



Annual Report and Accounts 2002

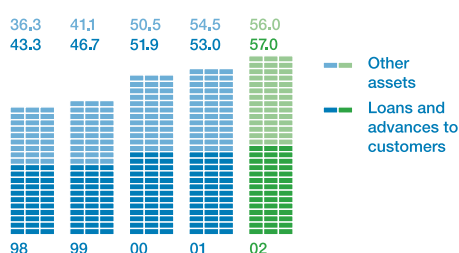


Standard Chartered employs 29,000 people in over 500 offices in more than 50 countries. The Group provides Consumer Banking services to individuals and small to medium size businesses, and offers Wholesale Banking capabilities to corporate and institutional clients. With 150 years in the emerging markets the Group has unmatched knowledge and understanding of its customers in its markets. Standard Chartered recognises its responsibilities to its staff and to the communities in which it operates.

Strategic Highlights

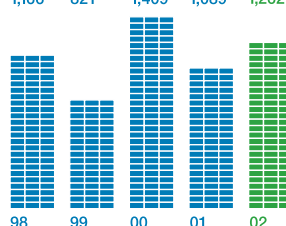
- Strong performance despite sustained global economic uncertainty.
- Good growth in Consumer Banking in South East Asia.
- Completed the integration of Grindlays in India, the Middle East and South Asia.
- Launched dual primary listing in Hong Kong, to provide improved access for Asian investors and strengthen regional profile.
- Significantly expanded shared service centres in Chennai and Kuala Lumpur.

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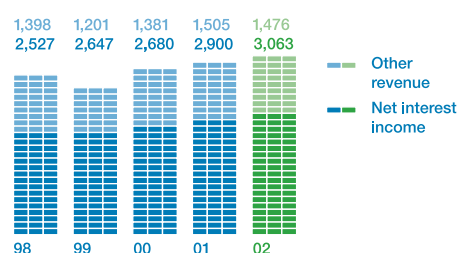
Balance Sheet Growth

\$ billion



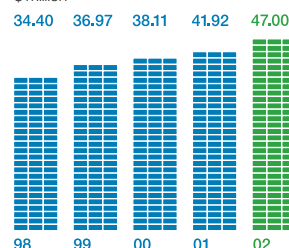
Profit before Taxation

\$ million



Net Revenue

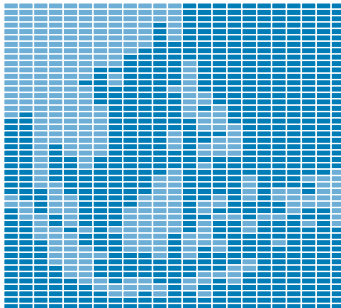
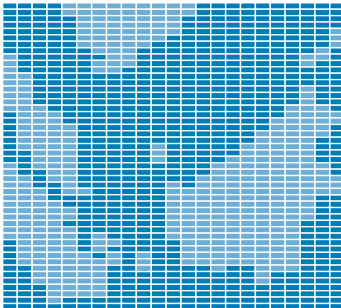
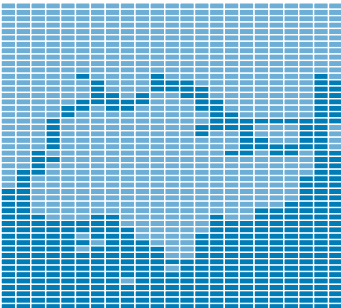
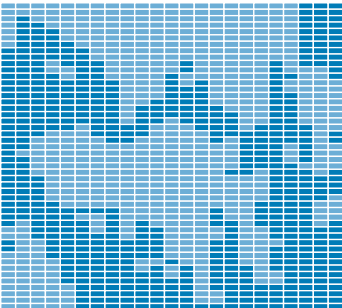
\$ million



Dividend per Share

Cents

Unless another currency is specified, the word 'dollar' or symbol '\$' in this document means United States dollar.

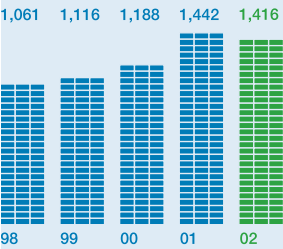


Hong Kong

Hong Kong remains the Group's largest market, generating one third of the Group's revenue. We have a network of 74 branches. Standard Chartered has been transacting business in Hong Kong since 1858 and we issue bank notes there.

In 2002, Standard Chartered became the first FTSE 100 company to launch a new dual primary listing in Hong Kong. This will make the Group more accessible to Asian investors and will enhance the Group's regional profile.

The average number of employees in Hong Kong in 2002 was 4,677.



Net Revenue
\$ million



Singapore

Standard Chartered has been doing business in Singapore for 144 years and has 20 branches and offices, the largest branch network among foreign banks. The business in Singapore accounts for approximately eleven per cent of the Group's revenues.

Standard Chartered has Qualifying Full Bank status, which has enabled expansion of the distribution network. In 2002, Asian Banker magazine named Standard Chartered the 'Best Retail Bank in Singapore'.

The average number of employees in Singapore in 2002 was 2,451.



Net Revenue
\$ million

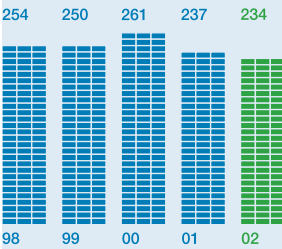


Malaysia

Standard Chartered is the oldest bank in Malaysia, where there is a network of 29 branches. Malaysia is another of the Group's core markets with broadly based business as a result of long established franchises.

The Group continues to expand its Shared Service Centre which was opened in 2001 and carries out operations and processing activity. The centre in Kuala Lumpur has contributed significantly to improvements in the Group's processing and service efficiency.

The average number of employees in Malaysia in 2002 was 1,981.



Net Revenue
\$ million

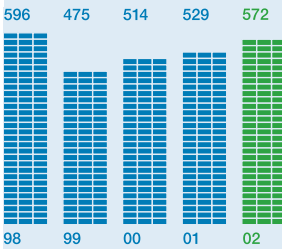


Other Asia Pacific

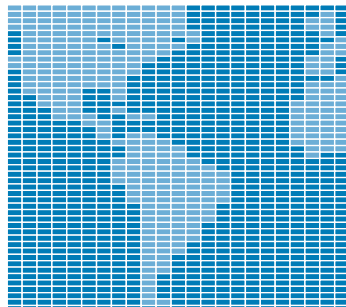
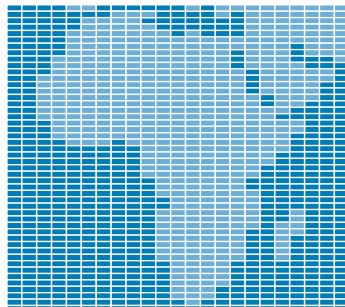
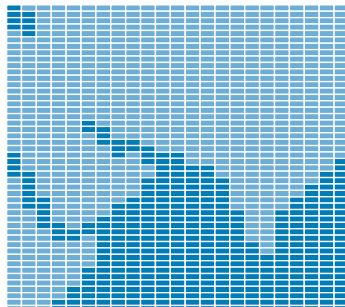
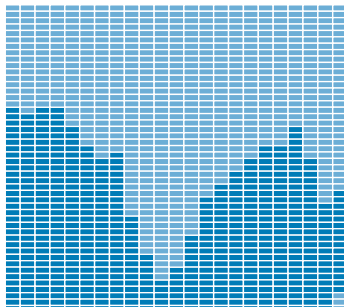
The Group has more than 80 branches and offices in 14 countries across the region.

In China, Standard Chartered has one of the largest branch networks of any foreign bank and is well-positioned for growth opportunities. The Group is developing its Consumer Banking business and has opened branches in Shanghai and Shenzhen. In Thailand, the integration of Nakornthon Bank was successfully completed in 2002.

The average number of employees in Other Asia Pacific in 2002 was 4,851.



Net Revenue
\$ million

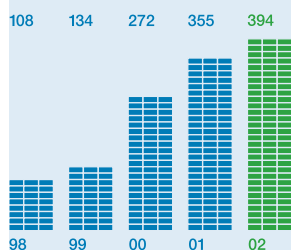


India Region

Standard Chartered is the largest international bank in India and, following the successful completion of the integration of Grindlays, has a combined customer base of 2.4 million in Consumer Banking and over 1,200 corporate customers in Wholesale Banking.

The Group launched its business in Mauritius in 2002 to provide Wholesale Banking services to corporate clients. The shared service centre in Chennai continues to develop rapidly as more services and processes are migrated from other countries.

The average number of employees in the India region in 2002 was 5,251.



Net Revenue
\$ million

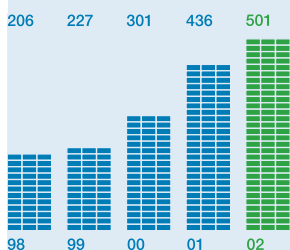


Middle East and other South Asia

The MESA region performed well in 2002. The region accounts for approximately eleven per cent of the Group's revenues. The integration of Grindlays was successfully completed and the Group is now one of the leading international banks in each of its chosen markets in the region.

The contribution of the Group's business in the United Arab Emirates reflects the significant growth of the businesses. Standard Chartered now holds leadership positions in most of its key product segments in the UAE.

The average number of employees in the Middle East and Other South Asia region in 2002 was 2,995.



Net Revenue
\$ million

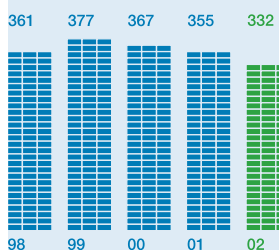


Africa

Standard Chartered continues to be one of the leading banks in sub-Saharan Africa. The Group offers Consumer Banking and Wholesale Banking services in 13 African countries with a network of 149 branches and offices. Standard Chartered recently launched operations in the Ivory Coast and re-entered Nigeria.

Businesses in East Africa have performed well. Despite difficulties in Zimbabwe, the Group's business in Africa has delivered good results.

The average number of employees in Africa in 2002 was 5,009.



Net Revenue
\$ million

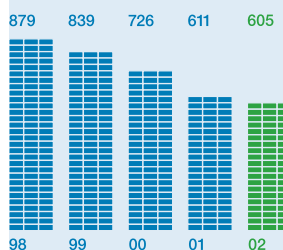


United Kingdom and the Americas

Businesses in the United Kingdom and the Americas provide services to leading multinationals and major financial institutions which trade or invest in Asia, Africa, the Middle East and Latin America.

In 2002, businesses in the Americas were extensively restructured to improve efficiency for future growth. The Group also operates a growing Offshore banking business based in Jersey.

The average number of employees in the United Kingdom and the Americas in 2002 was 2,098.



Net Revenue
\$ million



We have delivered a strong performance with a good increase in trading profit, despite turbulent economic conditions. We have reduced our costs and brought down our bad debt charge.

2002 Results

- Pre-tax profits rose 16 per cent to \$1,262 million, compared with \$1,089 million in the previous year.
- Net revenue increased to \$4,539 million, up three per cent.
- Costs were reduced and the cost income ratio came down from 56 per cent to 54 per cent.
- Debt charge down by \$19 million, at \$712 million, despite the bankruptcy issue in Hong Kong, and Argentina.
- Normalised earnings per share was 74.9 cents, as against 66.3 cents in 2001.
- Normalised return on equity increased to 13.4 per cent.

We are recommending a final dividend of 32.9 cents per share, compared with 29.10 cents in 2001. This gives a total dividend of 47.0 cents, an increase of 12.1 per cent over 2001. The dividend is covered 1.4 times. The sterling amount will be set in April.

A Turbulent World

In the past two years the world economy has suffered a succession of economic, financial and terrorist shocks. We witnessed economic collapse in Argentina, war in Afghanistan, corporate governance issues in the United States and the continued bear market for equities. Yet, despite all this, world economies continued to grow and, in most of Asia, economic growth was good.

Resilient consumer demand in the United States and the increasing regional importance of China as a consumer market, boosted exports in Asia. Domestic demand was stronger too. The need to compete with China is forcing economies like Hong Kong and Singapore to move up the value chain, leading to a painful near-term transition.

The Hong Kong economy remains weak. Unemployment is high and there are still deflationary pressures. Although we remain cautious on the near-term outlook, we believe the current pessimism on the longer-term prospects is overdone.

The Middle East enjoyed healthy economic growth, despite the uncertainties associated with Iraq. The combination of firm oil prices and healthy government finances provided solid support.



150 years of Standard Chartered.
Our unique 150-year history gives us a deep understanding of our markets, our customers and the local communities in which we operate. It is a strong platform for future growth.

This is an exciting year for us as we celebrate our 150th year anniversary. There are very few companies who can say the same. We have come a long way from serving customers in a tent to modern, well-designed branches around the world that reflect our new brand.

We have a deep understanding of our core markets, which enables us to work closely with our customers and communities and develop strong, lasting relationships. We will be celebrating these relationships throughout the year, sharing our pride in our history and confidence in our future.

Chairman's Statement

Continued

Africa benefited from an improved economic environment, with a softer dollar, higher commodity prices and continued economic reform. Last year finished with a successful election in Kenya, highlighting the positive political change in parts of the region. The biggest exception was Zimbabwe where deteriorating economic conditions have reduced our profits by \$50 million.

Prospects for 2003

Last year three key economic themes dominated. We expect these three themes to dominate again in 2003:

- First, modest growth;
- second, low inflation with low interest rates; and
- third, investors searching for higher yields and safer havens.

This has favoured Asia over Latin America, bonds over equities and is continuing to contribute to higher commodity prices and a softer dollar.

The start to this year shows that we continue to live in uncertain times. Oil prices have risen sharply and the Iraq situation has contributed to weak business confidence around the globe, including Asia.

Given this environment, policy makers are taking measures to boost growth, with relaxed fiscal policies and low interest rates. As a result we expect continued moderate growth, providing the United States economy continues to grow.

Asia has been a net exporter of capital since the 1997 crisis but may now see a return of investment flows to the region as the world economy shifts its focus. China has already become the world's biggest recipient of foreign direct investment.

There is a shift in the service sector too, with India a big beneficiary, as international firms move service centres, software and back office functions to take advantage of lower costs and a high skill base.

China and India are future economic powerhouses. Both are central to our strategy and success.

Investments and Acquisitions

In July, we took a \$50 million stake in the initial public offering of BOC Hong Kong (Holdings) Limited on the Stock Exchange of Hong Kong. It is a subsidiary of Bank of China, one of the largest state-owned commercial banks. We have since signed a Memorandum of Understanding with Bank of China. We have identified eight areas for alliances on product and distribution on the mainland and internationally.

We completed the integration of Grindlays in Middle East and South Asia and India in 2002. Today we are the largest foreign bank across much of the region and in India. Both India and the United Arab Emirates now contribute more than \$100 million in trading profit per year.

The Nakornthon acquisition in 1999 began to deliver profits this year. This is another example of our ability to take on an existing organisation and integrate it profitably with ours.

Hong Kong Listing

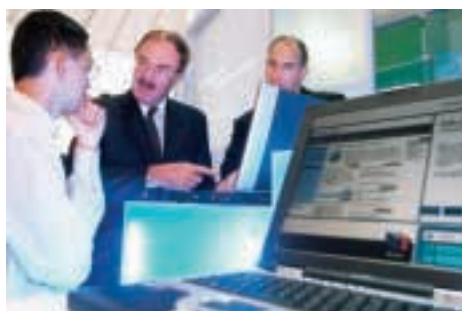
In October 2002, we became the first major FTSE listed company to launch a dual primary listing in Hong Kong. We are one of the three note-issuing banks in Hong Kong and listing on the Stock Exchange of Hong Kong was a further demonstration of our commitment to Hong Kong and China. The listing will help us to expand our base of Asian institutional and retail investors. The offer was comfortably over-subscribed.

Move to Manhattan

Our New York office was one of many that were destroyed on that terrible day, 11 September 2001. After a year of operating from temporary offices our colleagues moved back to Manhattan. The move signified the end of a difficult and emotional year. I wish our United States colleagues well in their new office.

Board Changes

I will be retiring in May 2003 after ten years as Chairman. It is with great pleasure that I welcome Bryan Sanderson as my successor. He is currently Chairman of BUPA and was BP's director responsible for Asia until 2000.



B2BeX was launched last year. It is an internet platform, which speeds up and reduces the cost of international trade.

He is also Chairman of the Learning and Skills Council. Bryan Sanderson joined Standard Chartered as a non-executive director in December 2002. Under his guidance, Standard Chartered will continue to grow as a performance driven organisation.

There were also two other new members of the Board. Peter Sands joined us in May 2002 as Finance Director, from McKinsey & Co. He replaces Nigel Kenny. Richard Meddings joined us in November 2002 as Director of Risk, from Barclays PLC. In addition Gareth Bullock and Peter Wong became directors of Standard Chartered Bank our main operating subsidiary. All these appointments have significantly strengthened our top team.

I would like to thank Keith Mackrell, who retired from the Board during 2002, and Cob Stenham, who will be retiring in May after nearly twelve years. I have valued their contributions to the Board.

150th Anniversary

In 2003, we celebrate our 150th year as a company. This longevity says a lot about our strengths and the market positions we hold. However, the anniversary is a time to look forward, not back. There is an opportunity to deliver a step change in performance by continuing to be innovative and aggressive in our markets and remaining focused on moves that will improve shareholder returns.

We are part of the fabric of the communities in which we operate around the world. We are using our 150th year to launch a number of initiatives that enable us to put something back into these communities. In 2002 we started to take our award winning HIV/AIDS staff awareness programme world-wide. In February 2003, we launched 'Seeing Is Believing', a joint initiative with Sight Savers International, aimed at raising enough funds to restore the sight of 28,000 people around the world.

In ten years as Chairman I have been proud of the way Standard Chartered has responded to the challenges it has faced, from the difficulties of the early 1990s to the growth opportunities of the present day. Total shareholder return has grown more than seven times.

In writing my first Chairman's Statement in 1993, I referred to the opportunities that lay ahead with the emergence of China and India. We have grasped those opportunities. Today we are one of the most profitable multinationals in India and we are very well positioned in China.

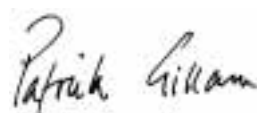
We have increased our focus on markets where we have a competitive advantage and reduced our business in Organisation for Economic Co-operation and Development (OECD) countries. We have also achieved a better geographic balance.

In addition, we have increased our emphasis on Consumer Banking. This is where the greatest opportunities lie as the middle income earners increase in size and prosperity in all our markets. In 1993 Consumer Banking accounted for about 33 per cent of our revenues, now it is 53 per cent.

One of the changes over the past ten years that has given me the most pleasure is that we have become a truly multi-cultural organisation that offers opportunities to good managers whatever their ethnic background. Today 40 per cent of our senior managers are from non-OECD countries. That figure will continue to grow.

I leave the business in good shape with an experienced new Chairman who knows Asia well and a dynamic management team led by Group Chief Executive Mervyn Davies.

Finally, I would like to thank our people, without whom my years as Chairman would not have been half as rewarding. The enthusiasm with which they run this great business is truly outstanding. Their commitment to do what's right for our customers and shareholders will enable Standard Chartered to rise to the tremendous opportunities ahead.



Sir Patrick Gillam, Chairman

19 February 2003 ■



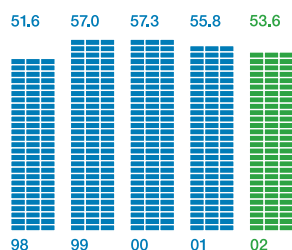
Sir Patrick Gillam speaking at an event to mark the launch of our dual primary listing in Hong Kong.

Standard Chartered sponsors the Hong Kong International Cricket Sixes, which is broadcast across Asia.



The end of 2002 marks my first full year as Group Chief Executive. Despite a difficult global economic backdrop it has been a year of strong performance and we have made good progress in developing a more performance driven culture.

When I took over the role, I obviously knew the Group very well – having been an executive director for four years – and, with the executive director team, I set out four key areas of focus: achieve our potential through a strong set of values that are shared by all employees; build a sustainable performance culture with the right balance between risk and reward; become a Company that is known for top performance, not just for its great franchise; and increase our customer focus to achieve the highest standards of service excellence. These are the internal goals that underpin the improvement in our results.



Normalised Cost/Income Ratio
%

2002 Performance

This was a strong performance. Revenue momentum has been sustained despite market conditions. There was strong cost control and a resilient performance on bad debts. Despite the Hong Kong bankruptcy issue, bad debts fell in 2002. Our cost income ratio improved to 54 per cent. Our target is to bring it below 50 per cent.

At the same time, we are beginning to see efficiency gains from our shared service centres in Chennai and Kuala Lumpur. These global hubs are helping us to re-engineer our cost base. We have seen good growth in Consumer Banking, outside Hong Kong and our Wholesale Banking business has generated improved profitability as it focuses on improving returns.

Delivering on our Agenda

In 2002, we set out our nine management agenda items to drive improved return on equity. These were to:

- Build market share in Consumer Banking;
- increase focus on value creation in Wholesale Banking;
- capture profitable growth in India and China;
- transition Thailand and Taiwan to profitability;
- deliver efficiency and flexibility in technology and operations;
- rationalise central costs;
- reduce costs in smaller countries;
- control risk; and
- improve capital efficiency.

We have made good progress against all of these goals.

Consumer Banking

Consumer Banking continues to offer the highest potential for growth. We have excellent positions in a number of markets with scale and momentum.

There is strong momentum in Consumer Banking, despite the short-term pressures caused by the rapid rise in personal bankruptcies. We took early action to contain the impact of this industry-wide issue and we are now seeing improvement within our own book. The Hong Kong Government will begin implementation of a positive data-sharing bureau in the first half of 2003, which will enable banks to share information on customer creditworthiness. Hong Kong remains an attractive market for our Group. We have a strong and resilient business, which is demonstrated by the continuing performance of our mortgage book.

In Singapore we have expanded our distribution network and seen significant growth in our customer base. We have gained market share and achieved good growth in revenue and profit.

In Malaysia, revenue growth has been boosted by the success of our MortgageOne home loan product, which now accounts for the majority of our new housing loans there.

We have seen rapid growth in the United Arab Emirates (UAE) and we have an ambitious branch expansion plan in India.

Mortgages remain a good business. Though we have seen margin pressure in more mature markets there is significant potential as countries like India and China open up. It is a product that helps us attract new customers and it offers good returns.

