartered's principal markets following the Asian economic crisis of 1997-1999. Provisions for liabilities and commitments are not significant. An increase in Consumer Banking lending volume and less favourable economic conditions in 2001 could result in the reversal of this trend in 2001.

Profit on Disposal of Subsidiary Undertakings

Profit on disposal of subsidiary undertakings was £351 million in 2000, relating to the disposal of Chartered Trust in the United Kingdom. There was no similar amount in 1999.

Taxation

The taxation charge for Standard Chartered increased in 2000 to £249 million (26% of profit before tax) from £149 million (29% of profit before tax) in 1999, reflecting higher overseas tax charges caused by the end of a tax holiday in Malaysia and losses in subsidiary companies that could not be offset elsewhere. The taxation charge as a percentage of profit in each of 2000 and 1999 was significantly lower than the historical norm of 30% to 35%. Standard Chartered expects the taxation charge as a percentage of profit in 2001 and subsequent years to be more in line with historical rates.

Profit after Taxation

Profit after taxation totalled £700 million in 2000, an increase of 96% from £358 million in 1999, reflecting higher revenue and the profit on the sale of subsidiary undertakings and lower provisions, offset in part by higher taxation and higher operating expenses.

Business performance

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

	For the year ended December 31,			
	2000		1999	
	Amount (£)	Percentage of total	Amount (£)	Percentage of total
	(in millions, except percentages)			
Net revenue:				
Consumer Banking:				
Cards/Personal Loans	504	37	341	30
Wealth Management/Deposits	406	30	306	26
Mortgages	250	18	262	23
Consumer Finance	139	10	189	16
Other	67	5	54	5
Total	1,366	100	1,152	100
Wholesale Banking:				
Trade and Lending	560	42	516	42
Global Markets	358	27	351	29
Cash Management	197	15	149	12
Custody	61	5	44	4
Others	156	11	166	13
Total	1,332	100	1,226	100
Expenses:				
Consumer Banking	741	—	612	—
Wholesale Banking	774	—	682	—
Profit before provisions:				
Consumer Banking	625	—	540	—
Wholesale Banking	558	—	544	—
Provisions for debts and contingent liabilities:				
Consumer Banking	121	—	141	—
Wholesale Banking	189	—	354	—
Operating profit:				
Consumer Banking	504	—	399	—
Wholesale Banking	369	—	190	—

Consumer Banking

Consumer Banking revenues increased 19% to £1,366 million in 2000 from £1,152 million in 1999. Revenue growth in the underlying business was 20%. Cards and personal loan revenues increased 48% to £504 million in 2000. The underlying cards business performed well, with outstandings up by 40%. The acquisitions in 2000 greatly enhanced market share in cards. Following the purchase of Chase Manhattan Card Company Limited, Standard Chartered is now the leading card issuer in Hong Kong, with approximately 25% of cards issued in the market at December 31, 2000 compared with 15% at December 31, 1999. The total number of cards in issue across all markets increased from approximately three million in 1999 to nearly five million in 2000. Although underlying mortgage assets increased by 21%, revenues declined by 5% in 2000 as a result of intense margin pressure, particularly in Hong Kong. Standard Chartered made strong progress in developing its wealth management/deposits business in 2000. Revenues increased 33% from £306 million to £406 million, driven by wider deposit margins and growth in distribution of mutual funds.

Operating expenses in Consumer Banking increased by 21% to £741 million in 2000 from £612 million in 1999. The increase was predominantly in the underlying business and reflected the significant investment that has been made in upgrading the branch network, growing the cards business and marketing initiatives during the period. The net provision for bad debts decreased by 14% to £121 million from £141 million in 1999, partly as a result of the disposal of Chartered Trust.

Operating profit increased by 26% to £504 million in 2000 from £399 million in 1999.

Wholesale Banking

In 2000, Standard Chartered merged Corporate and Institutional Banking with Treasury to form Wholesale Banking, to provide greater operational efficiency and to improve cross-selling of products. Revenues from the combined business increased by 9% to £1,332 million in 2000 from £1,226 million in 1999. The underlying business accounted for approximately 50% of this increase. Trade and lending revenue grew by 8% to £560 million and the product range was enhanced, particularly the structured trade capability. Global markets revenues grew marginally in 2000. Less volatility and lower spreads continued to make foreign exchange trading difficult in the period. This was offset by growth in revenue generated from foreign exchange sales commissions received from customers and debt capital markets revenues. Cash management revenues grew 32% to £197 million due to significant new business and higher margins. Custody business revenues increased 37% to £61 million, as stock market activity and Standard Chartered's market share increased in Hong Kong and Other Asia Pacific.

Operating expenses in Wholesale Banking increased by 13% to £774 million in 2000 from £682 million in 1999. Standard Chartered has invested in developing regional cash management services and an on-line trade finance capability. The net provision for bad debts of £189 million was nearly 50% lower than the £354 million reported for 1999, as new provisions fell and recoveries increased. Overall recoveries increased by £25 million to £95 million, as a number of Asian economies continued to recover.

Operating profit increased 94% to £369 million in 2000 from £190 million in 1999.

Geographical Performance

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

	For the year ended December 31,			
	2000		1999	
	Amount (£)	Percentage of Total	Amount (£)	Percentage of Total
	(in millions, except percentages)			
Revenue:				
Hong Kong	789	29	690	29
Other Asia Pacific	802	30	713	30
Middle East and South Asia	380	14	224	9
Africa	243	9	233	10
Americas, the United Kingdom and Group Head Office	484	18	518	22
Total	2,698	100	2,378	100
Provisions for debts and contingent liabilities:				
Hong Kong	83	27	178	36
Other Asia Pacific	69	22	188	38
Middle East and South Asia	39	12	70	14
Africa	33	11	6	1
Americas, the United Kingdom and Group Head Office	86	28	53	11
Total	310	100	495	100

Hong Kong

Hong Kong's profit before taxation increased 74% to £341 million from £196 million in 1999. Total revenue grew by 14% to £789 million in 2000 from £690 million in 1999. Net interest income grew by 13% to £598 million in 2000, driven by the credit card business. Average market Prime/HIBOR spreads widened from 2.9% to 3.2%, but Standard Chartered's overall net interest margin fell from 3.0% in 1999 to 2.9% in 2000. This was largely a consequence of the intense price pressure on the mortgage business. The effect of falling margins was offset by 16% growth in average outstandings to customers, to £12.0 billion in 2000 from £10.3 billion in 1999. Fee-based income increased 19% to £191 million from £161 million in 1999. Cards and unit trust distribution were the main contributors to this growth. Overall costs increased by 16% to £365 million in 2000 from £316 million in 1999. The net provision for bad debts decreased 53% to £83 million in 2000 from £178 million in 1999, as the quality of the portfolio in Hong Kong improved. New provisions decreased 43% and recoveries increased 90% in 2000.

Other Asia Pacific

Profit before taxation in Other Asia Pacific countries increased 70% to £245 million from £144 million in 1999. Revenues grew by 12% to £802 million from £713 million in 1999, reflecting growth in Taiwan and the benefit of the inclusion of a full year of revenues from SCNB in Thailand. Costs increased 28% to £488 million from £381 million in 1999. The full year inclusion of SCNB, together with a voluntary redundancy program in Thailand, and business expansion in Taiwan have been key cost drivers. The 63% decrease in net provision for bad debts to £69 million from £188 million in 1999 reflected the generally improved economic situation in Asia.

Middle East and South Asia

Middle East and South Asia had a profitable year and the acquisition of Grindlays (consolidated in Standard Chartered's results from August 1, 2000) has transformed the shape and scale of the operations in the region. Profit before taxation was £152 million compared to £11 million in 1999. The underlying results in India, the United Arab Emirates, Bahrain and Bangladesh were all strong with growth in all areas of the business.

Africa

In Africa, the economies in two of Standard Chartered's larger markets, Ghana and Zimbabwe, suffered severe problems in 2000 and, as a result, profit before taxation declined by 33% to £70 million from £105 million in 1999. Net revenue grew by 4% to £243 million from £233 million in 1999. Strong volume growth and increased dealing and foreign exchange revenues were offset by the devaluation of currencies against sterling. Operating expenses rose by 15% to £140 million from £122 million, reflecting the high inflationary pressure in most territories and expansion into Nigeria and the Ivory Coast. The economic difficulties in the largest markets resulted in an increase of £27 million in net provisions for bad debts, to £33 million from £6 million in 1999.

Americas, the United Kingdom and Group Head Office

Following the sale of Chartered Trust, Standard Chartered's business in the United Kingdom is now, like that in the Americas, largely focused on supporting the needs of multinational corporations, banks and other multinational financial institutions in the emerging markets and of large local Latin American corporations. As a result, Standard Chartered reports the results of these two regions as a single segment. Profit before taxation was £141 million in 2000 as compared to £51 million in 1999. The 2000 figure included restructuring costs of £213 million and a gain on the sale of Chartered Trust of £351 million. Primarily as a result of the sale of Chartered Trust, net revenue decreased by 7% to £484 million from £518 million. Revenue from dealing profits and foreign exchange decreased by 9% to £62 million from £68 million in 1999, as spreads reduced and volumes continued to fall. Operating expenses, excluding restructuring, Year 2000 costs of £15 million and amortization of goodwill of £47 million, remained virtually unchanged at £333 million as compared to £332 million in 1999. The net provision for bad debts at £86 million was 62% higher than the £53 million in 1999 and reflects continuing difficulties in the Latin American economies and lower recoveries in the United States.

YEAR ENDED DECEMBER 31, 1999 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1998

Overview

Standard Chartered's profit before provisions decreased 12% in 1999 to £1,002 million from £1,139 million in 1998. The net charge for bad and doubtful debts was £495 million, an increase of £59 million, or 14%, compared with £436 million in 1998. After provisions, pre-taxation profit in 1999 decreased 28% to £507 million from £703 million in 1998.

Net revenue was marginally higher than in 1998 at £2,378 million as compared to £2,367 million in 1998, despite a decline of more than 40% in dealing profits and exchange to £246 million from £418 million in 1998, following the exceptional conditions in 1998. The increase in net interest income of 7% reflects a 9% increase in average interest earning assets from £44.1 billion in 1998 to £48.0 billion in 1999. The overall net interest margin narrowed to 3.4% in 1999 from 3.5% in 1998. Interest spread widened to 2.8% in 1999 from 2.7% in 1998.

Operating expenses in 1999 increased 12% to £1,376 million from £1,228 million in 1998. This higher level of costs was a consequence of the operating costs and goodwill amortization attributable to the acquisitions made during 1998 and 1999. In 1999, there were also some significant one-off costs: Standard Chartered extended its voluntary redundancy scheme in India, moved into new premises in Hong Kong, continued to work on growth initiatives and expanded its branch networks. Excluding these, cost growth increased 7% compared to 1998.

More than 70% of the £495 million provisions for bad and doubtful debts arose in Wholesale Banking, with the remaining £141 million in Consumer Banking. This charge was after recoveries of £127 million, mainly in South East Asia, up £49 million from £78 million in 1998. At the end of 1999 total non-performing loans after provisions and suspended interest amounted to £1,526 million, as compared to £709 million in 1998. This included £533 million of net non-performing loans in SCNB, which was acquired in September 1999. The provisions cover ratio on the non-performing loan portfolio (specific provisions plus interest in suspense as a percentage of gross non-performing loans), other than SCNB, was 54% in 1999 compared to 56% in 1998.

The balance sheet grew by 13% to £54.1 billion in 1999 from £47.9 billion in 1998, primarily the result of a 20% increase in loans and advances to banks to £11.4 billion in 1999 from £9.5 billion in 1998 and a 15% increase in the mortgage book to £9.3 billion in 1999 from £8.1 billion in 1998. This was largely funded by a 16% increase in customer deposits to £35.1 billion in 1999 from £30.3 billion in 1998, and reflected an increase in short-term liquidity in the run-up to Year 2000.

Net Revenue

The key items in Standard Chartered's net revenue for the years 1999 and 1998 are set forth in the table below.

	For the year ended December 31,	
	1999	1998
	(£) (in millions)	(£)
Interest receivable	3,730	4,003
Interest payable	(2,094)	(2,479)
Net interest income	1,636	1,524
Fees and commissions receivable, net and other income	496	425
Dealing profits and exchange	246	418
Net revenue	2,378	2,367

Net Interest Income

Standard Chartered's net interest income increased 7% in 1999. The increase reflected primarily a 9% increase in average interest earning assets in 1999. The overall net interest margin decreased to 3.4% in 1999 from 3.5% in 1998.

Net Fees and Commissions Receivable and Other Income

Net fees and commissions receivable and other income increased 17% as a result of increases in loan and cash management fees.

Dealing Profits and Exchange

Dealing profits and exchange decreased 41% in 1999, reflecting the exceptional performance in volatile markets in 1998 which was not repeated in 1999.

Net Revenue

Group net revenue increased 1% in 1999.

Operating Expenses

The principal items in Standard Chartered's operating expenses for the years 1999 and 1998 are set forth below.

	For the year ended December 31, 1999 (£)	1998 (£)
	(in millions)	
Administrative expenses:		
Staff	713	638
Premises	172	163
Other	374	354
Depreciation and amortization	117	73
Total operating expenses	1,376	1,228

Standard Chartered's operating expenses increased 12% in 1999 compared to 1998. The increase was primarily the result of higher operating costs and goodwill amortization arising from the acquisition of Standard Chartered Nakornthon Bank. Staff expenses increased 12% in 1999, reflecting the additional costs of the voluntary redundancy scheme in India. Premises expenses increased 6% in 1999, reflecting the move to new premises in Hong Kong. Depreciation and amortization charges increased 60% in 1999, reflecting higher goodwill amortization charges. Other operating expenses increased 6% in 1999.

Operating Profit Before Provisions

Operating profit before provisions decreased 12% to £1,002 million in 1999 from £1,139 million in 1998, reflecting higher operating costs and goodwill amortization.

Provisions

Provisions for the years 1999 and 1998 are set forth in the table below.

	For the year ended December 31, 1999 (£)	1998 (£)
	(in millions)	
Provisions for bad and doubtful debts	495	436
Provisions for liabilities and commitments	—	—
Total	495	436

Provisions increased 14% in 1999 because of the continuing economic problems in Asia.

Taxation

The taxation charge for Standard Chartered decreased in 1999 to £149 million (29% of profit before tax) from £227 million in 1998 (32% of profit before tax) reflecting lower profit and a substantially reduced overseas tax charge, primarily due to tax holiday in Malaysia.

Profit after Taxation

Profit after taxation totalled £358 million in 1999, a decrease of 25% from the £476 million in 1998, reflecting higher operating costs and higher provisions for bad and doubtful debts, offset in part by a lower taxation charge.

Business Performance

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

	For the year ended December 31,			
	1999		1998	
	Amount (£)	Percentage of total	Amount (£)	Percentage of total
	(in millions, except percentages)			
Net revenue:				
Consumer Banking:				
Cards/Personal Loans	341	30	313	31
Wealth Management/Deposits	306	26	329	33
Mortgages	262	23	162	16
Consumer Finance	189	16	175	18
Other	54	5	24	2
Total	1,152	100	1,003	100
Wholesale Banking:				
Trade and Lending	516	42	458	34
Global Markets	351	29	523	38
Cash Management	149	12	173	13
Custody	44	4	46	3
Others	166	13	164	12
Total	1,226	100	1,364	100
Expenses:				
Consumer Banking	612	—	519	—
Wholesale Banking	682	—	626	—
Profit before provisions:				
Consumer Banking	540	—	484	—
Wholesale Banking	544	—	738	—
Provisions for debts and contingent liabilities:				
Consumer Banking	141	—	120	—
Wholesale Banking	354	—	266	—
Operating profit:				
Consumer Banking	399	—	364	—
Wholesale Banking	190	—	472	—

Consumer Banking

Consumer Banking profit before provisions increased 12% to £540 million in 1999 from £484 million in 1998. Net revenue grew by 15% to £1,152 million in 1999 from £1,003 million in 1998, with over half of this increase in Hong Kong. Singapore, Taiwan and Chartered Trust in the U.K. also made significant contributions. Revenue from mortgages increased by over 60% in 1999 compared to 1998, and from credit cards by 30%. Much of this growth was concentrated in Hong Kong where, despite strong competition, Standard Chartered's share of the mortgage market increased from 11.4% in 1998 to 12.4% in 1999 and the launch of co-branded cards increased the total number of Standard Chartered cards in issue to over 1.1 million. Consumer Banking was the focus of much of Standard Chartered's investment during 1999. The branch network was strengthened through acquisition, expansion and repositioning. Standard Chartered also enlarged its product offering and continued to develop the channels through which it sells. This investment increased costs in 1999 to £612 million from £519 million in 1998, or by 18%. The net debt charge of £141 million was 18% higher than the £120 million in 1998. It comprised new provisions of £196 million and recoveries of £55 million.

Wholesale Banking

Profit before provisions in Wholesale Banking at £544 million in 1999 was 26% lower than the £738 million in 1998. The non-Swiss global trade finance and U.S. dollar clearing businesses that were acquired from UBS AG in April 1999 were integrated successfully. The low levels of economic activity meant that trade volumes fell in most regions compared to 1998, but margins improved. The exceptional performance in volatile markets in 1998 was not repeated in 1999, and income from foreign exchange dealing declined 44% to £218 million from £386 million in 1998. As the Asian economies stabilized and spreads narrowed, foreign exchange revenues remained at a relatively constant level throughout 1999. In contrast, revenues from asset and liability management increased by 18% compared with 1998. Standard Chartered extended its trading range of emerging markets currencies and continued to broaden its portfolio of product and service offerings.

The net charge for debts of £354 million was 33% higher than the £266 million in 1998. New provisions in Other Asia Pacific fell substantially from £201 million in 1998 to £165 million, or by 18%. In Hong Kong, economic recovery was slower. This, together with the effect of structural reforms in China was reflected in higher provisions, particularly against exposure to Chinese enterprises.

Geographical Performance

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

	For the year ended December 31,			
	1999		1998	
	Amount (£)	Percentage of total	Amount (£)	Percentage of total
	(in millions, except percentages)			
Revenue:				
Hong Kong	690	29	640	27
Other Asia Pacific	713	30	788	34
Middle East and South Asia	224	9	191	8
Africa	233	10	218	9
Americas, the United Kingdom and Group Head Office	518	22	530	22
Total	2,378	100	2,367	100
Provisions for debts and contingency liabilities:				
Hong Kong	178	36	90	21
Other Asia Pacific	188	38	252	58
Middle East and South Asia	70	14	24	5
Africa	6	1	9	2
Americas, the United Kingdom and Group Head Office	53	11	61	14
Total	495	100	436	100

Hong Kong

Hong Kong's profit before provisions increased 8% to £374 million in 1999 from £347 million in 1998. Net interest income grew by 16% to £529 million in 1999 from £458 million in 1998, driven by Standard Chartered's mortgage and credit card businesses. Average Prime/HIBOR spreads widened to 2.9%, resulting in an overall net interest margin of 3.0% compared to 2.9% in 1998. This, together with a 14% increase from £5.6 billion in 1998 to £6.4 billion in 1999 in the portfolio, contributed to a 40% increase in mortgage revenues. The number of cards in issue grew by 10% which, combined with lower funding costs, resulted in revenue growth of nearly 30%. Economic difficulties were experienced in Hong Kong later than in many of the South East Asian countries and, as a consequence, signs of recovery were only seen towards the end of 1999. The results reflected weakness in parts of the loan portfolio, particularly in relation to exposure to Chinese enterprises, and the charge for bad debts almost doubled in 1999, from £90 million in 1998 to £178 million.

Other Asia Pacific

Profit before taxation in Other Asia Pacific countries was £144 million, 30% lower than the £207 million in 1998. This decline was largely the result of the reduction in revenue from dealing profits and foreign exchange, which fell by more than 50% to £89 million from £180 million in 1998, principally in Singapore, Thailand and Indonesia. The net charge for bad debts decreased 25% to £188 million, compared to £252 million in 1998. New provisions decreased 11% to £238 million from £267 million in 1998, and related largely to China. Recoveries were significantly higher in Singapore, Malaysia, Thailand and Indonesia.

Middle East and South Asia

The profit before provisions in the Middle East and South Asia increased 23% to £81 million in 1999 from £66 million in 1998. Increasing trade volumes in the United Arab Emirates and higher fee income contributed to a 17% increase in revenue to £224 million from £191 million in 1998 in the region. Excluding costs incurred in respect of the voluntary redundancy scheme in India, underlying costs grew 10%, to £124 million from £113 million in 1998. The otherwise good performance in this region was adversely affected by a sharply higher debt charge largely arising from one relationship.

Africa

Profit before taxation in Africa grew by 6% to £105 million from £99 million in 1998. Net revenue benefited from higher interest and fees as volumes grew. Standard Chartered continued to invest in its African business, which resulted in an increase in costs to £122 million in 1999 from £110 million in 1998, mostly related to the implementation of new computer systems in Botswana, Ghana and Zimbabwe.

Americas, the United Kingdom and Group Head Office

In the Americas, profit before provisions declined 29% to £45 million from £63 million in 1998. Revenue from dealing profits declined 43% to £23 million from £40 million in 1998, reflecting reduced volume and volatility in the Asian currencies. The U.S. dollar clearing business and Standard Chartered's trade capability was enhanced through the acquisition of UBS AG's trade finance business outside of Switzerland. However, acquisition and integration costs resulted in a 13% increase in operating expenses compared to 1998. New debt provisions in Latin America were higher, but were offset by recoveries in North America. Overall, the profit before taxation for 1999 was £29 million, a decrease of 37% from £46 million in 1998.

Profit before taxation in the U.K. and Group Head Office declined 58% to £22 million from £52 million in 1998. Net revenues declined 2% to £370 million from £376 million in 1998 and a £16 million increase in net interest income was offset by a reduction in dealing profits of £42 million. Net interest income benefited from a strong performance in Chartered Trust's vehicle leasing business, although this was partly offset by higher dealer commissions. Revenue from dealing profits and foreign exchange almost halved to £45 million from £87 million in 1998, as spreads reduced and volumes fell. Year 2000 costs of £60 million were incurred in 1999 and reported as a Head Office cost. Amortization of purchased goodwill was also reported as a Head Office cost and this amounted to £22 million in 1999 compared to £7 million in 1998. The net charge for bad debts at £37 million was 16% lower than the £44 million in 1998.

SELECTED STATISTICAL FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read in connection with the audited consolidated financial statements and the "Management's Discussion and Analysis of Results of Operations and Financial Condition" included elsewhere in this document. Information included in this section relates to the consolidated operations of Standard Chartered PLC which has no significant assets other than its 100% interest in Standard Chartered Bank.

Average Balance Sheets and Yield

The following table shows the average balances and yields for Standard Chartered's assets and liabilities for each of the three years ended December 31, 2000, 1999 and 1998. For the purposes of the following table, average balances have generally been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. Standard Chartered does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	2000				1999				1998			
	Average Non Interest Earning Balance	Average Earning Balance	Interest Income	Yield	Average Non Interest Earning Balance	Average Earning Balance	Interest Income	Yield	Average Non Interest Earning Balance	Average Earning Balance	Interest Income	Yield
	(£)	(£)	(£)		(£)	(£)	(£)		(£)	(£)	(£)	
					(in millions, except percentages)							
Assets												
Cash, balances at central banks and cheques in course of collection	493	109	3	2.8%	291	94	1	1.1%	289	22	—	1.9%
Treasury bills and other eligible bills	—	2,616	207	7.9%	—	3,314	235	7.1%	—	2,634	223	8.5%
Gross loans and advances to banks	646	15,845	1,005	6.3%	496	12,034	656	5.5%	623	11,136	698	6.3%
Gross loans and advances to customers	466	32,597	2,920	9.0%	323	28,610	2,570	9.0%	107	27,142	2,799	10.3%
Provisions against loans and advances to banks and customers	(1,643)	(457)	—		(1,292)	(358)	—		(864)	(342)	—	
Debt securities	8	6,312	403	6.4%	—	4,144	252	6.1%	26	3,415	270	7.9%
Equity shares and trade investments	40	—	—		50	—	—		38	—	—	
Premises and equipment	636	—	—		529	—	—		339	—	—	
Prepayments, accrued income and other assets	4,712	83	17	20.5%	4,640	139	16	11.5%	6,620	136	13	9.6%
Total average assets	5,358	57,105	4,555	8.0%	5,037	47,977	3,730	7.8%	7,178	44,143	4,003	9.1%

	2000				1999				1998			
	Average Non Interest Earning Balance	Average Earning Balance	Interest Expense	Rate Paid	Average Non Interest Earning Balance	Average Earning Balance	Interest Expense	Rate Paid	Average Non Interest Earning Balance	Average Earning Balance	Interest Expense	Rate Paid
	(£)	(£)	(£)		(£)	(£)	(£)		(£)	(£)	(£)	
					(in millions, except percentages)							
Liabilities												
Non interest bearing current and demand accounts	3,429	—	—		2,524	—	—		2,261	—	—	
Interest bearing current and demand accounts	—	9,446	428	4.5%	—	7,574	302	4.0%	—	6,393	313	4.9%
Savings deposits	4	2,868	87	3.0%	3	2,240	77	3.4%	6	1,627	91	5.6%
Time deposits	1	30,387	1,745	5.7%	—	26,206	1,377	5.3%	—	25,487	1,671	6.6%
Other deposits	23	1,956	148	7.6%	19	1,173	71	6.1%	14	672	77	11.5%
Debt securities in issue	1,101	3,213	197	6.1%	911	2,837	156	5.5%	876	3,211	236	7.3%
Accruals, deferred income and other liabilities	3,664	90	8	8.9%	4,406	273	9	3.3%	5,902	357	13	3.6%
Subordinated liabilities												
Undated loan capital	—	999	71	7.1%	—	994	54	5.4%	—	926	58	6.3%
Dated loan capital	—	1,341	84	6.3%	—	701	48	6.8%	—	218	20	9.2%
Minority interests	279	—	—		56	—	—		57	—	—	
Shareholders' funds	3,836	—	—		3,178	—	—		2,805	—	—	
Total average liabilities and shareholders' funds	12,337	50,300	2,768	5.5%	11,097	41,998	2,094	5.0%	11,921	38,891	2,479	6.4%
Net yield				2.5%				2.8%				2.7%

Volume and Price Variances

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

	Year ended December 31, 2000 vs Year ended December 31, 1999			Year ended December 31, 1999 vs Year ended December 31, 1998		
	Increase/(decrease) in interest due to		Net increase/ (decrease) in	Increase/(decrease) in interest due to		Net increase/ (decrease) in
	Volume	Rate	interest	Volume	Rate	interest
	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Interest-earning assets						
Cash, and unrestricted balances at central banks	—	2	2	1	—	1
Treasury bills and other eligible bills	(56)	28	(28)	48	(36)	12
Loans and advances to banks	242	107	349	49	(91)	(42)
Loans and advances to customers	415	(65)	350	194	(423)	(229)
Debt securities and equity shares	138	13	151	44	(62)	(18)
Other assets	(10)	11	1	—	3	3
Total interest-earning assets	729	96	825	336	(609)	(273)
Interest-bearing liabilities						
Dated Subordinated loan capital	39	(3)	36	33	(5)	28
Undated subordinated loan capital	—	17	17	4	(8)	(4)
Deposits from banks	99	51	150	(92)	(76)	(168)
Deposits from customers	314	117	431	246	(403)	(157)
Debt securities in issue	24	17	41	(21)	(59)	(80)
Other liabilities	(15)	14	(1)	(3)	(1)	(4)
Total interest-bearing liabilities	461	213	674	167	(552)	(385)

Investment Portfolio

The following table sets forth the book value of Standard Chartered's portfolio of investment securities and securities held for trading at December 31, 2000, 1999 and 1998.

	2000	1999	1998
	(£)	(£) (in millions)	(£)
Held for trading (dealing securities)			
Treasury bills and other eligible bills	120	73	41
Debt and other fixed income securities (incl bonds)	638	574	287
Equity shares and variable yield securities	—	—	18
	758	647	346
Held for investment			
One year or less			
Treasury bills and other eligible bills	2,462	2,454	2,512
Debt and other fixed income securities (incl bonds)	3,287	2,807	1,568
Equity shares and variable yield securities	2	3	3
	5,751	5,264	4,083
Held for investment			
One year through five years			
Treasury bills and other eligible bills	75	174	334
Debt and other fixed income securities (incl bonds)	2,450	1,393	1,381
Equity shares and variable yield securities	3	1	1
	2,528	1,568	1,716
Held for investment			
More than five years			
Treasury bills and other eligible bills	—	—	—
Debt and other fixed income securities (incl bonds)	202	165	59
Equity shares and variable yield securities	—	—	—
	202	165	59
Held for investment			
Undated			
Treasury bills and other eligible bills	—	—	—
Debt and other fixed income securities (incl bonds)	27	137	148
Equity shares and variable yield securities	64	34	20
	91	171	168
Total investments	9,330	7,815	6,372

Loan Portfolio

Maturities of Loan Portfolio

The following table sets forth by maturity the amounts of customer loans net of provisions in the principal categories of the borrower's business or industry, outstanding at December 31, 2000 as well as the total customer loans in the principal categories of the borrower's business or industry, outstanding at December 31, 2000, 1999, 1998, 1997 and 1996.

	2000				1999	1998	1997	1996
	One year or less	One to five years	More than five years	Total	Total	Total	Total	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
Loans to Governments	675	102	45	822	751	480	361	237
Loans to Individuals:								
Mortgages	1,404	2,061	8,419	11,884	9,332	8,107	6,926	5,574
Other	2,947	1,149	295	4,391	2,596	2,265	2,104	1,579
Agriculture, Forrestry and Fishing	372	26	1	399	355	247	259	201
Mining and Quarrying	237	132	4	373	427	257	153	164
Manufacturing	4,307	775	155	5,237	3,999	3,793	4,170	3,484
Electricity, Gas and Water	453	74	96	623	275	306	266	117
Construction	224	61	8	293	268	312	365	326
Commerce	3,735	442	131	4,308	3,659	3,798	3,749	2,971
Transport, Storage and Communication	1,076	451	190	1,717	555	563	465	402
Financing, Insurance and Business Services	2,737	506	116	3,359	2,812	2,389	3,229	2,076
Equipment Leased	73	87	2	162	613	642	472	509
Installment Credit	146	301	—	447	2,326	2,188	2,192	1,770
Other	172	437	487	1,096	1,100	1,013	1,155	1,164
	18,558	6,604	9,949	35,111	29,068	26,360	25,866	20,574
General Provisions				(314)	(271)	(269)	(218)	(127)
Total				34,797	28,797	26,091	25,648	20,447

Interest Rate Sensitivity of Loan Portfolio

The following table sets forth the interest rate sensitivity of customer loans outstanding at December 31, 2000. Interest rate risk on the customer loan portfolio is managed as part of Standard Chartered's risk management practices. See "Risk Management".

	2000		
	One to five years	More than five years	Total
	(£)	(£) (in millions)	(£)
Fixed interest rate	1,264	1,150	2,414
Variable interest rate	5,340	8,799	14,139
	6,604	9,949	16,553

Geographical Distribution

The following table presents the geographical distribution of customer loans in each principal category of borrower's business or industry, outstanding at December 31, 2000, 1999, 1998, 1997 and 1996.

	2000							
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total loans and advances to customers	% of loans to total	Provisions for bad and doubtful debts
	(£)	(£)	(£)	(£)	(£)	(£)		(£)
			(In millions, except percentages)					
Loans to Governments	—	568	3	11	240	822	2.4%	—
Loans to Individuals:								
Mortgages	8,107	3,365	12	99	301	11,884	34.2%	20
Other	1,973	1,179	86	1,072	81	4,391	12.6%	63
Agriculture, Forrestry and Fishing.	9	153	64	23	150	399	1.1%	13
Mining and Quarrying	—	49	48	28	248	373	1.1%	3
Manufacturing	718	1,857	230	1,227	1,205	5,237	15.1%	259
Electricity, Gas and Water	168	238	22	51	144	623	1.8%	1
Construction	48	115	11	88	31	293	0.8%	36
Commerce	796	1,096	160	653	1,603	4,308	12.4%	224
Transport, Storage and Communication	346	481	43	110	737	1,717	4.9%	9
Financing, Insurance and Business Services	1,090	1,043	14	310	902	3,359	9.7%	91
Equipment Leased	158	2	—	2	—	162	0.5%	1
Installment Credit	—	228	—	219	—	447	1.3%	5
Other	413	123	25	146	389	1,096	3.1%	36
General Provisions	—	—	—	—	(314)	(314)	(0.9%)	—
Total	13,826	10,497	718	4,039	5,717	34,797	100.0%	761

	1999							
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total loans and advances to customers	% of loans to total	Provisions for bad and doubtful debts
	(£)	(£)	(£)	(£)	(£)	(£)		(£)
			(In millions, except percentages)					
Loans to Governments	—	474	9	—	268	751	2.6%	55
Loans to Individuals:								
Mortgages	6,396	2,684	13	13	226	9,332	32.4%	26
Other	913	1,097	100	457	29	2,596	9.0%	39
Agriculture, Forrestry and Fishing.	9	133	77	9	127	355	1.2%	29
Mining and Quarrying	—	91	54	—	282	427	1.5%	6
Manufacturing	656	1,801	223	527	792	3,999	13.9%	253
Electricity, Gas and Water	65	127	35	7	41	275	1.0%	2
Construction	25	148	13	47	35	268	0.9%	43
Commerce	730	1,219	164	349	1,197	3,659	12.7%	273
Transport, Storage and Communication	136	257	42	38	82	555	1.9%	13
Financing, Insurance and Business Services	934	1,030	25	207	616	2,812	9.8%	101
Equipment Leased	181	8	9	—	415	613	2.1%	3
Installment Credit	—	317	—	181	1,828	2,326	8.1%	35
Other	383	166	16	87	448	1,100	3.8%	51
General Provisions	—	—	—	—	(271)	(271)	(0.9%)	—
Total	10,428	9,552	780	1,922	6,115	28,797	100.0%	929

	1998							
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total loans and advances to customers	% of loans to total	Provisions for bad and doubtful debts
	(£)	(£)	(£)	(£)	(£)	(£)		(£)
			(in millions, except percentages)					
Loan to Governments	—	253	3	1	223	480	1.8%	78
Loan to Individuals:								
Mortgages	5,622	2,302	11	15	157	8,107	31.1%	21
Other	903	889	69	332	72	2,265	8.7%	37
Agriculture, Forrestry and Fishing	9	99	47	17	75	247	0.9%	13
Mining and Quarrying	—	80	27	—	150	257	1.0%	2
Manufacturing	772	1,482	174	520	845	3,793	14.5%	155
Electricity, Gas and Water	55	104	20	8	119	306	1.2%	2
Construction	48	179	27	27	31	312	1.2%	35
Commerce	1,008	1,181	205	304	1,100	3,798	14.6%	110
Transport, Storage and Communication	65	340	29	60	69	563	2.2%	8
Financing, Insurance and Business Services	770	714	31	126	748	2,389	9.2%	86
Equipment Leased	221	6	7	—	408	642	2.5%	4
Installment Credit	—	397	—	159	1,632	2,188	8.4%	31
Other	330	147	10	74	452	1,013	3.9%	40
General Provisions	—	—	—	—	(269)	(269)	(1.0%)	—
Total	9,803	8,173	660	1,643	5,812	26,091	100.0%	622

	1997							
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total loans and advances to customers	% of loans to total	Provisions for bad and doubtful debts
	(£)	(£)	(£)	(£)	(£)	(£)		(£)
			(in millions, except percentages)					
Loan to Governments	—	—	—	6	355	361	1.4%	33
Loan to Individuals:								
Mortgages	4,680	2,118	12	7	109	6,926	27.0%	2
Other	803	897	85	260	59	2,104	8.2%	8
Agriculture, Forrestry and Fishing	7	92	66	10	84	259	1.0%	2
Mining and Quarrying	—	63	30	1	59	153	0.6%	—
Manufacturing	865	1,798	166	528	813	4,170	16.3%	154
Electricity, Gas and Water	54	81	16	15	100	266	1.0%	—
Construction	83	184	29	26	43	365	1.4%	7
Commerce	1,289	1,248	157	345	710	3,749	14.6%	23
Transport, Storage and Communication	53	285	30	33	64	465	1.8%	5
Financing, Insurance and Business Services	1,199	1,257	16	154	603	3,229	12.6%	30
Equipment Leased	275	19	6	—	172	472	1.8%	3
Installment Credit	—	470	—	120	1,602	2,192	8.5%	11
Other	285	186	20	166	498	1,155	4.5%	46
General Provisions	—	—	—	—	(218)	(218)	(0.8%)	—
Total	9,593	8,698	633	1,671	5,053	25,648	100.0%	324

	1996							
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total loans and advances to customers	% of loans to total	Provisions for bad and doubtful debts
	(£)	(£)	(£)	(£)	(£)	(£)		(£)
	(in millions, except percentages)							
Loans to Governments	—	—	—	2	235	237	1.2%	66
Loans to individuals:								
Mortgages	3,365	2,101	14	14	80	5,574	27.3%	2
Other	437	694	73	233	142	1,579	7.7%	8
Agriculture, Forrestry and Fishing.	4	77	62	11	47	201	1.0%	2
Mining and Quarrying	—	49	16	9	90	164	0.8%	—
Manufacturing	725	1,458	120	409	772	3,484	17.0%	128
Electricity, Gas and Water	10	66	8	12	21	117	0.6%	—
Construction	80	130	16	58	42	326	1.6%	9
Commerce	707	1,262	126	318	558	2,971	14.5%	25
Transport, Storage and Communication	141	152	32	19	58	402	2.0%	14
Financing, Insurance and Business Services	651	917	31	161	316	2,076	10.2%	32
Equipment Leased	303	44	6	—	156	509	2.5%	4
Installment Credit	—	465	2	90	1,213	1,770	8.7%	11
Other	431	256	15	35	427	1,164	5.7%	56
General Provisions	—	—	—	—	(127)	(127)	(0.6%)	—
Total	6,854	7,671	521	1,371	4,030	20,447	100.0%	357

Allowances for Possible Loan Losses

Overview

The accounting procedures of Standard Chartered regarding problem credits, which are based on U.K. regulations, differ in certain respects from those followed by banks in the United States.

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

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

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

Review and Monitoring Process

Consumer Banking

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

Wholesale Banking

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

- reassessment of a credit grade for a particular loan;
- determination of extent of risk and taking action to minimize potential loss; and
- regular reviews and reassessment of the credit status.

The lowest grade of performing loans include any account:

- perceived to be inadequately protected by current trading performance and balance sheet solvency and liquidity as evidenced by the paying capacity of the borrower or by the collateral pledged, if any;
- where the borrower's checks are returned unpaid because there are insufficient funds to honor payment;
- where non-perfection of collateral or covenant breaches cannot be remedied within one calendar month of notice;
- where the borrower or a related corporate entity takes legal or organizational action to protect itself from other creditors or where any action brought by other creditors could jeopardize the solvency of such borrower;

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

Non-performing accounts include any account:

- on which interest has been suspended and not recognized as income, even if there is a reasonable expectation that the underlying principal obligation will be repaid in full; or
- where a loss of principal is expected and against which a specific provision has been taken in part or full.

General Provision

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

Specific Provisions

Consumer Banking

Specific provisions are made in accordance with defined levels of delinquency. Currently 100% provisions are raised for all unsecured credits at 150 days past due and 50% provisions for automobile loans at 90 days past due. Prior to January 1, 2001, provisions started at 60 days past due, being fully provided for at 120 days past due. The level of provisioning is determined by a formula, or, in the case of collateralized loans, derived by reference to the difference between the total outstanding amount of the delinquent loan and the estimated forced sale value of the collateral for such loan. Periodic revaluation is done to increase the amount of a provision in case of a continued decline in the value of the collateral. Immediate provisioning will also be made where Standard Chartered is advised that a borrower is bankrupt or cannot be traced or where the borrower voluntarily surrenders to Standard Chartered a property securing a mortgage.

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

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

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

In circumstances where Standard Chartered determines that a borrower is or will be unable to meet the terms of a loan, the loan may be restructured, provided the new terms enable the borrower to repay the loan and Standard Chartered's risk position is not weakened. Loan restructuring is permitted only when specified within a country policy and where approved by an appropriately authorized person. Such instances are rare.

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

Wholesale Banking

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

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

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

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

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

Standard Chartered reports its loans and advances to customers at their net realizable value two years after the initial raising of the provisions. The cumulative provision amount less the net realizable value of the loans and advances to customers under this policy was £850 million at December 31, 2000, £474 million at December 31, 1999 and £359 million at December 31, 1998.

The following table sets forth the amount of non-performing loans and advances of Standard Chartered at December 31, 2000, 1999 and 1998.

	At December 31.			
	2000		1999	1998
	($)	(£) (in millions)	(£)	(£)
Gross non-performing loans and advances	3,353	2,249	2,598	1,418
Specific provisions for bad and doubtful debts	(1,146)	(769)	(864)	(560)
Interest in suspense	(322)	(216)	(208)	(149)
Net non-performing loans and advances	1,885	1,264	1,526	709

The following table shows the amount of customer loans written off by Standard Chartered for the years ended December 31, 2000, 1999 and 1998.

	At December 31,			
	2000		1999	1998
	($)	(£) (in millions)	(£)	(£)
Customer loans written off:				
Covered by specific provisions	908	609	248	103
Not covered by specific provisions	81	54	54	54
Recoveries of loans written off	(51)	(34)	(52)	(33)
Net	938	629	250	124

The following table shows the total non-accrual customer loans outstanding at December 31, 2000, 1999, 1998, 1997 and 1996, as well as the total amount of income suspended and income recognized at December 31, 2000.

	2000			1999	1998	1997	1996
	Non Accrual Outstandings	Income Suspended in period	Income recognized in period	Non Accrual Outstandings	Non Accrual Outstandings	Non Accrual Outstandings	Non Accrual Outstandings
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Gross loans on which interest in suspended							
Loans and advances to customers	251			217	215	109	237
Loans and advances to banks	—			2	3	—	—
	251			219	218	109	237
Gross loans on which provisions have been raised							
Loans and advances to customers	1,970			2,339	1,158	587	479
Loans and advances to banks	28			40	42	28	6
	1,998			2,379	1,200	615	485
Total gross non-performing loans							
Loans and advances to customers	2,221			2,556	1,373	696	716
Loans and advances to banks	28			42	45	28	6
	2,249	186	39	2,598	1,418	724	722

Cross-Border Assets

The following table presents the distribution of cross-border assets of Standard Chartered outstanding to borrowers at December 31, 2000, 1999, 1998, 1997 and 1996, where such outstandings exceed 1% of Standard Chartered's consolidated total assets as determined by the relevant U.K. Financial Services Authority rules.

	2000				1999				1998			
	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total
	(£)	(£)	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)	(£)	(£)
Australia	82	588	46	716								
Brazil					8	559	69	636				
China									—	193	554	747
France	2	575	446	1,023	53	676	32	761	92	509	28	629
Germany		1,615	9	1,624	32	1,187	7	1,226	—	710	—	710
Hong Kong	8	54	1,289	1,351	8	95	1,188	1,291	7	67	1,389	1,463
Italy	130	834	21	985								
Japan	—	689	38	727	2	637	19	658				
Korea	65	905	75	1,045	3	684	101	788				
Singapore	3	451	717	1,171	18	364	523	905	20	191	505	716
USA	431	1,062	467	1,960	764	282	424	1,470	723	264	283	1,270
Other countries (0.75 to 1.00%)	117	1,327	291	1,735	249	525	690	1,464	135	660	330	1,125

	1997				1996			
	Public Sector	Banks	Other	Total	Public Sector	Banks	Other	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
Australia	230	208	59	497				
Canada	287	200	—	487	691	196	4	891
China	—	365	651	1,016	—	315	366	681
France	—	589	38	627	—	517	41	558
Hong Kong	10	103	1,420	1,533	6	109	763	878
Indonesia	—	482	299	781	9	343	280	632
Japan	—	1,158	39	1,197	—	1,692	69	1,761
Korea	3	578	150	731	—	889	123	1,012
Malaysia	138	123	262	523				
Singapore	3	206	604	813	1	268	457	726
Taiwan					—	278	150	428
Thailand					—	236	282	518
USA	55	365	183	603	50	426	328	804
Other countries (0.75 to 1.00%)	38	1,195	636	1,869	190	1,388	264	1,842

Loan Loss Experience

The following table presents an analysis of Standard Chartered loan loss experience in the principal geographic regions where it operates, for the years ended December 31, 2000, 1999, 1998, 1997 and 1996.

2000	Hong Kong	Other APR	Africa	MESA	Americas, U.K. and Group Head Office		
	Specific	Specific	Specific	Specific	Specific	General	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Balance at beginning of period	203	445	9	88	195	271	1,211
Exchange translation differences	14	22	(3)	8	16	23	80
Amounts written off	(166)	(282)	(5)	(79)	(131)		(663)
Recoveries of amounts previously written off	5	20	1	4	4	—	34
Business acquisitions	6	—	—	103	—	22	131
Business disposals	—	—	—	—	(45)	(2)	(47)
Other	7	30	—	13	(18)	—	32
New provisions	112	149	37	60	107	—	465
Recoveries/provisions no longer required	(29)	(80)	(4)	(21)	(26)	—	(160)
Net charge against profit	83	69	33	39	81	—	305
Balance at end of period	152	304	35	176	102	314	1,083

1999	Hong Kong	Other APR	Africa	MESA	Americas, U.K. and Group Head Office		
	Specific	Specific	Specific	Specific	Specific	General	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Balance at beginning of period	86	299	16	39	201	269	910
Exchange translation differences	4	1	(1)	1	1	2	8
Amounts written off	(69)	(107)	(12)	(26)	(88)	—	(302)
Recoveries of amounts previously written off	4	11	—	2	35	—	52
Business acquisitions	—	63	—	—	—	—	63
Business disposals	—	—	—	—	—	—	—
Other	—	(10)	—	2	(7)	—	(15)
New provisions	193	234	10	82	103	—	622
Recoveries/provisions no longer required	(15)	(46)	(4)	(12)	(50)	—	(127)
Net charge against profit	178	188	6	70	53	—	495
Balance at end of period	203	445	9	88	195	271	1,211

	1998						
	Hong Kong	Other APR	Africa	MESA	Americas, U.K. and Group Head Office		
	Specific	Specific	Specific	Specific	Specific	General	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Balance at beginning of period	24	74	16	41	183	218	556
Exchange translation differences	—	17	(1)	(1)	(4)	(3)	8
Amounts written off	(36)	(54)	(9)	(27)	(31)	—	(157)
Recoveries of amounts previously written off	3	8	1	1	20	—	33
Business acquisitions	—	—	—	—	—	—	—
Business disposals	—	—	—	—	16	4	20
Other	5	3	—	1	5	—	14
New provisions	96	265	13	31	58	50	513
Recoveries/provisions no longer required	(6)	(13)	(4)	(7)	(47)	—	(77)
Net charge against profit	90	252	9	24	11	50	436
Balance at end of period	86	300	16	39	200	269	910

	1997						
	Hong Kong	Other APR	Africa	MESA	Americas, U.K. and Group Head Office		
	Specific	Specific	Specific	Specific	Specific	General	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Balance at beginning of period	27	63	27	263	(5)	127	502
Exchange translation differences	1	(32)	(4)	5	13	(9)	(26)
Amounts written off	(25)	(58)	(15)	(251)	247	—	(102)
Recoveries of amounts previously written off	4	10	1	1	25	—	41
Business acquisitions	—	—	—	—	—	—	—
Business disposals	—	—	—	—	—	—	—
Other	(9)	7	—	—	(5)	—	(7)
New provisions	33	99	12	27	30	100	301
Recoveries/provisions no longer required	(7)	(15)	(5)	(4)	(122)	—	(153)
Net charge against profit	26	84	7	23	(92)	100	148
Balance at end of period	24	74	16	41	183	218	556

	1996						
	Hong Kong	Other APR	Africa	MESA	Americas, U.K. and Group Head Office		
	Specific	Specific	Specific	Specific	Specific	General	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Balance at beginning of period	24	76	32	278	62	102	574
Exchange translation differences	(3)	(8)	(5)	(30)	(20)	(7)	(73)
Amounts written off	(14)	(38)	(5)	(3)	(20)	—	(80)
Recoveries of amounts previously written off	6	9	1	1	6	—	23
Business acquisitions	—	—	—	—	—	—	—
Business disposals	—	—	—	—	—	—	—
Other	(6)	1	(3)	(1)	3	—	(6)
New provisions	30	38	12	22	39	32	173
Recoveries/provisions no longer required	(10)	(15)	(5)	(4)	(75)		(109)
Net charge against profit	20	23	7	18	(36)	32	64
Balance at end of period	30	63	28	263	(9)	127	502

Structure of Deposits

The following table sets forth the structure of Standard Chartered's deposits in the principal geographic regions where it operates, at December 31, 2000, 1999 and 1998.

	2000					
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total Deposits
	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Non interest bearing current and demand accounts	672	1,429	303	944	264	3,612
Interest bearing current and demand accounts	5,265	2,618	511	393	1,493	10,280
Savings deposits	620	1,316	229	909	10	3,084
Time deposits	12,395	8,923	280	3,862	6,281	31,741
Other deposits	2	741	23	205	1,379	2,350
Debt securities in issue	1,233	320	9	58	1,420	3,040
Total	20,187	15,347	1,355	6,371	10,847	54,107

	1999					
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total Deposits
	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Non interest bearing current and demand accounts	595	1,377	255	440	292	2,959
Interest bearing current and demand accounts	4,518	1,717	487	222	1,297	8,241
Savings deposits	617	1,249	219	330	20	2,435
Time deposits	9,891	7,986	318	2,098	4,925	25,218
Other deposits	4	414	46	80	1,307	1,851
Debt securities in issue	1,033	527	9	—	1,096	2,665
Total	16,658	13,270	1,334	3,170	8,937	43,369

	1998					
	Hong Kong	Other APR	Africa	MESA	U.K./U.S.	Total Deposits
	(£)	(£)	(£) (in millions)	(£)	(£)	(£)
Non interest bearing current and demand accounts	472	959	264	377	139	2,211
Interest bearing current and demand accounts	3,660	1,314	332	220	1,321	6,847
Savings deposits	276	942	231	295	16	1,760
Time deposits	9,215	7,467	235	1,730	5,138	23,785
Other deposits	—	97	58	81	363	599
Debt securities in issue	968	348	10	7	1,623	2,956
Total	14,591	11,127	1,130	2,710	8,600	38,158

RISK MANAGEMENT

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

Risk Management Operations

There is a comprehensive risk management organization reporting to a Standard Chartered Executive Director. This is composed of the Group Risk Management head office supported by risk management teams within the individual businesses and risk officers at the country levels. Standard Chartered has a coordinated approach to risk under the Group Risk Committee chaired by an Executive Director. This committee is responsible for supervising and directing the management of market (excluding balance sheet risk), credit, country and operational risks within Standard Chartered.

Standard Chartered's policy is to maintain what it considers is a conservative balance sheet and strong capital base. Standard Chartered is supervised by the U.K. Financial Services Authority and is required to maintain a minimum capital ratio, the risk asset ratio, expressed in terms of the ratio of capital to the risk weighted value of assets and contingent liabilities. Standard Chartered's total capital ratio at December 31, 2000 was 14.0% and its Tier 1 ratio was 7.0%, both above the internationally agreed minimum requirements of 8% and 4%, respectively. Responsibility for asset and liability management policies lies with the Group Asset and Liability Committee ("GALCO"), whose members are the Standard Chartered's Executive Directors. GALCO oversees the management of Standard Chartered's capital, the size and composition of the balance sheet, and liquidity. Policies are implemented through Regional and Country Asset & Liability Committees chaired by either the local Chief Executive or the local Head of Markets, operating within guidelines set by GALCO.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other changes that affect market risk sensitive instruments. Standard Chartered's exposure to market risk is a function of its trading activities for its own account and its role as a financial intermediary in consumer and wholesale transactions. The objective of market risk management is to avoid excessive exposure to loss of Standard Chartered's earnings and equity, and to reduce the volatility inherent in financial instruments. Limits have been set to control Standard Chartered's exposure to movements in prices and volatilities arising from trading, lending, deposit taking and investment activities. These exposures are controlled at each business location by product type, using delegated limits.

Interest Rate Risk

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

Exchange Rate Risk

Standard Chartered does not generally hedge the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, the management believes that Standard Chartered's reserves are sufficient to absorb any foreseeable adverse currency depreciation. Standard Chartered also seeks to match closely its foreign currency-denominated assets with corresponding liabilities in the same currencies. The effect of exchange rate movements on the capital asset ratio is mitigated by the fact that both the value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same rate movements.

VAR Methodology and Quantification of Risk

Standard Chartered measures the market risk of losses arising as a result of potential adverse movements in interest and exchange rates, prices and volatilities using a Value at Risk ("VAR") system. Standard Chartered has no significant trading exposure to equity or commodity price risk. The table below shows the total interest rate risk and exchange rate exposure for the year ending and at December 31, 2000. No offsets are allowed between exchange rate and interest rate exposures when VAR limits are set.

	Year ended December 31, 2000			At December 31, 2000
	Average	High	Low	Actual
	(£)	(£) (in millions)	(£)	(£)
Daily value at risk:				
Interest rate risk	1.8	4.4	1.2	2.4
Exchange rate risk	1.3	2.1	0.7	1.6
Total	3.1	5.6	2.0	3.9

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

The total exposure for Standard Chartered is not a sum of the interest rate and exchange rate risks. The high and low are independent and can occur on different days. Standard Chartered uses a combination of variance-covariance methodology and historical simulation to measure the VAR on its trading positions. In 2000, the majority of the trading book was covered by the historical simulation approach with the remainder using variance-covariance approach. VAR is calculated for expected price movements over a minimum of one business day and to a confidence level of 97.5%. This confidence level suggests that potential daily losses, i.e., value at risk, in excess of the VAR measure are only likely to be experienced six times per year.

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

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

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

Standard Chartered recognises that there are limitations to the VAR method. These include the fact that the risk factors may not fall within a normal distribution, i.e., the probability of losses may be skewed or subject to 'fat tails'. Also the historical data may not be the best estimate for future price movements, either because the observation period does not include extreme price movements or, in some cases, because data is not available. Losses beyond the confidence interval are not captured by the VAR calculation, which does not give an indication of the size of unexpected losses in these situations.

To manage the risks arising from events which the VAR methodology does not capture Standard Chartered regularly back-tests and stress tests its main exposures. In back testing the actual profits and losses are compared with VAR estimates to track the accuracy of the predictions. Stress testing involves valuing portfolios at prices which assume extreme changes in risk factors, beyond the range of normal experience. Positions that would give rise to potentially significant losses under a low probability stress event are reviewed by senior management.

Liquidity Risk

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

A substantial proportion of Standard Chartered's assets are funded by customer deposits, made up of current and savings accounts and other short-term deposits. Management believes that these customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency and if other currencies are used the foreign exchange risk is usually hedged.

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

CREDIT RISK

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

All credit proposals are documented prior to approval. Within the Wholesale Banking business, basic credit requirements are fairly standard but the formats are customized according to the client base – the principal ones being multinational corporations, middle market corporations and banks and other financial institutions. This credit analysis includes facility details, credit grade determination, risk review and analysis and financial spreads. There is a clear segregation of duties with applications being prepared by one or more persons at Standard Chartered and approved by a different person or a Credit Committee. Post approval procedures are in place to monitor the level of risks in individual credits and to escalate any concerns should there be deterioration. Portfolio risks are also monitored on a regular basis.

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

COUNTRY RISK

Standard Chartered manages its capital resources and their allocation centrally and coordinates with local branches and legal advisors to ensure that each country maintains required levels of capital and prudent levels of liquidity at all times. In most countries, deposits are placed with central banks or held to satisfy other liquidity requirements, generally based on the size of local currency deposits. In addition, local capital requirements can apply to both subsidiaries and branches.

Cross-border exposure to individual countries is controlled by grading countries according to Standard Chartered's analysis of country risk and setting appropriate limits. Regular reports on country exposures are reviewed by the Group Risk Committee.

OPERATIONAL RISK

Operational risk is the risk that Standard Chartered will incur direct or indirect loss due to an event or action causing the failure of technology processes, infrastructure, personnel and other risks having operational impact. Operational risks are managed within a policy framework set by the Executive Directors through the Group Risk Committee. The policy sets minimum standards and requires both business units and countries to identify and address potential and actual operational risks on a continuing basis. Executive Director, Risk and selected members of the senior management team, receive regular updates on all critical operational risk issues. A summary report is also presented periodically to the Audit and Risk Committee. The implementation of operational risk policy is subject to regular audit and underpins corporate governance. Primary responsibility for the management of operational risk rests with the business heads and Country CEO's.

Standard Chartered's Group Operational Risk is primarily responsible for ensuring policies encompass all operational risk exposures and that best practice is followed across Standard Chartered. Group Operational Risk is also charged to ensure that the businesses and countries assess operational risks inherent with all new major projects and initiatives.

LEGAL RISK

Legal risk includes the possibility that certain transactions may not be enforceable under applicable law or regulation as well as the possibility that changes in law or regulation could adversely affect Standard Chartered's position. Legal risk is higher in new areas of business where the law is often untested in the courts. For example, many legal issues in the area of Internet banking are untested in Hong Kong and other jurisdictions in which Standard Chartered operates.

Standard Chartered manages legal risk by seeking to ensure that transactions are properly authorized and documented and, in general, by submitting new types of transactions, in particular with respect to derivative instruments, to internal and external legal advisors for review.

RISKS ASSOCIATED WITH DERIVATIVE INSTRUMENTS

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

Standard Chartered enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest and exchange rates. Only offices with sufficient product expertise and appropriate control systems are authorized to undertake transactions in derivative products.

The credit risk arising from a derivative contract is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive, together with an estimate for the potential future change in the value of the contract, reflecting the volatilities that affect it. The credit risk on contracts with a negative mark-to-market value is restricted to the potential future change in their market value. The credit risk on derivatives is therefore usually small, relative to their notional principal values.

DESCRIPTION OF BUSINESS

Introduction

Standard Chartered PLC is the ultimate holding company of Standard Chartered Bank, a leading international banking and financial services group focused on the emerging markets of Asia, the Middle East, Africa and Latin America. Standard Chartered PLC has no operations or assets other than its 100% interest in Standard Chartered Bank. (In this Supplementary Offering Circular, "Standard Chartered" refers to the consolidated operations of Standard Chartered PLC.) Standard Chartered, which is headquartered in the United Kingdom, has a network of over 600 branches in 56 countries, and over 30,000 employees. Standard Chartered's largest market is currently the Asia Pacific region, which accounted for approximately 60% of Standard Chartered's total profit before taxation of £949 million for the year ended December 31, 2000. At December 31, 2000, Standard Chartered had total consolidated assets of £68.6 billion, total consolidated customer loans of £34.8 billion, total consolidated customer deposits of £43.6 billion and total shareholders' funds (including non-equity interests) of £4.3 billion. Standard Chartered's total capital adequacy ratio at December 31, 2000 was 14.0% and its Tier 1 capital adequacy ratio was 7.0%.

Standard Chartered operates two business divisions: Consumer Banking and Wholesale Banking. Consumer Banking offers banking, deposit taking, credit card, personal loan, mortgage, auto loans and wealth management services to individuals and small and medium-sized businesses across Standard Chartered's markets. Wholesale Banking provides trade finance, cash management, custody, lending, foreign exchange, interest rate management and Asian debt capital markets services to a wide range of corporate and institutional clients. For the year ended December 31, 2000, Consumer Banking and Wholesale Banking contributed 58% and 42%, respectively, of Standard Chartered's operating profit before the amortization of goodwill, the restructuring charge, Year 2000 costs and the profit on disposal of subsidiary undertakings, and after provisions.

Standard Chartered was created from the merger in 1969 of The Chartered Bank and The Standard Bank Limited. Both banks were established in the mid-nineteenth century and their origins lie in financing trade in the emerging markets of Asia and Africa. Standard Chartered has a long history in these markets.

In recent years Standard Chartered has implemented a growth strategy the objectives of which are to increase its profitability and revenues and to become the world's leading emerging markets bank. Standard Chartered is seeking to achieve this growth organically and through acquisitions. As part of this strategy, Standard Chartered made the two largest acquisitions in its history in 2000. It acquired ANZ Grindlays Banking Group Limited in the Middle East and the Asian subcontinent and the associated Grindlays Private Banking business. It also purchased The Chase Manhattan Card Company Limited and The Chase Manhattan Bank's Hong Kong consumer banking operations. Consistent with its emerging markets strategy, in 2000 Standard Chartered disposed of Chartered Trust, a U.K. consumer finance business.

Strategy

Standard Chartered's growth strategy, which it has been implementing since 1999, focuses on:

- growing its position in its core markets of Hong Kong, Singapore and Malaysia;
- developing new core markets such as India (which it now considers to be a core market), Thailand and Taiwan;
- building on the strength of its businesses outside Asia Pacific, in the Middle East, South Asia and Africa; and
- strengthening Standard Chartered's network business with multinational corporations, banks and other financial institutions.

To support this strategy, Standard Chartered in August 2000 announced a productivity program to improve efficiency and increase operational capacity.

Growing Core Markets

Standard Chartered is focusing on growing its position in its core markets of Hong Kong, Singapore and Malaysia. In recent years, Standard Chartered has increased market share in key products in its core markets. For example, in Hong Kong, currently the single largest market for Standard Chartered's Consumer Banking business, the acquisition of Chase's consumer banking business in Hong Kong has made Standard Chartered the leader in credit cards with a market share of approximately 25% of cards in issue, compared with approximately 15% before the acquisition. In Singapore and Malaysia, Standard Chartered has a strong position as a result of long established franchises, and is a leading provider of banking products and services. Strong organic growth has also been achieved in a number of products. With margins from mortgages and foreign exchange funding under pressure in recent years, Standard Chartered has also been successful in diversifying its revenue base, with strong growth in such products as cards, wealth management and cash management.

Developing New Core Markets

Standard Chartered is focusing on developing new core markets such as India, Thailand and Taiwan. Following the acquisition of Grindlays, Standard Chartered now views India as a fourth core market, along with Hong Kong, Singapore and Malaysia. Standard Chartered has also identified Thailand and Taiwan as potential new core markets for the future. As part of this strategy, Standard Chartered acquired management control of and a 75% equity interest in Nakornthon Bank in Thailand in 1999. This acquisition significantly increased Standard Chartered's presence in Thailand and Standard Chartered believes it provides a solid platform to grow the Consumer Banking business. In Taiwan, Standard Chartered is investing in organic growth, particularly in its Consumer Banking operations, and Standard Chartered expects to continue to look at potential acquisitions there. Standard Chartered also expects to continue to look at potential acquisitions of a single-product Consumer Banking business portfolio in South Korea.

Building on the Strength of Non Asia Pacific Businesses

Standard Chartered is focusing on building on the strength of its businesses outside Asia Pacific. The acquisition of Grindlays substantially expanded Standard Chartered's presence in the Middle East and South Asia. Standard Chartered is now the leading international bank by assets in India, Pakistan, Bangladesh and Sri Lanka, and the number two international bank by assets in the United Arab Emirates. Despite a difficult economic and political environment in 2000, Standard Chartered continues to develop its business in Africa. In 2000, it resumed operations in Nigeria and, in January 2001, commenced operations in the Ivory Coast.

Strengthening Network Business

Standard Chartered is focusing on strengthening its network business with multinational corporations, banks and other financial institutions. Standard Chartered has identified, as a strong opportunity, the major corporate and institutional customer segment where it can cross-sell a number of products across different countries.

The acquisition of UBS AG's global trade finance business outside Switzerland in 1999 has been an important contributor to the network business. It has enhanced Standard Chartered's trade finance and cash management businesses. As a result of this acquisition, Standard Chartered became a leading foreign U.S. Dollar clearer in New York by daily volume. At the start of 2000, Standard Chartered acquired a structured export finance portfolio from Canadian Imperial Bank of Commerce. This has broadened Standard Chartered's trade product capability and increased its competitiveness in the export finance market.

Productivity Program

In August 2000, Standard Chartered announced a major program to reshape its business and significantly improve productivity. The focus of this program is to give Standard Chartered a competitive advantage in terms of product delivery, customer service and cost efficiency by maximizing the benefits of its scale, reducing Standard Chartered's cost-income ratio and providing it with an operational platform to support its future growth.