On a geographic belt running from the Middle East to China, we have almost six million credit cards in issue and have a leadership position in Hong Kong, India and parts of the Middle East. Most of our markets are under-penetrated, including India where we have 1.4 million of the country's total of five million credit card users. The population of card users and the amount of card spend is growing rapidly across Asia and this offers us enormous scope for growth.

In Wealth Management we have grown market share. The impact of falling interest rates has been offset by good growth in unit trust sales and bancassurance products.

Wholesale Banking

We have reshaped our business. We have deliberately traded revenue for lower risk, exiting relationships not generating the right return, and have taken a more disciplined approach to pricing risk. At the same time we have strengthened our capital markets business, cross-selling products that provide higher return.

In Global Markets, we were able to exploit falling US dollar interest rates, generating strong revenue. In fixed income and syndications our excellent relationships and market profile keep us at the top of the league tables for Asia. Our OECD businesses, in the United Kingdom and the United States, were particularly successful in sourcing syndications and structured export finance transactions for customers in our emerging markets network.

In 2002 we also won important Asian regional mandates for cash management and trade.

India and China

The two countries where we have the greatest opportunity to transform our business are India and China. Each country is experiencing sustained strong economic growth and we are strongly positioned in both.

It is in India where the growth opportunities are most immediate. India is already one of our top markets world-wide in terms of profitability. We currently have 62 branches and 2.4 million customers in 19 cities.

In September, we completed the integration of Grindlays, having reduced the headcount of the combined banks by 25 per cent during that process. In February 2003, we announced plans to expand our operations to additional cities bringing our network to 81 branches in 25 cities by the end of the year.

In China, the opportunities lie further ahead. Under an agreement with the World Trade Organisation, the Wholesale Banking market will open up in 2004 and, by 2007, foreign banks will be allowed to start retail banking with the Chinese people in local currency. At that time we expect to be selling credit cards, mortgages and Wealth Management products to the emerging middle income earners in about ten major cities.

Standard Chartered is one of only a handful of international banks positioned for the opening of China's markets. In 2002, we opened our first two retail branches, in Shanghai and Shenzhen and made a strategic investment in BOC Hong Kong (Holdings) Limited.

Group Chief Executive's Review

Continued

Thailand and Taiwan

One of our goals for the year was to transition Thailand and Taiwan to profitability. This we have done. Both have the potential to become large markets for us. In Thailand, we delivered a trading profit for the first time since the acquisition of Nakornthon Bank.

MESA and Africa

In the Middle East and South Asia (MESA) region we completed the Grindlays integration and we are seeing strong growth. The United Arab Emirates is one of our top-five markets and Bangladesh, Pakistan, Bahrain, Sri Lanka and Qatar are all well-established businesses with good potential.

In Africa our business has seen good progress. We have an excellent competitive position. We are ranked number one or two bank in most of the markets where we operate. In 2002 we performed particularly well in East Africa and we expanded our business in Nigeria. Looking ahead, we also expect to grow our business in South Africa. The challenge in the region has been the extremely difficult situation in Zimbabwe. We remain cautious and have realigned our operations in line with current prospects by selling five branches and reducing headcount.

Latin America

We have refocused our Latin American business to concentrate expertise on supporting banks and multi-nationals and we have reduced our risk exposure. This will enable us to redirect capital to our core growth markets in Asia and the Middle East.

We will continue to operate branches in Colombia, Peru and Venezuela with representative offices in Argentina, Brazil and Mexico, focusing primarily on United States dollar clearing, trade finance and global markets activities.

Cost and Efficiency

Our cost performance is one of our key achievements in 2002 and the cost income ratio has improved.

In particular, we are beginning to reap the fruits of our investment in world-class service centres in Chennai and Kuala Lumpur. The shared service centres are now providing services remotely to most of the Bank's computer users. We have stepped up our investment in expanding the service centres and now have over 2,200 people employed in them.

As well as giving us economies of scale, the shared service centres allow us to introduce standardised operating models across the Bank.

We have also controlled costs through tighter project management and stricter discipline on general expenditure. The benefits of outsourcing activities like purchasing, premises and other non-essential services, and the impact of reduced telecommunications and infrastructure costs have all contributed to a great performance on costs.

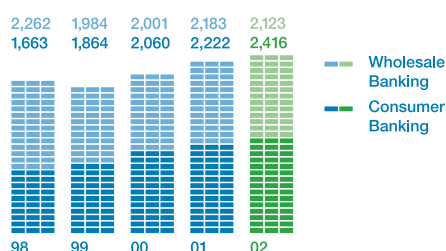
Risk

One of our key agenda items for 2002 was to reinforce our control of risk and enhance our risk performance culture. It has been a challenging year for risk with the increased threat of terrorism, corporate collapses, problems in the telecommunications industry and the impact of Argentina, but we have performed well.

We reinforced the independence of this function with the appointment of a Director of Risk. We established a high-level task force that developed an action plan resulting in one of our lowest levels of bad debt within Wholesale Banking in recent years. We introduced a tougher credit review process in Wholesale Banking and have responded more quickly to customers showing early signs of problems. In Consumer Banking we improved customer segmentation and have strengthened our collection capability.

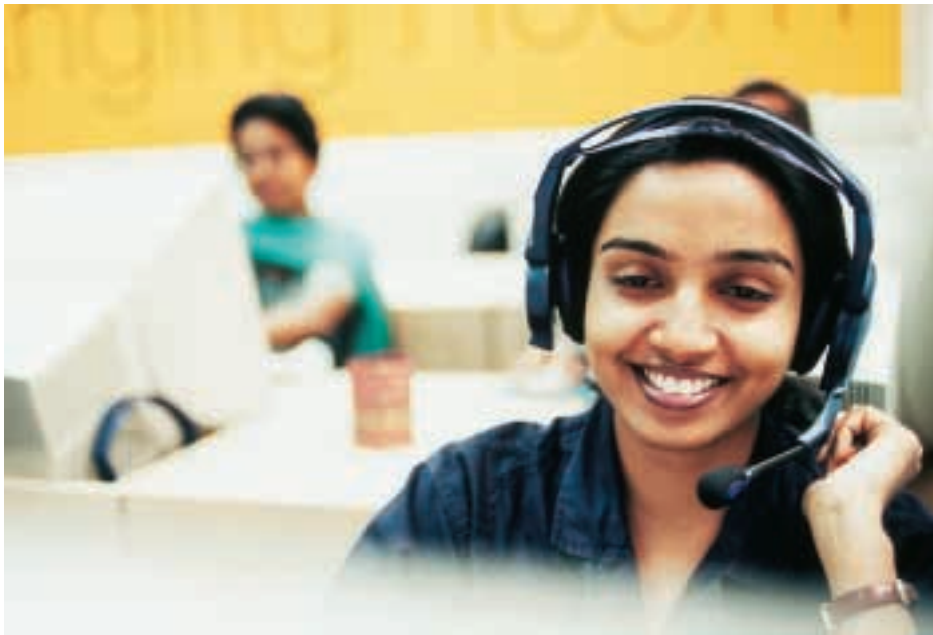
Capital Efficiency

Having carefully assessed the capital needs of the business to achieve our ambitious growth objectives, we considered we had an excess of capital. To address this we launched a tender offer which led to the repurchase in December 2002 of \$659 million of 8.9 per cent preference shares.



Net Revenue by Business

\$ million



Delivering shareholder returns.
We are driving business performance,
developing innovative value adding
products, improving service quality,
and transforming our cost base.

In October 2002, we became the first major FTSE listed company to launch a dual primary listing in Hong Kong. This demonstrates our commitment to Hong Kong and China, and will help us to expand our Asian institutional and retail shareholder base.

We have also made great progress in our drive to reduce inefficiencies. We now have two fully operational shared service centres in Chennai and Kuala Lumpur, centralising and standardising our service delivery. We have launched a new international voice telecommunications system that will deliver significant cost reductions.

Group Chief Executive's Review

Continued

The premium on repurchase was \$82 million, which was funded from reserves. There is a net negative impact on 2002 basic earnings per share. However, in future years there will be an annual saving of \$59 million in preference share dividends, which will have a positive impact on return on equity and earnings per share from 2003 onwards.

A modest issue of 35 million new ordinary shares, representing 3.1 per cent of our issued share capital, facilitated our listing on the Stock Exchange of Hong Kong. As a result Tier 1 capital stands at 8.6 per cent. Listing in Hong Kong is an integral component of our strategy. It has raised our profile in our biggest market. It has also given us a platform to expand our investor base in Asia.

Brand

Our new brand's modern and dynamic look appeals to the growing, affluent middle income earners who seek financial products and services which reflect their lifestyles and aspirations. Extensive research shows that customers prefer the new identity.

The rebranding has been accompanied by the internal launch of brand values to all of our employees. Our brand values, Courageous, Responsive, International, Creative and Trustworthy have been enthusiastically accepted. These shared values support our performance culture. They act as a touchstone for all employees in helping to meet the needs of our customers.

Our People

I would like to thank the people at Standard Chartered for their commitment throughout the year and their drive towards generating stronger shareholder returns. As I have travelled to our operations around the world, it has confirmed my view that we have tremendous talent at all levels in the Bank. My job is to harness the talent and unleash the energy of our employees.

During the year there was an increased focus on talent management. We made a number of key external hires and about 60 internal moves at senior management level. We launched a new approach to organisational learning, which will allow employees more control over their own training and development as well as the opportunity to learn on-line.

We have strengthened our leadership development with processes that include one-to-one coaching and a short but intensive leadership course for senior managers.

I believe staff engagement has a direct impact on performance and all managers are therefore measured on the way they manage people. Employee engagement is tracked annually through a Gallup Survey. It improved significantly in 2002.

The Future

2002 was a year in which we made good progress.

While we will continue to look selectively at acquisitions, at the heart of the improved performance in 2002 has been a drive to get more out of our existing businesses. This will continue.

We are broadening our demographic base. We have added India and the United Arab Emirates to the list of markets where we make operating profit of more than \$100 million a year. This helps give us the scale and balance that we need.

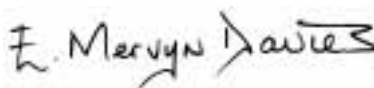
India and China are the two greatest opportunities of the 21st Century. We are strongly positioned in both.

We will continue to grow, although the pace of growth will reflect the underlying economic uncertainties and our focus on sustainable returns.

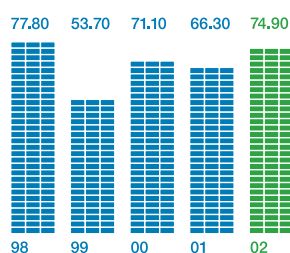
I am very pleased with the progress that we have made on our cost income ratio. We are a long way down the road to restructuring the cost base and homing in on our target of a cost income ratio of below 50 per cent.

We have large-scale businesses – Cards, Wealth Management, Global Markets and others – and efficiency in our operations.

I am confident that we will deliver improved returns to our shareholders.



Mervyn Davies, Group Chief Executive
19 February 2003 ■



Normalised Earnings Per Share
Cents



We hold leading positions in dynamic markets. We are in some of the world's fastest growing markets including the United Arab Emirates, India, China and the markets of South East Asia.

We are well positioned in the world's most dynamic markets. We are the largest foreign bank in India and across much of the Middle East and South Asia.

In addition we took a \$50 million stake in BOC Hong Kong (Holdings) Limited in 2002. This is a subsidiary of the Bank of China, one of the largest state-owned commercial banks.

The Nakornthon acquisition in Thailand is already delivering profits and we are well placed for further growth in this market.



Karen Ngui

Global Head, Group Brand Management and Strategic Marketing

'The new Standard Chartered is an exciting and dynamic organisation, built on our heritage, anchored in our values and positioned for the future. I believe we have a world-class brand and the challenge is to stay focused on our goal to be the right partner for our customers, staff and the communities in which we operate.'

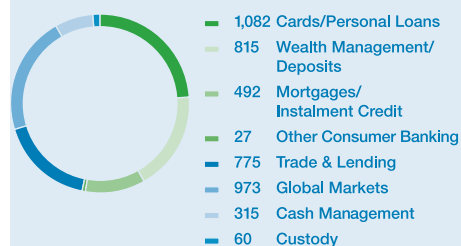
Facts

World-wide research during brand development showed that:

- Over 2,000 consumers significantly prefer our new brand identity.
- Over 10,000 consumers and staff endorse our brand values.
- Over 2,000 consumers affirmed that the 'I Believe' campaign created a positive impression and increased their preference for Standard Chartered.

We must

- Leverage our brand to create further differentiation and enhance our business results.
- Realise our full potential by living our brand values.



Revenue by Product

\$ million

Consumer Banking

Consumer Banking has seen strong growth in all its markets outside of Hong Kong. Business volumes, revenue, pre-provision profit and trading profit increased in virtually every market. Our focus on costs has also delivered a significant improvement in the cost income ratio.

The bankruptcy issue in Hong Kong has had a significant impact on our profitability. However, we acted decisively by putting in place a number of initiatives to mitigate the impact. These initiatives focused on strengthening the risk management framework, reducing exposure in high risk segments, improving our collections process, and driving through cost efficiencies. Bankruptcies remain a big issue for the banking industry although the impact on our portfolio has declined in recent months.

Our Qualifying Full Bank status has enhanced our distribution capability in Singapore. We launched a shared ATM network in conjunction with two banks giving customers access to a total of 54 locations island-wide. In addition, we are the only foreign bank admitted into the local NETS direct debit services network, allowing us to offer services to 17,000 retailers. Standard Chartered was named Best Retail Bank in Singapore and Asia Pacific by Asian Banker magazine.

Cards and Personal Loans

We have had very strong growth in both Credit Cards and Personal Loans. Growth across India, Middle East, South Asia and Singapore has been in excess of 20 per cent.

Cards is one of our most important businesses, generating high returns. It also presents us with a great opportunity for potential growth. We are the largest cards provider in a number of countries, which gives us scale and competitive advantage in the marketplace. In India we launched a number of co-branded cards during 2002.

Mortgages and Auto Finance

We are well positioned in this sector, and have seen earnings grow and margins stabilise. Key markets such as Singapore and Hong Kong delivered strong growth and outpaced the market. Singapore grew at 13 per cent and India has almost doubled its loans outstanding. Taiwan has also shown rapid growth in this sector.

The credit quality of our mortgage portfolio remains resilient. For example, our mortgage delinquency rates in Hong Kong have fallen from 0.77 per cent in 2001 to 0.63 per cent at the end of 2002, which is lower than the market average of 1.06 per cent according to Hong Kong Monetary Authority figures.

We launched MortgageOne, an innovative product which allows customers to offset the interest earned on current accounts against the interest on their mortgage. The account was initially launched in Malaysia and subsequently rolled out in Hong Kong, Singapore and India, with great success. It now accounts for more than 35 per cent of new sales. As a result we gained strong market shares in our core markets.

Wealth Management

Significant revenue growth in guaranteed funds, retail, treasury and bancassurance products, has been offset by declining interest margins on deposits.



Commitment to our markets.
We have been in many of our
markets for several generations
and have become a trusted partner
to businesses and individuals.

We are a trusted and well-respected provider of financial products and services. We have built up an enviable knowledge of local markets in Asia, Africa, the Americas and the Middle East.

In many cases, we have had a presence for more than a century. Our first two branches were in Calcutta and Shanghai and we have been operating continuously in China for the last 144 years. We issue banknotes in Hong Kong. When the Asian crisis hit in 1997 we continued to support businesses in the region.



Peter Sullivan
Chief Executive Officer Africa

'In 2002, Africa contributed eight per cent of the Group's pre-tax profit. This is in spite of major challenges in one of our key markets, Zimbabwe. The African business, which has demonstrated strong growth across the region, is poised to grow further, with expansion plans in Nigeria and South Africa. The vision for Africa is to be clearly the leading international bank on the African continent. Our focus is to grow our revenue through innovative products and a robust sales culture, while continuing to manage risk.'

Facts

- 149 offices in 13 countries.
- Biggest bank (by trading profit and market share) in many African countries.
- Consistently profitable, particularly in local currency terms.
- Leading bank in Trade and Treasury Services.

We must

- Further improve the levels of customer service.
- Expand our business in Nigeria.
- Continue to build employee engagement through our 'Africa First' initiative.



Net Revenue

% (Africa excluding Zimbabwe, as a percentage of the Group)

While it has been a difficult market for equity funds and pensions, our assets under management grew significantly with India, Taiwan and Indonesia accounting for much of the new growth. In Malaysia our range of unit trusts includes eight Islamic banking funds.

Wholesale Banking

Wholesale Banking is moving from a lending oriented and capital intensive business to one focused on a more balanced product range and on improving returns.

We have reshaped the business, trading revenue for lower risk, and strengthened our capital market franchise, cross-selling products that provide higher return. We are also focusing on a smaller number of high value customers, and exiting customers and segments that do not generate the right return.

We have seen the benefits of the measures we have taken to control risks. These changes, together with historic high levels of provisions, have resulted in a lower debt charge for Wholesale Banking and good improvement in trading profit.

Global Markets

It was an important year for Global Markets. We have seen new revenue growth from a broader and more sophisticated product set, including credit derivatives and asset backed securitisation. We have also launched innovative retail bonds for corporations such as Wharf Holdings, Mass Transit Railway Corporation and Hong Kong Airport Authority. These bonds utilise both our Consumer Banking and Wholesale Banking capabilities to deliver effective debt financing solutions that meet the needs of local retail investors.

We were able to exploit falling US dollar interest rates, which generated strong revenues, and continue to top the Asia league tables in fixed income and syndications. The Asian Fixed Income business showed further growth and we grew our syndications market share.

A wider product range complements our strength in emerging markets Foreign Exchange. This includes Currency Options and Interest Rate Derivatives, Fixed Income, Structured Asset Solutions, Loan Syndications, Corporate Advisory and Funds Management.

Trade Finance and Lending

The repositioning of our trade and lending portfolio has had a short-term impact on revenues. However, the overall quality of our portfolio has improved as a result. We have grown market share for trade products in key countries, despite exiting some of the lower return segments and were appointed Asian trade finance partner to a number of other financial institutions.

In November 2002 we launched B2BeX, our leading-edge platform designed to facilitate cross-border trade and supply chain management. In December B2BeX won the ifs/BT Financial Innovation Awards 2002 in the 'Most Innovative Business to Business Initiative' category.

Cash Management and Custody

Cash transaction volumes continue to grow and we maintained our position as a leading Asian Cash Management provider. However revenues fell reflecting the low interest rate environment.



One of the world's most international companies. We are a major global player with a presence in over 50 countries. Our people are drawn from local markets and bring with them a wealth of local knowledge and expertise.

We believe that our international breadth is a competitive advantage. More than 85 per cent of our revenue is generated from outside OECD countries.

We are truly a multi-cultural company. International diversity is part of our DNA. We understand the cultures and the aspirations of our customers around the world. So as part of our 150th anniversary we will be celebrating our internationalism, encouraging employees to embrace each other's cultures and traditions.



Gareth Bullock

Director of Standard Chartered Bank
Group Head, Technology and Operations

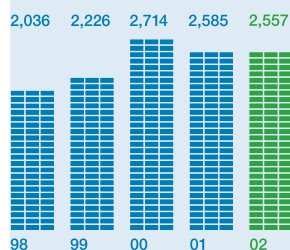
'Group Technology and Operations is Standard Chartered's central nervous system and is vital to the Group's success. We cover a broad range of services from communications to processing transactions and data. We are at the heart of the Bank's goals to improve cost, service quality and flexibility. We will continue to reshape our infrastructure to standardise, centralise and re-engineer our technology and operations. This has already led to the creation of two service centres.'

Facts

- 2,200 staff in two centralised service centres in Chennai and Kuala Lumpur.
- Wide range of processes migrated to the service centres – banking operations, credit cards, systems support, IT, finance and HR.
- \$60 million cost reduction as a result of centralising processes and products in first full year of implementation.

We must

- Continue to focus on providing a cost-efficient platform.
- Continue to migrate processes and products into the centralised service centres.



Total Operating Expenses

\$ million

We have strengthened our franchise in the Middle East and South Asia, invested in Cash Management capabilities, delivered new products to market, and launched a new internet based platform. This has all contributed to the acquisition of a number of new customers.

Investing in our Cash Management product capabilities has resulted in deposit growth of 16 per cent. In addition we have won a number of significant regional mandates from some of the world's leading multinationals. In July 2002, we were appointed by the Hong Kong Monetary Authority as the sole settlement institution for Euro clearing.

Technology and Operations

In 2002 we brought together the technology and operations functions under one operating model. Technology and Operations is an integrated part of the Bank, supporting the development and growth of Consumer Banking, Wholesale Banking and regional businesses. It also supports our drive to improve cost, service quality and flexibility through standardisation, centralisation and re-engineering.

Global Hubs

By the end of the year there were over 2,200 staff in our centralised hubs in Kuala Lumpur and Chennai, servicing a wide range of banking products such as trade, credit cards and payments. We expect the number of staff to increase significantly in 2003 as the size and range of operations processes migrated increases.

In addition to processing, the hubs also provide information technology (IT), systems development, human resources and finance services to the Bank.

Telecommunications

Reliable and economic telecommunications are vital to a bank with our international scale of operations and are a key enabler of our centralisation strategy. We have installed an Internet Protocol-based global-wide area data network. A separate but complementary satellite network was installed for our African business. Additionally, we also signed a contract for international voice telecommunications, which will lead to significant cost reductions.

Technology – Supporting Business Development

The major focus of our investment in technology is to provide a cost-efficient platform that enables improvement in products and customer service.

Two major initiatives were launched last year focusing on our Consumer Banking networks in Hong Kong and Singapore. We have implemented the first stages of the Customer Sales and Service project based on a world-class customer relationship management solution and the installation of an advanced teller platform.

In August we successfully launched a new branch banking system in United Arab Emirates, called eBBS, which we aim to roll out in the rest of Middle East and South Asia ■



Strong, well regarded brand.
Customers prefer our refreshed brand, which has been introduced globally. Our brand signifies a shared set of values that help us do the right thing for customers.

Our refreshed brand is aligned to the lifestyle and aspirations of our customers. Customers trust our brand as we strive to become the partner of choice – the right partner for providing world-class financial products and services. It is built on our values, which are also firmly embedded in the Group's culture.