The productivity program has three elements:

- centralizing Standard Chartered's processing and support functions into two global hubs in Chennai, India and Kuala Lumpur, Malaysia;
- improving the efficiency of Standard Chartered's organizational structure; and
- driving cost synergies from the acquisitions.

In connection with the program, Standard Chartered took a one off restructuring charge of £213 million in 2000. Standard Chartered will invest an additional £290 million in total during the period 2001-2003 but expects to manage this spending as part of "business as usual" costs. Standard Chartered expects that, based on a number of assumptions including with respect to the economic conditions in Standard Chartered's principal markets, the total rate of "business as usual" cost growth, excluding goodwill and future acquisitions, will be managed within the rate of revenue growth.

Factors Supporting Growth

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

— Standard Chartered is an international bank with a long-established presence in the emerging markets of Asia and Africa, where Standard Chartered offers customers and potential customers the products, services, reliability and transparency of a leading international bank through an established and recognized local distribution network;

— emerging markets, unlike developed economies, represent an expanding market for banking services, and consequently, offer significant opportunities for providing a range of basic and sophisticated banking products and services to the growing population that requires these services;

— Consumer Banking and Wholesale Banking offer a broad range of products and services and possess a sophisticated distribution network, which combines traditional branch access with direct selling, telephone banking and online banking; and

— Standard Chartered has the financial resources to consolidate its significant position in its existing core markets and expand into new regions.

OPERATIONS

Standard Chartered conducts its activities in two businesses areas: Consumer Banking, which provides banking services to personal customers and small businesses, and Wholesale Banking, which furnishes trade finance, lending, custody, cash management, treasury and debt capital markets services to corporate and institutional clients.

Businesses

Consumer Banking

Consumer Banking products and services include cards, personal loans, mortgages, auto loans, banking, deposit taking, and wealth management services. Major markets include Hong Kong, Malaysia, Singapore, India, Thailand, Taiwan and the United Arab Emirates. Principal customers of the Consumer Banking business are individuals in the Asia Pacific region, the Middle East, South Asia and Africa. In addition to serving personal customers, Consumer Banking also offers a range of deposit taking, trade, lending and other banking services to small and medium-sized businesses in its key Asian markets.

Standard Chartered has a network of over 600 branches in 56 countries. Standard Chartered believes that its branches are a key part of the distribution network for its Consumer Banking business in Asia. In addition to providing branch access to its Consumer Banking customers, Standard Chartered relies on direct selling to distribute certain products and it has begun to offer online banking in its key markets.

The following table sets forth a breakdown by revenue for principal activities in the Consumer Banking business for the years ended December 31, 2000 and 1999.

	2000		1999	
	Amount (£)	Percentage of Total	Amount (£)	Percentage of Total
	(in millions, except percentages)			
Cards/Personal Loans	504	37	341	30
Wealth Management/Deposits	406	30	306	26
Mortgages	250	18	262	23
Consumer Finance*	139	10	189	16
Other	67	5	54	5
Total	1,366	100	1,152	100

* Consumer Finance revenues relate primarily to Chartered Trust, which was sold in 2000.

Cards and Personal Loans

Standard Chartered charges fees for the use of its cards, and earns interest from its customers and commissions from merchants for transactions processed. Standard Chartered had nearly five million cards in issue at December 31, 2000, compared to approximately three million cards in issue at the end of 1999. The increase in cards in issue resulted in part from the addition of the Chase Hong Kong card portfolio and the acquisition of Grindlays. In 2000 Standard Chartered's card market share, based on number of cards in issue, increased in most of the Asian markets in which it operates. In Hong Kong, Standard Chartered is the leading card issuer with about two million cards in issue and approximately 25% market share based on the total number of cards in issue. Standard Chartered is also the leading card issuer in India, with over one million cards in issue. Business has continued to develop rapidly because, compared to the United States card penetration in the emerging markets remains relatively low. In 2000, outstanding card balances grew by approximately 40% (excluding the impact of acquisitions) and 100% (including the impact of acquisitions).

Personal loans include loans to individuals for such purposes as education and purchasing of consumer goods. The provision of packaged personal loan products is a new area of focus for Standard Chartered. In 2000, it launched a range of innovative loan products in Singapore and Thailand and it expects that offering packaged loans will offer significant opportunities in its other markets, including Hong Kong. Personal loans are typically unsecured, floating rate and repayable by installment. The average original loan maturity for a personal loan varies among markets. For example, in Hong Kong it is over two years and in Singapore it is over three years.

Wealth Management

Standard Chartered's wealth management business offers deposit taking, mutual funds, insurance and foreign exchange services. Deposits are the largest part of Standard Chartered's wealth management business. Standard Chartered's broad branch network enables it to attract deposits from its retail customers. Standard Chartered has positioned itself as an independent distributor of third party mutual funds. This is proving to be a fast growing part of its wealth management business and Standard Chartered's position as an independent distributor of a wide range of mutual funds is also proving to be a significant competitive advantage and provides the opportunity to cross-sell a number of products. Standard Chartered is a leading independent distributor of third party mutual funds in Asia. In insurance, Standard Chartered's relationships with U.K. insurance companies, Prudential and CGNU, enable it to distribute insurance products to its wide customer base. Currently, insurance alliances operate in Hong Kong, Singapore and Malaysia. As part of its strategy to develop a retail foreign exchange business, Standard Chartered has begun to offer on-line treasury services to personal customers. Standard Chartered also benefits from its "Priority Banking" program for upper-income customers by using this existing distribution platform to cross-sell wealth management products to these customers.

Mortgage Services

At December 31, 2000 residential mortgages represented 73%, of Standard Chartered's retail loans and advances to customers or 34% of Standard Chartered's total loans and advances to customers. The majority of mortgages are extended to buyers who intend to occupy the premises. Residential mortgages typically are secured by a first legal charge on the property, floating rate and repayable by installment. In each of Hong Kong, Singapore and Malaysian, the average original loan maturity is approximately 16, 22 and 18 years for residential mortgages and the average size at origination is U.S.$150,000, U.S.$360,000 and U.S.$40,000, respectively.

Standard Chartered has a particularly strong mortgage business in Hong Kong, where it attracted 18% of all new mortgage business in 2000. Hong Kong represented at December 31, 2000 approximately two-thirds of Standard Chartered's total mortgage business by outstanding balance. Most of the remaining mortgage business is in Malaysia and Singapore. Although revenues have declined in these markets, particularly in Hong Kong and Singapore, as a result of intense pricing competition in the home mortgage market, Standard Chartered continues to achieve market share gains. Although Standard Chartered does not have a strategy of leading the pricing levels down, it seeks to ensure that its pricing is competitive with other market participants.

Wholesale Banking

Standard Chartered reorganized its commercial banking activities into a single Wholesale Banking division in 2000. This business combines Treasury operations with Corporate and Institutional Banking. Standard Chartered believes that this structure will provide customers with a more efficient level of service and promote the cross-selling of products and services to customers through its emerging market network in Asia Pacific, Africa, the Asian subcontinent, the Middle East and Latin America. This is complemented by a sales origination platform in the United Kingdom, United States, Australia and Japan.

Standard Chartered Wholesale Banking customers include multinational and large local corporations, banks, other financial institutions and, particularly in Hong Kong, Malaysia and Singapore, middle-market companies.

The following table sets forth a breakdown by revenue for principal activities in the Wholesale Banking business for the years ended December 31, 2000 and 1999.

	2000		1999	
	Amount (£)	Percentage of Total	Amount (£)	Percentage of Total
	(in millions, except percentages)			
Trade and Lending	560	42	516	42
Global Markets	358	27	351	29
Cash Management	197	15	149	12
Custody	61	5	44	4
Others	156	11	166	13
Total	1,332	100	1,226	100

Trade and Lending

Standard Chartered offers a range of trade-related services, including letters of credit, short-term trade loans, factoring and invoice discounting, insurance and document preparation services. It continues to seek to broaden the range of products offered to its trade customers. Standard Chartered's trade finance customers are primarily importers and exporters. Following the acquisitions of UBS AG's trade finance business outside of Switzerland, and a portfolio of assets from CIBC, Standard Chartered has significantly improved its capability in structured trade finance. In 2001, Standard Chartered is also piloting a service to provide trade finance services on-line.

Global Markets

Global markets consists of Standard Chartered's treasury and debt capital market activities. Standard Chartered is a leading foreign exchange dealer and one of the few banks specializing in trading emerging market currencies and has extensive expertise and capabilities in the Asian debt capital markets. Standard Chartered acts both as arranger and participant in floating rate syndicated loans and arranger of loans in the fixed income market. In 2000, Standard Chartered launched an on-line treasury in Hong Kong, following a successful pilot in Singapore in 1999.

Cash Management and Custody

Standard Chartered also provides cash management and custody services to corporate and institutional clients. In cash management, Standard Chartered offers competitive domestic cash management products that assist companies with their payments and receivables processing and liquidity management. It is currently investing in advanced cash management products which will provide greater cross-border capabilities in Asia.

Standard Chartered is one of the leading regional sub-custodians in Asia. During the past few years, Standard Chartered has invested in establishing a sophisticated custody system in the Asian markets in which it provides custodial services. This provides clients with customized solutions using a uniform processing system across Standard Chartered's Asian network. Standard Chartered believes that this investment has positioned it at the forefront of technology in Asian custody.

Productivity Program

The productivity program, which Standard Chartered announced in August 2000, is an integral part of Standard Chartered's growth strategy. Its purpose is to improve productivity and to build an operational platform to support future growth. This program has several elements.

- Standard Chartered will centralize its operational and support functions into two global hubs, in Chennai and Kuala Lumpur. Standard Chartered believes these locations offer a competitive cost structure and a good technological infrastructure.
- Standard Chartered completed a major review of all its businesses and identified a number of opportunities and implemented voluntary redundancy schemes in many markets. As part of this review, Standard Chartered combined Corporate and Institutional Banking and Treasury to create Wholesale Banking, and Standard Chartered has identified technology as an area where it can achieve efficiencies through outsourcing.
- Following the acquisition of Grindlays and Chase Hong Kong's consumer banking operations, there is a substantial overlap in terms of headcount, premises and IT support. Standard Chartered believes it can achieve major savings from integrating these businesses into its existing operations.

The centralization program includes a total of 14 separate projects and there are another 11 initiatives which are driving other operational efficiencies. Standard Chartered believes that these programs will reduce its cost-income ratio and allow it to take advantage of opportunities for revenue growth.

The following table shows the estimated headcount changes and restructuring charges in connection with the productivity program.

	Estimated Headcount Reduction	Estimated Headcount Addition	2000 Restructuring Charge (£m)
Centralizing of processing and support operations	2,000	1,000	68
Operational efficiencies	2,100	—	74
Integration of acquisitions	2,100	—	71
Total	6,200	1,000	213

Standard Chartered estimates that it will achieve the headcount reduction of 6,200, about 20% of the workforce, by the end of 2001. At December 31, 2000, a reduction of 2,000 had already been achieved. New staff of around 1,000 will be added at the global hubs in India and Malaysia.

Standard Chartered believes that significant cost synergies will arise from each of centralizing of processing and support operations, operational efficiencies and integration of acquisitions.

Standard Chartered expects to make significant investments in the period 2001-2003 upgrading systems and platforms to provide a flexible operating platform to support its growth. Standard Chartered expects to manage this investment spending as part of its "business as usual" costs and that, based on a number of assumptions, including with respect to economic conditions in its principal markets, total "business as usual" cost growth, excluding goodwill and the impact of any future acquisitions, will be managed within the growth in revenues.

Geographic Markets

Standard Chartered's network covers Asia Pacific, the Middle East, South Asia, Africa and Americas & the United Kingdom.

The following table sets out a breakdown by revenue for Hong Kong, Other Asia Pacific, Middle East and South Asia, Africa, Americas and the United Kingdom for the years ended December 31, 2000 and 1999.

	2000		1999	
	Amount (£)	Percentage of Total	Amount (£)	Percentage of Total
	(in millions, except percentages)			
Hong Kong	789	29	690	29
Other Asia Pacific	802	30	713	30
Middle East and South Asia	380	14	224	9
Africa	243	9	233	10
Americas and the United Kingdom	484	18	518	22
Total:	2,698	100	2,378	100

Hong Kong

Hong Kong is Standard Chartered's largest market. For the year ended December 31, 2000, Hong Kong-based activities contributed approximately £789 million to net revenue, and at December 31, 2000, a total of £25.7 billion in assets were employed in Hong Kong. Standard Chartered had 94 branches and offices and approximately 5,000 employees based in Hong Kong at December 31, 2000.

Following the acquisition in 2000 of Chase Manhattan Card Company Limited and Chase's Hong Kong-based retail banking business, Standard Chartered is the largest credit card issuer in Hong Kong, with 25% of the market based on the number of cards in issue. Standard Chartered is a leading independent retail distributor of third party mutual funds in Hong Kong.

Residential mortgages are an important part of Standard Chartered's business in Hong Kong. Standard Chartered's mortgage portfolio in Hong Kong in 2000 grew as it wrote 18% of all new mortgage business in 2000 bringing its total market share to approximately 14%.

In addition to Consumer Banking, Standard Chartered is also a leading provider of banking services to financial institutions, multinational corporations and local companies in Hong Kong.

Standard Chartered has also recently implemented a number of Internet banking initiatives in Hong Kong, including being the first bank in Hong Kong to launch e-Mortgage, piloting on-line trade finance and launching "Me Standard Chartered On-line" Internet banking.

Other Asia Pacific

For the year ended December 31, 2000, other Asia Pacific business contributed £802 million in net revenue, and at December 31, 2000, a total of £22.8 billion in assets were employed there. Standard Chartered has 192 branches and offices and over 9,000 employees based in 15 countries in the Asia Pacific region (excluding Hong Kong) at December 31, 2000.

Standard Chartered has strong positions in cards, mortgages, personal loans and wealth management in its key markets in other Asia Pacific. Its most important markets are Singapore and Malaysia, where it has strong positions as a result of long established franchises. Standard Chartered is one of only four foreign banks to hold the Qualifying Full Bank status in Singapore, which it received in 1999. Standard Chartered is the oldest bank in Malaysia, where it has 44 branches and offices.

In 2000, Standard Chartered undertook a major rebranding and restructuring of Standard Chartered Nakornthorn Bank ("SCNB"). 2000 was the first full year in which SCNB was reported as part of Standard Chartered. Taiwan is another market which Standard Chartered believes offers significant growth opportunities and significant investment in cards and wealth management is taking place.

Standard Chartered is also a leading provider of wholesale banking services in its key markets of Singapore and Malaysia, with an emphasis on financial institutions and multinational and large local corporations in most other markets.

Standard Chartered has also recently implemented a number of Internet banking initiatives in Asia Pacific.

Middle East and South Asia

For the year ended December 31, 2000, Middle East and South Asia contributed £380 million to net revenue, and at December 31, 2000, a total of £9.2 billion in assets were employed in these regions. Standard Chartered had 150 branches and offices and over 8,000 employees based in the Middle East and South Asia at December 31, 2000. The Middle East and South Asia, and especially India, are now significant contributors to profits and Standard Chartered believe that its operation in these countries demonstrate the success of Standard Chartered's strategy to build a broader earnings stream across the emerging markets.

Following the acquisition of Grindlays, Standard Chartered became the largest international bank in India, Pakistan, Bangladesh and Sri Lanka and the number two international bank in the United Arab Emirates. In Consumer Banking, Standard Chartered has a significant presence in India, with over 1 million cards in issue, and continues to expand its card business in the region. Standard Chartered also has a strong position in Wholesale Banking, offering services to multinational and large and middle-market local companies and financial institutions.

Africa

For the year ended December 31, 2000, operations in Africa contributed £243 million to net revenue, and at December 31, 2000, a total of £1.9 billion in assets were employed there. Standard Chartered had 149 branches and offices and over 5,000 employees based in Africa at December 31, 2000.

Standard Chartered offers Consumer Banking and Wholesale Banking services in Africa. It continues to expand its presence in Africa, by, for example, starting operations in the Ivory Coast and re-entering Nigeria.

Americas & United Kingdom

For the year ended December 31, 2000, businesses in the Americas and the United Kingdom contributed approximately £484 million to net revenue, and at December 31, 2000, a total of £25.3 billion in assets were employed there. These figures include revenue and assets held in the head office in the United Kingdom. Standard Chartered had 32 branches and offices and 3,772 employees based in the Americas and the United Kingdom at December 31, 2000.

Standard Chartered's principal activities in the Americas and the United Kingdom are Wholesale Banking. Its operations there offer important support for Standard Chartered's core emerging markets businesses. In Wholesale Banking, Standard Chartered provides services to many companies on the Fortune 100 list of major corporations. As part of implementing its strategic focus on emerging markets, Standard Chartered in 2000 sold Chartered Trust, its U.K. consumer finance and contract hire business.

Standard Chartered's Latin American operations provide Wholesale Banking services to a range of multinational corporations, banks, other financial institutions and large domestic corporations. Latin America is an important market for Standard Chartered's trade finance and cash management business. At December 31, 2000, Standard Chartered had 14 offices in Latin America.

COMPETITION

In almost all activities in which Standard Chartered is engaged and in all geographic areas in which it operates, Standard Chartered experiences competition from other major financial institutions, including commercial banks, consumer finance companies, and brokerage firms and investment companies providing commercial banking products and services. International banks are major competitors in Standard Chartered's core markets. Local banks are also major competitors in a number of Standard Chartered's markets. In certain markets, local regulation favoring local banks makes it more difficult for international banks to expand their business. Standard Chartered believes that being an international bank operating in the emerging markets, however, in certain circumstances offers a competitive advantage over smaller domestic banks operating in these markets, as evidenced by the flight to larger international banking institutions by Asian customers during the financial crisis in that region.

Unlike in many of the developed countries, the market for banking services is expanding in the emerging markets. Consequently, competition is not limited to competing with other banking services providers for their existing business.

Global Factors

Consolidation in the financial services industry

The trend towards consolidation in the financial services industry is creating an increasing number of global enterprises capable of competing in many markets. Standard Chartered believes, however, that strict regulatory barriers to entry in many of the emerging markets, such as restrictions on opening of local branches and types of activities that may be conducted by these branches, limit the ability of international banks and other competitors to penetrate these markets. These restrictions, however, may also limit the ability of Standard Chartered to expand its existing operations in certain markets, such as Malaysia.

Technological innovations

Technological innovations, including new and expanding information and communication technologies, increase the pressure on traditional banks to maintain and enhance service quality and also to make the investments required to offer a new range of services. While Internet and personal computer penetration in many of Standard Chartered's markets is lower than in the United States and Western Europe, Standard Chartered is actively reconfiguring its business to allow customers to access its full range of services online, while preserving traditional telephone banking and branch system access.

Regional Factors

Hong Kong

The banking industry is very well developed in Hong Kong and Standard Chartered faces competition from a number of Hong Kong incorporated banks and branches of international banks, particularly in the home mortgage lending sector, as well as from other financial services groups. At December 31, 2000, there were 154 fully licensed banks in Hong Kong. Competition, particularly for high-revenue customers, is intense in all market sectors. The last phase of interest rate deregulation, scheduled for July 2001, is expected to have some impact on the banking environment, although the majority of deposits are already unregulated.

Other Asia Pacific

In Other Asia Pacific markets, Standard Chartered competes with local banks and international institutions. Although a foreign-incorporated bank, Standard Chartered believes that its long-standing presence in many of these markets gives it an advantage over some other foreign institutions. In much of this region, Standard Chartered's focus is on higher income groups which, Standard Chartered believes, are more likely to use the services of international financial institutions.

Middle East & South Asia

In the Middle East and South Asia, Standard Chartered competes with a range of local and international institutions. Standard Chartered believes it benefits from its long-standing local presence and, with the acquisition of Grindlays, has become the largest international bank in India, Pakistan, Bangladesh and Sri Lanka, and the second largest in the United Arab Emirates.

North America and United Kingdom

Standard Chartered's operations in the United States and the United Kingdom focus on providing banking and financial services to North American and European corporate and institutional customers doing business in the emerging markets. Standard Chartered, however, does not compete in the domestic banking and financial services markets in the United States or the United Kingdom.

REGULATORY ENVIRONMENT

Standard Chartered's operations throughout the world are regulated and supervised by the relevant central banks and regulatory authorities in each of the jurisdictions in which Standard Chartered has offices, branches and subsidiaries. These authorities impose certain reserve and reporting requirements and controls (e.g., capital adequacy, depositor protection and prudential supervision) on banks. In addition, a number of countries in which Standard Chartered operates impose additional limitations on (or that affect) foreign or foreign-owned or controlled banks and financial institutions, including:

— restrictions on the opening of local offices, branches or subsidiaries and the types of activities that may be conducted by those local offices, branches or subsidiaries;

— restrictions on the acquisition of local banks or requiring a specified percentage of local ownership; and

— restrictions on investment and other financial flows entering or leaving the country.

Changes in the supervisory and regulatory regimes of the countries where Standard Chartered operates, particularly in Asia, the Middle East and Africa, will determine to some degree the services and products that Standard Chartered will be able to offer in those markets and how Standard Chartered structures specific operations there.

The U.K. Financial Services Authority ("FSA") is the principal supervisor for Standard Chartered on a consolidated basis. The FSA has been responsible for authorizing and supervising U.K. banking institutions since June 1, 1998, when the Bank of England Act 1998 transferred responsibility for banking supervision from the Bank of England to the FSA.

United Kingdom Regulation and Supervision

U.K. banking institutions are subject to multiple sets of regulations. The primary U.K. statutes are the U.K. Banking Act 1987 ("U.K. Banking Act") and the Financial Services Act 1986 (the "FS Act"). Government and industry organisations supplement the statutory structure. In addition, the European Union ("E.U.") periodically issues directives or regulations relating to banking and securities regulation and to sales of personal financial services. E.U. provisions are required to be implemented into U.K. law or, in certain cases, directly take effect as part of U.K. law.

In the area of bank capital regulation, the E.U. follows, as a minimum, the standards set by the Basel Capital Accord. In response to the proposals for a revised Basel Capital Accord published in January 2001, the E.U. published in February 2001 its own proposals for updating the E.U. capital adequacy regime. These proposed regulations are expected to affect bank capital regulation in due course, but Standard Chartered is not currently in a position to predict what the effects on it would be.

The U.K. Banking Act establishes minimum prudential criteria for authorization for banks. These are expounded in detail in the FSA's "Guide to Banking Supervisory Policy". The FSA may obtain independent reports, usually from the auditors of the authorized institution, as to the adequacy of systems governing internal control as well as systems governing records and accounting. The FSA may also object, on prudential grounds, to persons who hold, or intend to hold, 10% or more of the voting power of an institution.

The regulatory process of the U.K. banking system has traditionally been based on cooperation between the FSA and authorized institutions. The FSA monitors authorized institutions through interviews and the review of periodically required reports relating to financial and prudential matters. The FSA meets regularly with Standard Chartered's senior executives to confirm that Standard Chartered adheres to the FSA's prudential guidelines. The FSA and senior executives regularly discuss fundamental matters relating to Standard Chartered's business, such as strategic and operating plans, risk control, loan portfolio composition and organizational changes.

As the supervisor of Standard Chartered on a consolidated basis, the FSA receives information on the capital adequacy of, and sets requirements for, Standard Chartered as a whole.

Entities conducting investment business in the United Kingdom must join one or more self-regulating organizations ("SROs") to which the FSA provides staff under contract, or be directly authorized by the FSA under the FS Act. The most important SROs for Standard Chartered are the Securities and Futures Authority, which regulates Standard Chartered's activities in the United Kingdom in securities and contractually-based investments, and the Investment Management Regulatory Organization, which regulates Standard Chartered's investment management and custody activities in the United Kingdom.

The FSA acts as the "lead regulator" in monitoring compliance with the capital requirements for banks' securities and investment businesses.

As part of a wholesale reform of the regulation of financial services in the U.K., the Financial Services and Markets Act 2000 ("FSMA") will replace both the U.K. Banking Act and the FS Act, along with other statutes, at a date expected to occur in the final quarter of 2001. Under FSMA, FSA will, in addition to bank supervision, take on the role of the direct supervisor of all financial services institutions, including members of the SROs. The SROs will cease to have any regulatory responsibilities. For Standard Chartered, the scope and nature of regulation is likely to remain broadly the same as at present.

The Deposit Protection Board administers the Deposit Protection Fund that applies to deposits with authorized institutions in the United Kingdom. Institutions authorized to accept deposits are required to contribute a percentage of their deposit base to fund the scheme. In the event of the insolvency of an authorized institution, depositors are entitled to receive 90% of their protected deposits, subject to a maximum payment to any one depositor of £18,000 (or €20,000 if greater).

Hong Kong Regulation and Supervision

Banking in Hong Kong is primarily subject to the provisions of the Banking Ordinance of Hong Kong (Chapter 155) (the "Banking Ordinance"), and to the powers, functions and duties given by the Banking Ordinance to the Monetary Authority. The principal function of the Monetary Authority is to promote the general stability and effective working of the banking system in Hong Kong. The Monetary Authority is responsible for supervising compliance with the provisions of the Banking Ordinance and also supervises compliance with the Monetary Authority's guidelines, and legislation promulgated by the Securities and Futures Commission. The Chief Executive of Hong Kong (the "Chief Executive") has the power to give directions to the Monetary Authority, which the Banking Ordinance requires the Monetary Authority and the Financial Secretary of Hong Kong (the "Financial Secretary") to follow. The Banking Advisory Committee, whose members are appointed by the Financial Secretary under the delegated authority conferred by the Chief Executive and chaired by the Financial Secretary, advises the Chief Executive on matters connected with the Banking Ordinance. In particular it advises in relation to banks and the carrying on of banking business in Hong Kong.

The Monetary Authority has responsibility for authorizing banks, and has discretion to attach conditions to its authorization. The Monetary Authority requires that banks or their holding companies file regular returns and holds discussions with the management of the banks to review their operations. The Monetary Authority may conduct "on-site" examinations of banks. As an alternative to "on-site" examinations the Monetary Authority may require banks to supply information relating to their operations and control for its review. The Monetary Authority requires all authorized institutions to have adequate systems of internal control and can require an authorized institution to submit a report on these systems. In addition, the Monetary Authority can require an authorized institution to submit a report prepared by the institution's auditors. Furthermore, the Monetary Authority may from time to time conduct discussions with banks and their external (or, increasingly, internal) auditors. After consultation with the Financial Secretary, the Monetary Authority may, in certain circumstances set out the Banking Ordinance, temporarily suspend authorization of an institution for up to fourteen days when it considers that it is necessary that urgent action be taken, or further, for up to six months, which may be renewed for an additional six months if it is considered necessary. The Monetary Authority may also revoke authorization in the event of an institution's non-compliance with the provisions of the Banking Ordinance or on any other ground specified in the Banking Ordinance.

The Banking Ordinance requires that banks submit to the Monetary Authority certain returns and other information and establishes certain minimum standards and ratios relating to capital adequacy, liquidity, capitalization, limitations on shareholdings, exposure to any one customer, unsecured advances to persons affiliated with the bank and holdings of interests in land, with which banks must comply.

To facilitiate more effective cooperation with other financial supervisory authorities, the Banking Ordinance enables the Monetary Authority to cooperate and assist with other recognized financial supervisory authorities in Hong Kong and abroad. The Banking Ordinance's secrecy provisions permit the exchange of information with such other authorities, and also permit the Monetary Authority to disclose information to the Chief Executive, the Financial Secretary, the Secretary for Financial Services, and other financial officials, where the Monetary Authority thinks such disclosure would benefit depositors, potential depositors or the public interest or where the disclosure would aid the other officials in the performance of their duties and is not contrary to the interests of the depositors, potential depositors or the public.

On July 1, 1997, Hong Kong ceased to be a Crown Colony of the United Kingdom and became a Special Administrative Region of the People's Republic of China. A change in regulatory oversight as a consequence of the exercise by the People's Republic of China of sovereignty over Hong Kong could affect Standard Chartered's business.

Singapore Regulation and Supervision

Banking in Singapore is subject to the provisions of the Singapore Banking Act (Chapter 19) (the "Banking Act"), supplemented by directives, notices, circulars and guidelines issued by the Monetary Authority of Singapore ("MAS"), which itself derives its powers, functions and duties from the Monetary Authority of Singapore Act (Chapter 186) (the "MAS Act"). The Ministry of Finance regulates the financial and monetary environment of Singapore through the MAS, which under the MAS Act has the power to regulate the activities of any financial institution or classes of financial institutions whose activities are considered by the MAS to affect the monetary, credit, exchange or financial condition of Singapore or the development of Singapore as a financial center.

The MAS may inspect the books, accounts and transactions of any bank in Singapore. It may investigate the affairs of any bank suspected of carrying on business in a manner likely to be detrimental to the interests of depositors and other creditors or having insufficient assets to meet its liabilities or is contravening the provisions of the Banking Act. Its supervision of banks and other financial institutions in Singapore is carried out through a system of on-site inspections and analytical reviews of statistical and other information submitted by these institutions. The key areas of the MAS's concern are the quality of management, earnings and assets and adequacy of capital and liquidity.

The MAS also relies on internal and external auditors to identify weaknesses and areas of non-compliance. Banks are required to submit a copy of their auditors' reports to the MAS after each audit. An external auditor is required under the Banking Act to immediately report to the MAS if he comes across any serious violations of the Banking Act, criminal offences, losses that reduce the capital funds of the institution by 50% or more, serious irregularities and inadequacy of assets to cover the claims of creditors.

As with the case in Hong Kong, the Banking Act requires banks to submit to the MAS returns and other information and establishes certain minimum standards and ratios relating to capital adequacy, liquidity, capitalization, limitations on shareholdings, exposure to any one customer, unsecured advances to persons affiliated with the bank and holdings of interests in land, with which banks must comply.

Furthermore, all foreign banks' head offices are required by the MAS to give an undertaking to provide financial support to their operations in Singapore in times of need.

The MAS also has powers to institute corrective action in certain instances, for instance, where a bank is suspected of carrying on business in a manner likely to be detrimental to the interests of depositors and other creditors or where the MAS deems necessary in the interests of the public. It may appoint a person to advise a bank on the proper conduct of its business or assume control of and carry on the business of the bank and may thereafter petition to the courts for the bank to be wound up. The Banking Act also contains conditions and procedures for the MAS to revoke a bank's license.

LEGAL PROCEEDINGS

Standard Chartered is subject to certain claims and is a party to a number of legal proceedings relating to the normal course of its business. Standard Chartered believes that the outcome of such proceedings, either individually or in the aggregate, is not likely to have a significant effect on its financial position or profitability.

Significant Properties

As of December 31, 2000, Standard Chartered's global network consisted of 1,099 offices and branches, of which 198 were directly owned by Standard Chartered and 901 were leased by Standard Chartered.

The following table sets forth the principal properties of Standard Chartered at December 31, 2000.

Property	Location	Type of Holding	Approximate Size (sq. ft.)	Purpose
Aldermanbury Square	London	Leased	65,628	Office
Billiter Street	London	Leased	31,038	Office
Clements Lane	London	Leased	46,852	Office
Jermyn Street	London	Leased	22,390	Office
Castle Street	Jersey	Leased	42,955	Office
SC Tower	Hong Kong	Owned	302,041	Office
SC Tower	Hong Kong	Leased	260,442	Office
Des Voeux Road (various floors)	Hong Kong	Leased	87,543	Office
Battery Road	Singapore	Leased	129,306	Office
World Trade Centre (2 floors)	New York	Leased	97,753	Office
Park Avenue	New York	Leased	4,900	Office
Sathorn Thani Building	Thailand	Owned	278,680	Office
Jalan Ampang	Kuala Lumpur	Owned	171,567	Office

Standard Chartered believes that no single property is material to its operations or financial position.

Employees

As of December 31, 2000, Standard Chartered PLC had approximately 30,525 employees (including those from Grindlays, The Chase Manhattan Card Company Limited and the Chase Hong Kong Consumer Banking operation acquired in 2000). The following table sets forth the approximate number of employees in each of Standard Chartered's geographic markets at December 31, 2000.