Branches around the world, from India to United Arab Emirates, Singapore to Kenya have a consistently modern and dynamic look. We sponsor a number of marathons around the world including Singapore and Hong Kong, which boosts brand awareness.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is at the core of our values. Standard Chartered believes that with appropriate policies and practices in place it can be a legitimate influence for good. It does this by promoting high standards of socially responsible business in the emerging markets. A new corporate social responsibility website was launched in 2002. This details policies and procedures put in place to enable Standard Chartered to meet or exceed the legal, ethical, commercial and public expectations of the communities in which it operates. The Bank strongly supports the trend toward delivering shareholder value in a socially, ethically and environmentally responsible manner.

This has been recognised externally. Standard Chartered has been a member of FTSE4Good since its launch in July 2001. FTSE4Good is a Socially Responsible Investment index that only includes companies reaching certain standards of corporate social responsibility. The Company has publicly declared its support for the United Nations Global Compact and the OECD Guidelines for Multinational Business. It is an active member of the Prince of Wales International Business Leaders Forum and has been included in Morley Fund Management's Sustainability Matrix.

For the latest environmental report and more detail on community projects please visit the CSR website:

www.standardchartered.com/ourbeliefs

Community

Our community programmes mainly target those countries in Asia, Africa and the Middle East from which we derive our profits. In 2002 \$3.9 million was spent on such initiatives. Apart from funding many of the projects, staff are encouraged to take part in activities to support the community.

Living with HIV

We won several awards for our HIV/AIDS staff education programme 'Staying Alive' rolled out to Africa staff in 2000. The Bank is now committed to roll out its new 'Living with HIV' education programme to all employees by December 2003. Training of staff champions will continue through 2003. We share the programmes we have developed with other corporations, government institutions and community groups.

Seeing is Believing

In February 2003, we launched a global campaign in partnership with Sight Savers International to raise enough funds to restore the sight of 28,000 people. The campaign was initially launched in Bangladesh.

Africa

The Community Partnership for Africa, begun in 2001, sets aside \$1 million per annum for worthy high impact projects.

Ghana – in partnership with Water Aid donated 100 wells to support the provision of clean drinking water to 100 villages.

Kenya – donated 27 maize mills and six boreholes to provide food and water to the community.

Uganda – supported the Nsumba Children's Home as a rehabilitation centre to train and counsel street children.

Zambia – supported a University Teaching Hospital Paediatrics wing in Lusaka.

Middle East and South Asia

Bangladesh – employees donated blood to the Bangladesh National Blood Bank, cleaned up the children's ward of the Islamiya Eye hospital and also donated mosquito nets and food packets to patients.

Lebanon – supported the SOS Children's Village through donations and children's visits to the Bank for a learning experience.

Sri Lanka – provided support to Vajira Rehabilitation Children's Home and Maharagama Cancer Hospital. The Bank has donated a heavy-duty suction unit, TV, furniture and medicine to the hospital.

Nepal – supported an education programme for young girls through the United Nations Women's organisation project 'Kamlarni Scholarship Programme'.

India – continued to support Pratham Delhi an education initiative to provide pre-school education for street children, Victoria Memorial School for the blind and an exhibition and sale of articles produced by developmentally handicapped children of SPJ Sadhana School.

North East Asia

Hong Kong – the Hong Kong Council of Social Service awarded the Bank with the Caring Company Award 2002/2003. The award recognises Standard Chartered's long-term commitment to the community and dedicated support of the many staff who volunteer to help charities.



We are part of the fabric of the local community. Our policies and procedures ensure that we promote high standards of socially responsible business ethics.

Standard Chartered supports many youth projects in the area of health and education. In India the Bank supports Prem Dan Learning Centre and the Victoria Memorial School for the blind. In Hong Kong and Singapore the Bank sponsors marathons which raise considerable funds for charity.

The Community Partnership for Africa oversees many worthy projects on the continent including the refurbishment of the Kurasini Orphanage in Tanzania.

Corporate Social Responsibility

Continued

Hong Kong – raised HK\$1.8 million (\$230,770) for the Hong Kong Sports Association for the Physically Disabled through the 2002 Hong Kong marathon. For the fifth year, the Bank has sponsored the Asian Youth Orchestra's rehearsal camp in Hong Kong, the Children's Heart Fund and the Youth Arts festival.

Taiwan – adopted and developed Victoria Garden, a small park outside our flagship branch in Taipei.

South East Asia

Thailand – in co-operation with the Thailand Business Initiative for Rural Development handed over a village meeting centre at Ang Hin. The centre will be used as a venue for vocational training, a library and a meeting place.

Singapore – sponsored a series of monthly lunches for 90 elderly one-room flat dwellers.

Indonesia – provided support to the elementary school for children of low-income earners.

United Kingdom and the Americas

United States – staff volunteered to paint and refurbish a primary school in the Bronx section of New York City.

Peru – supported the Santa Rosa Community Project in Peru to replace the existing makeshift classroom made of wooden poles, cardboard and plastic sheets. The classroom is for 28 nursery school children aged 3–5.

United Kingdom – supported the Tower Hamlets Education Business Partnership. Standard Chartered staff volunteered and provided interviewing skills, mentoring, reading and numerical learning for children from four schools.

Environment

2002 saw significant progress on environmental matters. In 2001 we published our first environmental report which concentrated on preliminary work in the United Kingdom, and presented management and performance targets for subsequent years. In 2002 this was followed with the launch of a three-year global environmental management programme. This programme has developed a global environmental management system designed to formally manage the Bank's most significant operational impacts such as waste production and energy use. It is currently being implemented in 19 locations in seven countries, covering 40 per cent of staff.

Possible environmental risks are managed by an environmental and social credit risk policy. In a recent study, ISIS concluded that Standard Chartered had 'engaged in a serious review of environmental credit risk assessment, and established policies and operating procedures in their home markets'.

Improvements in our management of environmental issues have also begun to be reflected in external benchmarks. In the United Kingdom, the Business in the Environment Index of Corporate Environmental Engagement improved its rating of the Bank. Additionally we became a signatory to the United Nations Environmental Programme (UNEP) Statement on the Environment and Sustainable Development.

We also continued to support a number of environmental projects across the Group. To mark our environmental commitment and to raise awareness among staff, customers and the community, we launched a 'Clean and Green' campaign in October. Various activities took place during the week, which included an environmental quiz on the website, recycling of clothing and computer materials, conservation of energy and joining in community projects to protect the environment.



Bank employees in Venezuela participate in tree planting during Standard Chartered's 'Clean and Green' week.

There follow a few examples of the many environmental projects that have taken place this year around the world.

Africa

Staff from 13 territories in Africa planted more than 10,000 trees.

Kenya

Standard Chartered Kenya sponsored the 31st Annual World Environment Day promoted by the United Nations Environment Programme (UNEP). About 100 staff joined 150 youth groups in a 'Clean Up' campaign and raised the local community's environmental awareness.

China

Staff in Shanghai participated in the cleaning of the Huang Pu River while a team from Shenzhen participated in a beach cleaning exercise.

India

Staff cleaned a park and planted near the Sarita Vihar slum in New Delhi.

The Bank partnered with the South Chennai Chapter of Exnora and ONYX organised the 'Clean Up Marina Beach campaign'.

Brunei

Staff in Darussalam were involved in a beach cleaning exercise which included the replanting of vegetation and release of 150 young turtles into the South China Sea.

Philippines

All employees in the Philippines received a green book, which provided staff with useful information about the environment, including recycling, energy conservation, decomposing and health tips.

Nepal

The Bank donated 25 personal computers to Shree Tilingtar Higher Secondary School at Dhapasi Government School.

Malaysia

A plant gala was organised at one of our branches and more than 300 ornamental plants of all types were donated for sale.

Pakistan

Staff supported a kidney centre for six years via an annual donation of \$25,000, sponsored Art students at Indus Valley School for six years via ArtFest and donated over 200 computers to schools and charities.

Qatar

Standard Chartered employees in Qatar collected 50 bags of garbage from the Crescent of Isle Banana to support conservation and cleanliness.

Bahrain

Standard Chartered Bahrain won an award from the Electricity and Water Ministry for a power conservation programme.

The Bank held a charity walk to raise funds for sponsoring a 72-page book on environmental issues.

United Kingdom

The Bank issued green paper recycling collection boxes to every employee. Now more than 3,000 kilos of paper are recycled each week.

A 'what a turn off' campaign was introduced to encourage staff to switch off the lights and other equipment when not in use – 950 kilowatts of energy are saved each week.

Details of this and the progress planned for next year can be found in our second environmental report available at: www.standardchartered.com/ourbeliefs



Standard Chartered Ghana contributes to improving people's life by giving access to clean water. 100 wells have been donated to 100 villages.

21 employees of the Bank scaled Mount Kinabalu in Malaysia raising funds for charity.

Group Summary

The results for the year ended 31 December 2002 reflect a strong performance with profit before tax up 16 per cent from \$1,089 million to \$1,262 million. Revenue momentum has been sustained despite tough market conditions, pressure on margins and a low interest rate environment. Costs have been reduced by \$28 million without cutting investment in growth businesses and in re-engineering the Bank. Provisions for bad debts and contingent liabilities were \$19 million lower, mainly due to tight control on risk in Wholesale Banking where new provisions were lower and recoveries were higher than in 2001.

The results were adversely impacted by increased Consumer Banking bad debts from bankruptcies in Hong Kong, the economic deterioration in Argentina in the first quarter and the difficult economic environment in Zimbabwe, but benefitted from a gain on the unwinding of a swap relating to the preference shares repurchased in December.

In February 2002 the Urgent Issues Task Force of the Accounting Standards Board (UITF) issued guidance on the application of accounting standards to capital instruments that have characteristics of both liabilities and shareholders' funds. The Group has complied with these requirements and as a result has reclassified its Trust Preferred Securities and Step-up Callable Perpetual Trust Preferred Securities from 'minority interests – non-equity' to 'liabilities' and moved the cost of this capital from 'minority interests – non-equity' to 'interest payable'. The prior year has been restated as follows:

	2001	
	Net interest income \$ million	Profit before tax \$ million
As previously published	2,959	1,148
Transfer from minority interests to interest payable on:		
€500 million issued March 2000	(37)	(37)
£300 million issued May 2001	(22)	(22)
As published 31 December 2002	2,900	1,089

If the changes caused by UITF33 had not applied, the Group's net taxable profit for 2002 would have been \$1,337 million.

Revenue has grown by three per cent to \$4,539 million and reflects strong momentum in Consumer Banking outside of Hong Kong. Total Group revenue has felt the impact of three significant factors in 2002. Firstly, the deliberate action taken to trade revenue to improve the risk profile of the business. Secondly, the deteriorating conditions and hyper-inflationary environment in Zimbabwe depressed revenue by \$64 million. Thirdly, the Group unwound certain interest rate swaps hedging the \$659 million of preference shares which were repurchased in December with a gain of \$57 million.

Net interest income increased by six per cent driven largely by volume growth, lower funding costs and better spreads in Consumer Banking and strong earnings on asset and liability management in Wholesale Banking. The Group also benefitted by \$57 million from the unwinding of interest rate swaps relating to the Group's preference shares which were repurchased in December. The Group's average interest earning assets rose by \$2.9 billion compared to 2001, an increase of three per cent. Overall the average net interest margin was 3.1 per cent compared to 3.0 per cent in 2001.

Net fees and commissions receivable have increased by one per cent to \$991 million compared to \$977 million in 2001. The focus on a more sophisticated product set within Global Markets generated higher fees in the Americas and the United Kingdom. In Other Asia Pacific, India and MESA growth was largely in unsecured lending in Consumer Banking, offsetting the impact of bankruptcy containment actions in Hong Kong.

Dealing profits have fallen by \$50 million or eleven per cent. Hong Kong, India and MESA performed well, increasing revenue by \$22 million through strong trading. However, in addition to the hyper-inflationary adjustment and translation losses relating to Zimbabwe, lower spreads and reduced volumes in a number of countries led to a fall in revenue.

Total operating expenses were reduced by \$28 million to \$2,557 million compared to \$2,585 million in 2001. The benefits of the centralisation and operational efficiency programmes continue and the integration of Grindlays has led to higher than targeted cost synergies. This improvement is despite a \$41 million charge in Latin America as a result of refocusing the strategy, and has been achieved while continuing to invest for future growth. The cost income ratio for 2002 was 53.6 per cent, compared to 55.8 per cent in 2001 on a normalised basis.

The net provisions for bad and doubtful debts and contingent liabilities were \$19 million lower than 2001 at \$712 million. Wholesale Banking improved its position year on year by \$292 million, despite a \$75 million charge for Argentina. This was achieved through a pro-active focus on risk management and a strong performance on recoveries. Hong Kong bankruptcies accounted for much of the rise in Consumer Banking's bad debts with a charge of \$287 million in 2002 compared to \$121 million in 2001.

Post tax return on equity (normalised) was 13.4 per cent, up from 12.0 per cent in 2001. This has been achieved through growing high return businesses, cost efficiency and active capital management.

Consumer Banking

Consumer Banking remains of prime importance to the Bank. Revenue has increased by nine per cent from \$2,222 million in 2001 to \$2,416 million in 2002, and costs have been reduced by five per cent to \$1,190 million. The total debt charge has increased by \$273 million to \$603 million mainly due to the bankruptcy situation in Hong Kong. This reduced the operating profit by two per cent from \$638 million to \$623 million.

The following table provides an analysis of operating profit before tax by geographic segment for Consumer Banking. All regions excluding Hong Kong reported increased operating profit.

									2002
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Consumer Banking Total \$million
Revenue	1,013	313	156	285	204	213	137	95	2,416
Costs	(422)	(106)	(79)	(177)	(114)	(104)	(124)	(64)	(1,190)
Charge for debts	(434)	(35)	(22)	(58)	(38)	(16)	(3)	3	(603)
Operating profit	157	172	55	50	52	93	10	34	623

	2001								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Consumer Banking Total \$million
Revenue	1,040	250	139	210	190	179	131	83	2,222
Costs	(474)	(95)	(77)	(171)	(132)	(108)	(122)	(75)	(1,254)
Charge for debts	(226)	(17)	(11)	(35)	(19)	(15)	(3)	(4)	(330)
Operating profit	340	138	51	4	39	56	6	4	638

Hong Kong profits have fallen overall by 54 per cent from \$340 million to \$157 million. However, profits before bad debts have increased by four per cent. Market conditions continue to be difficult with rising unemployment, reduced margins and the bankruptcy problem affecting the whole industry. This has impacted revenue and bad debts. Revenue has fallen by three per cent largely because the Group took decisive and early action to mitigate bankruptcy risk in its unsecured portfolio. Revenues from cards and personal loans fell by twelve per cent, while revenues from Mortgages and Wealth Management grew by eight per cent. Growth in Mortgages was from improved margins and volume growth. Wealth Management delivered strong growth in fee-based income, partially offset by declining margins as a result of the low interest rate environment in response to lower revenues. Costs in Hong Kong have been strongly managed and have been reduced by \$52 million.

Singapore has increased operating profit by 25 per cent and significantly increased its market share in secured and unsecured lending. This has been driven by lower funding costs, the successful launch of the innovative MortgageOne housing loan solution which offers debt consolidation, Liquidity Management and Wealth Management, and through leveraging Standard Chartered's Qualifying Full Banking licence.

Financial Review

Continued

Consumer Banking continued

Other Asia Pacific increased profits twelve-fold from \$4 million to \$50 million. This was mainly due to the Group's investments in Taiwan and Thailand. Thailand benefited from higher volume and margin in credit cards and personal loans. Revenue in Taiwan increased substantially due to increased volumes from a successful mortgage campaign together with lower funding costs.

MESA increased operating profit by 66 per cent to \$93 million and India by 33 per cent to \$52 million. This was due to the growth in the business and the success of the Grindlays integration. In India, the mortgage portfolio doubled in size aided by the successful launch of MortgageOne.

Africa delivered operating profit of \$10 million, an increase of \$4 million from 2001. This was despite an extremely difficult environment in Zimbabwe. Improved fees and commissions contributed to this performance.

The Americas and the United Kingdom have increased profit from \$4 million to US\$34 million, mainly due to cost efficiencies arising from restructuring in 2001.

An analysis of revenue by product is set out below:

	2002 \$million	2001 \$million
Cards/Personal Loans	1,082	985
Wealth Management/Deposits	815	774
Mortgages/Auto Finance	492	395
Other	27	68
	2,416	2,222

There has been strong revenue growth in Credit Cards and Personal Loans of ten per cent, and they continue to make impressive returns. Lending outside of Hong Kong grew 20 per cent. Bankruptcy containment actions taken in Hong Kong offset growth elsewhere.

Wealth Management has performed well with revenues up by five per cent over 2001. This has been driven by growth in unit trust, treasury and bancassurance products which offset the impact of the lower interest rate environment.

Mortgages and Auto Finance revenue increased by 25 per cent. Mortgage outstandings grew by nine per cent aided by the successful implementation of MortgageOne Account in Singapore, Malaysia and India and E-Mortgage in Hong Kong. Margins improved in 2002.

Total costs in Consumer Banking have fallen by \$64 million (five per cent) to \$1,190 million, with \$52 million of the reduction in Hong Kong. These savings are after taking account of accelerated investment in new sales platforms, rebranding and distribution channels. The MortgageOne product has been successfully rolled out and E-Mortgage developed in Hong Kong.

The net debt charge increased from \$330 million to \$603 million. This was largely driven by personal bankruptcies in Hong Kong. The data from the Official Receiver's Office shows that although petition rates appear to have stabilised they remain high and volatile. The charge off period for credit cards has been reduced from 150 days past due to 120 days past due in Hong Kong as a consequence of the market environment. Elsewhere the growth in bad debts reflects higher volumes, changes in the business mix and economic conditions.

Outside Hong Kong, trading profit growth of 56 per cent required incremental risk weighted assets of \$2.4 billion, a 22 per cent increase, indicating that growth in Consumer Banking need not be capital intensive.

Wholesale Banking

The Wholesale Banking business continues to be repositioned to focus on products which offer higher returns. The Group has deliberately traded revenue to improve the risk profile of the business and this is reflected in the results of 2002. Overall revenues fell by three per cent. However, operating profit has risen by 35 per cent due to the substantial reduction in the charge for debts. The debt charge has improved due to lower provisions and improved recoveries.

The following table provides an analysis of operating profit before tax by geographic segment:

									2002
Asia Pacific									
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Wholesale Banking Total \$million
Revenue	403	172	78	287	190	288	195	510	2,123
Costs	(200)	(103)	(64)	(229)	(76)	(92)	(104)	(343)	(1,211)
Charge for debts, contingent liabilities and commitments	6	(6)	9	(3)	–	3	–	(118)	(109)
Amounts written off fixed asset investments	–	–	–	–	–	–	–	(8)	(8)
Operating profit	209	63	23	55	114	199	91	41	795

									2001
Asia Pacific									
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Wholesale Banking Total \$million
Revenue	402	190	98	319	165	257	224	528	2,183
Costs	(205)	(110)	(54)	(233)	(77)	(99)	(104)	(309)	(1,191)
Charge for debts, contingent liabilities and commitments	(31)	(34)	(119)	(51)	(8)	(24)	(10)	(124)	(401)
Operating profit	166	46	(75)	35	80	134	110	95	591

Most regions have improved their results through focusing more closely on Global Markets, reduced costs and improved debt charges. Malaysia has generated an additional \$98 million, MESA \$65 million and Hong Kong \$43 million. In MESA and India the improved performance was in part due to the integration of the Grindlays acquisition and higher volume growth and improved margins in Global Markets. In Africa, the reduction in revenue of \$29 million was driven by hyper-inflationary adjustments in Zimbabwe.

The profit in the Americas and the United Kingdom has fallen from \$95 million to \$41 million. This is mainly due to a \$75 million charge taken against Argentina in the first quarter of 2002, and costs associated with repositioning the business.

An analysis of revenue by product is set out below:

	2002 \$million	2001 \$million
Trade and Lending	775	849
Global Markets	973	914
Cash Management	315	355
Custody	60	65
	2,123	2,183

Trade and Lending revenues have fallen by nine per cent from \$849 million to \$775 million. The reduction in business is in line with the strategy to trade revenue for risk and to concentrate resources on Global Markets. This, together with weak market demand, has had an impact on results.

Global Markets revenue has increased by six per cent to \$973 million. Asset and liability management is a significant component within Global Markets and the positions taken generated substantial revenues in the low interest rate environment, particularly in the first half of 2002. Revenue growth was also generated as the Group focused on higher return business.

Cash Management balances have grown significantly by 16 per cent but revenues have not improved as margins have declined as a result of the low interest rate environment. The reduction in Custody revenues by eight per cent reflects the decrease in equity activity as this business is driven by volume and equity values. However, partially offsetting this was additional revenue from winning new mandates.

Costs have risen by \$20 million. Costs in 2002 include \$45 million staff redundancy and other costs associated with repositioning the business. Investment to enhance product capability has been funded by other underlying cost efficiencies within the Wholesale Banking business.

The significant improvement in the charge for debts reflects the risk management initiatives over the last two years and strong recoveries.

Risk

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

Ultimate responsibility for the effective management of risk rests with the Group's Board of Directors who control and manage through the Audit and Risk Committee. The Audit and Risk Committee reviews specific risk areas, such as country risk exposures, large credit exposures, market and liquidity limits. It also guides and monitors the activities of the Group Asset and Liability Committee and the Group Risk Committee.

All of the Group's executive directors are members of the Group Risk Committee that is chaired by the Group Executive Director for Risk (GED Risk). This Committee has responsibility for determining the Group Risk appetite and strategy, monitoring and controlling Group risk exposure, setting Group standards and policies for risk measurement and management, and also delegating authorities and responsibilities to various sub-committees.

The GED Risk manages an independent risk function which:

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

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

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

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

Credit Risk

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

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

Clear responsibility for credit risk is delegated from the Board to the Group Risk Committee. Policies for managing credit risk are determined by the Group Risk Committee which also delegates credit authorities through the GED Risk to independent Risk Officers at the Wholesale Banking and Consumer Banking business levels. Specific procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals. The Risk Officers are located in the businesses to maximise the efficiency of decision-making, but have an independent reporting line into the GED Risk.

Within the Wholesale Banking business, credit analysis includes a review of facility detail, credit grade determination and financial spreading/ratio analysis. There is a clear segregation of duties with loan applications being prepared separately from the approval chain. Significant exposures are reviewed and approved centrally through a Group Credit Risk Committee. This Committee receives its authority and delegated responsibilities from the Group Risk Committee.

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

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

Loan Portfolio

The following table sets out by maturity the amount of customer loans net of provisions:

	2002				2001			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Consumer Banking:								
Mortgages	1,977	4,399	14,012	20,388	2,372	4,136	12,241	18,749
Other	4,798	3,197	1,218	9,213	4,907	2,756	1,003	8,666
Total	6,775	7,596	15,230	29,601	7,279	6,892	13,244	27,415
Wholesale Banking	22,035	4,077	1,764	27,876	20,289	3,309	2,460	26,058
General Provisions				(468)				(468)
Net loans and advances to customers	28,810	11,673	16,994	57,009	27,568	10,201	15,704	53,005

The Group's loans and advances to customers is predominantly a short-term portfolio with 51 per cent having a maturity of one year or less. The long-term portfolio, i.e. with a maturity of over five years, primarily relates to the Consumer Banking retail mortgages portfolio.

The following table sets out an analysis of the Group's net loans and advances as at 31 December 2002 and 31 December 2001 by borrowers' business or industry and geographical distribution:

	2002								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Loans to Individuals									
Mortgages	13,045	3,813	2,031	779	283	20	35	382	20,388
Other (see note below)	2,573	1,524	575	1,684	882	1,537	231	207	9,213
Consumer Banking	15,618	5,337	2,606	2,463	1,165	1,557	266	589	29,601
Agriculture, forestry and fishing	5	7	59	35	15	14	62	365	562
Construction	58	38	37	18	4	157	25	7	344
Commerce	1,251	777	147	572	19	784	283	1,151	4,984
Electricity, gas and water	269	40	12	178	23	50	35	109	716
Financing, insurance and business services	1,645	586	404	489	209	638	47	1,921	5,939
Loans to Governments	–	41	552	66	–	13	–	273	945
Mining and quarrying	–	19	51	26	23	134	20	536	809
Manufacturing	1,019	399	201	2,020	887	1,242	299	2,256	8,323
Commercial real estate	1,012	665	18	112	–	–	6	6	1,819
Transport, storage and communication	405	112	77	217	113	178	107	1,577	2,786
Other	31	39	37	194	–	116	18	214	649
Wholesale Banking	5,695	2,723	1,595	3,927	1,293	3,326	902	8,415	27,876
General provisions								(468)	(468)
Total loans and advances to customers	21,313	8,060	4,201	6,390	2,458	4,883	1,168	8,536	57,009
Total loans and advances to banks	2,507	2,027	394	2,703	212	1,792	218	6,148	16,001

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Loan Portfolio continued

	2001								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Loans to Individuals									
Mortgages	12,560	3,005	1,784	698	142	38	16	506	18,749
Other (see note below)	3,368	1,172	519	1,111	721	1,462	155	158	8,666
Consumer Banking	15,928	4,177	2,303	1,809	863	1,500	171	664	27,415
Agriculture, forestry and fishing	8	16	69	64	103	16	80	281	637
Construction	56	57	40	39	22	104	16	68	402
Commerce	936	554	223	605	45	703	245	928	4,239
Electricity, gas and water	318	34	28	188	80	29	40	248	965
Financing, insurance and business services	1,836	558	309	532	124	312	40	1,468	5,179
Loans to Governments	–	–	309	19	5	12	1	576	922
Mining and quarrying	–	2	28	35	15	139	32	726	977
Manufacturing	1,005	510	277	2,261	553	1,037	288	2,410	8,341
Commercial real estate	681	1	26	202	–	–	3	13	926
Transport, storage and communication	313	247	75	88	103	192	38	1,173	2,229
Other	64	672	18	–	10	73	15	389	1,241
Wholesale Banking	5,217	2,651	1,402	4,033	1,060	2,617	798	8,280	26,058
General provisions								(468)	(468)
Total loans and advances to customers	21,145	6,828	3,705	5,842	1,923	4,117	969	8,476	53,005
Total loans and advances to banks	1,227	2,315	607	3,184	398	1,704	325	9,818	19,578

Under 'Other Loans to Individuals', \$1,487 million (2001: \$2,112 million) relates to the cards portfolio in Hong Kong and \$3,378 million (2001: \$3,757 million) relates to the total cards portfolio.

Approximately 52 per cent (2001: 52 per cent) of total loans and advances to customers relate to Consumer Banking lending, predominantly personal residential mortgages. The Wholesale Banking portfolio is well diversified across both geography and industry. The Group does not have any significant concentration to industries of special interest such as Telecommunications, Aviation and Tourism. Exposure to each of these industries is less than five per cent of Wholesale Banking loans and advances to customers.

Problem Credits

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

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

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

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

Consumer Banking

Provisions are derived on a formulaic basis depending on the product:

- Mortgages: a provision is raised where accounts are 150 days past due based on the difference between the outstanding value of the loan and the forced sale value of the underlying asset.
- Credit cards: a charge off is made for all balances which are 150 days past due or earlier as circumstances dictate. In Hong Kong charge off is currently at 120 days.
- Other unsecured Consumer Banking products: a charge off is made at 150 days past due.
- Other secured Consumer Banking products: a provision is raised at 90 days past due for the difference between the outstanding value and the forced sale value of the underlying asset. The underlying asset is then re-valued periodically until disposal.

It is current practice to provision and write off exposure in respect of Hong Kong bankruptcies at the time the customer petitions for bankruptcy.

The Small and Medium Enterprises (SME) portfolio is provisioned on a case by case basis.

The following table sets out the non-performing portfolio in Consumer Banking:

	2002								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Loans and advances									
– Gross non-performing	118	111	176	68	41	27	15	18	574
Specific provisions for bad and doubtful debts	(45)	(18)	(24)	(16)	(8)	(7)	(8)	(1)	(127)
Interest in suspense	(1)	(3)	(22)	(10)	(7)	(7)	(7)	(1)	(58)
Net non-performing loans and advances	72	90	130	42	26	13	–	16	389
Cover ratio									32%

	2001								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Loans and advances									
– Gross non-performing	164	115	168	68	39	78	18	21	671
Specific provisions for bad and doubtful debts	(70)	(15)	(20)	(24)	(11)	(52)	(5)	(13)	(210)
Interest in suspense	–	(2)	(20)	(8)	(6)	(15)	(7)	–	(58)
Net non-performing loans and advances	94	98	128	36	22	11	6	8	403
Cover ratio									40%

In 2001, gross non-performing loans and advances for Other Asia Pacific have been restated. \$58 million of gross non-performing loans in Standard Chartered Nakornthon Bank (SCNB) subject to a Loan Management Agreement (LMA) are now reported in Wholesale Banking.

The relatively low Consumer Banking cover ratio reflects the fact that Standard Chartered classifies all exposure which is 90+ days past due as non-performing, whilst provisions on unsecured lending are only raised at the time of charge-off (see details relating to the raising of provisions above).

Wholesale Banking

Loans are designated as non-performing as soon as payment of interest or principal is 90 days or more overdue, or where sufficient weakness is recognised that full payment of either interest or principal becomes questionable. Where customer accounts are recognised as non-performing or display weakness that may result in non-performing status being assigned, they are passed to the management of a specialist unit, which is independent of the main businesses of the Group.

For loans and advances designated non-performing, interest continues to accrue on the customer's account but is not included in income.

Where the principal or a portion thereof, is considered uncollectable and of such little realisable value that it can no longer be included at its full nominal amount on the balance sheet, a specific provision is raised. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering the principal of an account against which a specific provision has been raised, then that amount will be written off. The Group reports non-performing loans on a net at risk basis two years after first raising a specific provision. Net at risk is the result of netting interest in suspense and specific provision against applicable gross outstandings. Normal account management and collection efforts are not impacted by this process.

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Wholesale Banking continued

The following table sets out the non-performing portfolio in Wholesale Banking:

2002									
	Asia Pacific								Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	
Loans and advances –									
Gross non-performing	121	101	192	810	22	97	80	608	2,031
Specific provisions for									
bad and doubtful debts	(28)	(28)	(100)	(69)	(15)	(41)	(36)	(244)	(561)
Interest in suspense	(13)	(14)	(34)	(19)	(5)	(13)	(30)	(19)	(147)
Net non-performing loans and advances	80	59	58	722	2	43	14	345	1,323

2001									
	Asia Pacific								Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	
Loans and advances –									
Gross non-performing	252	120	275	963	43	284	87	498	2,522
Specific provisions for									
bad and doubtful debts	(60)	(36)	(126)	(122)	(29)	(121)	(47)	(200)	(741)
Interest in suspense	(18)	(11)	(23)	(14)	(10)	(33)	(29)	(29)	(167)
Net non-performing loans and advances	174	73	126	827	4	130	11	269	1,614

Included in Other Asia Pacific are net non-performing loans of \$690 million (2001: \$739 million) in Standard Chartered Nakornthon Bank (SCNB) which are subject to a Loan Management Agreement (LMA). Refer to note 19 on page 77. In 2001 gross non-performing loans for Other Asia Pacific have been restated to include \$58 million of gross non-performing loans subject to the LMA which were previously reported under Consumer Banking.

Wholesale Banking Cover Ratio

Corporate loans and advances to customers against which provisions have been outstanding for two years or more are written down to their net realisable value. The following table shows the cover ratio after adjusting for the cumulative amounts written down. The non-performing loans recorded in SCNB are excluded from the cover ratio calculation as they are the subject of a Loan Management Agreement with a Thai government agency. Refer to note 19 on page 77.

2002				
	Adjustment for cumulative amounts written down		Exclude LMA	Adjusted total
	Total \$million	\$million		
Loans and advances – Gross non-performing	2,031	1,652	(781)	2,902
Specific provisions for bad and doubtful debts	(561)	(1,136)	91	(1,606)
Interest in suspense	(147)	(516)	–	(663)
Net non-performing loans and advances	1,323	–	(690)	633
Cover ratio				78%

	2001		
	Total \$million	Adjustment for cumulative amounts written down \$million	Adjusted total \$million
Loans and advances – Gross non-performing	2,522	1,574	3,268
Specific provisions for bad and doubtful debts	(741)	(1,108)	(1,760)
Interest in suspense	(167)	(466)	(633)
Net non-performing loans and advances	1,614	–	875
Cover ratio			73%

Net non-performing loans have decreased by \$291 million to \$1,323 million at 31 December 2002 on the back of strong recoveries as work-out strategies initiated in earlier years take effect. Net non-performing loans are covered by collateral and on-going work-out strategies. The Wholesale Banking adjusted cover ratio also shows significant improvement year-on-year and now stands at 78 per cent (2001: 73 per cent).

Group

The following table sets out the movements in the Group's total specific provisions against loans and advances:

	2002								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Provisions held at 1 January 2002	130	51	146	146	40	173	52	213	951
Exchange translation differences	2	1	–	(3)	–	(1)	(4)	6	1
Amounts written off and written down	(501)	(52)	(45)	(126)	(67)	(135)	(7)	(98)	(1,031)
Recoveries of amounts previously written off	14	5	10	13	13	1	–	9	65
Other	–	–	–	(6)	–	3	–	–	(3)
New provisions	502	59	45	115	104	40	9	138	1,012
Recoveries/provisions no longer required	(74)	(18)	(32)	(54)	(67)	(33)	(6)	(23)	(307)
Net charge against profit	428	41	13	61	37	7	3	115	705
Provisions held at 31 December 2002	73	46	124	85	23	48	44	245	688

									2001
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Provisions held at 1 January 2001	227	90	71	292	53	209	52	152	1,146
Exchange translation differences	(3)	(2)	—	6	(1)	(2)	(5)	(5)	(12)
Amounts written off and written down	(359)	(96)	(64)	(230)	(54)	(106)	(9)	(83)	(1,001)
Recoveries of amounts previously written off	8	7	11	10	8	1	1	5	51
Other	—	—	(2)	(18)	7	32	—	16	35
New provisions	318	71	154	140	68	66	20	157	994
Recoveries/provisions no longer required	(61)	(19)	(24)	(54)	(41)	(27)	(7)	(29)	(262)
Net charge against profit	257	52	130	86	27	39	13	128	732
Provisions held at 31 December 2001	130	51	146	146	40	173	52	213	951

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Of the amounts written off and the recoveries of amounts previously written off:

	2002 \$million	2001 \$million
Covered by specific provisions	786	817
Not covered by specific provisions	245	184
Recoveries of loans previously written off	(65)	(51)
	966	950

Country Risk

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

This covers the risk that:

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

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

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

The following table based on the Bank of England Cross Border Reporting (C1) guidelines shows the Group's cross border assets, including acceptances, where they exceed one per cent 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.

	2002			
	Public sector \$million	Banks \$million	Other \$million	Total \$million
USA	1,084	1,729	2,462	5,275
Germany	–	2,363	234	2,597
Hong Kong	16	181	1,842	2,039
Korea	12	1,334	407	1,753
Singapore	1	190	1,361	1,552
France	4	1,202	323	1,529
Italy	488	613	374	1,475
Australia	359	988	59	1,406

	2001			
	Public sector \$million	Banks \$million	Other \$million	Total \$million
USA	1,637	1,330	1,750	4,717
Germany	–	3,546	119	3,665
Hong Kong	8	167	1,685	1,860
Korea	5	1,214	203	1,422
Singapore	25	310	1,485	1,820
France	–	1,281	409	1,690
Italy	396	1,047	239	1,682

Argentina

Standard Chartered has net exposure (net of cash collateral and export credit agency guarantees) of \$211 million (2001: \$380 million) against which provisions of \$136 million (2001: \$56 million) are held. This provides a cover ratio of 64 per cent (2001: 15 per cent). The following table shows the breakdown of this exposure:

	2002 \$million	2001 \$million
Banks:		
Foreign owned banks	79	174
Government owned banks	21	34
Local banks	41	93
Corporates	63	79
Government bonds	7	–
Total exposure after cash collateral and export credit agency cover	211	380
Provisions held	(136)	(56)
Net at risk	75	324
Cover ratio	64%	15%

Other Latin American Exposure

In addition to Argentina, the Group has exposure to a number of other Latin American countries. The following table shows cross border assets based on the Bank of England Cross Border Reporting (C1) guidelines (net of specific provisions where appropriate).

	2002			2001		
	Banks \$million	Non-banks \$million	Total \$million	Banks \$million	Non-banks \$million	Total \$million
Brazil	195	78	273	607	168	775
Chile	120	43	163	171	115	286
Colombia	155	45	200	178	150	328
Peru	18	218	236	48	299	347
Venezuela	6	46	52	21	112	133
Others	8	8	16	35	11	46

Local currency exposure to local residents in these countries totals \$165 million (2001: \$212 million).

Market Risk

The Group recognises market risk as the exposure created by the potential changes in market prices and rates. Market risk arises on financial instruments, which are either valued at current market prices (mark-to-market) or at cost plus any accrued interest (non-trading basis). The Group is exposed to market risk arising principally from customer driven transactions.

Market risk is supervised by the Group Risk Committee, which agrees policies and levels of risk appetite in terms of Value at Risk (VaR). A Group Market Risk Committee sits as a specialist body to provide business level management, guidance and policy setting. Policies cover the trading book of the Group and also market risks within the non-trading books. Limits by location and portfolio are proposed by the business within the terms of the agreed policy. Group Market Risk agrees the limits and monitors exposures against these limits.

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

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

Financial Review

Continued

Value at Risk

The Group measures the potential impact of market prices and rates using Value at Risk (VaR) models. These are described in more detail in note 51 to the accounts on page 101.

The total VaR for trading and non-trading books combined as at 31 December 2002 was \$12.4 million. Of this total, \$11.3 million related to interest rate risk and \$1.0 million to foreign exchange risk. The corresponding figures as at 31 December 2001 were \$13.9 million and \$1.5 million respectively (refer table in note 51 to the accounts on page 101).

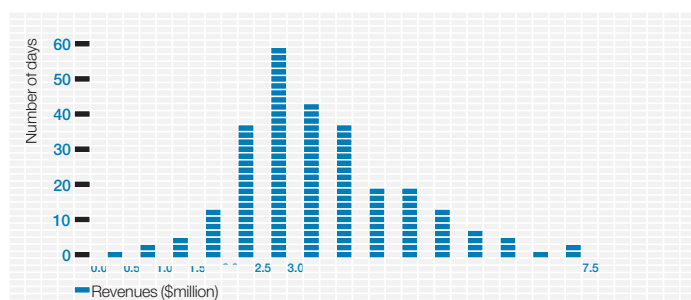
The average total VaR for trading and non-trading books during the year was \$15.2 million (2001: \$13.4 million) with a maximum exposure of \$21.5 million. The average level of risk was higher in 2002 than the prior year due to higher market volatility post September 11, 2001.

The total VaR for market risks in the Group's trading book was \$2.7 million at 31 December 2002, compared to \$3.5 million a year earlier. Of this total, \$1.6 million related to interest rate risk and \$1.1 million to foreign exchange rate risk. The corresponding figures at 31 December 2001 were \$2.1 million and \$1.5 million respectively.

VaR for interest rate risk in the non-trading books of the Group totalled \$10.1 million at 31 December 2002, compared to \$11.6 million a year earlier.

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

The average daily revenue earned from market risk related activities, including asset and liability management was \$3.4 million, compared with \$3.3 million during 2001. An analysis of the frequency distribution of daily revenues shows that there were no days with negative revenues during 2002. The most frequent result was daily revenue of between \$2.5 million and \$3.0 million with 58 occurrences. The highest daily revenue was \$7.1 million.



Daily Distribution of Market Risk Revenues
Year to 31 December 2002

Foreign Exchange Exposure

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

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily foreign exchange trading revenue during 2002 was \$1.2 million.

Interest Rate Exposure

The Group's interest rate exposures comprise trading exposures and structural interest rate exposures. Interest rate risk arises on both trading positions and non-trading books.

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities, including non-interest bearing liabilities such as shareholders' funds and some current accounts.

The average daily interest rate revenue from market risk related activity during 2002 was \$2.2 million.

Derivatives

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

The Group's derivative transactions are principally in plain vanilla instruments, where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes or by using standard industry pricing models. The total off-balance sheet credit risk to derivatives at 31 December 2002 was \$9,783 million (2001: \$7,517 million) based on net replacement cost.

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

The credit risk arising from a derivative contract is calculated by taking the cost of replacing the contract, where its mark-to-market value is positive, together with an estimate for the potential change in the future 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. For an analysis of derivative contracts see notes 46 and 47 to the accounts on pages 96 to 98.

The Group applies a potential future exposure methodology to manage counterparty credit exposure associated with derivative transactions.

Please refer to note 51 to the accounts on page 101 for further information on market risk.

Liquidity Risk

The Group defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

Liquidity risk is managed through the Group Asset and Liability Committee (GALCO). This Committee, chaired by the Finance Director and with authority derived from the Board, is responsible for both statutory and prudential liquidity. These are managed through the provision of policies and procedures that are co-ordinated by regional and local asset and liability committees.

A range of tools are used for the management of liquidity. These comprise commitment and wholesale borrowing guidelines, key balance sheet ratios and medium-term funding requirements.

At the local level, in line with policy, the day to day monitoring of future cash flows takes place and suitable levels of easily marketable assets are maintained by the businesses.

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

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

Policies and guidelines for the setting and maintenance of capital ratio levels also originate from the GALCO. Responsibilities are delegated through the regional and local asset and liability committees to the relevant businesses. Ratios are monitored centrally by Group Corporate Treasury.

Operational and Other Risks

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure, personnel, and other risks having an operational risk impact. Standard Chartered seeks to minimise actual or potential losses from operational risk failures through a framework of policies and procedures that identify, assess, control, manage and report risks.

An independent Group Operational Risk function is responsible for establishing and maintaining the overall operational risk framework. The Group Operational Risk function provides reports to the Group Risk Committee.

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

Business units are required to monitor their operational risks using Group and business level standards and indicators. Significant issues and exceptions must be reported to the CORG. Where appropriate, issues must also be reported to Business Risk Committees and the Group Risk Committee.

Other risks recognised by the Group include business, regulatory, legal, and reputational risks.

Business Risk

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

Regulatory Risk

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

Legal Risk

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

Reputational Risk

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

Independent Monitoring

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

Hedging Policies

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

Financial Review

Continued

Capital

Standard Chartered's policy is to maintain a conservative balance sheet and strong capital base. The Group Asset and Liability Committee targets Tier 1 and Total Capital ratios of seven to nine per cent and 12 to 14 per cent respectively. The Group believes that being well capitalised is important.

	2002 \$million	2001* \$million
Tier 1 capital:		
Shareholders' funds	7,327	7,538
Minority interests	249	73
Innovative Tier 1 securities	997	929
Unconsolidated associated companies	31	22
Less:		
Premises revaluation reserves	(3)	(61)
Goodwill capitalised	(2,118)	(2,269)
Own shares held†	(57)	–
Total Tier 1 capital	6,426	6,232
Tier 2 capital:		
Premises revaluation reserves	3	61
General provisions	468	468
Undated subordinated loan capital	1,853	1,804
Dated subordinated loan capital	2,605	2,677
Total Tier 2 capital	4,929	5,010
Investments in other banks	(558)	–
Other deductions	(4)	(19)
Total capital	10,793	11,223
Risk weighted assets	55,931	53,825
Risk weighted contingents	18,623	15,517
Total risk weighted assets and contingents	74,554	69,342
Capital ratios:		
Tier 1 capital	8.6%	9.0%
Total capital	14.5%	16.2%

† Relates to shares held in trust to fulfil the Group's obligations under employee share schemes.

	2002 \$million	2001* \$million
Shareholders' funds:		
Equity	6,695	6,279
Non Equity	632	1,259
Total	7,327	7,538
Post tax return on equity (normalised)	13.4%	12.0%

* Comparative restated (see note 40).

The Group identified improving the efficiency of capital management as a strategic priority for 2002. A capital plan to achieve this has been developed. This includes several key elements. In particular, to reduce the amount of Tier 2 capital and to improve the overall capital mix within the broad target ratios.

In October 2002, Standard Chartered PLC listed on the Hong Kong Stock Exchange. The Company issued 35 million ordinary shares of \$0.50 per share. The shares were issued at HK\$84 per share, raising \$17.5 million of share capital and \$328 million of share premium.