	Approximate No. of Employees
Hong Kong	5,092
Other Asia Pacific	9,303
Middle East and South Asia	8,247
Africa	5,275
Americas and the United Kingdom	2,608
Total	30,525

The average number of employees was 28,568, 27,383 and 26,130 for each of the years ended December 31, 2000, 1999 and 1998, respectively.

About 20% of Standard Chartered's workforce is unionized. Management considers relations with employees to be good. Standard Chartered maintains training programs for its employees, both internal and external, which cover such areas as banking operations, product knowledge, marketing, management skills and customer service.

Standard Chartered's salary and benefits packages are defined by its Reward Policy which is based on four principles: pay for performance, best practice, consistency and competitiveness. The pay arrangements structure is comprised of four elements: base salary, annual bonus, long-term incentives and competitive benefits package (such as, medical and pension). All these elements are monitored and benchmarked to other companies through salary surveys.

Standard Chartered provides various benefits to its employees, including subsidised mortgages, low-interest housing loans, medical insurance and pension fund schemes. Standard Chartered operates a number of share schemes under which it awards conditional rights to shares to staff or gives them the options to purchase shares.

MANAGEMENT

BOARD OF DIRECTORS

The business affairs of Standard Chartered PLC are administered by its Board of Directors (the "Board"). The business affairs of Standard Chartered Bank are administered by its Court of Directors.

The Board elects a Chairman from among its members. The roles of Chairman and Group Chief Executive are separate. The Board is made up of eight executive directors and 11 non-executive directors. All directors are subject to periodic reappointment in accordance with Standard Chartered PLC's articles of association. All non-executive directors are initially appointed for a specific term.

The full Board meets regularly, at least eight times a year. Two meetings a year are usually held in countries where Standard Chartered operates outside the United Kingdom.

The Directors of Standard Chartered PLC are as follows:

Name	Age	Position
Sir Patrick John Gillam	68	Chairman of the Board
The Rt Hon Lord Stewartby RD	65	Senior non-executive director, Deputy Chairman
Gurvirendra Singh Talwar	53	Group Chief Executive
Christopher Norman Anthony Castleman	59	Executive director
Ronnie ChiChung Chan	51	Non-executive director
Sir CK Chow	50	Non-executive director
Barry Clare	47	Non-executive director
Evan Mervyn Davies	48	Executive director
Michael Bernard DeNoma	45	Executive director
Ho KwonPing	48	Non-executive director
Christopher Avedis Keljik	52	Executive director
Peter Nigel Kenny	52	Executive director
Keith Ashley Victor Mackrell	68	Non-executive director
Rudolph Harold Peter Markham	55	Non-executive director
David George Moir CBE	61	Non-executive director
Kaikhushru Shiavax Nargolwala	51	Executive director
Hugh Edward Norton	64	Non-executive director
Sir Ralph Harry Robins	68	Non-executive director
Anthony William Paul Stenham	69	Non-executive director

Sir Patrick John Gillam. Appointed to the Board on August 1, 1988 and became Chairman on May 6, 1993. He is Chairman of Royal & Sun Alliance Insurance Group plc.

The Rt Hon Lord Stewartby RD. Appointed to the Board on January 1, 1990. He is Chairman of The Throgmorton Trust PLC, Deputy Chairman of Amlin plc and a non-executive director of other companies. He was formerly a member of the Financial Services Authority.

Gurvirendra Singh Talwar. Appointed to the Board on April 22, 1997 and became Group Chief Executive on October 1, 1998. He is a non-executive director of Pearson Plc. He is also a governor of The London Business School and Indian School of Business.

Christopher Norman Anthony Castleman. Appointed to the Board on December 1, 1991. He is responsible for major client relationships, Africa, the Middle East and South Asia and for certain key strategic projects.

Ronnie ChiChung Chan. Appointed to the Board on May 5, 1994. He is Chairman of the Hang Lung Group and a founding director of the Morningside/Springfield Group. He is based in Hong Kong.

Sir CK Chow. Appointed to the Board on February 24, 1997. He is Chief Executive of GKN plc. He is also a governor of The London Business School.

Barry Clare. Appointed to the Board on July 31, 2000. He is an executive director of the Boots Company PLC.

Evan Mervyn Davies. Appointed to the Board on December 16, 1997. He is responsible for corporate governance in Hong Kong, China, Japan, South Korea and Taiwan and information technology. He is based in Hong Kong.

Michael Bernard DeNoma. Appointed to the Board on May 12, 2000. He is responsible for consumer banking worldwide and for corporate governance in Thailand, Indonesia, the Philippines and Brunei. He is based in Singapore.

Ho KwonPing. Appointed to the Board on October 22, 1996. He is President of the Wah-Chang Group. He is based in Singapore.

Christopher Avedis Keljik. Appointed to the Board on May 7, 1999. He is responsible for risk management, audit, special asset management and external affairs.

Peter Nigel Kenny. Appointed to the Board on October 7, 1999. He is responsible for finance, including corporate treasury and taxation, and for corporate governance in the United Kingdom.

Keith Ashley Victor Mackrell. Appointed to the Board on October 1, 1991. He is Chairman of Enterprise LSE. Deputy Chairman of BG Group plc and a non-executive director of a number of other companies including Regalian Properties PLC.

Rudolph Harold Peter Markham. Appointed to the Board on February 19, 2001. He is finance director of Unilever.

David George Moir CBE. Appointed to the Board on January 1, 1993 as an executive director. He retired as an executive director on March 18, 2000, but remains as a non-executive director. He is a non-executive director of Finesse Alliance International PVT Ltd.

Kaikhushru Shiavax Nargolwala. Appointed to the Board on May 7, 1999. He is responsible for the wholesale bank business worldwide and for corporate governance in Latin America, USA, Singapore, Malaysia, Australia and Indo China. He is based in Singapore.

Hugh Edward Norton. Appointed to the Board on August 7, 1995. He is a non-executive director of Inchcape plc.

Sir Ralph Harry Robins. Appointed to the Board on October 1, 1988. He is executive Chairman of Rolls-Royce plc and non-executive Chairman of Cable and Wireless plc. He is a non-executive director of Schroders plc and Marks & Spencer plc.

Anthony William Paul Stenham. Appointed to the Board on October 1, 1991. He is Chairman of Tele West Communications plc, Whatsonwhen plc and IFonline Group plc, and a non-executive director of other companies.

The Board considers that all of the non-executive directors, with the exception of David Moir, are independent.

The Court of Directors of Standard Chartered Bank consists of the executive directors of Standard Chartered PLC: Sir Patrick Gillam and Messrs. Talwar, Castleman, Davies, DeNorma, Keljik, Kenny and Nargolwala.

COMMITTEES

The Board has appointed two committees of non-executive directors with specific delegated authorities.

Remuneration Committee

The Remuneration Committee consists of Cob Stenham (Chairman), Keith Mackrell, Hugh Norton, Sir Ralph Robins and Lord Stewartby. The Remuneration Committee considers and recommends to the Board the pay and benefits of the executive directors, including the Chairman. The remuneration of all directors is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate.

The Remuneration Committee also acts as the Board's Nomination Committee to consider the appointment of new directors, before seeking the final approval of the whole Board. The Remuneration Committee meets at least three times a year.

Audit and Risk Committee

The Audit and Risk Committee consists of Lord Stewartby (Chairman), Sir CK Chow, Keith Mackrell, Hugh Norton and Sir Ralph Robins. The Audit and Risk Committee receives reports on the findings of internal and external audits and on action taken in response to these audits. It meets with Standard Chartered's auditors when appropriate and reviews the scope, findings and cost effectiveness of the audit and the independence and objectivity of the external auditors. It also considers changes to Standard Chartered's accounting policies and examines the annual and interim financial statements before the Board approves them. Ultimate responsibility for the approval of the annual and interim financial statements rests with the Board. In addition, the Audit and Risk Committee regularly reviews and reports to the Board on the effectiveness of Standard Chartered's system of internal control and risk management processes.

DIRECTORS' REMUNERATION

The following description of Standard Chartered's directors' remuneration is derived from a report proposed by the Remuneration Committee and approved by the Board on February 19, 2001.

Remuneration Policy

Standard Chartered's remuneration policy is to:

— make sure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, Standard Chartered as a whole and the interests of shareholders; and

— maintain competitive awards that reflect the international nature of Standard Chartered and enable it to attract and retain executives of the highest quality (during 2000, over 90% of Standard Chartered's trading profits came from operations outside the United Kingdom).

The Remuneration Committee monitors and compares Standard Chartered's performance against the financial performance of comparator groups of companies and determines the competitiveness of directors' and senior executives' remuneration against the reported pay for those groups. The comparator groups are made up of financial institutions headquartered in Europe, the United States and Asia, the majority of which have significant operations in Standard Chartered's principal markets.

In determining awards, the Remuneration Committee takes into account the cost to Standard Chartered of the executive directors' and senior executives' remuneration and employment conditions elsewhere in Standard Chartered.

Remuneration Structure

The remuneration arrangements for Standard Chartered's executive directors consist of base salaries and benefits, a variable annual bonus award, long-term share incentives and post-retirement benefits.

Base Salaries and Benefits

These are reviewed annually by the Remuneration Committee in relation to latest available market data for the comparator groups referred to above.

A Variable Annual Bonus Award

This is a cash sum payable immediately on award. The maximum annual bonus award is 150% of base salary at the time of the award. The criteria applied by the Remuneration Committee to determine 2000 awards included earnings per share, total income, absolute costs, bad debts, pre-tax profits and cost to income ratio. The size of the 2000 bonus awards to executive directors and senior executives has also been linked to individual performance to reflect Standard Chartered's culture of pay for performance, with the largest awards being made to the best performers.

Long-term Share Incentives

Following its approval at the Annual General Meeting ("ACM") in 2000, Standard Chartered introduced the 2000 executive share option scheme (the "2000 Scheme") to replace its existing executive share option schemes. Options granted under all of these schemes can normally only be exercised if certain performance conditions are met, as recommended in guidelines published by the Association of British Insurers.

Options granted under the 2000 Scheme may be granted up to three times base salary each year with no overall maximum. Directors must hold a personal shareholding equivalent to one times base salary before they can exercise their options. Executive share options under both of the prior schemes were normally granted up to four times base salary at a maximum for each grant equal to 1.5 times base salary.

The executive directors can also participate in Standard Chartered's all-employee savings related share option schemes, which have been extended to all of Standard Chartered's permanent employees worldwide.

Post-retirement Benefits

All of the executive directors are eligible for post retirement benefits through an executive directors' retirement compensation scheme which seeks to harmonise the value to participants of pensions provided through a variety of different arrangements reflecting individual service with Standard Chartered, arrangements with previous employers and with external pension providers. Generally, Standard Chartered aims to provide a pension of two thirds salary based on at least 20 years of service with Standard Chartered at a retirement age of 60.

Service Contracts

The contract period of the most recently appointed directors is one year. It is anticipated that, in the absence of exceptional circumstances, new directors will also be given a contract period of one year. Three of the current executive directors have contract periods of two years. The Remuneration Committee will continue to monitor the appropriateness of this policy in the light of market practice to allow Standard Chartered to attract and retain executive directors of the highest quality with commensurate experience. Throughout 2000, Standard Chartered has complied with the provisions on remuneration that are set out in the Principles of Good Governance and Code of Best Practice which forms part of the listing rules of the U.K. Listing Authority.

Remuneration of Executive Directors

The remuneration of the Chairman and executive directors for each of the two years ended December 31, 2000 and 1999 is shown below.

	For the year ended December 31, 2000				For the year ended December 31, 1999			
Director	Salary	Bonus	Benefits	Total	Salary	Bonus	Benefits	Total
	(£)	(£)	(£)	(£) (in thousands)	(£)	(£)	(£)	(£)
Sir Patrick Gillam	452	564	39	1,055	420	460	21	901
G. S. Talwar[1]	606	780	32	1,418	548	540	27	1,115
C. N. A. Castleman	350	435	18	803	325	335	19	679
E. M. Davies[1]	372	425	23	820	325	335	13	673
M. B. DeNoma[1] [2]	157	365	18	540	—	—	—	—
F. C. Enlow[1] [3]	254	280	28	562	332	350	13	695
M. J. Green[4]	112	—	7	119	310	250	21	581
C. A. Keljik	317	415	15	747	177	265	32	474
P. N. Kenny	305	435	14	754	64	240	3	307
D. G. Moir[1] [3]	100	—	8	108	370	375	13	758
K. S. Nargolwala[1]	330	455	36	821	196	300	13	509
P. A. Wood[3]	102	—	6	108	370	390	15	775
Total	3,457	4,154	244	7,855	3,437	3,840	190	7,467
Expatriate Benefits[1]				1,452				1,539
Total				9,307				9,006

(1) Expatriate directors carrying out their duties overseas have their remuneration adjusted to take local living costs into account. This adjustment is to put them in a position, after taxation differentials, where they are no worse off as a result of carrying out their duties overseas. Additional benefits, such as allowances for working overseas or the provision of accommodation are also granted to directors working overseas. For Messrs Talwar, Davies, DeNoma, Enlow, Moir and Nargolwala, these allowances and benefits amounted to £316,791 (and £345,752 in 1999), £390,186 (and £514,000 in 1999), £109,658 (and £nil in 1999), £356,861 (and £236,424 in 1999), £134,751 (and £318,535 in 1999) and £144,041 (and £51,803 in 1999) respectively.

(2) Mr. DeNoma was appointed as an executive director on May 12, 2000.

(3) Mr. Moir retired as an executive director on March 18, 2000, when he became a non-executive director. Mr. Wood retired on February 24, 2000 and Mr. Enlow retired on August 31, 2000.

(4) Mr. Green ceased to be a director on May 11, 2000. In recognition of the duration of his service contract Mr. Green was paid additional amounts of £323,000, £16,000 and £122,000 covering his salary, benefits and pension contributions for the period up to April 7, 2001.

Pensions of Executive Directors

The executive directors' retirement compensation scheme comprises defined contribution plans and a defined benefit plan. Defined contribution plans are a combination of an approved scheme, unapproved schemes and salary supplements. The defined benefit plan is provided through the Standard Chartered Pension Fund, which is an approved scheme under which normal retirement age is 60. A spouse's pension of 60% of the member's pension (including any amount exchanged for a cash lump sum at retirement) is payable on death after retirement. On the death of a director, pension benefits are also available to children. Members of the Standard Chartered Pension Fund are entitled to retire early but on a reduced pension equivalent in value to the deferred pension. Guaranteed pension increases are given, equivalent to 4% per annum (or the increase in the U.K. Retail Prices Index ("RPI") if lower) in respect of pension for service up to April 5, 1997 and 5% per annum (or the increase in the RPI if lower) for service from April 6, 1997.

Under the defined benefit plan the increases in accrued pension at and for the two years ended December 31, 2000 and 1999 are shown in the table below. This is the difference between the accrued pension at the end of 1999 (or the date of appointment as a director, if later) increased by an allowance for inflation of 3.2% in 2000 (1.3% in 1999) and the accrued pension at the end of 2000.

	At and for the year ended December 31, 2000			At and for the year ended December 31, 1999		
Director[1]	Defined contribution plans: contribution during 2000	Defined benefit plan: increase in accrued pension during 2000	Defined benefit plan: total accrued pension at December 31, 2000	Defined contribution plans: contribution during 1999	Defined benefit plan: increase in accrued pension during 1999	Defined benefit plan: total accrued pension at December 31, 1999
	(£)	(£)	(£) (in thousands)	(£)	(£)	(£)
Sir Patrick Gillam	—	—	—	—	—	—
G. S. Talwar	276	—	—	257	—	—
C. N. A. Castleman	141	2	3	126	2	2
E. M. Davies	81	2	11	76	2	9
M B. DeNoma	44	—	—	—	—	—
F. C. Enlow	60	—	—	86	—	—
M. J. Green	48	—	10	132	1	9
C. A. Keljik	—	50	193	—	40	138
P. N. Kenny	93	2	25	20	1	22
D. G. Moir[2]	—	—	278	—	—	272
K. S. Nargolwala	101	—	—	63	—	—
P. A. Wood[3]	40	15	26	157	2	10
Total	884	71	546	917	48	462

(1) The ages of the directors are shown under "Board of Directors".

(2) Mr. Moir has passed his normal retirement date. His pension is fully accrued and financed in the Standard Chartered Pension Fund.

(3) Mr. Wood's defined benefit plan accruals exclude an increase in accrued pension during the year of £1,671 (£5,191 in 1999) and a total accrued pension at the year end of £118,324 (£116,653 in 1999) in respect of a transfer payment from a former employer's pension fund.

Former Directors

Amounts paid by Standard Chartered in addition to pension fund payments under the pension scheme to former directors or their dependents in respect of post-retirement benefits amounted to £149,782 in 2000 and £145,925 in 1999. There were no other payments to former directors in 2000.

Remuneration of Non-Executive Directors

The table below shows the fees for the non-executive directors for the two years ended December 31, 2000 and 1999.

	2000	1999
	(£) (in thousands)	(£)
Lord Stewartby[1] [2]	108	95
R. C. Chan	30	30
Sir C. K. Chow[2]	36	30
B. Clare	12	—
Ho KwonPing	30	30
K. A. V. Mackrell[1] [2]	44	50
D. G. Moir[3]	101	—
H. E. Norton[1] [2]	42	42
Sir Ralph Robins[1] [2]	42	42
A. W. P. Stenham[1]	40	40
Total	485	359

Notes:

(1) Member of the Remuneration Committee.

(2) Member of the Audit and Risk Committee.

(3) Mr. Moir became a non-executive director with effect from March 18, 2000.

The fees of the non-executive directors are determined by the Board (without the non-executive directors taking part in the vote) and are non-pensionable.

Basic annual fees are £30,000. The Deputy Chairman, Lord Stewartby, who is also Chairman of the Board's Audit and Risk Committee and a member of the Board's Remuneration Committee, receives an annual fee of £120,000 inclusive of Board and Committee fees. Ordinary membership of a Board Committee carries an annual fee of £6,000. The Chairman of the Board Remuneration Committee, Mr. Stenham, receives an annual fee of £10,000. Mr. Mackrell received additional fees from Standard Chartered of £2,400 in 2000 and £8,400 in 1999 for consultancy services. Mr. Moir received a fee of £78,560 in 2000 (none in 1999) for advisory services. These amounts are included in the table above.

Directors' Interests in Ordinary Shares

Lord Stewartby sold 928 ordinary shares on February 21, 2001. There were no other changes in the directors' beneficial interests in the ordinary shares between December 31, 2000 and February 21, 2001.

The directors do not have any non-beneficial interests in Standard Chartered PLC's shares.

The table below shows the beneficial interests of directors and their families in the ordinary shares of Standard Chartered PLC as of the dates indicated.

	At December 31, 2000	At January 1, 2000[1]
Sir Patrick Gillam	16,351	14,709
Lord Stewartby	15,428	15,313
G. S. Talwar	92,999	77,084
C. N. A. Castleman	43,694	26,171
R. C. Chan	2,242	2,182
Sir C. K. Show	8,664	8,429
B. Clare	2,015	2,000
E. M. Davies	38,701	22,394
M. B. DeNorma	10,000	10,000
Ho KwonPing	2,128	2,070
C. A. Keljik	94,688	50,611
P. N. Kenny	30,852	23,161
K. A. V. Mackrell	4,801	4,671
D. G. Moir	85,270	14,911
K. S. Nargolwala	45,000	25,000
H. E. Norton	4,000	4,000
Sir Ralph Robins	3,829	3,725
A. W. P. Stenham	22,255	21,650

(1) or date of appointment, if later.

As at May 11, 2001, no director had an interest in Standard Chartered PLC's preference shares or loan stock, nor the shares or loan stocks of any subsidiary undertaking of Standard Chartered.

Directors' Interests in Share Options

Executive share options to purchase ordinary shares in Standard Chartered PLC are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance target is satisfied.

Under the 2000 Scheme one third of an option may be exercised if earnings per share ("EPS") increases by U.K. RPI plus an average of 3% per year over three years. Another third may be exercised if EPS increases by U.K. RPI plus an average of 4% per year over three years and the final third may be exercised if EPS increases by U.K. RPI plus an average of 6% per year over three years.

To participate in the 2000 Scheme, executives have to build up a significant personal shareholding in Standard Chartered PLC over a two-year period from the grant of an option. For executive directors this holding is equivalent to one times base salary at the date of grant.

For each third of the options the target must be achieved for a minimum of three consecutive financial years starting with the financial year immediately before the grant date. If the target is not met the performance period will be extended, one financial year at a time, until the target is met or the option lapses (which will be six years after the grant date). For options granted in 2000, the base EPS figure was set at 48 pence compared to the actual headline EPS for 1998 of 45.4 pence and for 1999 of 33.2 pence.

The performance target for options under the executive scheme that existed prior to the 2000 Scheme is an increase in EPS of 15% over three years.

All executive share options granted to the directors are at exercise prices below 964.5 pence, which was the middle market price of an ordinary share at the close of business on December 29, 2000. The share price range during 2000 was 673 pence to 1050 pence per share (based on closing middle market prices). During 2000, options over 986,771 shares were granted to the executive directors under the 2000 scheme at an option exercise price of 871.02 pence per share.

For executives other than the top management team, executive share options have been replaced by the 1997 Restricted Share Scheme.

Options granted under the all-employee savings related share option scheme to purchase ordinary shares in Standard Chartered PLC are exercisable at a 20% discount to the share price at the date of grant. Options may be exercised within a period of six months after the third, fifth and in the case of the U.K. scheme only, seventh anniversary of the date of grant, subject to the participant having completed a three year savings contract or a five year savings contract (which, in the case of the U.K. scheme only, can be extended to seven years).

During 2000, savings related share options over 1,339 shares were granted to the executive directors at an option exercise price of 723 pence per share. Options over 3,429 shares lapsed during the year.

The table below shows the directors' interests in executive share options and savings related share options to purchase ordinary shares in Standard Chartered PLC granted in the year ended and the total at December 31, 2000.

	Options at January 1, 2000(1)	Options granted during 2000(2)	Options exercised (lapsed) during 2000	Weighted average exercise price (pence)	Weighted average market price at date of exercise (pence)	Gains on options exercised during 2000 £000(3)	Options at December 31, 2000	Weighted average exercise price (pence)
Sir Patrick Gillam .	199,273	149,824	—	—	—	—	349,097	834
G. S. Talwar...........	248,316	198,043	—	—	—	—	446,359	855
C. N. A. Castleman	176,608	117,104	—	—	—	—	293,712	748
E. M. Davies..........	146,722	117,104	12,498	256	832	72	251,328	808
M. B. DeNoma.......	36,180	94,716	—	—	—	—	130,896	872
C. A. Keljik...........	182,262	103,327	40,000	256	879.5	249	245,589	764
P. N. Kenny...........	135,637	96,055	1,354 (38)	700	996	4	230,300	675
D. C. Moir.............	452,667	—	449,276 (3,391)	283	973	3,099	—	—
K. S. Nargolwala....	99,063	111,937	—	—	—	—	211,000	818

(1) or date of appointment, if later.

(2) or since date of appointment, if later.

(3) the directors' total gains on options exercised during the year were £3,424,000 (£96,000 in 1999).

Supplemental Share Option Scheme

To be eligible for a grant under the supplemental share option scheme, participants have to retain a personal holding of at least 10,000 Standard Chartered PLC shares, purchased at their own expense. Options granted under that scheme can only be exercised up to the fifth anniversary of the grant date if the share price increases by at least 50% plus RPI and EPS increases by at least 25% plus RPI. In the event of a change of control, the Remuneration Committee may deem the EPS target to have been met.

During the year, supplemental share options over 268,053 shares were granted to the executive directors at an exercise price of 820 pence per share. These options can only be exercised if: i) the share price exceeds 1230 pence plus the increase in RPI; and ii) EPS increases by at least 25% plus RPI over the 1999 level.

The table below shows the directors' interests in supplemental share options to purchase ordinary shares of Standard Chartered PLC for the year ended and at December 31, 2000.

	Options at January 1, 2000[1]	Options granted during 2000[2]	Total options at December 31, 2000	Weighted average exercise price (pence)
Sir Patrick Gillam	176,679	14,634	191,313	910
G. S. Talwar	227,106	26,830	253,936	906
C. N. A. Castleman	135,157	14,635	149,792	908
E. M. Davies	125,134	26,832	151,966	895
M. B. DeNoma	36,585	—	36,585	820
C. A. Keljik	77,601	47,317	124,918	820
P. N. Kenny	78,499	46,342	124,841	881
D. G. Moir	157,067	9,756	166,823	911
K. S. Nargolwala	70,209	54,878	125,087	857

(1) or at date of appointment, if later.

(2) or since date of appointment, if later.

Awards under the 1995 Restricted Share Scheme

Directors were previously awarded a proportion of their annual variable bonus under the 1995 Restricted Share Scheme. Awards are no longer made under this scheme.

Shares awarded under the scheme may not normally be released before the third anniversary of the date of award. They may be released in full on or after the fifth anniversary but before the seventh anniversary of the date of award if the individual is still employed by Standard Chartered. There is provision for earlier release in certain limited circumstances.

The scheme is administered through an employee share ownership trust (the "Trust") which is managed by an independent corporate trustee. The Trust holds ordinary shares in Standard Chartered PLC to meet its obligations under the scheme. The Trust cannot hold more than a 5% shareholding in Standard Chartered PLC at any time without the prior approval of shareholders at a general meeting.

The table below shows the number of shares previously awarded to each executive director which are still to be released, subject to the rules of the scheme for the year ended and at December 31, 2000.

	Shares released during 2000	Total number of shares held in the scheme	Period available for release
Sir Patrick Gillam	—	44,087	2001-2004
G. S. Talwar	—	—	—
C. N. A. Castleman	33,050	9,011	2001-2004
E. M. Davies	3,809	3,808	2001-2004
M. B. DeNoma	—	—	—
C. A. Keljik	4,077	4,078	2001-2004
P. N. Kenny	5,686	2,516	2001-2004
D. G. Moir	66,315	—	—
K. S. Nargolwala	5,000	—	—

Shares are released from the Trust at the sole discretion of the trustee. No awards lapsed during 2000.

The awards to individual directors are subject to the rules of the scheme. There is no current intention to amend the allocation of shares from that disclosed above. Nevertheless, because they are within the class of beneficiaries of the Trust, each director is deemed, for the purposes of the Companies Act 1985, to have an interest in the shares held in the Trust. At January 1, 2000 the Trust's holding was 253,771 ordinary shares and as at December 31, 2000, the Trust's total holding was 163,385 ordinary shares.

Full details of the directors' shares and options can be found in Standard Chartered PLC's register of directors' interests.

AUDITORS

The consolidated financial statements of Standard Chartered PLC as at December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000, as included in this Supplementary Offering Circular, have been audited by KPMG Audit Plc, chartered accountants and registered auditors, to the extent and for the periods indicated in their report thereon.

DESCRIPTION OF MATERIAL DIFFERENCES BETWEEN U.K. GAAP AND U.S. GAAP

The consolidated financial statements have been prepared in accordance with U.K. generally accepted accounting principles ("U.K. GAAP"), which differ in certain significant respects from U.S. generally accepted accounting principles ("U.S. GAAP"). A description of the principal differences is set out below. This summary is not intended to provide a comprehensive listing of all existing or future differences between U.K. GAAP and U.S. GAAP, including those specifically related to Standard Chartered or the banking and financial services industry in which Standard Chartered operates.

In particular, authoritative guidance in the United States tends to be more prescriptive and detailed, which means that for a variety of issues, treatments which are acceptable under U.K. GAAP are not allowed under U.S. GAAP. This summary does not attempt to identify disclosure, presentation or classification differences between the U.K. GAAP and U.S. GAAP that would affect the manner in which transactions and events are presented in Standard Chartered's consolidated financial statements and the notes thereto.

U.K. GAAP	U.S. GAAP
Debt and equity securities	
— Debt and equity securities held for use on a continuing basis are classified as investment securities and stated at cost less provision for permanent diminution in value. Where dated investment securities are purchased at a premium or discount, these premiums or discounts are amortized over the period from the date of purchase to the date of maturity. — Other debt securities and equity shares held for trading purposes are held in the balance sheet at market value, and changes in the market value of such assets are recognized in the profit and loss accounts.	— All debt and equity securities are classified as either held to maturity, available for sale or trading. Held to maturity securities are held at amortized cost. Available for sale securities are measured at fair value as are trading securities; unrealized value is recorded in shareholders' equity for the former, and in earnings for the latter.
Non equity interests	
— Preference shares are classified as shareholders' funds.	— Preferred stock redeemable at the holder's option is presented separately from stockholders funds and from debt.
Pension and other post retirement benefits	
— Scheme assets are valued on an actuarial basis. — Scheme liabilities are discounted at a long-term stable rate. — There is much flexibility about actuarial methods and assumptions. Assumptions should be reasonable in the aggregate. — Actuarial valuations are usually carried out every three years. — Past service costs fall under the general rules for actuarial gains and losses to the extent covered by a surplus; otherwise they are charged immediately. — Actuarial gains and losses are spread; there is no option not to do so if they remain within certain limits, i.e. a 'corridor'. — There is no requirement to accrue a current funding level deficit.	— Plan assets are valued on a market-related basis. — Plan liabilities are discounted at rates applicable to high quality fixed income securities. — Actuarial methods and assumptions are prescribed in detail. Assumptions must be determined individually. — Actuarial valuations are required annually. — Prior service costs are dealt with in a similar way to actuarial gains and losses generally. — Actuarial gains and losses are spread subject to an option not to do so if they remain within the corridor. — A liability is recognised (and charged to intangibles or OCI) when plan assets are less than employees' accumulated benefits.

U.K. GAAP	U.S. GAAP
Fixed tangible assets	
— Fixed tangible assets may be revalued. Depreciation would then be based on the revalued amount.	— Fixed tangible assets must be carried at depreciated cost.
— Freehold property and long leasehold property may be revalued.	— Revaluation of property is not permitted.
Business combinations	**Pooling of Interests**
— A merger is more simply defined than in the U.S.; and includes a size test; it is rare.	— Under the pooling-of-interests method, a business combination is accounted for as the uniting of the ownership interests of two or more enterprises through an exchange of equity interests. No acquisition is recognized because the combination is accomplished without disbursing resources of the combining enterprises. Ownership interests in the combining enterprises continue in the combined enterprise, and the former bases of accounting in the combining enterprises are carried over to the new combined enterprise. The assets and liabilities of the combining enterprises are carried forward to the combined enterprise at their recorded amounts. The income of the combining enterprises for the period of the combination and prior periods is combined and reported as income of the combined enterprise. Twelve specific conditions must be met for pooling-of-interests accounting to be appropriate. A business combination that meets all twelve conditions must be accounted for as a pooling of interests. A business combination that does not meet all of the specific pooling conditions must be accounted for as a purchase.
— Costs of restructuring the acquired entity are always charged to the profit and loss account.	— Certain costs of restructuring the purchased entity can be recorded as part of the purchase price.
— Post-1997 positive goodwill is capitalised and amortised over up to 20 years but optionally longer, even indefinitely.	— Positive goodwill must be capitalised and amortised over up to 40 years but in the case of banking entities, this is generally for no more than 20 years.
Dividends	
— Dividends are presented as a deduction at the foot of the profit and loss account.	— Dividends are presented as a deduction in the statement of changes in stockholders' equity.
— Dividends are accounted for in the period to which they pertain, which may be earlier than the date of their declaration.	— Dividends are accounted for in the period in which they are declared.
— Dividends should be analysed between 'equity' and 'non-equity'.	— There is no requirement to distinguish between any 'equity' and 'non-equity' categories of dividends.
Employee share purchase plans	
— U.K. GAAP states that it is not practicable to specify a valuation method for measuring the benefit arising from granting share options.	— U.S. GAAP encourages the use of the fair value based method of accounting under which the compensation cost is measured at the grant date using an option pricing model. The cost is recognised over the service period which is usually the vesting period.
— On issuing such options, no amounts are normally attributed to employee remuneration provided that the exercise price is not lower than the fair value of shares at the time the award was granted.	
— Loans granted to employees for the purchase of company shares are usually treated as assets rather than deducted from shareholders' equity.	— Loans made to employees to purchase company shares outstanding at the balance sheet date are deducted from shareholders' equity.