In December 2002, the Company repurchased 659,126 Non-cumulative Preference Shares with a nominal value of \$5 and issued at a price of \$1,000 per Preference Share. The Shares were repurchased at \$1,110 per share, together with an amount to compensate for accrued dividend. The deduction from the share premium reserve was restricted to the \$328 million premium raised on the Hong Kong listing.

Efficiency Programme

In August 2000 the Group announced an efficiency programme, the purpose of which was to improve productivity and to build an operational platform to support future growth. Excellent progress continues to be made. Headcount reductions have exceeded the original target set.

	Achieved by end of 2002		Original target over three years	
	Headcount reduction	Headcount addition	Headcount reduction	Headcount addition
Centralising of processing and support operations	2,350	2,200	2,000	1,000
Operational efficiencies	3,100	–	2,100	–
Integration of acquisitions	2,700	–	2,100	–
	8,150	2,200	6,200	1,000

	Achieved		Target		
	2002	2001	Original	Revised	
Cost synergies	\$million	\$million	\$million	\$million	\$million
Centralising of processing and support operations	60	19	29	64	100
Operational efficiencies	90	60	29	80	90
Integration of acquisitions	115	70	50	100	115
	265	149	108	244	305
Investment spend	(110)	(93)	(167)	(114)	(136)
Net Cost Benefit	155	56	(59)	130	169
Original Net Cost Benefit			(59)	82	159

At the end of 2001 the Group increased its targets for savings from the Efficiency Programme. These higher targets have been delivered in 2002.

Board of Directors

Sir Patrick Gillam



Lord Stewartby



Mervyn Davies



Sir Patrick John Gillam*

Chairman

Appointed to the Board on 1 August 1988 and became Chairman on 6 May 1993. He is the non-executive Chairman of Royal & Sun Alliance Insurance Group plc but will retire from this role in March 2003. He is a member of the Court of Governors and an Honorary Fellow of the London School of Economics and Political Science. He will retire as Chairman in May 2003. Age 69.

Mike DeNoma



Christopher Keljik



Richard Meddings



The Rt Hon Lord Stewartby†

Deputy Chairman

Appointed to the Board on 1 January 1990 and became Deputy Chairman in 1993. 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. Age 67.

Kai Nargolwala



Peter Sands



Ronnie Chan



Evan Mervyn Davies CBE*

Group Chief Executive

Appointed to the Board on 16 December 1997 and as Group Chief Executive on 28 November 2001. He joined Standard Chartered in 1993 with responsibility for global account management and prior to joining the Board he was based in Singapore in charge of the Group's corporate and investment banking business. Before his appointment as Group Chief Executive he was executive director with responsibility for Hong Kong, China and North East Asia and for Group-wide technology and operations. He is a member of Hong Kong's Exchange Fund Committee. Age 50.

Sir CK Chow



Barry Clare



Ho KwonPing



Rudy Markham



David Moir



Hugh Norton



Michael Bernard DeNoma*

Appointed to the Board on 12 May 2000. He is responsible for the Group's consumer banking business world-wide. He joined Standard Chartered in July 1999 with responsibility for Consumer Banking in the Asian markets. He is based in Singapore. Age 46.

Sir Ralph Robins



Bryan Sanderson



Cob Stenham



Christopher Avedis Keljik*

Appointed to the Board on 7 May 1999. He is responsible for the Group's businesses and for governance in Africa, the Middle East and South Asia and has governance responsibility for the United Kingdom and the Americas. He is also on the Visa International Asia Pacific Regional Board of Directors. He joined Standard Chartered in 1976 and has held a number of senior positions working in London, Hong Kong, New York and Singapore in corporate finance, treasury and general management. Age 54.

Richard Henry Meddings*

Appointed to the Board on 16 November 2002. He is responsible for audit and for risk. Prior to his appointment, he was the Chief Operating Officer, Barclays Private Clients at Barclays PLC. He was Group Finance Director of The Woolwich plc before it was acquired by Barclays, where his responsibilities included risk, compliance and treasury. Age 44.

Kaikhushru Shiavax Nargolwala*

Appointed to the Board on 7 May 1999. He is responsible for the Group's wholesale banking business world-wide and for corporate governance across the Asia Pacific region and India. He joined Standard Chartered in 1998 as Group Head of Sales responsible for relationships with corporate and institutional customers in the Asia Pacific region, the USA and Europe. He is based in Singapore. Age 52.

Peter Alexander Sands*

Appointed to the Board on 14 May 2002. He is responsible for finance, strategy, technology and operations. Prior to his appointment he was a director with world-wide consultancy McKinsey & Co. He had been with McKinsey since 1988, where he worked extensively in the banking and technology sectors in a wide range of international markets. Age 41.

Ronnie ChiChung Chant

Appointed to the Board on 5 May 1994. He is Chairman of the Hang Lung Group and its subsidiaries, Hang Lung Properties Limited and Grand Hotel Holdings Limited. He is based in Hong Kong. Age 53.

Sir CK Chow†

Appointed to the Board on 24 February 1997. He is Chief Executive Officer of Brambles Industries plc and Brambles Industries Limited. He is a Fellow of the Royal Academy of Engineering, the City and Guilds of London Institute and the Institute of Chemical Engineering. He is also a governor of the London Business School. He is based in both Sydney and London. Age 52.

Barry Clare†

Appointed to the Board on 31 July 2002. He was formerly an executive director of the Boots Company PLC. Age 49.

Ho KwonPing†

Appointed to the Board on 22 October 1996. He is Chairman of the Wah-Chang Group. He is also Chairman of Banyan Tree Holdings Pte Ltd, Singapore Management University and Co-Chairman of the Thailand-Singapore Business Council. He is based in Singapore. Age 50.

Rudolph Harold Peter Markham†

Appointed to the Board on 19 February 2001. He is Finance Director of Unilever PLC and Unilever NV. Age 56.

David George Moir CBE*

Appointed to the Board on 1 January 1993 as an executive director. He retired as an executive director on 18 March 2000 after 42 years service with Standard Chartered Group but remains as a non-executive director. He also sits on the Board of Pengurusan Danaharta Nasional Berhad (Danaharta). Age 62.

Hugh Edward Norton†

Appointed to the Board on 7 August 1995. He is a non-executive director of Inchcape plc and is also a member of the Chancellor's Court of Benefactors, Oxford University. Age 66.

Sir Ralph Harry Robins†

Appointed to the Board on 1 October 1988. He was formerly Chairman of Rolls-Royce plc and the Defence Industries Council, and is a former President of the Society of British Aerospace Companies. He is a non-executive director of Cooper Industries Limited. Age 70.

Bryan Kaye Sanderson CBE†

Appointed to the Board on 9 December 2002. He is to become Chairman in May 2003. He spent most of his career with British Petroleum, rising to become a main board director and Chief Executive of BP Chemicals before he retired in 2000. He is Chairman of BUPA and a non-executive director of Six Continents PLC. He is also Chairman of the Learning and Skills Council. Age 62.

Anthony William Paul Stenham†

Appointed to the Board on 1 October 1991. He is Chairman of TeleWest Communications plc, Whatsonwhen plc and IOnline Group plc, and a non-executive director of Jarrold and Sons Ltd and Hebridean Cruises plc. He is also an advisory director of The Management Consulting Group plc. Age 71.

Audit and Risk Committee

Lord Stewartby (Chairman)
Rudolph Markham
Hugh Norton
Sir Ralph Robins

Board Remuneration Committee

Hugh Norton (Chairman)
Barry Clare
Ho KwonPing
Sir Ralph Robins
Anthony Stenham
Lord Stewartby

The Board Remuneration Committee acts as the Board's Nomination Committee.

- * Director of Standard Chartered Bank.
- † Independent non-executive director.
- ‡ Non-executive director.

Report of the Directors

The directors have pleasure in submitting their report and the accounts of the Company and its subsidiaries for the year ended 31 December 2002.

Activities

The Company is a holding company co-ordinating the activities of its subsidiary undertakings which are principally engaged in the business of banking and the provision of other financial services.

The Chairman's Statement on pages 4 to 7 and the Group Chief Executive's Review on pages 8 to 12 contain a review of the business of the Group during 2002, of recent events and of likely future developments.

Results

The results for the year are set out in the consolidated profit and loss account on page 60.

Share Capital

On 31 October 2002 the Company listed its ordinary share capital on the Stock Exchange of Hong Kong and 35,000,000 shares were issued in Hong Kong at a price of HK\$84.00 per share. Details of the share issue in Hong Kong can be found in note 36 to the accounts.

During the year 2,021,131 ordinary shares were issued under the Company's share option schemes at prices from 116.875 pence to 808.5 pence.

On 17 May 2002, 1,622,990 ordinary shares were issued instead of the 2001 final dividend. On 15 October 2002, 728,338 ordinary shares were issued instead of the 2002 interim dividend.

At the AGM in May 2002 the shareholders authorised the Company to buy back up to 113,098,213 of the Company's ordinary shares. This was approximately ten per cent of the Company's issued ordinary share capital as at 28 February 2002. The Company did not purchase any of its own ordinary shares during 2002 and the directors would only use this authority if they considered that the purchase would benefit the Company and shareholders.

At an EGM held in October 2002, shareholders authorised the Company to buy back up to all of the Company's preference share capital. On 4 December 2002 the Company repurchased and cancelled 659,126 of its 8.9 per cent preference shares of \$5 each. The US dollar preference shares had originally been issued at \$1,000 per share and the repurchase price was \$1,110 per share. Following the repurchase and cancellation, 340,874 US dollar preference shares remain in issue.

Dividends

The directors recommend the payment of a final dividend of 32.9 cents per ordinary share to be paid on 13 May 2003 to shareholders on the register on 28 February 2003. The interim dividend of 14.1 cents per ordinary share was paid on 15 October 2002, making a total of 47.0 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in sterling or US dollars and, following the listing and issue of shares in Hong Kong, in Hong Kong dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2003.

Substantial Shareholdings

As far as the directors are aware Tan Sri Khoo Teck Puat was the only shareholder as at 31 December 2002 with an interest of more than ten per cent in the Company's issued ordinary share capital. At 19 February 2003, the Company had been notified of the following interests of three per cent or more in its issued ordinary share capital.

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Tan Sri Khoo Teck Puat	157,329,714*	13.45*
Capital Group Companies	39,477,548	3.37
Legal and General Investment Management Ltd	39,250,232	3.35

* Unchanged since 31 December 2002.

Loan Capital

Details of the loan capital of the Company and its subsidiaries are set out in note 34 to the accounts.

Fixed Assets

Details of the fixed assets of the Company are set out in note 22 to the accounts. Details of the fixed assets of the Group are set out in notes 23 and 24 to the accounts.

Directors

The directors of the Company at the date of this report are listed on pages 40 and 41.

All of the directors, with the exception of Mr P A Sands, Mr R H Meddings and Mr B K Sanderson held office throughout the year. Mr Sands and Mr Meddings were appointed as executive directors on 14 May and 16 November 2002 respectively and Mr Sanderson was appointed as a non-executive director on 9 December 2002. It is intended that Mr Sanderson will be appointed as Chairman of the Company when Sir Patrick Gillam retires in May 2003.

Mr P N Kenny and Mr K A V Mackrell resigned as directors on 30 April and 2 May 2002, respectively.

Mr D G Moir and Mr K S Nargolwala retire from office by rotation and will offer themselves for re-election at this year's AGM, in accordance with the Company's articles of association. Sir Patrick Gillam and Mr A W P Stenham will retire from office at this year's AGM and will not stand for re-election.

Sir Ralph Robins was 70 on 16 June 2002, and in accordance with the Companies Act 1985 he is vacating office at this year's AGM. Special provisions apply to the reappointment of a director once he has reached the age of 70. The Company has received special notice in accordance with section 293 of the Companies Act 1985 to propose the reappointment of Sir Ralph Robins as a director. The Board is supporting this resolution because it considers that Sir Ralph brings a wealth of knowledge and experience to its business deliberations. His knowledge of the Company and the markets in which it operates mean that he will make a significant contribution in the year ahead.

Mr Meddings, Mr Nargolwala and Mr Sands have service contracts, with a notice period of one year, except in the year following a change of control of the Group when their notice periods would be two years. Mr Moir, Sir Ralph Robins and Mr Sanderson are non-executive directors and do not have service contracts.

Directors' Interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2002 are shown in the remuneration report on pages 46 to 56.

Significant Contracts

There were no contracts of significance during the year in which any of the directors were materially interested.

Employees

The Group employs some 29,000 staff in 51 countries. The average number of people employed by the Group in the United Kingdom during the year was 1,098 and their total remuneration for the year was \$168 million. Employees in all the territories where the Group operates have the opportunity to participate in the Group's sharesave schemes. This encourages their contribution to the Group's performance. Further details of the schemes are given on pages 48 to 50 and in note 36 to the accounts.

The employment policies of the Group are designed to meet the relevant social, statutory and market conditions and practices in each country where the Group operates. The Group communicates systematically with its employees on a wide range of issues. This is done by briefings to managers who are encouraged to hold subsequent meetings with staff and by circulars, publications and videos.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom of providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled every effort is made to ensure their employment continues, with appropriate training where necessary.

Areas of Operation

The Group has over 520 offices, as shown on pages 110 and 111.

Major Customers

Taken together, the five largest customers of the Group did not account for more than 2.2 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2002.

Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions with their suppliers in the economies where they conduct business. It is the Group's policy to pay creditors when the amounts fall due for payment.

Standard Chartered PLC is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding at 31 December 2002. For the Group's operations in the United Kingdom, there were 23 days' purchases outstanding at 31 December 2002.

Community Investment

The Group recognises its responsibility to invest in the communities where it operates and to act as a good corporate citizen. In 2002, the Group gave \$3.9 million to fund the work of non-governmental organisations (of which \$1.7 million was given to United Kingdom registered charities, focusing on supporting their work outside the United Kingdom). Further details of community projects can be found on pages 20 to 23.

Environmental Policy

The Group recognises that it should minimise any adverse impact of the conduct of business on the environment. It therefore aims to manage its businesses according to best practice with regard to the use of energy and other resources and by disposing of waste responsibly; by encouraging its customers to ensure that their products, processes and businesses do not damage the environment unnecessarily; and by taking environmental considerations into account in business decisions.

A copy of the Group's environmental report is available to shareholders on the Company's website at:

www.standardchartered.com/ourbeliefs.

Social, Ethical and Environmental (SEE) Responsibilities

A report on SEE responsibilities can be found on page 45 and details of the Group's policies on SEE risk can be found on the Company's website:

www.standardchartered.com/ourbeliefs.

Corporate Governance

A report on corporate governance is included on pages 44 and 45.

Auditors

A resolution will be proposed at the AGM to reappoint KPMG Audit Plc as auditors of the Company.

Annual General Meeting

The Company's AGM will be held at 12 noon on Thursday 8 May 2003 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB.

By order of the Board

G A Bentley, Group Secretary

19 February 2003

The Board of Standard Chartered PLC is responsible for ensuring proper standards of corporate governance are maintained and for accounting to shareholders.

This report has been prepared in accordance with the Principles of Good Governance and Code of Best Practice in the Combined Code on Corporate Governance issued by the Financial Services Authority (the 'Combined Code'). It explains how the Company has applied these principles throughout the financial year. Following the Company's listing on the Hong Kong Stock Exchange on 31 October 2002, the directors are also required to confirm that the Company has complied with the provisions of Appendix 14 (Code of Best Practice) of the Listing Rules of the Hong Kong Stock Exchange. The directors confirm that, throughout the financial year, the Company has complied with the provisions of the Combined Code and Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange except that the non-executive directors of the Company have not been appointed for specific terms. Following a review, the appointment of non-executive directors will now be for specific terms. The Company has also not complied with the United Kingdom requirement in respect of executive directors' notice periods following a change of control as detailed on page 47.

Directors

The full Board meets regularly, at least eight times a year, and has a formal schedule of matters reserved for it. Two meetings a year are usually held in countries where the Group operates outside the United Kingdom. The directors use these overseas visits to meet staff, corporate customers and government officials.

The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The directors have a range of skills and experience and each brings an independent judgement and considerable knowledge to the Board's discussions. On appointment, each director receives information about the Group and is advised of the legal, regulatory and other obligations of a director of a listed company. Directors may take independent professional advice at the Company's expense, in appropriate circumstances. All of the directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The removal of the Company Secretary would be a matter for the whole Board.

The roles of Chairman and Group Chief Executive are separate. The Board is made up of seven executive directors and eleven non-executive directors. Lord Stewartby is the senior non-executive director and the Deputy Chairman of the Board. The Board considers that all of the non-executive directors, with the exception of David Moir, are independent. Mr Moir served as an executive director of the Company from January 1993 until March 2000.

All directors are subject to periodic re-appointment in accordance with the Company's articles of association.

The Board has appointed two committees of non-executive directors with specific delegated authorities: the Remuneration Committee and the Audit and Risk Committee.

Directors' Remuneration

The Remuneration Committee determines the pay and benefits of the executive directors, including the Chairman. It consists exclusively of non-executive directors. 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.

A statement of the Company's remuneration policy for directors is included in the directors' remuneration report on pages 46 to 56.

Accountability and Audit

The Audit and Risk Committee is chaired by Lord Stewartby with three other non-executive directors as members. The Committee receives reports on the findings of internal and external audits and on action taken in response to these. It meets with the Group'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 the Group'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 Committee regularly reviews and reports to the Board on the effectiveness of the Group's system of internal control and risk management processes.

Going Concern

The Board confirms that it is satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason it continues to adopt the going concern basis when preparing the financial statements.

Internal Control

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. To achieve this, the Board has established a process for the identification, evaluation and management of the risks faced by the Group which operated through the year ended 31 December 2002 and to 19 February 2003, the date the Board approved this annual report and accounts. It should be recognised that such a process can only provide reasonable, not absolute, assurance against material misstatement or loss. This process is regularly reviewed by the Board and meets the requirements of the guidance entitled 'Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales in 1999. The system of internal control of the Group is also subject to regulatory oversight in the United Kingdom and overseas.

The Financial Review on pages 24 to 39 describes the Group's risk management structure. The Group's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk including operational risk, balance sheet management, market risk and credit risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive Risk Committees regularly review the Group's risk profile.

The performance of the Group's businesses is reported regularly to senior line management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts, and the valuation of assets and positions.

The effectiveness of the Group's internal control system is reviewed regularly by the Board, its Committees, Group management, and Group Audit. Group Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group. The work of Group Audit is focused on the areas of greatest risk as determined by a risk assessment approach. Group Audit reports regularly to the Audit and Risk Committee, the Chairman, and to the Group Chief Executive. The findings of all adverse audits are reported to the Group Chief Executive and immediate corrective action is required.

The Audit and Risk Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2002 and reported to the Board. The review was supported by an annual business self-certification process which was managed by Group Audit. The Committee has also reviewed the recommendations for provisions against bad or doubtful loans and other credit exposures.

Group Code of Conduct

The Board has approved a Group Code of Conduct relating to the lawful and ethical conduct of business. These requirements are linked to the Group's five core values. The Group Code of Conduct has been communicated to all employees. All employees are expected to observe high standards of integrity and fair dealing in relation to customers, staff, and regulators in the communities in which the Group operates.

Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. The annual general meeting is used as an opportunity to communicate with all shareholders.

The United Kingdom Combined Code and the Hong Kong Listing Rules require companies to post the notice of the annual general meeting to shareholders at least 20 working days before the date of the meeting. The Company aims to achieve this and will always give shareholders the 21 days' notice required by the United Kingdom Companies Act. Separate resolutions are proposed for each substantially separate issue. The Company displays the proxy voting results on each resolution at the annual general meeting.

Social, Ethical and Environmental Responsibilities

Standard Chartered complies with the guidelines issued by the Association of British Insurers on socially responsible investment and reporting on social, ethical and environmental (SEE) matters and is committed to the communities and environments in which it operates. The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place.

Standard Chartered has established and maintains policies and procedures in relation to social, ethical and environmental related risks. Details of these policies can be found on the Company's website: www.standardchartered.com/ourbeliefs. Through the Group's risk management structure and control framework, the Board receives regular and adequate information to identify and assess significant risks and opportunities arising from SEE matters. Formal training arrangements are in place for key SEE issues, including arrangements for directors.

Designated policy owners monitor risks in their area. They also work with line management to assist them in designing procedures to ensure compliance with these requirements. In every country, the Country Operational Risk Group (CORG) is responsible for ensuring there are risk management frameworks in place to monitor, manage and report SEE risk. The Country Chief Executives chair CORGs. Compliance with these policies and procedures is the responsibility of all managers. In assessing, incentivising and rewarding performance, new guidance to managers was published during 2002. This explicitly states that account should be taken of adherence to all relevant Group policies, including those associated with SEE risk. Significant exceptions and emerging risks are escalated to senior management through clearly documented internal reporting procedures such as CORG. Group Audit monitors compliance with policies and standards and effectiveness of the Group's internal control structures through its programme of business audits and annual 'Turnbull Review'.

Key areas of risk are those associated with customers' social issues and any impact they may have on the natural environment. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on the Group's business. These risks have always been implicitly recognised in reaching lending decisions but are now explicitly identified in the Group's lending policy. The Group continues to strengthen its money laundering prevention policies, procedures and training.

The Board is not aware of any material exceptions to its policies.

Directors' Remuneration Report

This report has been prepared by the Board Remuneration Committee and has been approved by the Board as a whole.

The Board Remuneration Committee (the Committee) is made up exclusively of non-executive directors. The members of the Committee are Mr H E Norton (Committee Chairman), Lord Stewartby, Mr B Clare, Mr Ho KwonPing, Sir Ralph Robins and Mr A W P Stenham. Mr K A V Mackrell served as a member of the Committee until his retirement on 2 May 2002.

The Committee has specific terms of reference and meets at least three times a year. It considers and recommends to the Board the Group's remuneration policy and agrees the individual remuneration packages of the Group Chairman, Group Chief Executive and all other executive directors. No executive directors are involved in determining their own remuneration.

The tabular information on pages 51 to 55 has been audited.

Advisors to the Board Remuneration Committee

The principal advisors to the Committee are the Group Head of Human Resources (Mr T J Miller) and the Group Head of Reward (Ms K J Olley). Their advice draws on formal remuneration survey data provided by McLagan and Towers Perrin and, in respect of the design and operation of the Group's share plans, on advice provided by Clifford Chance and Towers Perrin. In addition to this share plan advice, Towers Perrin also provides retirement, benefit and welfare consulting services to the Group in North America.

The Committee relies upon these principal internal advisers but will draw upon independent advice as appropriate and depending upon the subject matter under discussion. The Committee did not seek any independent advice during 2002.

In addition, data required for the analysis of comparative Total Shareholder Return (for the Group's Performance Share Plan and for the comparator performance graph disclosed in this report) is provided by Datastream.

Remuneration Policy

The success of the Group depends upon the performance and commitment of talented employees. The Group's remuneration policy is, and will continue to be, to:

- Support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, the Group as a whole and the interests of shareholders; and
- maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented executives of the highest quality internationally. During 2002, over 89 per cent of the Group's trading profit came from operations outside the United Kingdom. The executive directors of the Group all bring international experience and expertise to the Group and the Group recognises that it recruits from an international marketplace.

Performance-related Remuneration

Target remuneration levels for the Group's executive directors are set at the median of its key international competitors, particularly those financial institutions headquartered in Europe, the United States and Asia which have significant operations in the Group's principal markets. In addition, relative performance against a specific comparator group is used in conjunction with one of the Group's share plans, the 2001 Performance Share Plan. Details of this comparator group are set out on pages 48 and 49.

Excellent performance by both the Group and by the individual executive directors is rewarded with higher bonus levels and share awards, taking potential total compensation to the upper quartile or higher of the Group's key international competitors.

Executive directors' target total compensation is structured to give the heaviest weighting to performance-related elements, with approximately 30 per cent of total compensation delivered through base salary, 30 per cent through an annual bonus, and 40 per cent through the expected value of share options and awards under the Performance Share Plan.

Retirement Benefits for executive directors, as for all employees, are set to be competitive in the local market and are not performance-based.

Remuneration Structure

The remuneration arrangements for the executive directors consist of:

Base Salaries

Base salary levels are set at the median of the Group's key international competitors. Salary levels are reviewed annually by the Committee taking account of the latest available market data as well as the performance of the individual executive.

Mr Davies' salary increase in 2002 reflects his promotion from executive director to Group Chief Executive. Excluding Mr Davies, the average salary increase for executive directors in 2002 was three per cent.

Annual Performance Bonus

Executive directors each have an annual target bonus of 100 per cent of base salary, with a maximum award of 150 per cent. This is a cash sum payable immediately on award. Annual bonus awards are made wholly on the basis of Group and individual performance. Group performance is assessed on the basis of a number of quantitative and qualitative measures which include earnings per share, revenue growth, costs and cost control, bad debts, pre-tax profits and cost to income ratio.

Individual performance is appraised taking account not only of the results achieved by the executive director but also their adherence to the Group's values and contribution to the collective leadership of the Group. This principle is also applied throughout the organisation. Actual awards made to executive directors in relation to 2002 ranged from 43 per cent to 132 per cent of base salary.

Long Term Incentives

In order to align the interests of executive directors and employees with those of shareholders, the executive directors are eligible to participate in two of the Group's share incentive schemes, the 2001 Performance Share Plan and the 2000 Executive Share Option Scheme. Both schemes are designed to provide competitive long-term incentives which are only exercisable upon the achievement of tough performance criteria. Details of these schemes are given on pages 48 and 49.

The importance placed on such programmes as a percentage of executive directors' total potential remuneration is one of the strongest indicators of the Group's commitment to paying for demonstrable performance. Awards under these schemes are entirely discretionary and are based on individual directors' performance. A performance test is therefore effectively applied both at the time of grant and upon vesting.

Upon recruitment to the Group, newly appointed executive directors may also be granted an award of restricted shares under the Group's 1997 Restricted Share Scheme. Such awards are made on an exceptional basis and are principally used to partly compensate such directors for share awards forfeited on leaving their previous employer. Executive directors are also eligible to participate in the Group's all-employee UK or International Sharesave Schemes on the same terms as other eligible employees.

Retirement Benefits

All of the executive directors, excluding the Chairman, are eligible for post retirement benefits through an executive directors' retirement compensation scheme. These are provided through a variety of different defined benefit, defined contribution and cash structures reflecting the point at which the executive director joined the Group, their length of service with the Group and their retirement arrangements with previous employers and with external pension providers. Generally, the Group aims to provide a retirement benefit equivalent to two thirds of salary based on at least 20 years of service with the Group at retirement age of 60. Base salary is the only element of remuneration which is pensionable. Retirement benefits are not designed to be performance-related.

Service Contracts

The policy for the Group is for all executive directors to receive (and be required to give) twelve months notice. In the twelve month period following a change of control of the Company, the notice period applicable to all existing executive directors is 24 months. The Committee will continue to monitor the appropriateness of this policy in the light of market practice and guidelines on corporate governance to allow the Group to attract and retain executive directors of the highest quality with commensurate experience.

Sir Patrick Gillam will retire as Chairman in May 2003. His successor, Mr Bryan Sanderson, will have a contract subject to twelve months notice. There is no change in his notice period following a change of control of the Company.

The dates of the executive directors' service agreements are set out below:

Executive director	Date of agreement
Sir Patrick Gillam	5 May 1993
E M Davies	3 November 1997
M B DeNoma	19 June 2000
C A Keljik	11 August 1999
R H Meddings	16 November 2002
K S Nargolwala	9 August 1999
P A Sands	13 May 2002

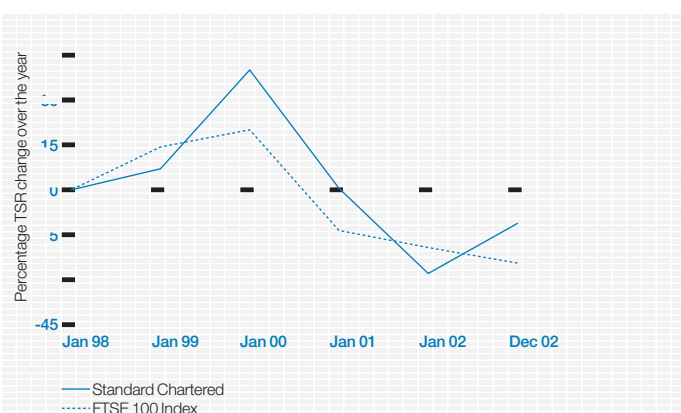
All executive directors' service agreements contain clauses specifying payments in the event of early termination by the Group (other than where summary dismissal is appropriate). In such circumstances the service agreements provide for payment that would take account of the executive director's base salary, pension contributions and certain allowances, but exclude non cash benefits and performance related bonus for the relevant period of notice.

Directors' Remuneration Report

Continued

Performance Graph

The graph below shows the year on year change over the last five years in the Group's total shareholder return alongside the total shareholder return of the FTSE 100. The FTSE 100 provides a broad comparator group against which the Group's shareholders may measure their relative returns. The Company is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for the Company's shares. A more tailored comparator group (as described below) is used for the purpose of measuring Group performance for the Group's share plans and its remuneration arrangements in general.



Five Year Total Shareholder Return

Data provided by Datastream

Long Term Incentives

2001 Performance Share Plan

The Performance Share Plan (the Plan) is designed as an intrinsic part of total remuneration for the Group's executive directors and for a very small number of the Group's most senior executives. It is an internationally competitive long-term incentive that focuses executives on meeting and exceeding the long-term performance targets of the Group. The performance criteria which need to be met are listed below.

A personal shareholding requirement further reinforces the long-term nature of this plan. The Plan is administered by the Standard Chartered Employee Share Ownership Trust (the Trust) which is managed by an independent corporate trustee. Awards of nil price options to acquire shares are granted to the director and will normally be exercised between three and ten years after the date of grant if the individual is still employed by the Group. There is provision for earlier exercise in certain limited circumstances. The value of shares awarded in any year to any individual may not exceed one times their base salary.

To participate in the Plan and before exercising any award, executive directors have to build up, within three years of participating in the Plan, a personal shareholding equivalent to one times base salary (in addition to the shareholding requirement for the 2000 Executive Share Option Scheme). The Committee will set appropriate performance conditions each time that awards are made under the Plan.

The performance conditions which need to be met before any award can be exercised under the Plan are summarised below, together with the reason for their selection:

- **Relative Total Shareholder Return (TSR):** measuring the year-on-year growth in share price plus dividends paid to shareholders during that period, relative TSR is recognised as one of the best indicators of whether a shareholder has achieved a good return on investing in the Group relative to a basket of companies or a single index.
- **Earnings per Share:** An earnings per share (EPS) performance condition is used as this is recognised as providing an appropriate measure of the Group's underlying financial performance.

The Plan operates as follows:

The first half of the award is dependent upon the Group's TSR compared to that of a Comparator Group at the end of a three-year period.

The Comparator Group comprises:

ABN AMRO Holding Bank NV	HSBC Holdings
Bank of America	JP Morgan Chase
Bank of East Asia	Lloyds TSB
Barclays	Overseas Chinese Banking Corporation
Citigroup	Royal Bank of Scotland
DBS Group	United Overseas Bank
Deutsche Bank	Standard Chartered
HBOS	

The following table shows the percentage of award which will normally be exercisable at the end of the relevant three-year performance period, depending on the ranking achieved in the Comparator Group:

Ranking in list of TSR Performance of Comparator Companies	Percentage of award exercisable
9th–15th	Nil
8th	20.0
7th	27.5
6th	35.0
5th	42.5
1st–4th	50.0

The other half of the award will be subject to an earnings per share (EPS) growth target applied over the same three-year period.

The following table shows the percentage of award which will normally be exercisable at the end of the relevant three year performance period, depending on the EPS performance:

Increase in EPS (over performance period)	Percentage of award exercisable
less than 15%	Nil
15%	20.0
30% or greater	50.0

The proportion of the award which may be exercised for EPS growth between 15 per cent and 30 per cent will be calculated on a straight-line basis.

The Committee is responsible for approving the grant and exercise of all awards made to executive directors under the Plan. The Committee may amend the performance conditions which apply to any award if the amended condition would provide a more appropriate measure of performance as long as the amended condition would be no less demanding to satisfy.

It will be determined in January 2004 whether the performance conditions of the first award under this Plan have been met. For awards granted in 2002, normalised EPS of 66.3 cents was used as a base EPS figure. During 2002, awards over 322,621 shares were granted to executive directors under this Plan. No awards under the Plan have been exercised in 2002.

2000 Executive Share Option Scheme

The Executive Share Option Scheme is designed as an intrinsic part of the Group's executive directors' and senior managers' total remuneration. The scheme is designed to be internationally competitive and focus executive directors and their senior management teams on delivering long term performance. EPS performance criteria need to be met before options can be exercised. A personal shareholding requirement reinforces the long-term nature of the scheme.

Executive share options to purchase ordinary shares in the Company 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 condition is satisfied.

The performance condition which needs to be met before any award can be exercised is summarised below, together with the reason for its selection:

- Earnings per Share: An earnings per share (EPS) performance condition is used as this is recognised as providing an appropriate measure of the Group's underlying financial performance.

The 2000 Executive Share Option Scheme (the 2000 scheme) was introduced in 2000 to replace the Group's existing executive share option schemes. An amendment to the scheme's performance conditions was approved by shareholders in 2001. From May 2001, options awarded under the 2000 scheme may be exercised if the Group's EPS has increased by at least eight per cent per year for three years (i.e. at least 24 per cent over three years). Re-testing may be carried out in the fourth and fifth year after grant, but if the performance conditions have not been met at the end of the fifth year all options lapse automatically.

To participate in the 2000 scheme, executive directors have to build up, over a two-year period from the grant of an option, a personal shareholding equivalent to one times base salary at the date of grant and retain such shareholding until exercise. The maximum value of options which may be granted in any year to any individual is six times base salary.

During 2002, options over 1,447,475 shares were granted to the executive directors under the 2000 scheme at option exercise prices of between 723 pence and 862 pence per share. For options granted in 2002, normalised EPS of 66.3 cents was used as the base EPS figure. No executive share options under the 2000 scheme were exercised by the directors during 2002.

Directors' Remuneration Report

Continued

Long Term Incentives continued

1997 Restricted Share Scheme

The Group operates a discretionary Restricted Share Scheme for high performing and high potential staff at any level of the organisation. Except upon appointment, when an executive director may be granted an award of restricted shares, this scheme is not applicable to executive directors. It is designed for the recruitment, retention and motivation of employees below executive director level who are recognised as key performers and possessing talent which the Group wishes to retain.

Fifty per cent of the award vests two years after the date of grant and the remainder after three years. Along with the all employee sharesave schemes detailed below, the Restricted Share Scheme plays an important part in the Group's ambition to increase employee share ownership at all levels across its operations internationally. There are no performance conditions attached to awards under the Restricted Share Scheme.

The scheme is administered by trustees of an employee benefit trust (the Trust) which holds ordinary shares to meet its obligations under this and the Group's other long term incentive schemes. As each executive director is within the class of beneficiary of the Trust, they are deemed, for the purposes of the Companies Act 1985, to have an interest in the shares held in the Trust. As at 31 December 2002, the Trust's holding was 7,160,366 ordinary shares (3,411,218 as at 1 January 2002).

During 2002, options over 97,535 shares were granted to executive directors. No options under the Restricted Share Scheme were exercised by executive directors or lapsed during 2002.

All Employee Sharesave Schemes

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. It seeks to engage employees in the performance of the Group, align their interests more closely with those of shareholders and offer them an opportunity for long-term savings and a share in the Group's financial success which they help to create. The Group has operated a UK sharesave scheme since 1984 in which all UK-based employees are eligible to participate. In 1996 the International Sharesave Scheme was launched and made available to all employees based outside the UK.

A small number of countries in which the Group operates do not permit sharesave plans to operate and in these countries the Group offers an equivalent cash-based scheme to its employees. Under the UK and the International plans, employees have the choice of opening a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company. The price at which they may purchase shares is at a 20 per cent discount to the share price at the date of grant. The Group is proud to announce that in 2002, 50 per cent of employees globally participated in its all employee sharesave schemes. There are no performance conditions attached to options granted under the all employee sharesave schemes.

During 2002, options over 5,914 shares were granted to executive directors under the all employee sharesave schemes. In addition, executive directors exercised options over 1,376 shares. The directors' total gains on options exercised were £188. No options lapsed.

1997 Supplemental Share Option Scheme (closed)

No awards have been made under this scheme since February 2000 and it is anticipated that no future grants will be made under it except in exceptional circumstances. To be eligible for a grant under this scheme, participants had to retain a personal holding of at least 10,000 shares, purchased at their own expense. Options can only be exercised up to the fifth anniversary of the grant date if the share price increases by at least 50 per cent plus RPI and EPS increases by at least 25 per cent plus RPI. In the event of a change of control, the Committee may deem the EPS target to have been met.

During 2002, no share options were exercised by executive directors. Options over 181,488 shares lapsed during the year.

1994 Executive Share Option Scheme (closed)

No awards have been made under this scheme since August 1999 as the scheme was replaced by the 2000 Executive Share Option Scheme. Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth anniversary of the date of grant. The exercise price is the share price at the date of grant and options can only be exercised if EPS increases by at least 15 per cent over three consecutive years.

During 2002, executive directors exercised options over 20,000 shares. Directors' total gains on options exercised were £77,600. No options lapsed.

1995 Restricted Share Scheme (closed)

Awards are no longer made under this scheme. Under the scheme, directors were awarded a proportion of their annual variable bonus in ordinary shares. These shares were not normally released before the third anniversary of the date of the award, and released in full between the fifth and seventh anniversary.

The scheme is administered by the trustee of the Trust. The shares held in the Trust are released at the discretion of the trustee. During 2002, 1,503 shares and 4,078 shares were released to E M Davies and C A Keljik, respectively. Sir Patrick Gillam and P N Kenny hold 23,725 shares and 727 shares under the scheme, respectively as at 31 December 2002, which are available for release between 2003 and 2004.

General

The middle market price of an ordinary share at the close of business on 31 December 2002 was 706 pence. The share price range during 2002 was 592.5 pence to 872.5 pence per share (based on closing middle market prices).

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

Audited Information
Remuneration of Directors

	2002					2001			
Director	Salary/fees \$000	Bonus \$000	Benefits \$000	Compensation for loss of office \$000	Total \$000	Salary/fees \$000	Bonus \$000	Benefits \$000	Total \$000
Sir Patrick Gillam (a)	746	902	66	–	1,714	693	698	11	1,402
E M Davies (b)	906	1,127	118	–	2,151	588	720	692	2,000
M B DeNoma (b)	559	751	612	–	1,922	529	490	344	1,363
C A Keljik	567	601	23	–	1,191	529	562	22	1,113
R H Meddings (c)	66	351	3	–	420	–	–	–	–
K S Nargolwala (b)	559	631	302	–	1,492	529	634	460	1,623
P A Sands (d)	427	676	24	–	1,127	–	–	–	–
P N Kenny (e)	271	150	12	821	1,254	529	432	22	983
G S Talwar	–	–	–	–	–	877	–	33	910
Sub total (executive directors)	4,101	5,189	1,160	821	11,271	4,274	3,536	1,584	9,394
Lord Stewartby (f) (g) (h)	250	–	–	–	250	173	–	–	173
R C Chan (h)	62	–	–	–	62	43	–	–	43
Sir CK Chow (h)	62	–	–	–	62	49	–	–	49
B Clare (f) (h)	74	–	–	–	74	44	–	–	44
Ho KwonPing (f) (h)	74	–	–	–	74	44	–	–	44
R H P Markham (g) (h)	74	–	–	–	74	38	–	–	38
D G Moir (h)	212	–	–	–	212	187	–	–	187
H E Norton (f) (g) (h)	92	–	–	–	92	60	–	–	60
Sir Ralph Robins (f) (g) (h)	87	–	–	–	87	60	–	–	60
B K Sanderson (h) (i)	4	–	–	–	4	–	–	–	–
A W P Stenham (f) (h)	130	–	–	–	130	58	–	–	58
K A V Mackrell (h) (j)	23	–	–	–	23	60	–	–	60
Sub total (non-executive directors)	1,144	–	–	–	1,144	816	–	–	816
Total	5,245	5,189	1,160	821	12,415	5,090	3,536	1,584	10,210

Notes

- (a) The benefits column includes expenses chargeable to income tax of \$30,139 paid to Sir Patrick Gillam (2001: Nil).
- (b) 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. The benefits column includes additional benefits, such as allowances for working overseas or the provision of accommodation, also granted to directors working overseas. For Messrs Davies, DeNoma, and Nargolwala, these allowances and benefits amounted to Nil (2001: \$653,532) \$611,922 (2001: \$296,368) \$301,344 (2001: \$441,104), respectively.
- (c) Mr Meddings was appointed as an executive director on 16 November 2002. Mr Meddings' bonus includes an amount that was guaranteed upon his appointment.
- (d) Mr Sands was appointed as an executive director on 14 May 2002.
- (e) Mr Kenny resigned as an executive director on 30 April 2002. Mr Kenny's service contract specified the amount he would be paid in the event of termination. This amount was a single termination payment of \$820,500 (£546,000) and has been paid. He will also receive a pro-rata bonus for 2002 of \$150,000 (£100,000).
- (f) Member of the Board Remuneration Committee.
- (g) Member of the Audit and Risk Committee.
- (h) The fees of the non-executive directors are determined by the executive directors only and are non-pensionable. Non-executive directors' fees are reviewed at least every two years and, as with executive directors' remuneration, reflect the international nature of the roles which they perform. Basic annual fees and Committee fees are set to be competitive against the Group's international comparator group. With effect from 1 April 2002 basic annual fees are \$67,600. Ordinary membership of a Board Committee is rewarded with an additional annual fee of \$13,500. The Deputy Chairman, Lord Stewartby, who is also Senior Independent Director, Chairman of the Audit and Risk Committee and a member of the Board Remuneration Committee, receives a total annual fee of \$203,000 inclusive of Board and Committee fees. The Chairman of the Board Remuneration Committee, Mr Norton, is rewarded with an annual fee of \$22,500. Mr Moir received a fee of \$150,300 in 2002 (2001: \$144,010) for advisory services. These amounts are shown in the table above. The fees for Lord Stewartby and Mr Stenham each include a payment of \$53,000 (£35,000) for additional work.
- (i) Mr Sanderson was appointed as a non-executive director on 9 December 2002.
- (j) Mr Mackrell resigned as a non-executive director on 2 May 2002.

Compensation for past directors

Mr Talwar ceased to be a director on 28 November 2001. Under the terms of the compensation agreed (which were announced on 16 April 2002), Mr Talwar received an initial payment of \$886,600 (£590,000) on 15 May 2002, with five subsequent instalments of \$592,750 (£394,459) payable over two years.

Directors' Remuneration Report

Continued

Audited Information continued

Retirement Benefits of Executive Directors

	2002				2001			
	Defined contribution plans:	Defined benefit plan:	Defined benefit plan:	Defined benefit plan:	Defined contribution plans:	Defined benefit plan:	Defined benefit plan:	Defined benefit plan:
	contribution during the year \$000	increase in accrued pension during the year (c) \$000	total accrued pension at year end† \$000	transfer value of total accrued pension at year end \$000	contribution during the year \$000	increase in accrued pension during the year (c) \$000	total accrued pension at year end \$000	transfer value of total accrued pension at year end \$000
E M Davies	113	30	50	668	137	3	19	186
M B DeNoma	151	–	–	–	146	–	–	–
C A Keljik	–	19	381	6,400	–	58	338	5,579
R H Meddings	27	–	–	–	–	–	–	–
K S Nargolwala	151	–	–	–	143	–	–	–
P A Sands	173	–	–	–	–	–	–	–
P N Kenny	106	2	46	539	172	6	42	497
Total	721	51	477	7,607	598	67	399	6,262

† or at date of resignation.

Notes

(a) The executive directors' retirement compensation scheme comprises defined contribution plans and defined benefit plans. Defined contribution plans are a combination of an approved scheme, unapproved schemes and salary supplements. The defined benefit plans are provided through a non-contributory unapproved unfunded scheme and by the Standard Chartered Pension Fund, which is an approved non-contributory scheme. Under both schemes the normal retirement age is 60. A spouse's pension of 60 per cent 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 available to other dependants. 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 subject to the 'Guaranteed Pension Increase Allowance' rule are given in respect of pension for service up to 5 April 1997 and five per cent per annum (or the increase in the RPI if lower) for service from 6 April 1997.