U.K. CAAP	U.S. GAAP
Tax provisions	
— Deferred tax is provided for timing differences. Timing differences originate in the profit and loss account. — The provision is only partial, that is, recognises only that part of the full potential liability which will probably crystallise.	— Deferred tax is provided in respect of all temporary differences. Temporary differences are differences between the accounting and tax measurements of assets and liabilities. — Liabilities are provided in full; assets are recognised to the extent that they are more likely than not to be recovered.
Cash flow statement	
— Cash for the purposes of the cashflow statement is defined as cash on hand and deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand. Cash includes cash on hand and deposits denominated in foreign currencies.	— The movement in cash and cash equivalents are reconciled in the statement of cash flows. For this purpose, cash equivalents are short-term, highly liquid investments that are both: - readily convertible to known amounts of cash; and - so near their maturity that they present insignificant risk of changes because of changes in interest rates.
— Cash flows are classified under the following headings: - operating activities; - dividends from joint ventures & associates; - capital expenditures; - acquisitions and disposals; - equity dividends paid; - management of liquid resources; - financing; - taxation.	— Cash flows are classified under the following headings: - operating activities; - investing activities; and - financing activities.
Acceptances	
— Acceptances outstanding are not included in the consolidated balance sheet.	— Acceptances and the related customer liabilities are reported in the consolidated balance sheet.
Lease financing	
— The distinction between a finance lease and an operating lease is based on conceptual principles rather than on detailed requirements. Accordingly, the classification of leases is a subjective process but one that follows the commercial effect. It is possible that a lease intended to be an operating lease under U.S. GAAP would be recognised as a finance lease in the United Kingdom. — A lease is treated as a finance lease if it transfers substantially all the risks and rewards of ownership of the asset to the lessee. Where the present value of the minimum lease payments equals 90% or more of the asset's fair value, it is permitted to account for the lease as a finance lease.	— A lessee accounts for a lease as a capital lease if it meets one of the following criteria: - The lease transfers ownership of the asset to the lessee at the end of the lease term; or - The lease contains a bargain purchase option; or - The lease term is equal to 75% or more of the economic life of the leased asset; or - The present value of the minimum lease payments equals 90% or more of the asset's fair value.

SUPPLEMENTAL INFORMATION

1. Incorporation and registered office

Standard Chartered PLC (for the purposes of this Supplemental Information section, the "Company") was incorporated and registered in England and Wales on November 18, 1969 as a company limited by shares with registered number 966425 and with the name Standard and Chartered Banking Group Limited. On October 1, 1975 the Company changed its name to Standard Chartered Bank Limited. On February 1, 1982 the Company re-registered as a public company under the Companies Acts 1948 to 1980 under the name Standard Chartered Bank Public Limited Company and on January 1, 1985 changed its name to Standard Chartered PLC. The Company operates under the Companies Acts 1985 and 1989 and its registered and head office and its principal place of business in the United Kingdom is at 1 Aldermanbury Square, London EC2V 7SB.

2. Principal objects

Clause 4 of the Memorandum of Association of the Company provides that the principal objects of the Company are to carry on in all parts of the world the business of banking in all its aspects and to transact and do all matters and things incidental thereto, or which may at any time hereafter, at any place where the Company carries on business, be usual in connection with the business of banking or dealing in money or securities for money.

3. Subsidiaries

3.1 The following table contains a list of the principal wholly-owned subsidiaries of the Company at the date of this Supplementary Offering Circular, which are consolidated in the financial statements of Standard Chartered and in which the Company holds (directly or indirectly) all of the ordinary share capital and 100% of the voting rights. These companies are considered by the directors of the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and the profits and losses of Standard Chartered:

Name and registered office of company	Country of incorporation	Issued and paid-up share capital	Field of activity
Standard Chartered Bank 1 Aldermanbury Square London EC2V 7SB	England	2,786,003,951 ordinary shares of U.S.$1 each	Commercial banking
Standard Chartered Grindlays Bank Limited Level 11 345 George Street Sydney NSW 2000 Australia	Australia	161,300,000 ordinary shares 60,000,000 deferred shares 25,000,000 redeemable preference shares	Trading Bank
Standard Chartered Bank Malaysia Berhad 2 Jalan Ampang 50450 Kuala Lumpur Malaysia	Malaysia	125,000,000 ordinary shares of Rm 1 each	Retail and commercial banking

3.2 Other subsidiaries and investments include:

Name	Registered office	Percentage of capital held
Standard Chartered Insurance Limited	Atlantic House 4/8 Circular Road Douglas, Isle of Man	100
Standard Chartered Offshore Limited and Standard Chartered Bank (C.I.) Limited	PO Box 89 Standard Chartered House Conway Street St Helier JE4 8PY Jersey	100

Name	Registered office	Percentage of capital held
Standard Chartered Nakornthon Bank Public Company Limited	Sathorn Thani Building Silom 90 Sathorn Road, Silom 10500 Bangrak Bangkok, Thailand	75
Manhattan Card Company Limited	17/F Chase Manhattan Tower Shatin, New Territories Hong Kong	100
Standard Chartered Bank Botswana Limited	Box 496, 5th Floor Standard House The Mall, Queens Road Gaborone, Botswana	75
Standard Chartered Bank Cameroon S.A.	Boulevard de la Liberté BP 1784 Douala, Cameroon	100
Standard Chartered Bank Gambia Limited	Box 259, 8 Ecowas Avenue Banjul, Gambia	74.90
Standard Chartered Bank Ghana Limited	Accra High Street Building PO Box 768 Accra, Ghana	66.78
Standard Chartered Bank Kenya Limited	Moi Avenue PO Box 30003 Nairobi, Kenya	74.50
Standard Chartered Bank Nigeria Limited	Unitrust House Plot 105b Ajose Adeogun Street Victoria Island Lagos, Nigeria	100
Standard Chartered Bank Sierra Leone Limited	9-11 Lightfoot Boston Street Freetown Sierra Leone	81
Standard Chartered Bank Tanzania Limited	1st Floor, International House, Corner of Shaaban Robert and Garden Avenue PO Box 9011 Dar es Salaam, Tanzania	100
Standard Chartered Bank Uganda Limited	Standard Chartered Bank Building, 5 Speke Road PO Box 7111 Kampala, Uganda	100
Standard Chartered Bank Zambia Limited	Standard Chartered House Cairo Road PO Box 32238 Lusaka, Zambia	90
Standard Chartered Bank Zimbabwe Limited	John Boyne House 38 Speke Avenue Harare, Zimbabwe	100
Standard Chartered Bank Australia Limited	345 George Street Sydney, NSW 2000 Australia	100
Banco Standard Chartered S.A.	Av. Canaval y Moreyra, 454, Main Floor, San Isidro Lima 27, Peru	77.04

4. Share capital – general

4.1 The authorised share capital of the Company is U.S.$2,816,000,000 (divided into 2,632,000,000 ordinary shares of U.S.$0.50 each and 300,000,000 non-cumulative preference shares of U.S.$5 each), £500,000,000 (divided into 500,000,000 non-cumulative preference shares of £1 each) and €1,000,000,000 (divided into 1,000,000 non-cumulative preference shares of €1,000 each). As at May 4, 2001, the latest practicable date prior to the printing of this document, the issued share capital of the Company was U.S.$564,142,856 (representing 1,128,285,712 ordinary shares of U.S.$0.50 each) and £200,000,000 (representing 200,000,000 non-cumulative preference shares of £1 each).

4.2 At the annual general meeting of the Company held on May 3, 2001 the directors were authorised, generally and without conditions to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of:

(a) U.S.$209,075,998 (made up of ordinary shares of U.S.$0.50 each); and

(b) in substitution for the authority to allot U.S. dollar preference shares granted in 2000, U.S.$1,500,000,000 (made up of non-cumulative preference shares of U.S.$5 each).

Such authority is to apply in the case of (a) from May 3, 2001 until the end of next year's annual general meeting and in the case of (b) from May 3, 2001 to May 3, 2006, but, in each case, during the period the authority applies, the Company may make offers, and enter into agreements, which would, or might, require relevant securities to be allotted after the authority ends and the directors of the Company may allot relevant securities under any such offer or agreement as if the authority had not ended.

4.3 At the annual general meeting of the Company held on May 3, 2001, the directors of the Company were empowered to allot equity securities (within the meaning of section 94(2) of the Companies Act 1985) for cash (pursuant to the authority referred to in paragraph 4.2 above) free of the restriction in section 89(1) of the Companies Act 1985, provided that such power was limited to:

(a) the allotment of equity securities in connection with an offer of equity securities open for a period decided on by the directors of the Company:

(i) to ordinary shareholders on the register on a particular date, in proportion (as nearly as may be) to their existing holdings; and

(ii) to people who are registered on a particular date as holders of other classes of equity securities, if this is required by the rights of those securities or, if the directors of the Company consider it appropriate, as permitted by the rights of those securities,

and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) the allotment (otherwise than under (a) above) of equity securities up to total nominal value of U.S.$28,198,209.

Such power is to apply from May 3, 2001 until the end of next year's annual general meeting, but during the period the power applies, the Company may make offers, and enter into agreements, which would or might, require equity securities to be allotted after the power ends and the directors of the Company may allot equity securities under any such offer or agreement as if the authority had not ended.

4.4 The provisions of section 89(1) of the Companies Act 1985 (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Companies Act 1985) which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Companies Act 1985)) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 4.5 above.

4.5 On March 17, 2000 Standard Chartered Finance (Jersey) Limited ("SCF(J)L") issued €575,000,000 4.5% subordinated guaranteed convertible bonds due 2010 (the "Bonds") guaranteed by Standard Chartered Bank and convertible into 4.5% exchangeable redeemable preference shares in SCF(J)L (the "Preference Shares") which will be exchanged immediately for ordinary shares in the Company. The holder of each Bond has the right to convert each €1,000 unit of such Bond into one fully-paid Preference Share allotted at a price equal to €1,000, which shall be exchanged immediately for ordinary shares in the Company, credited as fully paid, at any time (subject to any applicable fiscal or other laws or regulations and as provided in such terms and conditions) before the close of business (at the place where the relevant Bond is deposited for conversion) on the date falling seven days prior to March 30, 2010. A Conversion and Exchange Right may be exercised by the holder of a Bond by delivering the relevant Bond to the specified office of any Paying, Conversion and Exchange Agent (as defined in the terms and conditions applicable to the Bonds) during its usual business hours, accompanied by a duly completed and signed notice of conversion and exchange in the form obtainable from any such Agent. The conversion date in respect of a Bond shall be the London business day immediately following the date of such delivery.

5. Changes in issued share capital

5.1 During the three years immediately preceding the date of this Supplementary Offering Circular, the following issues of shares, all of which are fully paid have been made by the Company:

(a) in the financial year ended December 31, 1998, 2,197,994 ordinary shares were issued on the exercise of options under the Executive Scheme, 998,539 ordinary shares were issued on the exercise of options under the Sharesave Schemes and 4,291,868 ordinary shares were issued in lieu of the 1997 final dividend and 216,962 ordinary shares were issued in lieu of the 1998 interim dividend;

(b) in the financial year ended December 31, 1999:

(i) a placing of 49,000,000 ordinary shares for cash was made to institutional investors on March 15, 1999; and

(ii) 3,025,189 ordinary shares were issued on the exercise of options under the Executive Schemes, 1,358,676 ordinary shares were issued on the exercise of options under the Sharesave Schemes and 6,512,896 ordinary shares were issued in lieu of the 1998 final dividend and 686,046 ordinary shares were issued in lieu of the 1999 interim dividend. Allocations on 9,550 ordinary shares were exercised under the 1997 Restricted Scheme;

(c) in the financial year ended December 31, 2000:

(i) a placing of 50,000,000 ordinary shares for cash was made to institutional investors on September 1, 2000; and

(ii) 1,610,807 ordinary shares were issued at prices between 89.875p to 808.5p on the exercise of options under the Executive Schemes, 2,290,440 ordinary shares were issued at prices between 200p and 704p on the exercise of options under the Sharesave Schemes and 153,066 ordinary shares were issued under the 1997 Restricted Scheme; and

(d) from January 1, 2001 to April 30, 2001 the latest practicable date prior to the printing of this Supplementary Offering Circular, 575,327 ordinary shares were issued on the exercise of options under the Executive Schemes, 696,321 ordinary shares were issued on the exercise of options under the Sharesave Schemes and 212,524 ordinary shares were issued under the 1997 Restricted Scheme.

5.2 Save as disclosed herein, during the three years immediately preceding the date of this Supplementary Offering Circular there has been and there is proposed no material issue of share capital of the Company and no material issue of share capital of any of its subsidiaries, except for the purposes of the existing employee share schemes or scrip dividend schemes.

6. Directors and directors' interests

6.1 As at May 10, 2001, the latest practicable date prior to the printing of this Supplementary Offering Circular, the total of the interests of the directors of the Company in the ordinary shares of the Company was 512,696. The directors have 4,574,445 outstanding options over ordinary shares of the Company.

6.2 As at December 31, 2000, the latest practicable date prior to the printing of this Supplementary Offering Circular, the total amount of outstanding loans granted by any member of the group to any of the directors of the Company and guarantees provided by the Company or any of its subsidiaries for their benefit is £14,000.

6.3 The business address of each director of the Company is 1 Aldermanbury Square, London, EC2V 7SB.

7. Directors' remuneration

The total aggregate amount of the remuneration paid and benefits in kind granted to the directors of the Company by any member of the group during the financial year ended December 31, 2000 is £9,792,000.

8. Substantial Shareholders

As at May 11, 2001, the latest practicable date prior to the printing of this Supplementary Offering Circular, the Company was aware of the following interests of 3% or more in its ordinary shares.

	Ordinary Shares	Percentage of issued ordinary share capital
Tan Sri Khoo Teck Puat	157,329,714	13.95
Prudential Corporation plc	44,438,364	3.94

9. Employee share schemes

The Company operates the following schemes:

The Standard Chartered 1994 Sharesave Scheme (the "UK Sharesave Scheme");

The Standard Chartered 1996 International Sharesave Scheme (the "ISS");

The Standard Chartered 1994 (No. 1) Executive Share Option Scheme (the "No. 1 Executive Scheme");

The Standard Chartered 1994 (No. 2) Executive Share Option Scheme (the "No. 2 Executive Scheme");

The Standard Chartered 1995 Restricted Share Scheme (the "1995 Restricted Scheme");

The Standard Chartered 1997 Supplemental Executive Share Option Scheme (the "Supplemental Scheme");

The Standard Chartered 1997 Restricted Share Scheme (the "1997 Restricted Scheme");

The Standard Chartered 2000 Executive Share Option Scheme (the "2000 Executive Scheme"); and

The Standard Chartered 2001 Performance Share Plan (the "Plan").

Options are no longer granted under the No. 1 Executive Scheme, the No. 2 Executive Scheme, the 1995 Restricted Scheme and the Supplemental Executive Scheme.

(a) The Standard Chartered 1994 Sharesave Scheme (the "UK Sharesave Scheme")

The UK Sharesave Scheme is an Inland Revenue approved scheme established in 1994.

In order for an individual to be invited to participate in the UK Sharesave Scheme, they must be:

(i) a full time director or employee of the Company or one of its participating subsidiaries (that is, anyone who is required to devote not less than 16 hours per week to the service of Standard Chartered); and

(ii) subject to Case 1 Schedule E tax.

In addition, the directors may require that the individual should have been in service for a minimum period (not exceeding five years). The directors also have the discretion to nominate employees who do not satisfy the above conditions, such as part time workers, to participate in the scheme.

Any eligible individual who applies for an option under the UK Sharesave Scheme must also enter into an Inland Revenue approved savings contract agreeing to make minimum monthly savings. Ordinary shares will only be acquired under the UK Sharesave Scheme on the exercise of the option using payments under this contract which, unless the board determines otherwise, will be taken as including any bonuses payable under it. Accordingly, eligible employees will be granted an option over a number of ordinary shares that have a total option exercise price which is not more than payments under the savings contract.

Options to acquire ordinary shares may normally only be granted in the six weeks beginning on the dealing day next following the date on which the Company announces its results for any period. Options may also be granted in circumstances considered by the board to be exceptional.

No options may be granted under the UK Sharesave Scheme after May 5, 2004. Options granted under this scheme are personal to the option holder and, except on their death, may not be transferred.

The board will determine the price payable for each ordinary share under option before the grant of the option, provided that such price is not less than:

(i) 80% of the middle market quotation for an ordinary share on the dealing day last preceding a period of five days ending with the date on which invitations to apply for such options were made; and

(ii) the nominal value of an ordinary share.

The UK Sharesave Scheme is subject to the following limits:

(i) either (1) in any period of five years not more than 5% of the issued ordinary share capital of the Company may be placed under option or issued under the Company's employee share schemes; or (2) in any period of three years not more than 3% of the issued ordinary share capital of the Company may be placed under option or issued under the Company's employee share schemes; and

(ii) the number of ordinary shares which may be issued under the Company's employee share schemes in any ten-year period may not exceed 10% of the issued ordinary share capital of the Company.

An option granted under the UK Sharesave Scheme may not normally be exercised until the option holder has completed their savings contract – usually three years or five years from the date on which that contract was entered into. A five-year contract may be extended to seven years if the board permits and if the option holder so elects on the date when the contract was entered into. An option holder has six months from the end of their contract to exercise the option.

Special provisions allow early exercise of options in the case of death, injury, disability, redundancy, or retirement, or because the company or business that employs the option holder is transferred out of Standard Chartered. An option holder's option will lapse if they cease employment for any other reason. There are also rights of early exercise in the event of a take-over, reconstruction or winding-up of the Company.

Where an option is exercised before completion of the savings contract, the exercise is limited to the total contributions made together with any interest due. In the event that another company acquires control of the Company, option holders also have the right, with the consent of the acquiring company, to release their options in consideration of the grant of new options over shares of the acquiring company.

On exercise of an option, the appropriate number of ordinary shares will be allotted or transferred to the option holder. Any ordinary shares allotted will rank *pari passu* with other ordinary shares then in issue (except for any rights attaching to ordinary shares by reference to a record date prior to the date of allotment).

In the event of any variation in the issued ordinary share capital of the Company, the board may make such adjustments as it considers appropriate to the total number of ordinary shares subject to any option and/or the option exercise price.

(b) The Standard Chartered 1996 International Sharesave Scheme (the "ISS")

All employees and full-time directors of the Company's participating subsidiaries and branches outside the United Kingdom who are employed by Standard Chartered on:

(i) the date on which invitations to participate in the ISS are issued, or

(ii) on such earlier date during the period of five years ending with the grant of the options as the board may determine,

are eligible to participate in the ISS. The board may also nominate any other employees or directors to participate in the ISS.

Any eligible employee who applies for an option under the ISS must agree to make minimum regular monthly savings in local currency (at an exchange rate fixed at the outset) under a savings contract approved by the board. The funds saved (plus interest) are used by the eligible employee to exercise an option. The number of ordinary shares encompassed by an option will be calculated according to the proposed savings and an assumed rate of interest set by the board (which will be equal to the interest rate or, as appropriate, the number of bonus contributions payable under the UK Sharesave Scheme).

Options to acquire ordinary shares may normally only be granted in the six weeks beginning on the dealing day next following the date on which the Company announces its results for any period. Options may also be granted in circumstances considered by the board to be exceptional.

No options may be granted under the ISS after May 9, 2006. Options granted under the ISS are personal to the option holder and, except on their death, may not be transferred.

The board will determine the price (which will be in sterling) payable for each ordinary share under option before its grant, provided that such price is not less than:

(i) 80% of the middle market quotation of an ordinary share on the dealing day last preceding the period of five business days ending with the date on which invitations to apply for such options were made, and

(ii) the nominal value of an ordinary share.

The ISS is subject to the following limits:

(i) in any period of five years not more than 5% of the issued ordinary share capital of the Company may be placed under option or issued under the ISS and under any of the Company's other employee share schemes; and

(ii) in any period of 10 years not more than 10% of the issued ordinary share capital of the Company may be placed under option or issued under the ISS and under any of the Company's other employee share schemes.

An option granted under the ISS may not normally be exercised until the maturity date of the savings contract, which is usually three years or five years from the date the contract was entered into. In addition to savings made and interest earned, an option holder can make top-up contributions to take account of any adverse exchange rate movements or differences between the actual and assumed rate of interest applying to their savings contract. An option holder has six months from the end of the contract to exercise their option.

Special provisions allow early exercise of options in the case of death, injury, disability, redundancy or retirement, or because the company or business that employs the option holder is transferred out of Standard Chartered. An option holder's option will lapse if they cease employment for any other reason. There are also rights of early exercise in the event of a take-over, reconstruction or winding-up of the Company.

Where an option is exercised before completion of the savings contract, the exercise is limited to the total contributions made together with any interest due.

All ordinary shares allotted under the ISS will rank *pari passu* with other ordinary shares of the Company then in issue (except for any rights attaching to ordinary shares by reference to a record date prior to the date of allotment).

In the event of any variation in the issued ordinary share capital of the Company, the board may make such adjustments as it considers appropriate to the total number of ordinary shares subject to any option and/or the exercise price under any option.

Following the exercise of an option, the board may decide that, in lieu of a right to receive ordinary shares, an option holder shall be paid a cash sum equivalent to the difference between the market value of the ordinary shares at that time and the option exercise price.

(c) The Standard Chartered 1994 (No. 1) Executive Share Option Scheme (the "No. 1 Executive Scheme")

The No. 1 Executive Scheme is an Inland Revenue approved scheme established in 1994.

The directors may select any director or employee of the Company and its participating subsidiaries who is:

(i) required to devote substantially the whole of their working time, and in any event at least 20 hours a week (25 hours in the case of a director), to the service of Standard Chartered, and

(ii) not within two years of their normal retirement date,

to participate in the No. 1 Executive Scheme.

Options to acquire ordinary shares may normally only be granted in the six weeks beginning on the dealing day next following the date on which the Company announces its results for any period. Options may also be granted in circumstances considered by the board to be exceptional.

No options may be granted under the No. 1 Executive Scheme after May 5, 2004. Options granted under the No. 1 Executive Scheme are personal to the option holder and, except on their death, may not be transferred. No payment is required for the grant of the option.

The price at which a participant may acquire ordinary shares in the Company will be determined by the directors before the grant of the option, provided that it shall not be less than:

(i) the middle market quotation of an ordinary share as derived from the London Stock Exchange Daily Official List for the date of grant; and

(ii) the nominal value of an ordinary share.

The following limits currently apply to options granted under the No. 1 Executive Scheme:

(i) In any 10 year period, not more than 5% of the issued ordinary share capital of the Company for the time being may be granted under option or issued under the No. 1 Executive Scheme or under any other executive share option scheme adopted by the Company;

(ii) in any five year period, not more than 5% of the issued ordinary share capital of the Company for the time being may be granted under option or issued under all of its employee share schemes of which not more than 3% may be placed under option or issued under the No. 1 Executive Scheme or under any other executive scheme adopted by the Company; or

in any three year period, not more than 3% of the issued ordinary share capital of the Company for the time being may be awarded or issued under all of its employee share schemes;

(iii) the number of ordinary shares which may be granted under option or issued under the No. 1 Executive Scheme and under any other executive share option scheme in any ten year period may not exceed 10% of the issued share capital of the Company;

(iv) the total subscription price payable for ordinary shares under options granted in any 10 year period to any option holder under the No. 1 Executive Scheme and any other executive share option scheme (other than the Supplemental Scheme and the 2000 Executive Scheme) may not exceed:

– four times the total remuneration (expressed as an annual rate payable by Standard Chartered to the option holder) at that time, or

– the total remuneration paid by Standard Chartered to the option holder in the previous 12 months,

whichever is the higher; and

(v) the aggregate market value of ordinary shares which may be acquired in pursuance of options granted under the No. 1 Executive Scheme and under any other Inland Revenue approved executive share option scheme adopted by the Company may not exceed £30,000.

An option may not normally be exercised unless the performance conditions attaching to its exercise have been satisfied. An option will not normally be exercisable before the third anniversary of the date of grant except in certain specified circumstances, including death, injury, disability, redundancy, retirement or the transfer of the company employing the option holder out of Standard Chartered. The option may be exercised at any time between the third and tenth anniversary of the date of grant.

Options may be exercised early in the event of a take-over, reconstruction or winding-up of the Company. In the event that another company acquires control of the Company, option holders also have a right, with the consent of the acquiring company, to release their options in consideration for the grant of new options over shares of the acquiring company.

Following the exercise of an option, the appropriate number of shares will be allotted or transferred to the option holder concerned. Any ordinary shares allotted will rank *pari passu* with other ordinary shares then in issue (except for any rights attaching to ordinary shares by reference to a record date prior to the date of allotment).

In the event of any increase or variation in the share capital of the Company (and subject to Inland Revenue approval), the directors may make such adjustments as they consider appropriate to the number of shares under option and the price at which they may be acquired.

(d) The Standard Chartered 1994 (No. 2) Executive Share Option Scheme (the "No. 2 Executive Scheme")

The terms of the No. 2 Executive Scheme are broadly similar to those of the No. 1 Executive Scheme except that:

(i) it is not an Inland Revenue approved scheme;

(ii) a person is eligible to be granted an option under the No. 2 Executive Scheme if they are a director or employee of any member of Standard Chartered and is required to devote the whole or substantially the whole of their working time to the service of Standard Chartered;

(iii) limit (e) for the No. 1 Executive Scheme does not apply to the No. 2 Scheme; and

(iv) where an option is exercised under the No. 2 Executive Scheme, the directors may, instead of issuing shares, elect to pay cash to the option holder concerned. The amount to be paid shall be equal to the amount by which the market value of ordinary shares subject to the option exceeds the exercise price.

(e) The Standard Chartered 1995 Restricted Share Scheme (the "1995 Restricted Scheme")

The Royal Bank of Scotland Trust Company (Jersey) Limited are the trustees of the Employee Share Ownership Plan Trust. Shares are held in a pool for the benefit of participants in the 1995 Restricted Scheme. The Trustees can use their discretion to satisfy exercises under the 1995 Restricted Scheme.

(f) The Standard Chartered 1997 Supplemental Share Option Scheme (the "Supplemental Scheme")

The Supplemental Scheme is not an Inland Revenue approved scheme.

The board may select any director or employee of the group to participate in the Supplemental Scheme who:

(i) holds at least 10,000 ordinary shares of the Company; and

(ii) has not received an award under the Restricted Scheme in the same financial year.

Options to acquire ordinary shares may normally only be granted in the six weeks beginning on the dealing day next following that date on which the Company announces its results for any period. Options may also be granted in circumstances considered by the board to be exceptional.

No options may be granted under the Supplemental Scheme after May 8, 2007. Options granted are personal to the option holder and, except on their death, may not be transferred. No payment is made for the grant of the option.

The price payable for each ordinary share under an option will be determined by the board before the grant of the option, provided that it shall not be less than the market value of ordinary shares as derived from the London Stock Exchange Daily Official List on the grant date.

The Supplemental Scheme is subject to the following limits:

(i) the number of ordinary shares which may be placed under option or issued under the Supplemental Scheme, any other executive share option scheme adopted by the Company or the Restricted Scheme in any ten year period may not exceed such number of shares as represents 5% of the issued ordinary share capital of the Company;

(ii) in the period of four years beginning on May 8, 1997, not more than 2.5% of the issued ordinary share capital of the Company could be placed under option or issued under the Supplemental Scheme, any other executive share option scheme adopted by the Company or the Restricted Scheme;

(iii) in the period of three years beginning in 1997, or any successive period of three years, not more than 3% of the issued ordinary share capital of the Company may be placed under option or issued under the Supplemental Scheme, any other executive share option scheme adopted by the Company or the Restricted Scheme;

(iv) in the period of five years beginning in 1997, or any successive period of five years, not more than 5% of the issued ordinary share capital of the Company may be placed under option or issued under the Supplemental Scheme, any other executive share option scheme adopted by the Company or the Restricted Scheme;

(v) the number of ordinary shares which may be placed under option or issued under the Supplemental Scheme or any other employees share schemes adopted by the Company in any 10 year period may not exceed 10% of the issued ordinary share capital of the Company from time to time;

(vi) the total subscription price payable for ordinary shares under options granted in any 10 year period to any option holder under the Supplemental Scheme may not exceed four times the option holder's annual remuneration (excluding benefits in kind), although replacement options may be granted after earlier options have been exercised; and

(vii) no single grant of options to any option holder under the Supplemental Scheme may exceed one and a half times the option holder's annual remuneration (excluding benefits in kind).

Supplemental options may only be exercised if the option holder has maintained a personal holding of 10,000 ordinary shares in the Company since the grant date and the relevant performance conditions attaching to that option have been met. Following the satisfaction of the performance conditions, a supplemental option can be exercised at any time up to five years from the date of grant.

Partial exercise of a supplemental option will be allowed if the option holder ceases to be employed by reason of death, injury, disability, redundancy or retirement or because the company or business for which they work is transferred out of Standard Chartered provided that the performance targets are subsequently met. The number of ordinary shares over which the option may be exercised in these circumstances will be calculated pro rata to the option holder's period of employment as a proportion of the period during which the option was held prior to the exercise. If an option holder ceases employment for any other reason, their option will normally lapse unless the board decides otherwise.

In the event of a change in control, reconstruction or winding-up of the Company, the supplemental options may only be exercised if the performance conditions are satisfied.

In the event of an increase or variation in the share capital of the Company, the board may make such adjustments as it considers to be appropriate to the number of shares under option and the price at which they may be acquired.

Where a supplemental option has been exercised, the board may elect, instead of issuing ordinary shares, to pay cash to the option holder. The amount to be paid shall be equal to the amount by which the market value of the ordinary shares subject to the option at the date of exercise exceeds the exercise price.

(g) The Standard Chartered 1997 Restricted Share Scheme (the "Restricted Scheme")

The Restricted Scheme is not an Inland Revenue approved scheme.

Any employee (including an employee who is also a director) of the Company or any participating subsidiary may participate in the Restricted Scheme.

An award is a conditional right to receive ordinary shares which, subject to continuing employment, vests as to 50% after two years and the remainder after three years.

The value of shares awarded under the Restricted Scheme in any financial year to any option holder will be subject to a maximum limit of two times the base salary of the option holder.

Awards may normally only be granted during the six weeks following the announcement of the Company's results for any period. No award may be granted under the Restricted Scheme after May 8, 2007. Awards granted under the Restricted Scheme are personal to the participant and, except in the event of their death, may not be transferred.

The Restricted Scheme is subject to the following limits:

(i) the number of ordinary shares which may be placed under award or option or issued under the Restricted Scheme or any other executive share option scheme adopted by the Company in any 10 year period may not exceed such number of ordinary shares as represents 5% of the issued ordinary share capital of the Company; and

(ii) the number of ordinary shares which may be placed under award or option or issued under the Restricted Scheme or any other employees' share scheme adopted by the Company in any 10 year period may not exceed 10% of the issued ordinary share capital of the Company from time to time.

An award can in normal circumstances be exercised in full after the third anniversary of the date of grant if the option holder remains employed by the group. Where the award is exercised after the second anniversary (but before the third anniversary) of the date of grant, only one half of the award may be exercised at that time. However, early exercise is permitted in the event of death or cessation of employment through injury, disability, redundancy or retirement at normal retirement age, or because the company or business which employs the participant is transferred out of Standard Chartered (or, with the permission of the board, any other circumstances). Special provisions also allow early exercise if there is a change in control, reconstruction or winding-up of the Company.

In the event of any increase or variation in the share capital of the Company, the board may make such adjustments as it considers appropriate to the number of ordinary shares which may be acquired under awards.

Where an award has been exercised, the board may elect, instead of issuing ordinary shares, to pay cash to the award holder concerned. The amount to be paid shall be equal to the value of the ordinary shares at the date of exercise.

(h) The 2000 Executive Share Option Scheme (the "2000 Executive Scheme")

(i) Eligibility

The board may select any full-time executive director or any employee of any member of Standard Chartered to participate in the 2000 Executive Scheme.

Within two years of the grant of options under the 2000 Executive Scheme, executive directors will be required to acquire and continue to hold shares in the Company worth one times gross base salary. Lower multiples will apply for less senior executives. If the ownership guidelines are breached by an executive, all outstanding options which have been granted under the 2000 Executive Scheme will normally lapse and no further options will be granted, until the required ownership position is attained. These share ownership requirements may be increased by the board in the future or, in exceptional circumstances, decreased or waived.