(b) The ages of the directors are shown on pages 40 and 41.

(c) Defined Benefit Plan:

The increase in accrued pension is the difference between the accrued pension at the end of 2001 increased by an allowance for inflation of 2.6 per cent (2001: 0.9 per cent) and the accrued pension at the end of 2002. The table below shows both the increase in accrued pensions (without any allowance for inflation) and the increase in the transfer value of the total accrued pensions between the end of 2001 and the end of 2002 for members of the Standard Chartered Pension Fund.

Directors	Increase in accrued pension during 2002 (excluding inflation allowance) \$000	Increase in the transfer value of total accrued pension during 2002 \$000
E M Davies	30	482
C A Keljik	29	821
P N Kenny	3	42

The transfer value in respect of the unapproved unfunded defined benefit plan in which Mr E M Davies participates has been calculated using FRS17 methodology and assumptions, although the circumstances in which a cash amount can be paid are strictly limited.

(d) Amounts paid by the Group in addition to pension fund payments under the pension scheme to former directors or their dependants in respect of post-retirement benefits amounted to \$237,054 (2001: \$364,034). There were no other post-retirement benefits payments to former directors. None of these amounts first became payable after 31 March 1997.

Audited Information continued
Directors' Interests in Ordinary Shares

Name of director	At 1 January 2002 [†]				At 31 December 2002 ^{††}
	Total interests	Personal interests	Family interests	Other interests (d)	Total interests
Sir Patrick Gillam	60,438	38,994	–	23,725	62,719
Lord Stewartby	14,635	14,760	–	–	14,760
E M Davies	42,509	58,092	–	–	58,092
R C Chan	2,242	2,325	–	–	2,325
Sir CK Chow	8,664	8,664	–	–	8,664
B Clare	2,015	2,015	–	–	2,015
M B DeNoma	10,000	10,000	–	–	10,000
Ho KwonPing	2,128	2,208	–	–	2,208
C A Keljik	98,766	1,078	117,688	–	118,766
R H P Markham	2,000	2,075	–	–	2,075
R H Meddings	–	2,000	–	–	2,000
D G Moir	110,207	112,955	–	–	112,955
K S Nargolwala	55,000	70,897	–	–	70,897
H E Norton	4,000	4,000	–	–	4,000
Sir Ralph Robins	3,829	3,974	–	–	3,974
B K Sanderson	–	50,000	–	–	50,000
P A Sands	–	2,027	–	–	2,027
A W P Stenham	22,255	23,095	–	–	23,095
P N Kenny	33,368	32,641	–	727	33,368
K A V Mackrell	4,801	4,801	–	–	4,801

[†] or at date of appointment, if later.

^{††} or at date of resignation, if earlier.

Notes

- (a) The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.
- (b) No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.
- (c) No director had any corporate interests in the Company's ordinary shares.
- (d) Other interests refer to shares held under the 1995 Restricted Share Scheme, details of which are set out on page 50.

Directors' Remuneration Report

Continued

Audited Information continued

Long term Incentives

The following table sets out details of options over ordinary shares granted, exercised and lapsed during 2002 and which directors hold at 31 December 2002. Details of the performance criteria of these options are set out on pages 48 to 50.

Director	Scheme	At 1 January 2002	Granted	Exercised	Lapsed	At 31 December 2002 [†]	Weighted average exercise price (pence)	Period of exercise
Sir Patrick Gillam	2000 Scheme	306,143	201,300	–	–	507,443	821.77	2003–2012
	Supplemental Scheme	191,313	–	–	54,310	137,003	879.18	2003–2005
	1994 Scheme	199,273	–	–	–	199,273	806.93	2003–2009
E M Davies	2000 Scheme	236,837	415,052	–	–	651,889	782.34	2003–2012
	Sharesave	1,376	2,957	1,376 ^(a)	–	2,957	559.5	2003–2008
	Supplemental Scheme	151,966	–	–	30,425	121,541	872.14	2003–2005
	1994 Scheme	132,848	–	–	–	132,848	754.02	2003–2009
M B DeNoma	2000 Scheme	214,449	102,379	–	–	316,828	834.83	2003–2012
	Sharesave	2,397	–	–	–	2,397	704	2003–2004
	Supplemental Scheme	36,585	–	–	–	36,585	820	2005
	1994 Scheme	33,783	–	–	–	33,783	888	2003–2009
C A Keljik	2000 Scheme	223,060	127,974	–	–	351,034	827.55	2003–2012
	Sharesave	5,164	–	–	–	5,164	334	2003–2004
	Supplemental Scheme	124,918	–	–	24,340	100,578	855.06	2003–2005
	1994 Scheme	137,098	–	20,000 ^(b)	–	117,098	767.01	2003–2009
R H Meddings	2000 Scheme	–	135,957	–	–	135,957	772.3	2005–2012
D G Moir	Supplemental Scheme	166,823	–	–	48,073	118,750	880.84	2003–2005
K S Nargolwala	2000 Scheme	231,670	153,569	–	–	385,239	821.56	2003–2012
	Supplemental Scheme	125,087	–	–	–	125,087	857.4	2003–2005
	1994 Scheme	99,063	–	–	–	99,063	757.1	2003–2009
P A Sands	2000 Scheme	–	208,865	–	–	208,865	861.8	2005–2012
	Sharesave	–	2,957	–	–	2,957	559.5	2003–2008
P N Kenny	2000 Scheme	214,449	102,379	–	–	316,828	834.83	2003
	Sharesave	1,339	–	–	–	1,339	723	2003
	Supplemental Scheme	124,841	–	–	24,340	100,501	855.72	2003
	1994 Scheme	134,245	–	–	–	134,245 ^(c)	536.33	2003

[†] or at date of resignation.

Notes

(a) Market value on date of exercise (23 December 2002) was 717.5p.

(b) Market value on date of exercise (29 November 2002) was 775p.

(c) Between the date of resignation and 31 December 2002 options over 32,035 shares and 30,000 shares were exercised on 28 June 2002 (market value 700p) and 23 July 2002 (market value 622.5p), respectively.

Audited Information continued

Further details of options held as at 31 December 2002 are as follows:

Director	Type of Scheme†	Options where market price greater than exercise price			Options where market price lower than exercise price		
		At 31 December 2002	Weighted exercise price (pence)	Expiry date	At 31 December 2002	Weighted exercise price (pence)	Expiry date
Sir Patrick Gillam	Executive Schemes	–	–	–	843,719	827.58	2005–2012
E M Davies	Executive Schemes	60,483	620	2008	845,795	802.4	2003–2012
	Sharesave Scheme	2,957	559.5	2008	–	–	–
M B DeNoma	Executive Schemes	–	–	–	387,196	838.07	2003–2012
	Sharesave Scheme	2,397	704	2004	–	–	–
C A Keljik	Executive Schemes	40,645	620	2008	528,065	835.34	2003–2012
	Sharesave Scheme	5,164	334	2004	–	–	–
R H Meddings	Executive Schemes	–	–	–	135,957	772.3	2005–2012
D G Moir	Executive Schemes	–	–	–	118,750	880.8	2003–2005
K S Nargolwala	Executive Schemes	48,387	620	2008	561,002	835.55	2003–2012
P A Sands	Executive Schemes	–	–	–	208,865	861.8	2005–2012
	Sharesave Scheme	2,957	559.5	2008	–	–	–
P N Kenny	Executive Schemes	–	–	–	489,539	822.28	2003
	Sharesave Scheme	–	–	–	1,339	723	2003

† 'Executive Schemes' includes 1994 Executive Share Option Scheme, Supplemental Share Option Scheme and 2000 Executive Share Option Scheme.

The following table sets out details of awards (nil price options) over ordinary shares to directors who served in 2002 (including those awards that are currently unexercisable) under certain long-term incentive schemes. Vesting of these shares is subject to the performance criteria on pages 48 to 50.

Director	Scheme	At 1 January 2002	Granted	Vested	At 31 December 2002†	Period of vesting
Sir Patrick Gillam	Performance Share Plan	48,750	–	–	48,750	2004
	Performance Share Plan	–	67,100 ^(a)	–	67,100	2005
E M Davies	Performance Share Plan	34,500	–	–	34,500	2004
	Performance Share Plan	–	83,010 ^(a)	–	83,010	2005
M B DeNoma	Performance Share Plan	32,500	–	–	32,500	2004
	Performance Share Plan	–	30,713 ^(a)	–	30,713	2005
C A Keljik	Performance Share Plan	32,500	–	–	32,500	2004
	Performance Share Plan	–	38,392 ^(a)	–	38,392	2005
R H Meddings	Restricted Share Scheme	–	45,319 ^(b)	–	45,319	2004–2005
K S Nargolwala	Performance Share Plan	37,250	–	–	37,250	2004
	Performance Share Plan	–	51,189 ^(a)	–	51,189	2005
P A Sands	Performance Share Plan	–	52,216 ^(c)	–	52,216	2004
	Restricted Share Scheme	–	52,216 ^(c)	–	52,216	2004–2005
P N Kenny	Performance Share Plan	37,250	–	–	37,250	2004

† or at date of resignation.

Notes

(a) Market value on date of award (6 March 2002) was 722.8p.

(b) Market value on date of award (6 December 2002) was 772.5p.

(c) Market value on date of award (20 May 2002) was 861.8p.

Directors' Remuneration Report

Continued

Remuneration of Five Highest Paid Individuals

In addition to its responsibilities for the remuneration of executive directors, the Committee ensures that the remuneration policy of the Group is consistently applied for other senior executives. Specifically the Committee ratifies appointments of key senior executives and approves any significant remuneration packages.

Following the Company's recent listing on the Hong Kong Stock Exchange it is necessary to disclose certain information relating to the five highest paid employees in the Group. Set out below are details for five individuals (one of whom is not an executive director) whose emoluments (excluding bonuses or commissions linked to profits generated by the individual or collectively by the individuals) were the highest in the year ending 31 December 2002:

Components of remuneration	\$'000
Basic salaries, allowances and benefits in kind	4,808
Pension contributions	522
Bonuses paid or receivable	5,064
Payments made on appointment	–
Compensation for loss of office	–
– contractual	–
– other	–
Total	10,394
Total (HK\$'000)	81,073

Their emoluments are within the following bands:

HK\$ (approx. \$ equivalent)	Number of employees
HK\$12,500,001 – HK\$13,000,000 (\$1,602,688 – \$1,666,795)	1
HK\$13,000,001 – HK\$13,500,000 (\$1,666,795 – \$1,730,902)	1
HK\$16,000,001 – HK\$16,500,000 (\$2,051,440 – \$2,115,547)	1
HK\$17,500,001 – HK\$18,000,000 (\$2,243,762 – \$2,307,870)	1
HK\$20,500,001 – HK\$21,000,000 (\$2,628,407 – \$2,692,515)	1

By order of the Board

G A Bentley, Group Secretary

19 February 2003

Senior Management

Standard Chartered Bank

The directors of Standard Chartered Bank comprise the executive directors of Standard Chartered PLC and the following two senior executives:

Gareth Richard Bullock

Joined in 1996. He is a director of Standard Chartered Bank and the Group Head of Technology and Operations. Previously, he was Regional General Manager, Africa and has held other senior positions in the United Kingdom, Europe, Hong Kong, China and North East Asia. Age 48.

Peter Tung Shun Wong

Joined in 1997. He is a director of Standard Chartered Bank and Chief Executive Officer of Hong Kong. Age 50.

Executive Committee

The Groups' Executive Committee as at 19 February 2003 comprises the directors of Standard Chartered Bank, other than Sir Patrick Gillam, and the following senior executives:

Jaspal Bindra

Joined in 1998. He is Group Head, Corporates and Institutions. He was previously Regional General Manager India, Standard Chartered Bank. Age 42.

Timothy John Miller

Joined in 2000. He is Group Head of Human Resources and Organisational Learning. He was previously employed as Human Resources Director for GlaxoSmithKline's world-wide manufacturing operations. Age 45.

David Edwards

Joined in 1999. He is Regional General Manager, Middle East and South Asia. He was previously Group Head Risk Management. Age 49.

Kathleen Anne Nealon

Joined in 1992. She is Group Head Legal & Compliance. Previously she was Head of Legal & Compliance, the Americas and Group Head of Compliance. Age 49.

John Filmeridis

Joined in 1995. He is Global Product Head Cards and Personal Loans, Consumer Banking. He was previously Regional General Manager, Middle East and South Asia. Age 55.

Alun Michael Guest Rees

Joined in 1990. He is Chief Executive Officer Wholesale Bank. He has held the positions of Chief Financial Officer of Group Treasury, Regional Treasurer in Singapore and Group Head of Global Markets. Age 46.

Euleen Yiu Kiang Goh

Joined in 1984. She is Chief Executive Officer, Singapore. She has held various Group Head roles in Treasury and Custody Audit, Market Risk and Sales of Corporate & Institutional Banking. Age 47.

Peter David Sullivan

Joined in 1994. He is Chief Executive Officer, Africa. He has held the positions of Group Head of Global Cash Management Services, and also held the positions of Group Head of Product Management, Corporate & Institutional Banking, Integration Executive and Chief Executive Officer of Standard Chartered Grindlays Bank. Age 54

Directors' Responsibility Statement

The following statement, which should be read in conjunction with the statement of respective responsibilities of directors and auditors below, is made to distinguish the responsibilities of the directors for the financial statements from those of the auditors.

The directors are required by the Companies Act 1985 to prepare financial statements that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year. The financial statements must be prepared on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in their business.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors consider that, in preparing the financial statements on pages 60 to 105 inclusive, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Independent Auditor's Report to the members of Standard Chartered PLC

We have audited the financial statements on pages 60 to 105. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 58, 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' 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.

We review whether the statement on pages 44 and 45 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

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 31 December 2002 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
London, 19 February 2003

Consolidated Profit and Loss Account for the year ended 31 December 2002

	Notes	2002 \$million	2001* \$million
Interest receivable	1	5,288	6,419
Interest payable	2	(2,225)	(3,519)
Net interest income		3,063	2,900
Fees and commissions receivable		1,160	1,135
Fees and commissions payable		(169)	(158)
Dealing profits	3	420	470
Other operating income	4	65	58
		1,476	1,505
Net revenue		4,539	4,405
Administrative expenses:			
Staff	5	(1,270)	(1,241)
Premises	5	(269)	(285)
Other	5	(673)	(735)
Depreciation and amortisation	7	(345)	(324)
Total operating expenses		(2,557)	(2,585)
Operating profit before provisions		1,982	1,820
Provisions for bad and doubtful debts	17	(705)	(732)
Provisions for contingent liabilities and commitments	33	(7)	1
Amounts written off fixed asset investments		(8)	–
Operating profit before taxation		1,262	1,089
Taxation	9	(387)	(378)
Operating profit after taxation		875	711
Minority interests (equity)		(31)	(12)
Profit for the year attributable to shareholders		844	699
Dividends on non-equity preference shares	10	(108)	(68)
Dividends on ordinary equity shares	11	(545)	(474)
Retained profit		191	157
Basic earnings per ordinary share	12	57.6c	55.9c
Diluted earnings per ordinary share	12	57.2c	55.4c

* Comparative restated (see note 40).

The 2002 and 2001 results are all from continuing operations.

Consolidated Balance Sheet

at 31 December 2002

	Notes	2002 \$million	2001* \$million
Assets			
Cash and balances at central banks		1,100	1,004
Cheques in course of collection		137	170
Treasury bills and other eligible bills	13	5,050	5,105
Loans and advances to banks	14	16,001	19,578
Loans and advances to customers	15	57,009	53,005
Debt securities and other fixed income securities	20	20,187	15,971
Equity shares and other variable yield securities	21	250	109
Intangible fixed assets	23	2,118	2,269
Tangible fixed assets	24	928	992
Other assets	26,32	9,106	8,250
Prepayments and accrued income		1,124	1,082
Total assets		113,010	107,535
Liabilities			
Deposits by banks	27,30	10,850	11,688
Customer accounts	28,30	71,626	67,855
Debt securities in issue	29,30	4,877	3,706
Other liabilities	31	11,618	9,910
Accruals and deferred income		945	1,267
Provisions for liabilities and charges	33	63	150
Subordinated liabilities:			
Undated loan capital	34	1,853	1,804
Dated loan capital (including convertible bonds)	34	3,602	3,544
Minority interests (equity)	35	249	73
Called up share capital	37	909	861
Share premium account	37	2,764	2,761
Capital reserve	37	5	5
Capital redemption reserve	37	3	—
Premises revaluation reserve	37	3	61
Profit and loss account	37	3,643	3,850
Shareholders' funds (including non-equity interests)		7,327	7,538
Total liabilities and shareholders' funds		113,010	107,535
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements	45	897	704
Guarantees and irrevocable letters of credit	45	12,199	11,227
Other contingent liabilities	45	4,817	3,645
		17,913	15,576
Commitments:			
Cancellable	45	28,815	27,151
Non-cancellable	45	14,988	15,471
		43,803	42,622

* Comparative restated (see note 40).

These accounts were approved by the Board of Directors on 19 February 2003 and signed on its behalf by:

Sir Patrick Gillam, Chairman

E M Davies, Group Chief Executive

P A Sands, Group Executive Director

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2002

	Notes	2002 \$million	2001 \$million
Profit for the year attributable to shareholders		844	699
Exchange translation differences		–	(118)
Premises revaluation	37	(48)	–
Total recognised gains and losses relating to the financial year		796	581
Prior year adjustment	40	156	–
Total recognised gains and losses since the last annual report		952	581

Note of Consolidated Historical Cost Profits and Losses for the year ended 31 December 2002

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

for the year ended 31 December 2002

	Notes	2002 \$million	2001* \$million
Net cash inflow from operating activities	39 (a)	4,778	6,113
Returns on investment and servicing of finance			
Interest paid on subordinated loan capital		(330)	(321)
Subordinated loan capital issue expenses		–	(12)
Premium and costs on repayment of subordinated liabilities		(10)	–
Dividends paid to minority shareholders of subsidiary undertakings		(18)	(18)
Dividends paid on preference shares		(123)	(41)
Net cash outflow from returns on investments and servicing of finance		(481)	(392)
Taxation			
UK taxes paid		(25)	(103)
Overseas taxes paid		(303)	(417)
Total taxes paid		(328)	(520)
Capital expenditure and financial investment			
Purchases of tangible fixed assets		(209)	(283)
Acquisitions of treasury bills held for investment purposes		(10,453)	(10,383)
Acquisitions of debt securities held for investment purposes		(38,314)	(26,356)
Acquisitions of equity shares held for investment purposes		(175)	(28)
Disposals of tangible fixed assets		32	58
Disposals and maturities of treasury bills held for investment purposes		10,667	9,138
Disposals and maturities of debt securities held for investment purposes		35,530	20,562
Disposals of equity shares held for investment purposes		18	17
Net cash outflow from capital expenditure and financial investment		(2,904)	(7,275)
Net cash inflow/(outflow) before equity dividends paid and financing		1,065	(2,074)
Equity dividends paid to members of the Company		(462)	(442)
Financing			
Gross proceeds from issue of ordinary shares		399	22
Ordinary share issue expenses		(31)	–
Issue of preference share capital		–	1,000
Preference shares issue expenses		–	(31)
Repurchase of preference share capital		(732)	–
Preference share repurchase expenses		(9)	–
Issue of subordinated loan capital		11	700
Gross proceeds from issue of preferred securities		–	421
Repayment of subordinated liabilities		(355)	(204)
Net cash (outflow)/inflow from financing		(717)	1,908
Decrease in cash in the year	39 (b)	(114)	(608)

* Comparative restated (see note 40).

Company Balance Sheet

as at 31 December 2002

	Notes	2002 \$million	2001* \$million
Fixed assets			
Investments in subsidiary undertakings	22	8,959	9,399
Current assets			
Amounts owed by subsidiary undertakings		651	72
Prepayments and accruals		6	37
Taxation		180	129
		837	238
Creditors: amounts due within one year			
Proposed dividend		385	329
Amounts owed to subsidiary undertakings		528	23
Other creditors, including taxation		14	88
		927	440
Net current liabilities		90	202
Total assets less current liabilities		8,869	9,197
Creditors: amounts due after more than one year			
Undated subordinated loan capital	34	1,542	1,518
Dated subordinated loan capital	34	–	141
		7,327	7,538
Capital and reserves			
Called up share capital	36, 38	909	861
Share premium account	38	2,764	2,761
Capital reserve	38	5	5
Capital redemption reserve	38	3	–
Revaluation reserve	38	3,177	3,792
Profit and loss account	38	469	119
Shareholders' funds (including non-equity interests)		7,327	7,538

* Comparative restated (see note 40).

These accounts were approved by the Board of Directors on 19 February 2003 and signed on its behalf by:

Sir Patrick Gillam, Chairman

E M Davies, Group Chief Executive

P A Sands, 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. The following accounting policies have been consistently applied with the exception of the changes detailed in 'Change in Accounting Policies' in note 40.

Group Accounts

The consolidated accounts of the Group comprise the accounts of the Company and its subsidiary undertakings for the year ended 31 December 2002 and are drawn up in accordance with Part VII Chapter II of the UK Companies Act 1985 (the Act), applicable Accounting Standards and the British Bankers' Association's Statements of Recommended Accounting Practice.

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 provision for permanent diminution in value. 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

Full provision has been made for deferred tax assets and liabilities arising from all timing differences between the financial statements and the tax computation on a non-discounted basis. Deferred tax assets and liabilities are recognised if the tax obligation exists at the balance sheet date.

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

Principal Accounting Policies

Continued

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.

Trading positions are valued at market rates, and non-trading positions are valued on the same basis as the items being hedged.

Netting occurs where transactions with the same counterparty meet the following requirements. The balances must be determinable and in freely convertible currencies. The Standard Chartered entity can insist on net settlement, and this ability is beyond doubt.

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 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.

The Group is complying with the transitional requirements of FRS17 – Retirement Benefits.