(ii) Grant of options

Options may normally be granted in the six weeks immediately following the announcement of the Company's financial results for any period. Options may also be granted at other times in circumstances which the directors of the Company consider to be exceptional.

No options may be granted after May 11, 2010. Options granted are personal to the options holder and, except on their death, may not be transferred. Executives do not pay for the grant of an option.

Under the scheme an individual will be able to receive options over shares worth up to six times gross base salary each year, subject to the directors' discretion.

(iii) Price

The price to be paid for each share under an option will be set by the board before the option is granted. However, it shall not be less than the average market value of the shares taken from the London Stock Exchange Daily Official List for the five dealing days immediately before the option is granted.

(iv) Performance targets

Options granted under the 2000 Executive Scheme may normally only be exercised if a performance condition is met. If the performance condition has not been achieved, then the performance period is extended, one financial year at a time, until either the target is met or the option lapses (which will occur five years after the grant date).

(v) Exercise of options

Executives may normally exercise options granted under the 2000 Executive Scheme between three and ten years after the date of grant but only if both the shareholding requirements and the relevant performance conditions for those options have been met.

If an option holder dies or leaves employment because of injury, disability or redundancy, or because the company or business for which they work is transferred out of Standard Chartered, then they or (in the event of their death) their personal representative, may exercise their options immediately, even if the performance condition has not been met. If an option holder retires at contractual retirement age, they may continue to hold their options but may only exercise them if the performance condition is met. However, in such circumstances, the number of shares to which the individual is entitled will be reduced in proportion to the period from the date of grant to the date of retirement compared to the period from the date of grant to the date on which the relevant performance condition is met.

If there is a change of control, reconstruction or winding-up of the Company, executives may normally only exercise options under the 2000 Executive Scheme if the performance target has been met. However, in these circumstances, the board has the discretion to allow the executives to exercise their options (in whole or in part) if it considers this to be appropriate.

(vi) Limits

The 2000 Executive Scheme is subject to the following limits:

(A) in any ten year period the number of shares which may be placed under option or issued under the 2000 Scheme, or any other executive share option scheme adopted by the Company, may not exceed 5% of the issued ordinary share capital of the Company from time to time; and

(B) in any ten year period the number of shares which may be placed under option or issued under the 2000 Scheme or any other employees' share scheme adopted by the Company may not exceed 10% of the issued share capital of the Company from time to time.

(vii) Variation capital

If there is a variation in the share capital of the Company or in the event of a demerger, capital dividend or other event similarly affecting options, the board may make appropriate adjustments to the number of shares under option and to the exercise price of those options.

(viii) Cash alternative

The board may choose to pay executives in cash when they exercise their options instead of issuing shares. The amount to be paid shall be equal to the amount by which the market value of the shares under option at the time of the exercise exceeds the exercise price.

(i) The Standard Chartered 2001 Performance Share Plan (the "Plan")

(i) Administration

The Plan was adopted on May 3, 2001. The Plan will operate with the Standard Chartered Employee Share Ownership Plan Trust (the "ESOP").

(ii) Eligibility

The board may invite any executive director or any employee of the Company or any of its subsidiaries to participate.

(iii) Awards

An award takes the form of a deferred right to acquire a maximum number of shares at no cost to the participant.

Awards will normally be made during the six weeks following the announcement by the Company of its results for any period (and at other times in exceptional circumstances). No awards may be made after May 3, 2011.

Awards are personal to the participants and, except on their death, may not be transferred.

(iv) Performance conditions

The board will set appropriate performance conditions each time that awards are made under the Plan.

(v) Exercise of awards

Participants may normally exercise their awards between three and ten years after the date of grant but only to the extent that the performance conditions have been met.

Participants will be required to build up a shareholding in the Company before they can exercise their awards. This will be based on a multiple of salary and will be in addition to any shareholding requirement for the 2000 Executive Scheme.

Normally the participant must remain employed by Standard Chartered to receive their shares. However, if their employment ceases in certain circumstances, such as ill-health, injury, disability, retirement at normal contractual retirement age, redundancy, the sale of the relevant subsidiary company or the transfer of the business in which the participant is employed, they may only receive their shares to the extent that the performance conditions are met and will normally receive only a time apportioned number of shares.

If a participant dies, their personal representative may receive a time apportioned number of shares and the performance conditions may be waived at the discretion of the board.

(vi) Limits

The ESOP may subscribe for or purchase shares for the Plan. The board does not intend to issue shares to the ESOP at a price less than the middle market quotation for a share on the dealing day (or the average on up to five dealing days) before they are issued or if an option is granted to the ESOP to subscribe for shares, the dealing day (or the average on up to five dealing days) before the grant of the option. In addition, the following limits apply to the Plan:

(a) in any ten year period, the number of shares which may be issued or be placed under option under the Plan and any discretionary share option scheme established by the Company may not exceed 5% of the issued share capital of the Company from time to time; and

(b) in any ten year period, the number of shares which may be issued or be placed under option under the Plan and any employees' share scheme established by the Company may not exceed 10% of the issued share capital of the Company from time to time.

(vii) Individual limits

The value of shares awarded under the Plan in any financial year to any individual may not exceed 100% of their annual salary (excluding benefits in kind), or such lesser percentage as may be set for any individual or class of participants.

(viii) Change of control

If there is a change of control, scheme of reconstruction or amalgamation or winding-up of the Company, participants may receive their shares subject to the consent of the board, taking account of the extent to which the performance conditions have been satisfied at that time and any other relevant criteria.

(ix) Variation of capital

If the share capital of the Company is increased or varied, the board may adjust the number of shares which a participant may acquire and the performance conditions to which an award is subject.

10. Memorandum and Articles of Association

The following is a summary of the material provisions of the Articles of Association of the Company (the "Articles") which are available for inspection as provided below.

(a) New issues and pre-emption

Subject to applicable law, the unissued shares of the Company shall be at the disposal of the board which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms as the board may decide. Under section 80 of the Companies Act 1985, the directors may not allot any of the unissued shares of the Company (including rights to subscribe for or to convert any security into shares of the Company) unless they are authorised to do so by the shareholders of the Company. Any such authority cannot exceed a period of five years. Section 89 of the Companies Act 1985 provides that, unless disapplied, the directors can only allot unissued equity securities for cash pursuant to an authority under section 80 on a pre-emptive basis to the Company's ordinary shareholders in proportion to their existing holdings. It is normal practice for a public company, listed on the London Stock Exchange, to disapply, to a limited extent, the provisions of section 89 by a special resolution passed at each annual general meeting of the Company. The current section 80 authority (in relation to the Company's U.S. dollar shares) and the current disapplication of the section 89 pre-emption rights by the Company's shareholders are referred to in paragraphs 4.2 and 4.3 above.

(b) Non-cumulative preference shares

The authorised share capital of the Company includes 300,000,000 non-cumulative preference shares of U.S.$5.00 each (the "dollar preference shares"), 500,000,000 non-cumulative preference shares of £1 each (the "sterling preference shares") and 1,000,000 non-cumulative preference shares of €1,000 each (the "euro preference shares"). In this paragraph (b) the dollar preference shares, the sterling preference shares and the euro preference shares are together referred to as the preference shares. The provisions contained in the Articles relating to such shares are summarised below:

(i) Priority

The preference shares are to rank as regards repayment of capital and as regards income in priority to ordinary shares in the Company.

(ii) Dividend

The preference shares are to carry the right to a non-cumulative preferential dividend in such currency and at such rates (whether fixed or variable) to be determined by the directors of the Company before allotment.

(iii) Capital

The preference shares are to carry the right on a winding-up of the Company or other return of capital (but not, unless otherwise provided by their terms of issue, on a redemption, reduction or purchase by the Company of any of its issued share capital) in priority to any payment to the holders of ordinary shares in the Company to the repayment of the nominal capital paid up on the preference shares together with any premium determined by the directors before allotment (together the "liquidation entitlement"), and to an amount equal to the dividend for the then current dividend period accrued to the date of commencement of the winding-up.

(iv) Redemption

Subject to any discretion allowed to the directors of the Company under the Companies Acts at the time of allotment of any preference shares and referred to below, unless the directors shall before allotment of any particular preference shares determine that such shares shall not be redeemable, preference shares allotted will be redeemable at the option of the Company on any date falling on or after the day following the fifth anniversary of the date of allotment (or such later date as the directors may determine prior to allotment).

On redemption there will be paid on each redeemable preference share the aggregate of the nominal capital paid up on such share, any premium credited as paid-up on such share, an amount equal to the dividend for the then current dividend period accrued to the date of redemption and, in the case of dollar preference shares and depending on the timing of redemption, a redemption premium.

(v) Voting

Preference shares will only carry a right to attend or vote at general meetings of the Company: (1) if the dividend on the preference shares most recently payable before any such meeting has not been paid in full; (2) if a resolution is to be put to the meeting varying or abrogating the rights attached to the preference shares and then only to speak or vote on the relevant resolution; or (3) in relation to any particular preference shares, in such other circumstances (if any) as the directors may determine prior to allotment of those shares.

(c) Dividends, Unclaimed Dividends and Scrip Dividends

Subject to applicable law, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but no dividend shall exceed the amount recommended by the board. The board may pay such interim dividends as appear to the board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the Company, in the opinion of the board, justifies its payment. Dividends may be declared or paid in any currency. Any dividend payable by the Company may be paid by cheque or warrant sent by post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders otherwise direct. Every cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of the shares and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. In addition, any such dividend may be paid by any bank or other funds transfer system or such other means and to or through such person as the holder or joint holders may in writing direct and the Company shall have no responsibility for any sums lost or delayed in the course of any such transfer or where it has acted on any such directions.

The Company may cease to send dividend payments on any shares if in respect of at least two consecutive dividends, the cheques or warrants have been returned undelivered or remain uncashed. Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

The board may, if authorised by an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend.

(d) Winding-up

If the Company is wound up the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act 1985, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how a division shall be carried out as between the members or different classes of members. The liquidator may, with like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members.

(e) Voting

Subject to any special terms as to voting upon which any shares may be issued or may have been issued, at a general meeting every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote on a show of hands and one vote for every U.S.$2 nominal value of share capital which he holds, on a poll. No member shall, unless the board otherwise decides, be entitled to vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be called by not less than 14 clear days' notice in writing. Any member whose registered address is not within the UK and who gives to the Company an address within the UK at which notices may be served upon him shall be entitled to have notices served upon him at that address but, unless he does so, shall not be entitled to receive any notice from the Company.

Unless otherwise required by law or by the Articles, voting in general meetings is by ordinary resolution (requiring the affirmative vote of a simple majority of the votes cast). A special resolution (requiring an affirmative vote of at least 75% of the vote cast) is necessary for certain matters, such as any alteration to the Articles, a change of the Company's name or a disapplication of shareholders' pre-emption rights under section 89 of the Companies Act 1985.

(f) Variation of rights

Subject to applicable law and to any rights conferred on the holders of any class of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

(g) Alteration of capital and purchase of own shares

The Company may from time to time by ordinary resolution:

(i) increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) subject to applicable law, sub-divide its shares or any of them into shares of a smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others; and

(iv) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to applicable law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way. Subject to applicable law and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares. Purchases shall be authorised by such resolution of the Company as may be required by applicable law and by an extraordinary resolution passed at a separate general meeting of the holders of any class of shares which, at the date on which the purchases or contract therefor are authorised by the Company in general meeting, entitle them, either immediately or at any time later on, to convert all or any of the shares of that class into equity share capital of the Company.

(h) Transfer of shares

Any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the board may approve. The transferor shall be deemed to remain the holder of each relevant share until the name of the transferee is entered in the register in respect of it. The board may decline to register any transfer unless:

(i) the instrument of transfer is lodged with the Company accompanied by the certificate (if any) for the shares to which it relates and/or such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;

(ii) the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

The Articles contain no other restriction on the transferability of shares which are fully paid.

The Company's securities may be evidenced and transferred without a written instrument in accordance with any statutory regulations made under the Companies Act and the board shall have the power to implement any arrangements it may think fit for such evidencing and transfer which accord with those regulations. However, this provision alone is not sufficient to allow the Company's shares to be held or transferred in CREST as described below.

Consequently, the Company has passed a board resolution in accordance with Regulation 16 of the Uncertificated Securities Regulations 1995 (the "Regulations") to enable the Company's shares to be held or transferred in uncertificated form in CREST, the electronics system operated by CRESTCo Limited under the Regulations. The effect of this resolution is that provisions in the Articles will not apply to uncertificated shares to the extent they are inconsistent with:

(i) the holding of shares in uncertificated form;

(ii) the transfer of title to shares by means of any system such as CREST; and

(iii) any provisions of the Regulations.

(i) Directors' borrowing powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of any of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Acts, to issue debentures and other securities whether outright or as collateral for any debt, liability or obligation of the Company or of any third party.

11. Litigation

Standard Chartered is not, nor has it been, involved in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on Standard Chartered's financial position, nor is the Company aware that any such proceedings are pending or threatened.

12. Financial position

Except as disclosed in this Supplementary Offering Circular, there has been no significant change in the financial or trading position of Standard Chartered since December 31, 2000, nor any material adverse change in the financial position or prospects of Standard Chartered since December 31, 2000.

13. Nature of financial information

13.1 The financial information contained in this Supplementary Offering Circular does not constitute statutory accounts within the meaning of section 240(5) of the Companies Act 1985. Save in respect of information originating from the audited consolidated financial statements of the group, the financial information contained in this document has not been audited. The audited annual consolidated financial statements of the group of the three years ended December 31, 1998, 1999 and 2000 were audited by KPMG Audit Plc, of 8 Salisbury Square, London EC4Y 8BB. The auditors have made reports under section 235 of the Companies Act 1985 on each of the financial statements for the three years ended December 31, 1998, 1999 and 2000 which were unqualified and did not contain any such statement as is described in section 237(2) or (3) of the Companies Act 1985. Statutory accounts of the company have been delivered to the Registrar of Companies to each of the three financial years ended December 31, 1998, 1999 and 2000.

13.2 KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in this Supplementary Offering Circular of its report in the form and context in which it appears and has authorised the contents of that report for the purposes of section 152(1)(e) of the Financial Services Act 1986.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of the Auditors

To the members of Standard Chartered PLC

We have audited the financial statements on pages F-3 to F-52.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding director's remuneration and transactions with the Group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at December 31, 2000 and 1999 and of the profits of the Group for the years ended December 31, 2000, 1999 and 1998, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London
February 21, 2001

Consolidated Profit and Loss Account

	Notes	2000 Continuing operations Underlying (£)	2000 Continuing operations Acquisitions (£)	2000 Discontinued operations (£)	2000 Total (£)	1999 Total (£)	1998 Total (£)
				(in millions)			
Interest receivable	1	4,099	237	219	4,555	3,730	4,003
Interest payable	2	(2,522)	(149)	(97)	(2,768)	(2,094)	(2,479)
Net interest income		1,577	88	122	1,787	1,636	1,524
Fees and commissions receivable		670	31	34	735	582	504
Fees and commissions payable		(95)	(4)	(50)	(149)	(144)	(99)
Dealing profits and exchange	3	241	8	—	249	246	418
Other operating income	4	56	3	17	76	58	20
		872	38	1	911	742	843
Net revenue		2,449	126	123	2,698	2,378	2,367
Administrative expenses:							
Staff	5	(801)	(74)	(40)	(915)	(713)	(638)
Premises and equipment	5	(181)	(12)	(6)	(199)	(172)	(163)
Other	5	(406)	(57)	(17)	(480)	(374)	(354)
Depreciation and amortisation	7	(164)	(21)	(11)	(196)	(117)	(73)
Total expenses:							
On-going		(1,391)	(115)	(71)	(1,577)	(1,376)	(1,228)
Restructuring		(161)	(49)	(3)	(213)	—	—
Total operating expenses		(1,552)	(164)	(74)	(1,790)	(1,376)	(1,228)
Operating profit before provisions		897	(38)	49	908	1,002	1,139
Provisions for bad and doubtful debts	18	(270)	(11)	(24)	(305)	(495)	(436)
Provisions for liabilities and commitments		(5)	—	—	(5)	—	—
Operating profit		622	(49)	25	598	507	703
Profit on disposal of subsidiary undertakings	25	351	—	—	351	—	—
Profit before taxation		973	(49)	25	949	507	703
Taxation	9	(231)	(8)	(10)	(249)	(149)	(227)
Profit after taxation		742	(57)	15	700	358	476
Minority interests (equity)					(4)	(14)	(13)
Minority interests (non-equity)					(19)	—	—
Profit for the year attributable to shareholders					677	344	463
Dividends on non-equity preference shares	10				(16)	(16)	(16)
Dividends on ordinary equity shares	11				(280)	(242)	(207)
Retained profit					381	86	240
Basic earnings per ordinary share	12				60.8p	31.4p	44.8p
Diluted earnings per ordinary share	12				59.8p	31.1p	44.5p

For the year ended December 31.

Acquisitions

Standard Chartered Grindlays Bank and the associated Grindlays Private Banking business were acquired on August 1, 2000. Manhattan Card Company and Chase Manhattan's retail banking business in Hong Kong were acquired on November 1, 2000. Metropolitan Bank of the Lebanon was acquired on February 28, 2000.

Discontinued operations

The Group disposed of its interests in the Chartered Trust businesses on August 31, 2000. The 1999 results of discontinued operations are shown in note 25.

Consolidated Balance Sheet

	Notes	As at December 31, 2000 (£) (in millions)	1999 (£)
Assets			
Cash and balances at central banks		531	609
Cheques in course of collection		70	34
Treasury bills and other eligible bills	13	2,657	2.701
Loans and advances to banks	14	15,935	11,401
Securitised loans and advances to customers	15	7	410
Less: non-returnable proceeds	15	(7)	(410)
Other loans and advances to customers	16	34,797	28,797
Total loans and advances to customers		34,797	28,797
Debt securities	21	6,604	5,076
Equity shares	22	69	38
Intangible fixed assets	26	1,561	366
Tangible fixed assets	27	655	599
Other assets	29, 34	4,820	3,854
Prepayments and accrued income		900	657
Total assets		68,599	54,132
Liabilities			
Deposits by banks	30	7,447	5,555
Customer accounts	31	43,620	35,149
Debt securities in issue	32	3,040	2,665
Other liabilities	33	6,056	4,612
Accruals and deferred income		860	740
Provisions for liabilities and charges	34, 35	205	77
Subordinated liabilities:			
Undated loan capital	37	1,219	954
Dated loan capital (including convertible bonds)	37	1,514	945
Minority interests:			
Equity	38	51	69
Non equity	38	326	—
Called up share capital	39	482	465
Share premium account	40	1,279	814
Premises revaluation reserve	40	33	38
Profit and loss account	40	2,467	2,049
Shareholders' funds (including non-equity interests)		4,261	3,366
Total liabilities and shareholders' funds		68,599	54,132
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements	47	634	589
Guarantees and irrevocable letters of credit	47	6,674	5,877
Other contingent liabilities	47	2,365	650
		9,673	7,116
Commitments	47	28,738	25,247

These accounts were approved by the Board of Directors on February 21, 2001 and signed on its behalf by:

Sir Patrick Gillam, Chairman
G. S. Talwar, Group Chief Executive
P. N. Kenny, Group Executive Director

Consolidated Statement of Total Recognized Gains and Losses

	For the year ended December 31,		
	2000	1999	1998
	(£)	(£) (in millions)	(£)
Profit for the year attributable to shareholders	677	344	463
Exchange translation differences	(67)	13	(23)
Unrealised net deficit on revaluation of premises	—	(10)	—
Total recognized gains and losses for the year	610	347	440

Note of Consolidated Historical Cost Profits and Losses

For the years ended December 31, 2000, 1999 and 1998

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.

Consolidated Cash Flow Statement

	Notes	2000	1999	1998
		For the year ended December 31,		
		(£)	(£)	(£)
			(in millions)	
Net cash inflow from operating activities	42a	2,397	981	2,144
Returns on investments and servicing of finance				
Interest paid on subordinated loan capital		(133)	(102)	(79)
Subordinated loan capital issue expenses		(19)	(4)	—
Dividends paid to minority shareholders of subsidiary undertakings		(14)	(22)	(10)
Dividends paid on preference shares		(16)	(16)	(16)
Net cash outflow from returns on investments and servicing of finance		(182)	(144)	(105)
Taxation				
UK taxes paid		(31)	(61)	(45)
Overseas taxes paid		(166)	(168)	(215)
Total taxes paid		(197)	(229)	(260)
Capital expenditure and financial investment				
Purchases of tangible fixed assets		(157)	(219)	(187)
Acquisitions of treasury bills held for investment purposes		(6,849)	(5,699)	(5,444)
Acquisitions of debt securities held for investment purposes		(8,173)	(7,091)	(12,999)
Acquisitions of equity shares held for investment purposes		(41)	(5)	(5)
Disposals of tangible fixed assets		21	15	5
Disposals and maturities of treasury bills held for investment purposes		6,954	6,014	4,712
Disposals and maturities of debt securities held for investment purposes		7,508	5,798	12,595
Disposals of equity shares held for investment purposes		5	19	2
Net cash outflow from capital expenditure and financial investment		(732)	(1,168)	(1,321)
Net cash inflow/(outflow) before acquisitions and disposals, equity dividends paid and financing		1,286	(560)	458
Acquisitions and disposals				
Purchases of interests in subsidiary undertakings	24	(1,657)	(203)	(213)
Purchase of subordinated debt in subsidiary undertaking		(123)	—	—
Disposals of interests in subsidiary undertakings	25	616	—	—
Purchases of other businesses		—	(129)	—
Net cash outflow from acquisitions and disposals		(1,164)	(332)	(213)
Equity dividends paid to members of the Company		(158)	(152)	(185)
Financing				
Proceeds from issue of ordinary share capital		477	399	9
Share issues expenses		(5)	(4)	—
Issue of preferred securities		304	—	—
Issue of subordinated loan capital		769	728	—
Repayment of subordinated liabilities		(12)	—	—
Net cash inflow from financing	42d	1,533	1,123	9
Increase in cash in the year	42b	1,497	79	69

Company Balance Sheet

	Notes	As at December 31, 2000 (£) (in millions)	1999 (£)
Fixed assets			
Investments in subsidiary undertakings	23	5,303	4,513
Current assets			
Amounts owed by subsidiary undertakings		219	16
Prepayments and accruals		19	16
Taxation		79	79
		317	111
Creditors: amounts due within one year			
Proposed dividend		200	171
Amounts owed to subsidiary undertakings		16	16
Other creditors, including taxation		24	4
Accrued interest		—	16
		240	207
Net current assets/(liabilities)		77	(96)
Total assets less current liabilities		5,380	4,417
Creditors: amounts due after more than one year			
Undated subordinated loan capital	37	1,022	954
Dated subordinated loan capital	37	97	97
		4,261	3,366
Capital and reserves			
Called up share capital	39	482	465
Share premium account	41	1,279	814
Revaluation reserve	41	2,192	1,920
Profit and loss account	41	308	167
Shareholders' funds (including non-equity interests)		4,261	3,366

These accounts were approved by the Board of Directors on February 21, 2001 and signed on its behalf by:

Sir Patrick Gillam, Chairman
G. S. Talwar, Group Chief Executive
P. N. Kenny, Group Executive Director

Principal Accounting Policies

Accounting Convention

The accounts of the Company and of the Group have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions.

Group Accounts

The consolidated accounts of the Group comprise the accounts of the Company and its subsidiary undertakings for the year ended December 31, 2000 and are drawn up in accordance with Part VII Chapter II of the Companies Act 1985 (the Act), applicable Accounting Standards and the British Bankers' Association's Statements of Recommended Accounting Practice.

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 January 1, 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.

Company Accounts

The Company accounts are drawn up in accordance with Section 228 of, and Schedule 4 to, the Act and applicable Accounting Standards. As permitted by Section 230 of the Act, the Company's profit and loss account has not been included in these financial statements.

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 are expected with reasonable probability to crystallise in the foreseeable future. No provision is made for tax which would be payable on the distribution of the retained earnings of subsidiary undertakings.

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 sterling terms at rates of exchange ruling on the balance sheet date. Profits and losses earned in foreign currencies are expressed in sterling terms at the average exchange rate of each currency against sterling during the year. 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 United Kingdom, are included in the profit and loss account.

Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at the Company's share of their attributable net assets, together with any long term loans provided by the Company to the subsidiary undertakings.

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.

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.

Notes to the Accounts

1. Interest Receivable

	2000	1999	1998
	For the year ended December 31,		
	(£)	(£) (in millions)	(£)
Balances at central bank	3	1	—
Treasury bills and other eligible bills	208	235	223
Loans and advances to banks	1,005	656	698
Loans and advances to customers	2,936	2,586	2,812
Listed debt securities	109	102	60
Unlisted debt securities	294	150	210
	4,555	3,730	4,003

2. Interest Payable

	2000	1999	1998
	For the year ended December 31,		
	(£)	(£) (in millions)	(£)
Deposits by banks	493	342	511
Customer accounts:			
Current and demand accounts	369	276	243
Savings deposits	87	74	90
Time deposits	1,466	1,144	1,320
Debt securities in issue	197	156	236
Subordinated loan capital:			
Wholly repayable within 5 years	12	14	13
Other	144	88	66
	2,768	2,094	2,479

3. Dealing Profits and Exchange

	2000	1999	1998
	For the year ended December 31,		
	(£)	(£) (in millions)	(£)
Income from foreign exchange dealing	215	218	386
Profits less losses on dealing securities	17	17	5
Other dealing profits and exchange	17	11	27
	249	246	418

4. Other Operating Income

	For the year ended December 31,		
	2000	1999	1998
	(£)	(£) (in millions)	(£)
Other operating income includes:			
Share of profits arising on securitised instalment credit agreements (note 15)	17	24	5
Profits less losses on disposal of investment securities	7	3	1
Dividend income	4	6	5

5. Administrative Expenses

	2000 On-going	Restructuring	Total	1999	1998
	(£)	(£)	(£) (in millions)	(£)	(£)
Staff costs:					
Wages and salaries	609	—	609	544	494
Social security costs	25	—	25	21	22
Other pension costs (note 6)	31	2	33	31	33
Other staff costs	102	146	248	117	89
	767	148	915	713	638
Premises and equipment expenses:					
Rental of premises	103	—	103	103	103
Other premises and equipment costs	69	15	84	58	50
Rental of computers and equipment	12	—	12	11	10
	184	15	199	172	163
Other expenses	460	20	480	374	354
Total administrative expenses	1,411	183	1,594	1,259	1,155

Other expenses includes £2.9 million (1999: £2.7 million; 1998: £2.3 million) in respect of auditors' remuneration for the Group of which £0.3 million (1999: £0.2 million; 1998: £0.1 million) relates to the Company. The auditors of the Company, KPMG Audit Plc and their associated firms, also received £3.4 million (1999: £1.2 million; 1998: £0.7 million) in respect of non-audit services provided to the Group's UK subsidiaries, including regulatory reviews and assistance relating to business acquisitions and disposals.

6. Retirement Benefits

The total charge for benefits under the Group's retirement benefit schemes was £33 million (1999: £31 million; 1998: £33 million), of which £25 million (1999: £24 million; 1998: £28 million) was for defined benefit pension schemes, £6 million (1999: £6 million; 1998: £3 million) was for defined contribution pension schemes and £2 million (1999: £1 million; 1998: £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 December 31, 1998. The assumptions having the most significant effect on the outcome of the valuation were:

Existing assets

62% of the UK portfolio, invested in Government Fixed Interest and Index-Linked stocks to match the liabilities for current pensioners, was valued at market value.

6. Retirement Benefits continued

38% of the UK portfolio was valued at the discounted value (at 6.5% per annum) of a notional portfolio invested in the shares of the FT-Actuaries All-Share Index, assuming future growth at 3.75% per annum.

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	4.5% per annum
Increase in pensions:	
In deferment	2.5% per annum (where applicable)
In payment (pre April 1997 service)	2.5% per annum (excepting GMP element)
(discretionary increases only; guaranteed increases assumed to be nil)	
In payment (post April 1997 service)	2.5% per annum

Applying these assumptions, the actuarial value of the assets of the Fund (£773 million) was sufficient to cover 101% of the benefits that had accrued to members (118% excluding the allowance for discretionary benefit increases). The market value of the assets of the Fund was £786 million. The actuarial valuation took full account of the anticipated effect of the loss of the ability to recover ACT relating to dividends received which occurred in 1997.

During 2000, payments of £14 million (1999: £15 million; 1998: £13 million) were made to the Fund and the charge in these accounts for pension costs attributable to the Fund was £8 million (1999: £10 million; 1998: £12 million). This was made up of a regular cost of £10 million (1999: £12 million; 1998: £10 million) and a credit of £2 million (1999: credit of £2 million; 1998: charge of £1 million) being the annual cost of spreading the surplus, using the straight-line method over a 11.2 year period (1999: 11.2 year period; 1998: 9.5 year period). There were no material charges in respect of benefit improvements.

With effect from 1 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 2000 in respect of other UK pension schemes amounted to £4 million (1999: £4 million; 1998: £1 million). These accounts include charges for pension costs attributable to subsidiary undertakings sold during the year.

The actuarial positions of the Group's principal overseas defined benefit pension schemes have been assessed at various dates since 1 July 1996 by independent qualified actuaries. The total market value of the assets of the schemes at their respective assessment dates was £122 million, and the total actuarial value of these assets was sufficient to cover 94% 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 £9 million.

The total charge to the profit and loss account in 2000 for all overseas schemes was £20 million (1999: £17 million; 1998: £20 million) of which £16 million (1999: £14 million; 1998: £16 million) was for defined benefit schemes, £2 million (1999: £2 million; 1998: £2 million) was for defined contribution schemes and £2 million (1999: £1 million; 1998: £2 million) was for post-retirement benefits other than pensions. The charge of £20 million comprises a regular cost of £24 million, a credit of £6 milllion in respect of a refund to the Group of surplus monies from the Kenyan defined benefit pension scheme and a net charge of £2 million in respect of the spreading of other surpluses and deficits. The charges have the effect of eliminating the £9 million of scheme deficits over no more than 10 years.

Provisions for liabilities and charges (note 35) includes £27 million (1999: £22 million; 1998: £19 million) representing the excess of the accumulated amount charged against the Group's profits in 2000 and previous years in respect of pension costs compared with the contributions paid into the schemes concerned, together with £9 million (1999: £5 million; 1998: £4 million) representing provisions for post-retirement benefits other than pensions.

7. Depreciation and Amortisation

	2000 On-going	2000 Restructuring	2000 Total	1999	1998
	For the year ended December 31,				
	(£)	(£)	(£) (in millions)	(£)	(£)
Goodwill	47	—	47	22	7
Premises	24	—	24	19	13
Equipment	95	30	125	76	53
	166	30	196	117	73

8. Directors and Officers

Directors' Emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the report on directors' remuneration on pages 58 to 64.

Transactions with Directors, Officers and Others

As at December 31, 2000, the total amounts to be disclosed under the Companies Act 1985 (the Act) about loans to directors and officers were as follows:

	2000 Number	2000 (£)	1999 Number	1999 (£)	1998 Number	1998 (£)
	(in thousands, except numbers)					
Directors	2	13	2	10	2	6
Officers*	6	5,117	10	2,545	7	1,311

* 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 Act or the rules of the UK Listing Authority.

9. Taxation

	2000	1999	1998
	For the year ended December 31,		
	(£)	(£) (in millions)	(£)
The charge for taxation, based upon the profits for the year, comprises:			
United Kingdom corporation tax at 30% (1999: charge of 30.25%; 1998: charge of 31%) including a deferred tax credit of £11 million (1999: charge of £7 million; 1998: charge of £4 million)	128	96	140
Relief for overseas tax	(99)	(51)	(86)
	29	45	54
Overseas tax including a deferred tax credit of £16 million (1999: charge of £3 million; 1998: charge of £2 million)	220	104	173
	249	149	227

There is no tax chargeable against the profit on sale of subsidiary undertakings of £351 million.

10. Dividends on Non-equity Preference Shares

	For the year ended December 31,		
	2000	1999	1998
	(£)	(£)	(£)
		(in millions)	
Non-cumulative $7^{3}/_{8}$% irredeemable preference shares	8	8	8
Non-cumulative $8^{1}/_{4}$% irredeemable preference shares	8	8	8
	16	16	16

11. Dividends on Ordinary Equity Shares

	For the year ended December 31,					
	2000		1999		1998	
	Pence per share	Amount (£)	Pence per share	Amount (£)	Pence per share	Amount (£)
	(in millions, except for pence per share)					
Interim paid	7.425p	80	6.75p	71	6.25p	62
Final proposed	17.710p	200	16.10p	171	14.50p	145
	25.135p	280	22.85p	242	20.75p	207

12. Earnings per Ordinary Share

	For the year ended December, 31								
	2000			1999			1998		
	Profit (in millions)	Average number of shares (in thousands)	Amount per share	Profit (in millions)	Average number of shares (in thousands)	Amount per share	Profit (in millions)	Average number of shares (in thousands)	Amount per share
	(£)	(£)		(£)	(£)		(£)	(£)	
Basic earnings per ordinary share									
Profit attributable to ordinary shareholders	661	1,086,619	60.8p	328	1,046,182	31.4p	447	997,147	44.8p
Effect of dilutive potential ordinary shares									
Convertible bonds	9	25,866		—	—		—	—	
Options	—	7,009		—	10,086		—	7,790	
Diluted earnings per ordinary share	670	1,119,494	59.8p	328	1,056,268	31.1p	447	1,004,937	44.5p

12. Earnings per Ordinary Share continued

Headline earnings per ordinary share

The Institute of Investment Management and Research Statement of Investment Practice No 1 provides a definition of headline earnings, a measure which has gained widespread acceptance. As this differs from earnings defined in Financial Reporting Standard 14 the following table provides a reconciliation.

	For the year ended December 31,		
	2000	1999	1998
	(£)	(£) (In millions)	(£)
Profit attributable to shareholders after preference dividends	661	328	447
Amortisation of goodwill	47	22	7
Profits less losses on disposal of investment securities	(7)	(3)	(1)
Profit on disposal of subsidiary undertakings	(351)	—	—
Headline earnings	350	347	453
Headline earnings per ordinary share	32.2p	33.2p	45.4p

Normalized earnings per ordinary share

The following table shows the calculation of normalized 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.

	For the year ended December 31.		
	2000	1999	1998
	(£)	(£) (in millions)	(£)
Profit attributable to shareholders after preference dividends	661	328	447
Amortisation of goodwill	47	22	7
Profits less losses on disposal of investment securities	(7)	(3)	(1)
Profit on disposal of subsidiary undertakings	(351)	—	—
Restructuring charge	213	—	—
Tax credit relating to restructuring charge	(53)	—	—
Normalized earnings	510	347	453
Normalized earnings per ordinary share	46.9p	33.2p	45.4p

13. Treasury Bills and Other Eligible Bills

	As at December 31, 2000	1999
	(£) (in millions)	(£)
Dealing securities	120	73
Investment securities	2,537	2,628
Total treasury bills and other eligible bills	2,657	2,701

The estimated market value of treasury bills and similar securities held for investment purposes amounted to £2,537 million (1999: £2,628 million).

Treasury bills and other eligible bills include £71 million (1999: £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:

	Historical cost	Amortisation of discounts/ premiums	Book amount
	(£)	(£) (in millions)	(£)
At January 1, 2000	2,652	(24)	2,628
Exchange translation differences	2	—	2
Acquisitions	6,849	—	6,849
Maturities and disposals	(6,952)	(2)	(6,954)
Amortisation of discounts and premiums	—	12	12
At December 31, 2000	2,551	(14)	2,537

At December 31, 2000, unamortised discounts on treasury bills and similar securities held for investment purposes amounted to £14 million (1999: £21 million) and there were £1 million unamortised premiums (1999: £1 million).

14. Loans and Advances to Banks

	As at December 31, 2000	1999
	(£) (in millions)	(£)
Repayable on demand	2,338	780
With a residual maturity of:		
3 months or less	8,584	7,040
Between 3 months and 1 year	4,001	3,131
Between 1 and 5 years	777	273
Over 5 years	243	188
	15,943	11,412
Provisions for bad and doubtful debts (note 18)	(8)	(11)
	15,935	11,401

Loans and advances to banks include balances with central banks and other regulatory authorities amounting to £756 million (1999: £590 million) which are required by local statute and regulation.

15. Securitised Loans and Advances to Customers

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
Securitised instalment credit agreements	—	400
Securitised Hong Kong residential mortgage receivables	7	10
	7	410

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

In 1994, a subsidiary undertaking, Standard Chartered Bank, sold HKD1 billion (£86 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 HKD1 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 Standard Chartered PLC 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

	As at December 31, 2000 (£)	1999 (£)
	(in millions)	
Repayable on demand	4,336	4,353
With a residual maturity of:		
3 months or less	9,759	8,120
Between 3 months and 1 year	5,118	3,734
Between 1 and 5 years	6,834	5,502
Over 5 years	10,041	8,496
	36,088	30,205
Provisions for bad and doubtful debts (note 18)	(1,075)	(1,200)
Interest in suspense (note 19)	(216)	(208)
	34,797	28,797

There are loans of £nil (1999: £2 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 £8.1 billion (1999: £6.4 billion).

17. Assets Leased to Customers

	As at December 31, 2000 (£)	1999 (£)
	(in millions)	
Operating leases:		
Cost of equipment	—	565
Accumulated depreciation	—	(176)
	—	389
Finance leases	183	228
Instalment credit agreements	457	2,374
	640	2,991

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 UK, assets for leasing to customers under finance leases and instalment credit agreements at December 31, 1999 amounting to £2,283 million were sold during 2000.

The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to £230 million (1999: £1,854 million) excluding assets acquired by the UK consumer finance companies in the period prior to disposal.

The aggregate amounts of leasing income receivable, including capital repayments, under finance leases amounted to £137 million (1999: £160 million; 1998: £178 million) and under operating leases amounted to £102 million (1999: £158 million; 1998: £91 million).

18. Provisions for Bad and Doubtful Debts

	2000			1999		
	Specific	General	Total	Specific	General	Total
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Provisions held at January 1	940	271	1,211	641	269	910
Exchange translation differences	57	23	80	6	2	8
Amounts written off	(663)	—	(663)	(302)	—	(302)
Recoveries of amounts previously written off	34	—	34	52	—	52
Acquisition of subsidiary undertakings	109	22	131	63	—	63
Disposal of subsidiary undertakings	(45)	(2)	(47)	—	—	—
Other	32	—	32	(15)	—	(15)
New provisions	465	—	465	622	—	622
Recoveries and provisions no longer required	(160)	—	(160)	(127)	—	(127)
Net charge against profit	305	—	305	495	—	495
Provisions held at December 31	769	314	1,083	940	271	1,211
Total provisions held at December 31 against:						
Loans and advances to banks (note 14)	8	—	8	11	—	11
Loans and advances to customers (note 16)	761	314	1,075	929	271	1,200
	769	314	1,083	940	271	1,211

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 December 31, 1999 specific provisions for bad and doubtful debts included £76 million of provisions against enhanced and other performing emerging markets debt (December, 31, 2000: £nil).

19. Interest in Suspense

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
At January 1	254	184
Exchange translation differences	43	3
Withheld from profit	147	163
Amounts written off	(193)	(93)
Acquisition of subsidiary undertakings	15	—
Other	10	(3)
At December 31	276	254
Total interest in suspense relating to:		
Loans and advances to customers (note 16)	216	208
Prepayments and accrued income	60	46
	276	254

20. Non-performing Loans and Advances

	As at December 31,					
	2000			1999		
	Standard Chartered Nakornthon Bank	Other	Total	Standard Chartered Nakornthon Bank	Other	Total
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Loans and advances on which interest is suspended	534	1,715	2,249	596	2,002	2,598
Specific provisions for bad and doubtful debts	(48)	(721)	(769)	(63)	(801)	(864)
Interest in suspense	—	(216)	(216)	—	(208)	(208)
	486	778	1,264	533	993	1,526

The Group acquired Standard Chartered Nakornthon Bank (formerly Nakornthon Bank) in September 1999. Under the terms of the acquisition, net non-performing loans of £477 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 non-performing loans of £356 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 non-performing loans is reimbursable by the FIDF to Standard Chartered Nakornthon Bank for a period of five years from the date of acquisition.

Excluding the Standard Chartered Nakornthon Bank non-performing loan portfolio, specific provisions and interest in suspense together cover 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, the effective cover is 69% (1999: 60%, including provisions held against enhanced and other performing emerging markets debt).

21. Debt Securities

	As at December 31, 2000			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(£)	(£)	(£)	(£)
		(in millions)		
Issued by public bodies:				
Government securities	2,623	392	3,015	2,653
Other public sector securities	460	8	468	458
	3,083	400	3,483	3,111
Issued by banks:				
Certificates of deposit	1,770	31	1,801	1,767
Other debt securities	498	10	508	499
	2,268	41	2,309	2,266
Issued by other issuers:				
Bills discountable with recognised markets	—	152	152	—
Other debt securities	615	45	660	615
	615	197	812	615
Total debt securities	5,966	638	6,604	5,992
Of which:				
Listed on a recognised UK exchange	166	—	166	168
Listed elsewhere	1,433	48	1,481	1,443
Unlisted	4,367	590	4,957	4,381
	5,966	638	6,604	5,992

	As at December 31, 1999			
	Investment securities	Book amount Dealing securities	Total debt securities	Valuation Investment securities
	(£)	(£)	(£)	(£)
		(in millions)		
Issued by public bodies:				
Government securities	1,829	249	2,078	1,833
Other public sector securities	387	4	391	379
	2,216	253	2,469	2,212
Issued by banks:				
Certificates of deposit	1,841	62	1,903	1,833
Other debt securities	71	2	73	72
	1,912	64	1,976	1,905
Issued by other issuers:				
Bills discountable with recognised markets	—	214	214	—
Other debt securities	374	43	417	365
	374	257	631	365
Total debt securities	4,502	574	5,076	4,482
Of which:				
Listed on a recognised UK exchange	148	—	148	148
Listed elsewhere	686	82	768	682
Unlisted	3,668	492	4,160	3,652
	4,502	574	5,076	4,482

21. Debt Securities continued

Debt securities include £85 million (1999: £39 million) of securities sold subject to sale and repurchase transactions. £3,676 million (1999: £3,248 million) of the Group's debt securities mature within one year.

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 held for investment purposes comprised:

	Historical cost	Amortisation of discounts/ premiums	Book amount
	(£)	(£) (in millions)	(£)
At January 1, 2000	4,508	(6)	4,502
Exchange translation differences	100	(1)	99
Acquisitions	8,856	5	8,861
Maturities and disposals	(7,497)	(11)	(7,508)
Amortisation of discounts and premiums	—	12	12
At December 31, 2000	5,967	(1)	5,966

At December 31, 2000, unamortised premiums on debt securities held for investment purposes amounted to £20 million (1999: £7 million) and unamortised discounts amounted to £17 million (1999: £12 million).

22. Equity Shares

	As at December 31,			
	2000		1999	
	Book amount	Valuation	Book amount	Valuation
	(£)	(£) (in millions)	(£)	(£)
Investment securities:				
Listed	14	14	9	9
Unlisted	55	55	29	32
Total equity shares	69	69	38	41

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

Income from listed equity shares amounted to £1 million (1999: £1million) and income from unlisted equity shares amounted to £3 million (1999: £5 million).

The change in the book amount of equity shares held for investment purposes comprised:

	Historical cost	Provisions	Book amount
	(£)	(£) (in millions)	(£)
At January 1, 2000	53	(15)	38
Acquisitions	42	—	42
Disposals	(15)	9	(6)
Other	(5)	—	(5)
At December 31, 2000	75	(6)	69

23. Investments in Subsidiary Undertakings

	Historical cost	Revaluation reserve	Loans	Total
	(£)	(£)	(£)	(£)
		(in millions)		
At January 1, 2000	1,541	1,920	1,052	4,513
Exchange translation differences	—	—	68	68
Additions	450	—	—	450
Increase in net assets of subsidiary undertakings	—	272	—	272
At December 31, 2000	1,991	2,192	1,120	5,303

At December 31, 2000, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100%
Standard Chartered Grindlays Bank Limited, Australia	Middle East and South Asia	100%
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100%
Manhattan Card Company Limited, Hong Kong	Hong Kong	100%
Standard Chartered Nakornthon Bank Public Company Limited, Thailand	Thailand	75%
Banco Standard Chartered, Peru	Peru, Venezuela, Colombia and Americas	77%

Details of all Group companies will be filed with the next annual return of the Company.

24. 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 millions)		
Grindlays				
Tangible fixed assets	85	(7)	1	79
Loans and advances to banks and customers	3,683	(6)	4	3,681
Debt securities	666	—	—	666
Cash and balances at central banks	200	—	—	200
Other assets	142	(1)	(16)	125
Total assets	4,776	(14)	(11)	4,751
Deposits by banks and customer accounts	4,198	—	—	4,198
Other liabilities (including £11 million provison for restructuring)	185	3	27	215
Total liabilities	4,383	3	27	4,413
Net assets				338
Minority interests				—
Goodwill				561
				899
Consisting of:				
Cash				889
Acquisition costs				10
				899
Other acquisitions				
Tangible fixed assets	24	(7)	—	17
Loans and advances to banks and customers	1,372	(12)	—	1,360
Debt securities	649	—	—	649
Cash and balances at central banks	–	—	—	—
Other assets	52	(8)	—	44
Total assets	2,097	(27)	—	2,070
Deposits by banks and customer accounts	1,752	—	—	1,752
Other liabilities	118	—	—	118
Total liabilities	1,870	—	—	1,870
Net assets				200
Minority interests				—
Goodwill				758
				958
Consisting of:				
Cash				951
Acquisition costs				7
				958

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.

24. Business Acquisitions continued

	Grindlays	Other Acquisitions	Total
	(£)	(£) (in millions)	(£)
Post acquisition profit/(loss) after taxation	(37)	(20)	(57)
Cash Flow effects of acquisitions:			
Net cash outflow from operating activities	(100)	(9)	(109)
Total taxes paid	(26)	(1)	(27)
Net cash outflow from capital expenditure and financial investment	48	—	48
Net cash outflow from financing	—	—	—
	(78)	(10)	(88)
Purchase of interests in subsidiary undertakings			
Cash and acquisition costs	899	958	1,857
Cash acquired	(200)	—	(200)
	699	958	1,657

The effective date of acquisition of ANZ Grindlays Bank Limited (now re-named Standard Chartered Grindlays Bank Limited) and the associated Grindlays Private Banking business was August 1, 2000. It has been accounted for using the acquisition method. Purchased goodwill is being amortised over 20 years. Standard Chartered Grindlays Bank Limited's post acquisition loss after taxation for the year ended December 31, 2000 was £36 million, after taking a restructuring charge of £36 million. Its pre-acquisition profit after taxation for the period from the start of its financial year on October 1, 1999 to 31 July 2000 was £10 million. Profit after taxation and minority interests for the year ended September 30, 1999 was £30 million. The post acquisition loss after taxation of the Grindlays Private Banking business was £1 million, after taking a restructuring charge of £2 million.

Other acquisitions in the table above include Chase Manhattan's consumer banking interest in Hong Kong, Metropolitan Bank and purchase of part of minority shareholders' interests in Banco Standard Chartered.

The effective date of acquisition of Chase Manhattan Card Company (now re-named Manhattan Card Company) and Chase Manhattan's retail banking business in Hong Kong was November 1, 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 December 31, 2000 was £15 million, after taking a restructuring charge of £10 million. Pre-acquisition results are not available.

The effective date of acquisition of Metropolitan Bank of the Lebanon (now re-named Standard Chartered Bank s.a.l.) was February 28, 2000. It has been accounted for using the acquisition method. Purchased goodwill of £11 million is being amortised over 20 years. The fair value of net assets acquired was £1 million. Standard Chartered Bank s.a.l.'s post acquisition loss after taxation was £5 million.

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

25. Business Disposal

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

Cash flow effects arising from the disposal

	(£) (in millions)
Net assets disposed of:	
Cash	5
Loans and advances to banks and customers	2,418
Intangible fixed assets - goodwill	79
Tangible fixed assets	34
Other assets	110
Deposits by banks	(1,795)
Customer accounts	(471)
Other liabilities	(122)
Minority interests	(4)
Reserves – write back of goodwill previously charged against reserves	16
	270
Surplus over book value	351
Satisfied in cash, net of expenses	621

Results of discontinued operations

The following table shows the results of the discontinued operations in 1999:

	For the year ended December 31, 1999		
	Continuing operations	Discontinued operations	Total
	(£)	(£) (in millions)	(£)
Interest receivable	3,399	331	3,730
Interest payable	(1,947)	(147)	(2,094)
Net interest income	1,452	184	1,636
Fees and commissions receivable	540	42	582
Fees and commissions payable	(73)	(71)	(144)
Dealing profits and exchange	246	—	246
Other operating income	33	25	58
	746	(4)	742
Net revenue	2,198	180	2,378
Administrative expenses:			
Staff	(655)	(58)	(713)
Premises	(163)	(9)	(172)
Other	(350)	(24)	(374)
Depreciation and amortisation	(101)	(16)	(117)
Total operating expenses	(1,269)	(107)	(1,376)
Operating profit before provisions	929	73	1,002
Provisions for bad and doubtful debts	(463)	(32)	(495)
Operating profit	466	41	507
Taxation	(134)	(15)	(149)
Profit after taxation	332	26	358

26. Intangible Fixed Assets

	Goodwill
	(£) (in millions)
Cost	
At January 1, 2000	395
Exchange translation differences	2
Additions	1,319
Disposals	(99)
At December 31, 2000	1,617
Provisions for amortisation	
At January 1, 2000	29
Amortisation charged in the year	47
Disposals	(20)
At December 31, 2000	56
Net book value at December 31, 2000	1,561
Net book value at December 31, 1999	366

27. Tangible Fixed Assets

	Premises	Equipment	Total
	(£)	(£) (in millions)	(£)
Cost or valuation			
At January 1, 2000	410	430	840
Exchange translation differences	6	(1)	5
Additions	51	106	157
Disposals and fully depreciated assets written off	(30)	(103)	(133)
Acquisition of subsidiary undertakings	94	45	139
Disposal of subsidiary undertakings	(12)	(49)	(61)
At December 31, 2000	519	428	947
Depreciation			
Accumulated at January 1, 2000	73	168	241
Exchange translation differences	1	(4)	(3)
Charge for the year	24	125	149
Attributable to assets sold or written off	(16)	(96)	(112)
Acquisition of subsidiary undertakings	8	35	43
Disposal of subsidiary undertakings	—	(26)	(26)
Accumulated at December 31, 2000	90	202	292
Net book value at December 31, 2000	429	226	655
Net book value at December 31, 1999	337	262	599

27. Tangible Fixed Assets continued

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
Premises – analysis of net book value		
Freehold	128	87
Long leasehold	49	41
Short leasehold	252	209
	429	337
Premises – cost or valuation		
At cost	419	287
At valuations made:		
Prior to 1996	12	21
1996	16	26
1999	72	76
	519	410
On the historical cost basis, the book amount of premises amounted to:		
Cost	473	360
Accumulated depreciation	(88)	(73)
Net book value	385	287

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 December 31, 2000 was £429 million (1999: £337 million). Cost or valuation of premises subject to depreciation at December 31, 2000 was £484 million (1999: £265 million). The transitional provisions of FRS15 are being followed and the valuations of premises have not been updated since December 31, 1999.

28. Future Rental Commitments Under Operating Leases

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

	As at December 31,			
	2000		1999	
	Premises	Equipment	Premises	Equipment
	(£)	(£)	(£)	(£)
		(in millions)		
Annual rental on operating leases expiring:				
Within 1 year	17	2	10	1
Between 1 and 5 years	41	2	40	1
5 years or more	20	1	17	—
	78	5	67	2

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

29. Other Assets

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	3,106	2,110
Hong Kong Government certificates of indebtedness (note 44)	1,117	1,060
Assets awaiting sale	10	14
Other	587	670
	4,820	3,854

Other assets include balances relating to securitised loans and advances to customers (note 15) of £7 million (1999: £48 million) which are subordinated to the claims of other parties.

30. Deposits by Banks

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
Repayable on demand	2,074	828
With agreed maturity dates or periods of notice, by residual maturity:		
3 months or less	3,448	4,083
Between 3 months and 1 year	1,406	268
Between 1 and 5 years	519	348
Over 5 years	—	28
	7,447	5,555

31. Customer Accounts

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
Repayable on demand	12,912	10,584
With agreed maturity dates or periods of notice, by residual maturity:		
3 months or less	26,056	21,039
Between 3 months and 1 year	3,928	3,043
Between 1 and 5 years	703	461
Over 5 years	21	22
	43,620	35,149

32. Debt Securities in Issue

	As at December 31, 2000	1999
	(£)	(£)
	(in millions)	
By residual maturity:		
3 months or less	1,084	854
Between 3 months and 1 year	994	863
Between 1 and 5 years	905	948
Over 5 years	57	—
	3,040	2,665

33. Other Liabilities

	As at December 31, 2000	1999
	(£)	(£)
	(in millions)	
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	3,067	2,139
Notes in circulation (note 44)	1,117	1,060
Short positions in treasury bills	119	6
Short positions in debt securities and equity shares	—	29
Current taxation	169	113
Proposed dividend	200	171
Other liabilities	1,384	1,094
	6,056	4,612

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

34. Deferred Taxation

	As at December 31, 2000	1999
	(£)	(£)
	(in millions)	
Deferred taxation comprises:		
Accelerated tax depreciation	7	20
Premises revaluation	10	10
Specific provisions for bad debts	(20)	(2)
Other timing differences	(17)	2
	(20)	30
Changes in deferred taxation balances during the year comprised:		
At January 1	30	23
Exchange translation differences	(1)	(2)
(Credit to)/charge against profit	(27)	10
Credit to premises revaluation reserve	—	(2)
Other	(22)	1
At December 31	(20)	30

34. Deferred Taxation continued

At December 31, 2000, the net deferred tax asset is included in other assets. At December 31, 1999, the net deferred tax provision is included in provisions for liabilities and charges.

	As at December 31,	
	2000	1999
	(£)	(£)
	(in millions)	
No account has been taken of the following potential deferred taxation assets:		
Accelerated tax depreciation	36	31
Tax losses carried forward	47	19
Provisions for bad debts	90	82
Other	7	7

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

	Provision for restructuring	Provision for retirement benefits	Provision for other commitments	Provision for contingent liabilities and commitments	Total
	(£)	(£)	(£)	(£)	(£)
			(in millions)		
At January 1, 2000	—	27	5	15	47
Exchange translation differences	(2)	—	—	1	(1)
Charge against profit	213	33	—	5	251
Provisions utilised	(64)	(46)	(5)	(11)	(126)
Acquisition of subsidiary undertakings	11	17	—	1	29
Other	—	5	—	—	5
At December 31, 2000	158	36	—	11	205

Provision for other commitments related to a voluntary redundancy scheme in India.

At December 31, 1999, provisions for liabilities and charges also included £30 million provision for deferred tax (see note 34).

36. Restructuring Charge

In August 2000 the Group announced a major productivity programme to improve efficiency and customer service. This involves a major restructuring and re-shaping of the Group's business. The restructuring costs incurred during the year in connection with this programme have been included within operating expenses and are analysed below.

	Centralisation of Processing and Systems	Rationalisation of Branch and Organisational Structure	Integration of Acquisitions	Total
	(£)	(£)	(£)	(£)
		(in millions)		
Charge against profit during the year included within:				
Administrative Expenses:				
Staff	25	68	55	148
Premises	4	5	6	15
Other	9	1	10	20
Depreciation and Amortisation	30	—	—	30
	68	74	71	213

37. Subordinated Loan Capital

	As at December 31, 2000	1999
	(£)	(£)
	(in millions)	
Undated – Company		
Primary Capital Floating Rate Notes:		
US$400 million	268	247
US$300 million (Series 2)	202	186
US$400 million (Series 3)	268	247
US$200 million (Series 4)	134	124
£150 million	150	150
Undated – Subsidiary undertakings		
£200 million Step-Up Notes	197	—
Undated subordinated loan capital – Group and Company	1,219	954
Dated – Company		
£97 million 12⅞% Subordinated Unsecured Loan Stock 2002/2007	97	97
Dated – Subsidiary undertakings		
US$200 million Floating Rate Notes 2006	134	124
£30 million Floating Rate Notes 2009	30	30
£300 million 6.75% Notes 2009	298	298
€600 million 5.375% Notes 2009	370	368
US$25 million Floating Rate Notes 2004/2009	17	15
US$4 million Floating Rate Notes 2001/2006	2	13
US$325 million Floating Rate Notes 2005/2010	216	—
€575 million 4.5% Notes 2010	350	—
Dated subordinated loan capital – Group and Company	1,514	945
Dated subordinated loan capital – repayable:		
Between one and two years	99	—
Between two and five years	133	125
Over 5 years	1,282	820
Dated subordinated loan capital – Group	1,514	945

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

37. Subordinated Loan Capital continued

On March 17, 2000, the Group issued at par €575 million of 4.5% Subordinated Guaranteed Convertible Bonds via a Jersey incorporated subsidiary, Standard Chartered Finance (Jersey) Ltd. The bondholders have the right to convert each bond (demoninated in units of €1,000 face value) into one fully paid €1,000 preference share in Standard Chartered Finance (Jersey) Ltd at any time on or after April 26, 2000. These will be exchanged immediately for ordinary shares in Standard Chartered PLC at a price of 1,018.70 pence per ordinary share (the 'exchange price', which is subject to adjustment as set out in the offering circular). Unless previously redeemed, purchased and cancelled or converted, bonds will be redeemed on March 30, 2010, although they may be redeemed at Standard Chartered's option after April 15, 2005. They may be redeemed earlier if 85% of the bonds have been converted.

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

38. Minority Interests

The change in minority shareholders' interests in subsidiary undertakings comprised:

	Equity	Non-equity	Total
	(£)	(£) (in milliions)	(£)
At 1 January 2000	69	—	69
Exchange translation differences	(6)	8	2
Additions	—	299	299
Retained Profits	(11)	19	8
Other	(1)	—	(1)
At 31 December 2000	51	326	377

On March 22, 2000, the Group issued tier 1 capital of €500 million of 8.16% Noncumulative Trust Preferred Securities in Standard Chartered Capital Trust 1 LP, a Delaware statutory business trust, representing a corresponding amount of 8.16% Noncumulative Partnership Preferred Securities of Standard Chartered Capital 1 LP, a Delaware limited partnership in which Standard Chartered Bank ('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 March 23, 2010 or in whole or in part on any dividend payment date thereafter. Dividends are fixed at 8.16% for ten years and at Eurbor plus 3.8% thereafter. The securities will be exchanged for preference shares in Standard Chatered 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 of Standard Chartered PLC on March 23, 2010.

39. Called-up Share Capital

Authorised

The authorised share capital of the Company at December 31, 2000 was £1,540 million (1999: £894 million) made up of 1,503 million ordinary shares of 25 pence each, 500 million non-cumulative preference shares of £1 each, 12 million non-cumulative preference shares of US$5 each and 1 million non-cumulative preference shares of €1,000 each.

39. Called-up Share Capital continued

	Preference shares of £1 each Number of shares	Ordinary shares of 25p each Number of shares	Total
	(in thousands)		(£) (in millions)
Allotted, called-up and fully paid			
At January 1, 2000	200,000	1,061,168	465
Issued under employee share option schemes	—	4,223	1
Issued instead of dividends	—	11,449	3
Placing	—	50,000	13
At December 31, 2000	200,000	1,126,840	482

On May 26, 2000, 10,886,511 ordinary shares were issued instead of the 1999 final dividend. On October 13, 2000, 562,432 ordinary shares were issued instead of the 2000 interim dividend.

The non-cumulative $7^3/_8$% and $8^1/_4$% 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 112,684,030 ordinary shares of 25 pence each, being part of the authorised share capital, may be issued under the employee share schemes.

Placing

A placing of 50,000,000 ordinary shares for cash was made to institutional investors on September 1, 2000. The placing price of the ordinary shares was 915 pence which was a discount of 5.0% on the middle market price of the ordinary shares on September 1, 2000, the day the placing was announced.

Executive share option schemes

At January 1, 2000, there were options outstanding over 11,212,134 ordinary shares under the schemes. During the year options over 1,561,661 ordinary shares lapsed and options over 1,610,807 ordinary shares were exercised at various prices from 89.875 pence to 808.5 pence. There were no options granted under these schemes during the year.

As at December 31, 2000, there were options outstanding over 8,039,666 ordinary shares which may be exercised on various dates up to 2009 under the rules of the schemes.

Supplemental executive share option scheme

At January 1, 2000, there were options outstanding over 2,605,914 ordinary shares under the scheme. During the year, options over 249,902 ordinary shares lapsed and there were no exercises. The following options were granted under the scheme:

Date option granted	Option price per share	Number of shares under option	Exercise period
February 25, 2000	820p	607,872	2001–2005

The exercise of these options will be linked to performance criteria.

As at December 31, 2000, there were options outstanding over 2,963,884 ordinary shares, which may be exercised on various dates up to 2005 under the scheme rules.

39. Called-up Share Capital continued

1997 restricted share scheme

As at January 1, 2000, there were allocations outstanding over 1,382,280 ordinary shares. During the year, allocations over 153,066 ordinary shares were exercised. The following allocations were made:

Date allocation made	Number of shares allocated	Exercise period
February 25, 2000	1,034,879	2002–2007
March 10, 2000	7,142	2002–2007
March 30, 2000	11,634	2002–2007
September 8, 2000	109,794	2002–2007

As at December 31, 2000, there were allocations outstanding over 2,132,719 ordinary shares, with allocations over 259,950 having lapsed during the year.

2000 executive share option scheme

In June 2000 a single new executive share option scheme, the 2000 Executive Share Option Scheme, was introduced to replace the existing executive share option scheme and the supplemental executive share option scheme. During the year options over 57,958 ordinary shares lapsed and no options were exercised.

The following options were granted under the scheme:

Date option granted	Option price per share	Number of shares under option	Exercise period
June 12, 2000	871.02p	5,304,033	2003–2010
September 8, 2000	988p	157,103	2003–2010

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

As at December 31, 2000, there were options outstanding over 5,403,178 ordinary shares which may be excercised at various dates up to 2010 under the rules of the scheme.

Savings related share option schemes

UK 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. 1,981,176 ordinary shares were issued to the QUEST during the year. This makes the Group's subsidiaries more accountable for the cost of granting options. During the year, options were exercised over 1,644,520 ordinary shares at an average price to the employees of 463 pence per share, with the price received by the Company from the qualifying share ownership trust averaging 904.521 pence per share. The difference between the exercise price and the issue price was met by the Company's UK subsidiaries and has been included in the consolidated accounts as share premium.

At January 1, 2000, there were options outstanding over 5,238,803 ordinary shares under this scheme. During the year, options were exercised over 1,644,520 ordinary shares at prices from 200 pence to 704 pence and 627,707 options were registered as having lapsed. The following options were granted under the schemes:

Date option granted	Option price per share	Number of shares under option	Exercise period
September 13, 2000	723p	387,975	2003–2006

As at December 31, 2000, there were options outstanding over 3,354,551 ordinary shares, which may be exercised at various dates up to 2007 under the rules of the schemes.

39. Called-up Share Capital continued

International scheme

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

At January 1, 2000, there were 5,920,270 options outstanding under the scheme. During the year, 745,529 options were registered as having lapsed. Options were exercised over 645,920 ordinary shares at prices from 334 pence to 704 pence and the following options were granted under the scheme:

Date option granted	Option price per share	Number of shares under option	Exercise period
September 12, 2000	723p	1,240,537	2003–2006

As at December 31, 2000, there were options outstanding over 5,769,358 ordinary shares which may be exercised on various dates up to 2006 under the scheme rules.

40. Shareholders' Funds

	2000					1999
	Share capital	Share premium account	Premises revaluation reserve	Profit and loss account	Total shareholders' funds	Total shareholders' funds
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
At January 1	465	814	38	2,049	3,366	2,820
Exchange translation differences	—	—	(2)	(65)	(67)	13
Shares issued, net of expenses	17	456	—	92	565	459
Premises revaluation	—	—	—	—	—	(10)
Goodwill previously written off against reserves	—	—	—	16	16	—
Retained profit for the year	—	—	—	381	381	86
Capitalised on exercise of share options	—	9	—	(9)	—	—
Realised on disposal of premises	—	—	(3)	3	—	—
Other	—	—	—	—	—	(2)
At December 31	482	1,279	33	2,467	4,261	3,366
Equity interests					4,061	3,166
Non-equity interests					200	200
At December 31					4,261	3,366

The cumulative amount of premiums on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is £18 million (1999: £34 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.

41. Company Share Capital and Reserves

	2000					1999
	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholders' funds	Total shareholders' funds
	(£)	(£)	(£)	(£)	(£)	(£)
	(in millions)					
At January 1	465	814	1,920	167	3,366	2,820
Shares issued, net of expenses	17	465	—	92	574	465
Increase in net assets of subsidiary undertakings	—	—	272	—	272	170
Profit for the year	—	—	—	345	345	169
Dividends paid and proposed	—	—	—	(296)	(296)	(258)
At December 31	482	1,279	2,192	308	4,261	3,366
Equity interests					4,061	3,166
Non-equity interests					200	200
At December 31					4,261	3,366

42. Consolidated Cash Flow Statement

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

	For the year ended December 31,		
	2000	1999	1998
	(£)	(£) (in millions)	(£)
Operating profit	598	507	703
Items not involving cash flow:			
Amortisation of goodwill	47	22	7
Depreciation and amortisation of premises and equipment	149	95	66
Amortisation of investments	(18)	(30)	7
Charge for bad and doubtful debts and contingent liabilities	310	495	436
Debts written off, net of recoveries	(629)	(250)	(124)
Increase/(decrease) in accruals and deferred income	105	(221)	356
(Increase)/decrease in prepayments and accrued income	(224)	122	(145)
Adjustments for items shown separately:			
Interest paid on subordinated loan capital	133	102	79
Net cash inflow from trading activities	471	842	1,385
Net (increase)/decrease in cheques in the course of collection	(38)	3	(5)
Net (increase)/decrease in treasury bills and other eligible bills	(68)	(31)	242
Net increase in loans and advances to banks and customers	(3,714)	(3,345)	(734)
Net increase in deposits from banks, customer accounts and debt securities in issue	4,964	3,499	1,268
Net (increase)/decrease in dealing securities	(31)	(231)	274
Net (increase)/decrease in mark-to-market adjustment	(70)	(65)	34
Net increase/(decrease) in other accounts	883	309	(320)
Net cash inflow from operating activities	2,397	981	2,144

(b) Analysis of changes in cash

	2000	1999	1998
	(£)	(£) (in millions)	(£)
Balance at 1 January	1,389	1,275	1,145
Exchange translation differences	(13)	35	61
Net cash inflow	1,497	79	69
Balance at December 31,	2,873	1,389	1,275

(c) Analysis of cash

	As at December 31,		
	2000	1999	1998
	(£)	(£) (in millions)	(£)
Cash and balances at central banks	531	609	409
Demand loans and advances to banks	2,342	780	866
	2,873	1,389	1,275

42. Consolidated Cash Flow Statement continued

(d) Analysis of changes in financing during the year

	2000			1999			1998		
	Share capital	Share premium	Loan capital	Share capital	Share premium	Loan capital	Share capital	Share premium	Loan capital
	(£)	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
Balance at 1 January	465	814	1,899	450	428	1,150	448	416	1,155
Exchange translation differences	—	—	91	—	—	25	—	—	(5)
Share capital issued, net of expenses	17	456	—	15	380	—	2	7	—
Capitalised on exercise of share options	—	9	—	—	6	—	—	5	—
Issue of subordinated loan capital, net of expenses	—	—	755	—	—	724	—	—	—
Repayment of subordinated liabilities	—	—	(12)	—	—	—	—	—	—
Balance at December 31	482	1,279	2,733	465	814	1,899	450	428	1,150

43. Segmental Information
By geographic segment

	For the year ended December 31, 2000					
	Asia Pacific					
	Hong Kong	Other countries	Africa	Middle East & South Asia	Americas, U.K. & Group Head Office	Total
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Interest receivable	1,650	1,414	269	660	1,959	5,952
Interest payable	(1,052)	(893)	(134)	(441)	(1,645)	(4,165)
Net interest income	598	521	135	219	314	1,787
Fees and commissions receivable, net	160	191	69	83	83	586
Dealing profits and exchange	29	83	36	39	62	249
Other operating income	2	7	3	39	25	76
Net revenue	789	802	243	380	484	2,698
Costs	(365)	(488)	(140)	(189)	(333)	(1,515)
Amortisation of goodwill	—	—	—	—	(47)	(47)
Restructuring charge	—	—	—	—	(213)	(213)
Year 2000 costs	—	—	—	—	(15)	(15)
Total operating expenses	(365)	(488)	(140)	(189)	(608)	(1,790)
Operating profit before provisions	424	314	103	191	(124)	908
Charge for debts and contingent liabilities	(83)	(69)	(33)	(39)	(86)	(310)
Operating profit	341	245	70	152	(210)	598
Profit on disposal of subsidiary undertakings	—	—	—	—	351	351
Profit before taxation	341	245	70	152	141	949
Loans and advances to customers – average	11,977	10,166	715	3,603	6,199	32,660
Net interest margin (%)	2.9	2.6	8.5	3.2	1.5	3.1
Residential mortgages	8,107	3,365	12	99	301	11,884
Other retail	1,973	1,179	86	1,072	81	4,391
Other	3,746	5,953	620	2,868	5,335	18,522
Loans and advances to customers	13,826	10,497	718	4,039	5,717	34,797
Loans and advances to banks	1,423	4,623	133	1,141	8,615	15,935
Total assets employed	25,681	22,806	1,920	9,234	25,326	84,967
Total risk weighted assets and contingents	12,044	12,898	873	6,095	11,705	43,615
Gross non-performing loans and advances	435	1,200	74	311	229	2,249
Specific provisions for bad and doubtful debts	(152)	(304)	(35)	(176)	(102)	(769)
Interest in suspense	(61)	(82)	(22)	(41)	(10)	(216)
	222	814	17	94	117	1,264

Total interest receivable and total interest payable include intra-group interest of £1,397 million. Total assets employed include intra-group items of £14,614 million and balances of £1,754 million which are netted in the Consolidated Balance Sheet. Total risk weighted assets and contingents include balances of £378 million which are netted in the note on Capital ratios on page F-54 in accordance with regulatory guidelines.

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.

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, UK & Group Head Office segment.

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, UK & Group Head Office segment.

43. Segmental Information continued
By geographic segment

	For the year ended December 31, 1999					
	Asia Pacific					
	Hong Kong	Other countries	Africa	Middle East & South Asia	Americas, U.K. & Group Head Office	Total
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Interest receivable	1,349	1,268	258	404	1,583	4,862
Interest payable	(820)	(809)	(127)	(261)	(1,209)	(3,226)
Net interest income	529	459	131	143	374	1,636
Fees and commissions receivable, net	127	152	58	56	45	438
Dealing profits and exchange	30	89	36	23	68	246
Other operating income	4	13	8	2	31	58
Net revenue	690	713	233	224	518	2,378
Costs	(316)	(381)	(122)	(143)	(332)	(1,294)
Amortisation of goodwill	—	—	—	—	(22)	(22)
Year 2000 costs	—	—	—	—	(60)	(60)
Total operating expenses	(316)	(381)	(122)	(143)	(414)	(1,376)
Operating profit before provisions	374	332	111	81	104	1,002
Charge for debts	(178)	(188)	(6)	(70)	(53)	(495)
Profit before taxation	196	144	105	11	51	507
Loans and advances to customers – average	10,323	9,393	734	1,809	5,801	28,060
Net interest margin (%)	3.0	2.8	8.4	3.8	2.0	3.4
Residential mortgages	6,396	2,684	13	13	226	9,332
Other retail	913	1,097	100	457	29	2,596
Other	3,119	5,771	667	1,452	5,860	16,869
Loans and advances to customers	10,428	9,552	780	1,922	6,115	28,797
Loans and advances to banks	1,646	3,052	105	550	6,048	11,401
Total assets employed	20,328	18,967	1,905	4,304	21,470	66,974
Total risk weighted assets and contingents	9,113	11,186	1,005	2,871	11,158	35,333
Gross non-performing loans and advances	529	1,546	48	137	338	2,598
Specific provisions for bad and doubtful debts	(203)	(445)	(9)	(88)	(119)	(864)
Interest in suspense	(49)	(115)	(14)	(16)	(14)	(208)
	277	986	25	33	205	1,526

Total interest receivable and total interest payable include intra-group interest of £1,132 million. Total assets employed include intra-group items of £12,218 million and balances of £624 million which are netted in the Consolidated Balance Sheet. Total risk weighted assets and contingents include balances of £130 million which are netted in the note on Capital ratios on page F-54 in accordance with regulatory guidelines.

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.

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, UK & Group Head Office segment.

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, UK & Group Head Office segment.

43. Segmental Information continued

By geographic segment

	For the year ended December 31, 1998					
	Asia Pacific					
	Hong Kong	Other countries	Africa	Middle East & South Asia	Americas, U.K. & Group Head Office	Total
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Interest receivable	1,441	1,424	251	347	1,706	5,169
Interest payable	(983)	(960)	(127)	(226)	(1,349)	(3,645)
Net interest income	458	464	124	121	357	1,524
Fees and commissions receivable, net	129	139	52	45	40	405
Dealing profits and exchange	50	180	39	22	127	418
Other operating income	3	5	3	3	6	20
Net revenue	640	788	218	191	530	2,367
Costs	(293)	(329)	(110)	(125)	(288)	(1,145)
Amortisation of goodwill	—	—	—	—	(7)	(7)
Year 2000 costs	—	—	—	—	(76)	(76)
Total operating expenses	(293)	(329)	(110)	(125)	(371)	(1,228)
Operating profit before provisions	374	459	108	66	159	1,139
Provisions for debts	(90)	(252)	(9)	(24)	(61)	(436)
Profit before taxation	257	207	99	42	98	703

Total interest receivable and total interest payable include intra-group interest of £1,166 million.

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.

The resolution of Year 2000 related technology issues is being managed from the center as a global project, and the cost is included in the Americas, U.K. & Group Head Office segment.

43. Segmental Information continued

By class of business

	For the year ended December 31,								
	2000			1999			1998		
	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	Total	Consumer Banking	Wholesale Banking	Total
	(£)	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
Net interest income	1,067	720	1,787	946	690	1,636	821	703	1,524
Other income	299	612	911	206	536	742	182	661	843
Net Revenue	1,366	1,332	2,698	1,152	1,226	2,378	1,003	1,364	2,367
Costs	(741)	(774)	(1,515)	(612)	(682)	(1,294)	(519)	(626)	(1,145)
Amortisation of goodwill	—	—	(47)	—	—	(22)	—	—	(7)
Restructuring provision	—	—	(213)	—	—	—	—	—	—
Year 2000 costs	—	—	(15)	—	—	(60)	—	—	(76)
Total operating expenses*	(741)	(774)	(1,790)	(612)	(682)	(1,376)	(519)	(626)	(1,228)
Profit before provisions	625	558	908	540	544	1,002	484	738	1,139
Charge for debts and contingent liabilities	(121)	(189)	(310)	(141)	(354)	(495)	(120)	(266)	(386)
Profit before general debt provision	504	369	598	399	190	507	364	472	753
General debt provision	—	—	—	—	—	—	—	—	(50)
Profit after provisions, before exceptional item	504	369	598	399	190	507	364	472	703
Profit on disposal of subsidiary undertakings			351			—			—
Profit before taxation			949			507			703
Total assets employed	28,658	56,309	84,967	21,377	45,597	66,974	19,907	40,266	60,173

* Total operating expenses include a £213 million (1999: £nil; 1998: £nil) restructuring charge, £47 million (1999: £22 million; 1998: £7 million) relating to amortisation of goodwill and £15 million (1999: £60 million; 1998: £76 million) of year 2000 costs. 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.

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.

Total assets employed include intra-group items of £14,614 million (1999: £12,218 million) and balances which are netted in the summarised consolidated balance sheet of £1,754 million (1999: £624 million). Assets held at the centre have been distributed between classes of businesses in proportion to their total assets employed.

44. Secured Liabilities

	As at December 31,	
	2000	1999
	(£) (in millions)	(£)
Notes in circulation (note 33)	1,117	1,060

The notes in circulation were secured by the deposit of funds of £1,117 million (1999: £1,060 million) in respect of which Hong Kong Government certificates of indebtedness were held (note 29).

45. Capital Commitments

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

	As at December 31,	
	2000	1999
	(£) (in millions)	(£)
Contracted	4	7
Not contracted	4	2

46. Assets and Liabilities in Currencies Other than Sterling

	As at December 31, 2000	1999
	(£)	(£)
	(in millions)	
Total assets denominated in:		
Sterling	4,263	5,329
Other currencies	64,336	48,803
	68,599	54,132
Total liabilities denominated in:		
Sterling	8,893	6,546
Other currencies	59,706	47,586
	68,599	54,132

47. 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 Basle Accord on capital adequacy, after taking account of collateral and guarantees received.

	As at December 31, 2000			1999		
	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount	Contract or underlying principal amount	Credit equivalent amount	Risk weighted amount
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Contingent liabilities						
Acceptances and endorsements	634	634	445	589	589	432
Guarantees and irrevocable letters of credit	6,674	4,661	3,457	5,877	4,120	3,151
Other contingent liabilities	2,365	1,572	1,215	650	561	407
	9,673	6,867	5,117	7,116	5,270	3,990
Commitments						
Documentary credits and short term trade-related transactions	1,698	340	272	972	194	184
Forward asset purchases and forward deposits placed	16	16	5	49	49	18
Undrawn note issuance and revolving underwriting facilities	—	—	—	11	6	6
Undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	4,680	2,340	1,393	3,737	1,868	1,141
Less than 1 year	22,344	—	—	20,478	—	—
	28,738	2,696	1,670	25,247	2,117	1,349

Under the Basle 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.

48. 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 Risk Management section of this Supplementary Offering Circular on page 40 explains the Group's risk management of derivative contracts.

	As at December 31,					
	2000			1999		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Trading book						
Forward foreign exchange contracts	229,242	3,196	3,143	141,230	1,703	1,818
Foreign exchange derivative contracts						
Currency swaps and options	22,178	469	454	14,406	336	299
Interest rate derivative contracts						
Swaps	63,386	448	470	29,656	251	272
Forward rate agreements and options	25,168	48	43	15,748	43	50
Exchange traded futures and options	21,209	11	20	7,853	7	1
Total	109,763	507	533	53,257	301	323
Total trading book derivative financial instruments	361,183	4,172	4,130	208,893	2,340	2,440
Effect of netting		(1,754)	(1,754)		(624)	(624)
		2,418	2,376		1,716	1,816

48. Fair Values continued

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

	As at December 31,					
	2000			1999		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Non-trading book						
Forward foreign exchange contracts	6	1	2	—	—	—
Interest rate derivative contracts						
Swaps	4,924	19	7	2,809	—	7
Forward rate agreements and options	211	—	—	20	—	—
Exchange traded futures and options	2,910	8	6	5,848	6	—
Total	8,045	27	13	8,677	6	7
Commodity derivative contracts	86	—	—	77	—	—
Total non-trading book derivative financial instruments	8,137	28	15	8,754	6	7

	As at December 31,			
	2000		1999	
	Book value	Market value	Book value	Market value
	(£)	(£)	(£)	(£)
		(in millions)		
Listed and publicly traded securities:				
Financial assets	4,137	4,150	3,366	3,364
Financial liabilities	5,421	5,142	4,251	3,915

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

49. 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 December 31, 2000 and 1999 for trading and non-trading purposes is set out below:

	As at December 31,							
	2000				1999			
	Under one year	One to five years	Over five years	Total	Under one year	One to five years	Over five years	Total
	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
				(in millions)				
Forward foreign exchange and foreign exchange derivative contracts								
Notional principal amount	244,786	6,227	413	251,426	152,145	3,444	47	155,636
Net replacement cost	3,448	209	9	3,666	1,831	207	2	2,040
Interest rate derivative contracts								
Notional principal amount	63,973	26,460	3,256	93,689	25,452	19,712	3,069	48,233
Net replacement cost	180	284	51	515	126	156	41	323
Commodity derivative contracts								
Notional principal amount	86	—	—	86	77	—	—	77
Net replacement cost	—	—	—	—	—	—	—	—
Counterparty risk								
Financial institutions				3,956				1,999
Non financial institutions				225				364
Total net replacement cost				4,181				2,363

The Risk Management section of this Supplementary Offering Circular on page 40 explains the Group's risk management of derivative contracts.

50. 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.

	As at December 31, 2000							
	Non-trading book						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	Non-interest bearing		
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
Assets								
Cash, balances at central banks and cheques in course of collection	218	—	—	—	—	383	—	601
Treasury bills and other eligible bills	1,675	481	361	89	1	—	50	2,657
Loans and advances to banks	10,975	3,153	1,086	282	23	403	13	15,935
Loans and advances to customers	28,218	2,414	1,216	2,603	345	1	—	34,797
Debt securities and equity shares	1,234	896	1,309	2,586	275	77	296	6,673
Other assets	37	—	5	—	1	4,860	3,033	7,936
Total assets	42,357	6,944	3,977	5,560	645	5,724	3,392	68,599
Liabilities								
Deposits by banks	5,909	296	351	495	—	312	84	7,447
Customer accounts	37,020	2,076	1,743	726	4	2,051	—	43,620
Debt securities in issue	1,175	236	727	808	57	37	—	3,040
Other liabilities	26	—	—	—	—	4,118	2,977	7,121
Subordinated liabilities	314	703	402	232	1,103	(21)*	—	2,733
Minority interests and shareholders' funds	—	—	—	—	507	4,131	—	4,638
Total liabilities	44,444	3,311	3,223	2,261	1,671	10,628	3,061	68,599
Off balance sheet items	258	126	(4)	(6)	(374)	—	—	—
Interest rate sensitivity gap	(1,829)	3,759	750	3,293	(1,400)	(4,904)	331	—
Cumulative gap	(1,829)	1,930	2,680	5,973	4,573	(331)	—	—

* Unamortised discount on the issue of subordinated loan capital.

The Risk Management section of this Supplementary Offering Circular on page 40 explains the Group's risk management with respect to asset and liability management.

50. Interest Rate Sensitivity Gap for the Non-Trading Book continued

As at December 31, 1999

	Non-trading book						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	Non-interest bearing		
	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
				(in millions)				
Assets								
Cash, balances at central banks and cheques in course of collection	148	—	—	—	—	495	—	643
Treasury bills and other eligible bills	1,157	1,049	298	173	—	—	24	2,701
Loans and advances to banks	7,507	1,901	1,401	111	108	337	36	11,401
Loans and advances to customers	21,793	2,041	1,198	2,952	811	2	—	28,797
Debt securities and equity shares	1,694	720	1,364	1,093	82	41	120	5,114
Other assets	25	87	16	5	—	3,238	2,105	5,476
Total assets	32,324	5,798	4,277	4,334	1,001	4,113	2,285	54,132
Liabilities								
Deposits by banks	4,585	257	41	280	30	257	105	5,555
Customer accounts	29,491	1,316	1,698	431	7	2,189	17	35,149
Debt securities in issue	1,877	426	207	155	—	—	—	2,665
Other liabilities	270	733	70	100	24	2,061	2,171	5,429
Subordinated liabilities	691	433	—	110	673	(8)*	—	1,899
Minority interests and shareholders' funds	—	—	—	—	200	3,235	—	3,435
Total liabilities	36,914	3,165	2,016	1,076	934	7,734	2,293	54,132
Off balance sheet items	2,064	(391)	(1,244)	(409)	(20)	—	—	—
Interest rate sensitivity gap	(2,526)	2,242	1,017	2,849	47	(3,621)	(8)	—
Cumulative gap	(2,526)	(284)	733	3,582	3,629	8	—	—

* Unamortised discount on the issue of subordinated loan capital.

51. 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 52).

The Risk Management section of this Supplementary Offering Circular on page 40 explains risk management with respect to the Group's hedging policies.

52. Structural Currency Exposures

The Group's structural currency exposures were as follows:

	As at December, 31					
	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
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Functional currency of the business unit:						
US Dollar	1,779	—	1,779	406	—	406
Singapore Dollar	504	—	504	148	—	148
Indian Rupee	320	—	320	68	—	68
Hong Kong Dollar	295	—	295	50	—	50
Malaysian Ringgit	264	—	264	247	—	247
Thai Baht	209	—	209	210	—	210
UAE Dirham	180	—	180	99	—	99
Other non-sterling	578	—	578	239	—	239
Total	4,129	—	4,129	1,467	—	1,467

The Group's main overseas operations are in Asia, Africa and the Americas. The main operating (or 'functional') currencies of its overseas business units therefore include US Dollar, Hong Kong Dollar, Malaysian Ringgit and Singapore Dollar. As the Group prepares its consolidated financial statements in sterling, it follows that the Group's consolidated balance sheet is affected 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.

The Risk Management section of this Supplementary Offering Circular on page 40 explains the risk management with respect to the Group's hedging policies.

53. Market Risk for the Trading Book

	For the year ended December 31, 2000			As at December 31, 2000	For the year ended December 31, 1999			As at December 31, 1999
	Average	High	Low	Actual	Average	High	Low	Actual
	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
				(in millions)				
Daily value at risk:								
Interest rate risk	1.8	4.4	1.2	2.4	2.9	5.1	1.6	1.6
Foreign exchange risk	1.3	2.1	0.7	1.6	1.3	2.0	0.8	0.8
Total	3.1	5.6	2.0	3.9	4.2	6.0	2.4	2.4

This note should be read in conjunction with the Risk Management section of this Supplementary Offering Circular on page 40 which explains the Group's risk management, including Value at Risk (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 2000, most of the trading book was measured using the historical simulation with the remainder using the variance-covariance approach.

53. Market Risk for the Trading Book continued

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 FX 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 2 to 3 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.

54. 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 December 31, 2000, the unrecognised gains and losses on derivatives used for hedging where the item being hedged had not been recognised were £28 million and £15 million respectively.

	2000			1999		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
	(£)	(£)	(£)	(£)	(£)	(£)
			(in millions)			
Unrecognised gains and losses at 1 January	6	7	(1)	8	14	(6)
Exchange translation differences	—	2	(2)	—	—	—
Gains and losses arising in previous years recognised in the year	(2)	(2)	—	(7)	(9)	2
Gains and losses arising in the year but not recognised	24	8	16	5	2	3
Unrecognised gains and losses at December 31	28	15	13	6	7	(1)
Of which:						
Gains and losses expected to be recognised within 1 year	19	11	8	3	4	(1)
Gains and losses expected to be recognised in more than 1 year	9	4	5	3	3	—
	28	15	13	6	7	(1)

Supplemental Financial Information (Unaudited)

Net interest Margin and Interest Spread

	For the year ended December 31.	
	2000	1999
Net interest margin	3.1%	3.4%
Interest spread	2.5%	2.8%
	(£)	(£)
	(In millions)	
Average interest earning assets	57,105	47,977
Average interest bearing liabilities	50,300	41,998

Cross Border Assets

The following table shows the Group's cross border assets, including acceptances, where they exceed 1% of the Group's total assets. 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 asset is recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

	As at December 31,							
	2000				1999			
	Public sector	Banks	Other	Total	Public sector	Banks	Other	Total
	(£)	(£)	(£)	(£) (in millions)	(£)	(£)	(£)	(£)
USA	431	1,062	467	1,960	764	282	424	1,470
Germany	—	1,615	9	1,624	32	1,187	7	1,226
Hong Kong	8	54	1,289	1,351	8	95	1,188	1,291
Singapore	3	451	717	1,171	18	364	523	905
Korea	65	905	75	1,045	3	684	101	788
France	2	575	446	1,023	53	676	32	761
Italy[1]	130	834	21	985				
Japan	—	689	38	727	2	637	19	658
Australia[1]	82	588	46	716				
Brazil[2]					8	559	69	636

(1) The cross border assets in these countries were less than 1% of the Group's total assets in 1999.

(2) The cross border assets in Brazil were less than 1% of the Group's total assets in 2000.

Capital Ratios

	As at December 31,	
	2000	1999
	(£) (in millions)	(£)
Tier 1 capital	3,039	3,026
Tier 2 capital	3,039	2,195
	6,078	5,221
Less supervisory adjustments	(23)	(24)
Adjusted capital base	6,055	5,197
Risk weighted assets	33,860	28,082
Risk weighted contingents	9,377	7,121
Total risk weighted assets and contingents	43,237	35,203
Capital ratios:		
Tier 1 capital	7.0%	8.6%
Total capital	14.0%	14.8%

1999 and 2000 figures have been calculated in accordance with the European Union Capital Adequacy Directive which became effective on January 1, 1996.

Supplemental Information on Hong Kong

The following table includes the results of all the Group's activities in Hong Kong. It has been prepared using the same principles as those used to prepare the geographical segmental information included in note 43 on page F-41.

	For the year ended December 31,	
	2000	1999
	(HKD)	(HKD)
	(in millions)	
Net revenue	9,328	8,661
Total operating expenses	(4,318)	(3,966)
Operating profit before provisions	5,010	4,695
Provisions for bad and doubtful debts	(979)	(2,240)
Operating profit before taxation	4,031	2,455

The information below is extracted from the financial information required by the Hong Kong Monetary Authority to be disclosed by authorised institutions incorporated outside Hong Kong. It excludes subsidiaries of Standard Chartered Bank in Hong Kong and Manhattan Card Company. It should be noted that definitions used by the Hong Kong Monetary Authority differ from those used by the Group.

	As at December 31,	
	2000	1999
	(HKD)	(HKD)
	(in millions)	
Advances to customers (including trade bills)	163,857	134,138
Other assets	107,466	105,335
Total assets	271,323	239,473
Analysis of advances to customers		
Mortgages	88,699	76,139
Cards	15,366	7,272
Other consumer	7,069	3,909
Trade finance	8,750	10,728
Trade bills	1,990	2,100
Financial concerns	11,787	11,787
Other[1]	30,196	22,203
Provisions	(2,573)	(2,853)
Net advances to customers	161,284	131,285

(1) Includes HKD 5,710 million (1999: HKD 4,323 million) reported as mortgages in note 43.

Gross non-performing advances to customers	6,398	7,397
Suspended interest	(1,033)	(805)
Specific provisions	(2,573)	(2,853)
	2,792	3,739
Gross non-performing advances as a percentage of gross advances to customers	3.9%	5.5%

Supplemental Information on Singapore

The following table includes the results of all the Group's activities in Singapore. It has been prepared using the same principles as those used to prepare the geographical segmental information included in note 43 on page F-41.

	For the year ended December 31, 2000	1999
	(SCD) (in millions)	(SCD)
Net revenue	753	729
Total operating expenses	(299)	(280)
Operating profit before provisions	454	449
Provisions for bad and doubtful debts	(35)	(146)
Operating profit before taxation	419	303

The information below is provided in the same format as the financial information given for Hong Kong, but has been prepared using the same definitions as those used for the Group.

	As at December 31, 2000	1999
	(SCD) (in millions)	(SCD)
Advances to customers, net	10,907	10,089
Other assets	10,710	10,711
Total assets	21,617	20,800
Analysis of advances to customers		
Mortgages	4,927	4,373
Other consumer	1,459	1,566
Trade finance	883	741
Other	3,961	3,709
Provisions	(323)	(300)
Net advances to customers	10,907	10,089
Gross non-performing advances to customers	557	614
Suspended interest	(91)	(63)
Specific provisions	(232)	(237)
	234	314
Gross non-performing advances as a percentage of gross advances to customers	5.0%	5.9%

Supplemental Information on Malaysia

The information below is derived from the 2000 Annual Report of Standard Chartered Bank Malaysia Berhad which will be filed with Bank Negara Malaysia.

	For the year ended December 31,	
	2000	1999
	(MYR)	(MYR)
	(in millions)	
Net revenue	958	900
Total operating expenses	(423)	(369)
Operating profit before provisions	535	531
Provisions for bad and doubtful debts	(76)	(193)
Operating profit before taxation	459	338

	As at December 31,	
	2000	1999
	(MYR)	(MYR)
	(in millions)	
Advances and financing	12,027	11,975
Other assets	7,569	5,986
Total assets	19,596	17,961
Analysis of advances and financing		
Mortgages (excluding MYR 763 million (1999: MYR 834 million) loans sold to Cagamas)	5,504	4,952
Other consumer	1,281	995
Trade finance	1,345	1,503
Other	4,918	5,470
Provisions	(1,021)	(945)
Net advances to customers	12,027	11,975
Gross non-performing advances to customers	1,543	1,513
Suspended interest	(282)	(233)
Specific provisions	(517)	(492)
	744	788
Gross non-performing loans and advances as a percentage of gross loans and advances	11.2%	11.0%

Supplemental Information on India

The following table includes the results of all Standard Chartered's activities in India. It has been prepared using the same principles as those used to prepare the geographical segmental information included in note 43 on page F-41.

	For the year ended December 31,	
	2000	1999
	(INR) (in millions)	(INR)
Net revenue	12,243	5,776
Total operating expenses	(5,936)	(5,281)
Operating profit before provisions	6,307	495
Provisions for bad and doubtful debts	(1,370)	(1,121)
Operating profit before taxation	4,937	(626)

The information below is provided in the same format as the financial information given for Hong Kong, but has been prepared using the same definitions as those used for the Group.

	As at December 31,	
	2000	1999
	(INR) (in millions)	(INR)
Advances to customers, net	82,119	34,023
Other assets	125,406	43,177
Total assets	207,525	77,200
Analysis of advances to customers		
Mortgages	4,888	562
Other consumer	32,172	17,580
Trade finance	16,537	4,748
Other	34,504	13,874
Provisions	(5,982)	(2,741)
Net advances to customers	82,119	34,023
Gross non-performing advances to customers	7,514	4,068
Suspended interest	(1,588)	(711)
Specific provisions	(4,394)	(2,030)
	1,532	1,327
Gross non-performing advances as a percentage of gross advances to customers	8.5%	11.1%

Five Year Summary

	2000	1999	1998	1997	1996
	(£)	(£)	(£) (in millions)	(£)	(£)
Operating profit before provisions	908	1,002	1,139	1,069	889
Provisions for bad and doubtful debts, and contingent liabilities and commitments	(310)	(495)	(436)	(156)	(64)
Operating profit	598	507	703	913	825
Profit before taxation	949	507	703	870	870
Profit attributable to shareholders	677	344	463	584	592
Loans and advances to banks	15,935	11,401	9,528	9,085	10,636
Loans and advances to customers	34,797	28,797	26,091	25,648	20,447
Total assets	68,599	54,132	47,858	47,181	42,138
Deposits by banks	7,447	5,555	4,930	6,767	7,212
Customer accounts	43,620	35,149	30,272	27,543	24,007
Shareholders' funds	4,261	3,366	2,820	2,553	2,339
Total capital resources(1)	7,371	5,334	4,026	3,744	3,598
Information per ordinary share					
Basic earnings per share	60.8p	31.4p	44.8p	57.4p	59.0p
Headline earnings per share	32.2p	33.2p	45.4p	61.7p	55.5p
Normalized earning per share(2)	46.9p	33.2p	45.4p	49.8p	55.5p
Dividends per share	25.135p	22.85p	20.75p	18.5p	14.5p
Net asset value per share	360.4p	298.4p	261.8p	237.0p	217.6p
Ratios					
Post-tax return on ordinary shareholders' funds – normalized basis(2)	14.1%	12.0%	18.0%	25.3%	29.5%
Basic cost to income ratio	66.3%	57.9%	51.9%	51.7%	55.2%
Cost to income ratio – headline basis	64.8%	57.0%	51.6%	49.7%	56.6%
Cost to income ratio – normalized basis	56.9%	57.0%	51.6%	49.7%	56.6%
Capital ratios:					
Tier 1 capital	7.0%	8.6%	8.2%	8.0%	8.6%
Total capital	14.0%	14.8%	12.7%	12.5%	13.6%
Exchange rate US$/£ (year-end)	1.49	1.62	1.66	1.65	1.70
Exchange rate US$/£ (average)	1.52	1.62	1.66	1.64	1.56

(1) Shareholders' funds, minority interests and subordinated loan capital.

(2) Results on a normalized basis reflect the Group's results, excluding profits on disposal of subsidiary undertakings and charges for restructuring.

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