Sale and Repurchase Agreements

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

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

Swaps and Sales of Assets

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

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

Tangible Fixed Assets

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

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

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

Intangible Fixed Assets

Any purchased goodwill is capitalised and amortised to nil, on a straight-line basis, over its estimated useful life. The amortisation period of capitalised goodwill is up to 20 years, being the period over which the Group expects to derive economic benefit from the assets. Purchased goodwill arising on consolidation in respect of acquisitions before 1 January 1998 was written off through reserves in the year of acquisition and has not been restated. Any goodwill previously written off through reserves is charged through the profit and loss account in the year of disposal.

Fees and Commissions

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

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

Notes to the Accounts

1. Interest Receivable

	2002 \$million	2001 \$million
Balances at central banks	3	7
Treasury bills and other eligible bills	256	253
Loans and advances to banks	675	1,172
Loans and advances to customers	3,536	4,211
Profit on close out of interest rate swaps to hedge preference share dividends	57	–
Listed debt securities	447	377
Unlisted debt securities	314	399
	5,288	6,419

2. Interest Payable

	2002 \$million	2001* \$million
Deposits by banks	396	649
Customer accounts:		
Current and demand accounts	164	374
Savings deposits	106	131
Time deposits	1,131	1,783
Debt securities in issue	125	238
Subordinated loan capital:		
Wholly repayable within five years	14	24
Other	289	320
	2,225	3,519

*Comparative restated (see note 40).

3. Dealing Profits

	2002 \$million	2001 \$million
Income from foreign exchange dealing	319	374
Profits less losses on dealing securities	65	22
Other dealing profits	36	74
	420	470

4. Other Operating Income

	2002 \$million	2001 \$million
Other operating income includes:		
Profits less losses on disposal of investment securities	18	23
Dividend income	5	3

Notes to the Accounts

Continued

5. Administrative Expenses

	2002 \$million	2001 \$million
Staff costs:		
Wages and salaries	951	1,011
Social security costs	26	35
Other pension costs (note 6)	73	54
Other staff costs	220	141
	1,270	1,241
Premises and equipment expenses:		
Rental of premises	142	149
Other premises and equipment costs	111	118
Rental of computers and equipment	16	18
	269	285
Other expenses	673	735
Total administrative expenses	2,212	2,261

Other expenses includes \$5.2 million (2001: \$4.6 million) in respect of auditors' remuneration for the Group of which \$0.4 million (2001: \$0.4 million) relates to the Company. The auditors of the Company, KPMG Audit Plc and their associated firms, also received \$9.3 million (2001: \$6.0 million) in respect of non-audit services provided to the Group's UK subsidiaries, including regulatory reviews \$2.3 million (2001: \$1.2 million), capital raising activities \$4.2 million (2001: \$3.0 million), assistance relating to business acquisitions and disposals \$0.5 million (2001: \$0.5 million) and other assistance \$2.3 million (2001: \$1.3 million).

6. Retirement Benefits

The total charge for benefits under the Group's retirement benefit schemes was \$73 million (2001: \$54 million), of which \$36 million (2001: \$32 million) was for defined benefit pension schemes, \$35 million (2001: \$20 million) was for defined contribution pension schemes and \$2 million (2001: \$2 million) was for post-retirement benefits other than pensions. These have been assessed under the accounting standard, Statement of Standard Accounting Practice 24 – Retirement benefits (SSAP24).

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 for the purpose of funding was performed as at 31 December 2000 by T. Cunningham, Fellow of the Institute of Actuaries, of Lane, Clark and Peacock Actuaries, using the projected unit method. The assumptions having the most significant effect on the outcome of this valuation were:

Return from investments held for pensioners	4.5 per cent per annum
Return from investments held for non-pensioners before retirement, past service	7.0 per cent per annum
Return from investments held for non-pensioners before retirement, future service	8.0 per cent per annum
Return from investments held for non-pensioners after retirement	6.0 per cent per annum
General increase in salaries	5.0 per cent per annum
Increase in pensions:	
In deferment (where applicable)	2.5 per cent per annum
In payment* (pre April 1997 service)	2.5 per cent per annum
In payment (post April 1997 service)	2.5 per cent per annum

* Applies to discretionary increases and some guaranteed increases.

Applying these assumptions, at the valuation date the market value of the assets of the Fund (\$1,233 million) was sufficient to cover 116 per cent of the benefits that had accrued to members (98 per cent including the allowance for discretionary benefit increases). The Group is paying additional contributions of \$ 3.6 million per year over a period of ten years to ensure future discretionary increases are fully covered.

6. Retirement Benefits continued

Pension costs for the purpose of these accounts were assessed using the same method, but the assumptions were different in several respects. In particular, the return from investments held for non-pensioners was seven per cent per annum for service before 31 December 2002, eight per cent for non-pensioners for service from 31 December 2002 to retirement and six per cent per annum after retirement. The mortality table used for members who had not yet retired was reappraised.

Contributions payable to the Fund during 2002 were set at 17.1 per cent of pensionable salary for all United Kingdom (UK) and seconded staff and 31.7 per cent of pensionable salary for international staff and these are expected to remain stable over the next few years.

During 2002 payments of \$16 million (2001: \$11 million) were made to the Fund and the charge in these accounts for pension costs attributable to the Fund was \$8 million (2001: \$3 million). This was made up of a regular cost of \$9 million (2001: \$9 million) and a credit of \$1 million (2001: credit of \$6 million), being the annual cost of spreading the surplus using the straight-line method over a ten year period (2001: ten years). 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 2002 in respect of other UK pension schemes amounted to \$9 million (2001: \$7 million).

Overseas schemes

The actuarial positions of the Group's principal overseas defined benefit pension schemes have been assessed at various dates since 31 December 2000 by independent qualified actuaries. The total market value of the assets of the schemes at their respective assessment dates was \$197 million, and the total actuarial value of these assets was sufficient to cover 90 per cent 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 \$23 million.

Contributions payable to the principal overseas scheme in 2002 ranged between five per cent and 15 per cent and these are expected to remain at these levels in the next few years.

The total charge to the profit and loss account in 2002 for all overseas schemes was \$56 million (2001: \$44 million), of which \$28 million (2001: \$29 million) was for defined benefit schemes, \$26 million (2001: \$13 million) was for defined contribution schemes and \$2 million (2001: \$2 million) was for post-retirement benefits other than pensions. The charge of \$56 million comprises a regular cost of \$57 million, and a credit of \$1 million in respect of the spreading of other surpluses and deficits.

Provisions for liabilities and charges (note 33) includes \$11 million (2001: \$27 million) representing the excess of the accumulated amount charged against the Group's profits in 2002 and previous years in respect of pension costs compared with the contributions paid into the schemes concerned, together with \$13 million (2001: \$12 million) representing provisions for post-retirement benefits other than pensions.

Financial Reporting Standard 17 – Retirement Benefits

The disclosures required under the transitional arrangements within Financial Reporting Standard 17 – Retirement Benefits (FRS17) have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated to 31 December 2002. (The effective date of the full valuations range between 31 December 1999 and 31 December 2001.)

Separate figures are disclosed for the UK Fund and Overseas Schemes.

Notes to the Accounts

Continued

6. Retirement Benefits continued

The financial assumptions used at 31 December 2002 were:

	2002	UK Fund 2001	Overseas Pension Schemes ¹ 2002	Overseas Pension Schemes ¹ 2001	Post-Retirement Medical ² 2002	Post-Retirement Medical ² 2001
Price inflation	2.3%	2.50%	1.50%–3.50%	1.50%–3.50%	1.75%	2.00%
Salary increases	4.8%	5.00%	4.0%–7.00%	4.25%–7.00%	4.00%	4.25%
Pension increases	2.3%	2.50%	2.25%–3.00%	2.50%–3.00%	N/A	N/A
Discount rate	5.7%	6.00%	5.00%–12.00%	5.75%–12.00%	6.75%	7.25%
Post-retirement medical trend rate	N/A	N/A	N/A	N/A	10% in 2002 reducing by 1% increments to 5% in 2007	12% in 2001 reducing by 1% increments to 5% in 2008

¹ The range of assumptions shown are for Hong Kong, India, Jersey, Kenya and the United States, they do not include the assumptions used for Zimbabwe as they lie outside the range.

² These values only cover the Post-Retirement Medical Plan in the United States.

The assets and liabilities of the schemes, attributable to defined benefit members, at the year end were:

	UK Fund		Overseas Pension Schemes		Post-Retirement Medical	
	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million
As at 31 December 2002						
Equities	8.3	237	7.0–12.0	98	N/A	N/A
Bonds	4.5	855	5.25–12.0	83	N/A	N/A
Property	6.4	1	7.0–12.0	2	N/A	N/A
Others	4.6	35	1.75–12.0	5	N/A	N/A
Total market value of assets		1,128		188		N/A
Present value of the schemes' liabilities		(1,235)		(272)		(14)
Deficit recognised*		(107)		(84)		(14)
Related deferred tax asset		32		25		4
Net pension liability		(75)		(59)		(10)

	UK Fund		Overseas Pension Schemes		Post-Retirement Medical	
	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million
As at 31 December 2001						
Equities	9.0	289	7.0–12.0	135	N/A	N/A
Bonds	4.9	712	7.0–12.0	73	N/A	N/A
Property	7.0	1	7.0–12.0	2	N/A	N/A
Others	5.3	49	7.0–12.0	10	N/A	N/A
Total market value of assets		1,051		220		N/A
Present value of the schemes' liabilities		(1,044)		(273)		(13)
Surplus/(deficit) recognised*		7		(53)		(13)
Related deferred tax (liability)/asset		(2)		16		4
Net pension asset/(liability)		5		(37)		(9)

* No scheme contains a surplus that is non-recoverable.

6. Retirement Benefits continued

If the above amounts had been recognised in the accounts, the Group's net assets and profit and loss account reserve at the year-end would be as follows:

	2002 \$million	2001* \$million
Net assets excluding pension assets	7,327	7,538
Pension liability	(144)	(41)
Net assets including pension assets	7,183	7,497
Profit and loss account excluding pension asset	3,643	3,850
Pension liability	(144)	(41)
Profit and loss account	3,499	3,809

* Comparative restated (see note 40).

The pension expense for defined benefit schemes on the FRS17 basis was:

	UK Fund 2002 \$million	Overseas pension and post retirement medical schemes 2002 \$million	Total 2002 \$million
Current service cost	10	23	33
Past service cost	2	—	2
Loss on settlement and curtailments	1	7	8
Total charge to operating profit	13	30	43
Expected return on pension scheme assets	(65)	(17)	(82)
Interest on pension scheme liabilities	64	18	82
(Credit)/charge to investment income	(1)	1	—
Total charge to profit before deduction of tax	12	31	43
Loss on assets	63	36	99
Experience gain on liabilities	(14)	(15)	(29)
Loss on change of assumptions	71	13	84
Total loss recognised in statement of total recognised gains and losses before tax	120	34	154

Movement in the pension schemes' and post retirement medical surplus/(deficit) during the year comprise:

	UK Fund \$million	Overseas and post-retirement medical pension schemes \$million
Surplus/(deficit) at beginning of year	7	(66)
Contributions	16	39
Current service cost	(10)	(23)
Past service cost	(2)	—
Settlement/curtailment cost	(1)	(7)
Other finance income	1	(1)
Actuarial loss	(120)	(34)
Exchange rate adjustment	2	(6)
Deficit at the end of the year	(107)	(98)

Notes to the Accounts

Continued

6. Retirement Benefits continued

The history of experience gains and losses for the financial year is as follows:

	2002 \$million
Loss on scheme assets:	
Amount (\$ million)	99
% of scheme assets at end of year	7.52%
Experience gain on scheme liabilities:	
Amount (\$ million)	(29)
% of scheme liabilities at end of year	1.91%
Total actuarial gain recognised in statement of total recognised gains and losses:	
Amount (\$ million)	154
% of scheme liabilities at end of year	10.12%

7. Depreciation and Amortisation

	2002 \$million	2001 \$million
Goodwill	156	140
Premises	46	55
Equipment	143	129
	345	324

8. Directors and Officers

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the directors' remuneration report on pages 46 to 56.

Transactions with directors, officers and others

As at 31 December 2002, the total amounts to be disclosed under the Companies Act 1985 (the Act) and the Listing Rules of the Stock Exchange of Hong Kong about loans to directors and officers were as follows:

	2002		2001	
	Number	\$'000	Number	\$'000
Directors	3	9	3	17
Officers*	11	6,726	7	5,189

* For this disclosure, the term 'officers' means the company secretary and 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, the rules of the UK Listing Authority or the Listing Rules of the Stock Exchange of Hong Kong.

9. Taxation

	2002 \$million	2001 \$million
Analysis of taxation charge in the period		
The charge for taxation based upon the profits for the period comprises:		
United Kingdom corporation tax at 30 per cent (2001: 30 per cent)		
Current tax on income for the year	266	207
Adjustments in respect of prior periods	17	(2)
Double taxation relief	(180)	(179)
Foreign tax:		
Current tax on income for the period	382	345
Adjustments in respect of prior periods	(56)	(15)
Total current tax	429	356
Deferred tax:		
Origination/reversal of timing differences	(42)	22
Tax on profits on ordinary activities	387	378

9. Taxation continued

Overseas taxation includes taxation on Hong Kong profits of \$31 million (2001: \$21 million) provided at a ratio of 16 per cent (2001: 16 per cent) on the profits assessable in Hong Kong.

The current taxation charge for the year is higher than the standard rate of corporation tax in the United Kingdom, 30 per cent. The differences are explained below:

	2002 \$million	2001 \$million
Current tax reconciliation:		
Profit on ordinary activities before taxation	1,262	1,089
Current tax at 30 per cent (2001: 30 per cent)	379	327
Effects of:		
Goodwill amortisation not deductible for tax purposes	46	41
Higher taxes on overseas earnings	55	24
Non allowable depreciation	9	11
Adjustments to tax charge in respect of previous periods	(39)	(17)
Other items	48	(30)
Gains covered by capital losses brought forward	(69)	—
Total current taxation charge	429	356

10. Dividends on Non-equity Preference Shares

	2002 \$million	2001 \$million
Non-cumulative irredeemable preference shares:		
7½ per cent preference shares of £1 each	11	11
8¼ per cent preference shares of £1 each	12	12
Non-cumulative redeemable preference shares:		
8.9 per cent preference shares of \$5 each	85	45
	108	68

11. Dividends on Ordinary Equity Shares

	2002		2001	
	Cents per share	\$million	Cents per share	\$million
Interim	14.10	160	12.82	145
Final	32.90	385	29.10	329
	47.00	545	41.92	474

The 2002 final dividend of 32.9 cents per share will be paid in either sterling, Hong Kong dollars, or US dollars on 13 May 2003 to shareholders on the register of members on 28 February 2003. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of the final dividend (or part thereof). Details will be sent to shareholders on or around 17 March 2003.

Notes to the Accounts

Continued

12. Earnings per Ordinary Share

	2002			2001		
	Profit \$million	Average number of shares ('000)	Amount per share	Profit \$million	Average number of shares ('000)	Amount per share
Basic earnings per ordinary share						
Profit attributable to ordinary shareholders	736	1,135,664	57.6c	631	1,128,407	55.9c
Premium paid on repurchase of preference shares	(82)	–	–	–	–	–
Basic earnings per ordinary share	654	1,135,664	57.6c	631	1,128,407	55.9c
Effect of dilutive potential ordinary shares						
Convertible bonds	17	34,488		16	34,488	
Options	–	2,168		–	4,478	
Diluted earnings per ordinary share	671	1,172,320	57.2c	647	1,167,373	55.4c

Normalised earnings per ordinary share

The following table shows the calculation of normalised earnings per share, i.e. based on the Group's results excluding amortisation of goodwill, profits/losses of a capital nature and profits/losses on repurchase of share capital.

	2002 \$million	2001 \$million
Basic earnings per ordinary share, as above	654	631
Premium paid on repurchase of preference shares	82	–
Amortisation of goodwill	156	140
Profits less losses on disposal of investment securities	(18)	(23)
Amounts written off fixed asset investments	8	–
Impairment of tangible fixed assets	9	–
Profit on close-out of interest rate swap to hedge preference share dividends	(57)	–
Tax charge relating to profit on interest rate swap	17	–
Normalised earnings	851	748
Normalised earnings per ordinary share	74.9c	66.3c

Please refer to note 36 for details of the repurchase of preference shares.

13. Treasury Bills and Other Eligible Bills

	2002 \$million	2001 \$million
Dealing securities	164	144
Investment securities	4,886	4,961
Total treasury bills and other eligible bills	5,050	5,105

The estimated market value of treasury bills and similar securities held for investment purposes amounted to \$4,895 million (2001: \$4,973 million).

Treasury bills and other eligible bills include \$202 million (2001: \$5 million) of bills sold subject to sale and repurchase transactions.

13. Treasury Bills and Other Eligible Bills continued

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

	Historical cost \$million	Amortisation of discounts/ premiums \$million	Book amount \$million
At 1 January 2002	4,972	(11)	4,961
Exchange translation differences	95	–	95
Acquisitions	10,453	–	10,453
Maturities and disposals	(10,654)	(13)	(10,667)
Amortisation of discounts and premiums	–	44	44
At 31 December 2002	4,866	20	4,886

At 31 December 2002, unamortised discounts on treasury bills and similar securities held for investment purposes amounted to \$10 million (2001: \$19 million) and there were \$5 million unamortised premiums (2001: \$3 million).

14. Loans and Advances to Banks

	2002 \$million	2001 \$million
Repayable on demand	2,396	2,545
With a residual maturity of:		
Three months or less	8,896	9,082
Between three months and one year	4,047	6,795
Between one and five years	387	775
Over five years	385	418
	16,111	19,615
Provisions for bad and doubtful debts (note 17)	(103)	(37)
Interest in suspense (note 18)	(7)	–
	16,001	19,578

Loans and advances to banks include balances with central banks and other regulatory authorities amounting to \$1,239 million (2001: \$1,288 million) which are required by local statute and regulation and \$128 million (2001: \$111 million) which are subordinated to the claims of other parties.

15. Loans and Advances to Customers

	2002 \$million	2001 \$million
Repayable on demand	6,509	4,345
With a residual maturity of:		
Three months or less	15,453	14,883
Between three months and one year	7,631	8,570
Between one and five years	11,673	10,466
Over five years	16,994	16,348
	58,260	54,612
Specific provisions for bad and doubtful debts (note 17)	(585)	(914)
General provisions for bad and doubtful debts (note 17)	(468)	(468)
Interest in suspense (note 18)	(198)	(225)
	57,009	53,005

There are loans of \$4 million (2001: \$4 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 \$13.0 billion (2001: \$12.6 billion).

Notes to the Accounts

Continued

15. Loans and Advances to Customers continued

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

	2002			2001
	One year or less \$million	One to five years \$million	More than five years \$million	Total \$million
Loans to Individuals:				
Mortgages	1,977	4,399	14,012	20,388
Other	4,798	3,197	1,218	9,213
Consumer Banking	6,775	7,596	15,230	29,601
Agriculture, forestry and fishing	492	60	10	562
Construction	307	27	10	344
Commerce	4,435	489	60	4,984
Electricity, gas and water	486	111	119	716
Financing, insurance and business services	4,522	905	512	5,939
Loans to governments	857	59	29	945
Mining and quarrying	566	181	62	809
Manufacturing	6,299	1,604	420	8,323
Commercial real estate	1,751	48	20	1,819
Transport, storage and communication	1,899	415	472	2,786
Other	421	178	50	649
Wholesale Banking	22,035	4,077	1,764	27,876
General provisions				(468)
				57,009
				53,005

16. Assets Leased to Customers

	2002 \$million	2001 \$million
Finance leases	315	457
Instalment credit agreements	832	787
	1,147	1,244

Assets leased to customers are included in loans and advances to customers.

The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to \$203 million (2001: \$159 million).

The aggregate amounts of leasing income receivable, including capital repayments, under finance leases amounted to \$183 million (2001: \$161 million).

17. Provisions for Bad and Doubtful Debts

	2002		2001	
	Specific \$million	General \$million	Specific \$million	General \$million
Provisions held at 1 January	951	468	1,146	468
Exchange translation differences	1	—	(12)	—
Amounts written off	(1,008)	—	(633)	—
Amounts written down	(23)	—	(368)	—
Recoveries of amounts previously written off	65	—	51	—
Other	(3)	—	35	—
New provisions	1,012	—	994	—
Recoveries/provisions no longer required	(307)	—	(262)	—
Net charge against profit	705	—	732	—
Provisions held at 31 December	688	468	951	468

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

17. Provisions for Bad and Doubtful Debts continued

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

	2002 \$million	2001 \$million
Loans to Individuals:		
Mortgages	76	74
Other	51	136
Consumer Banking	127	210
Agriculture, forestry and fishing	5	8
Construction	7	43
Commerce	129	218
Electricity, gas and water	11	1
Financing, insurance and business services	13	70
Loans to governments	–	5
Mining and quarrying	28	39
Manufacturing	244	262
Commercial real estate	1	3
Transport, storage and communication	3	13
Other	17	42
Wholesale Banking	458	704
Provision for bad and doubtful debts against loans and advances to customers (note 15)	585	914
Provisions for bad and doubtful debts against loans and advances to banks (note 14)	103	37
Total provisions for bad and doubtful debts	688	951

18. Interest in Suspense

	2002 \$million	2001 \$million
At 1 January	337	411
Exchange translation differences	2	(4)
Withheld from profit	199	229
Amounts written off	(201)	(321)
Other	–	22
At 31 December	337	337
Total interest in suspense relating to:		
Loans and advances to customers (note 15)	198	225
Loans and advances to banks (note 14)	7	–
Prepayments and accrued income	132	112
	337	337

19. Non-performing Loans

	2002			2001		
	SCNB (LMA) \$million	Other \$million	Total \$million	SCNB (LMA) \$million	Other \$million	Total \$million
Loans and advances on which interest is suspended	693	1,912	2,605	742	2,451	3,193
Specific provisions for bad and doubtful debts	(3)	(685)	(688)	(3)	(948)	(951)
Interest in suspense	–	(205)	(205)	–	(225)	(225)
	690	1,022	1,712	739	1,278	2,017

Notes to the Accounts

Continued

19. Non-performing Loans continued

The Group acquired Standard Chartered Nakornthon Bank (SCNB) (formerly Nakornthon Bank) in September 1999. Under the terms of the acquisition, non-performing loans (NPLs) of \$904 million are subject to a Loan Management Agreement (LMA) with the Financial Institutions Development Fund (FIDF), a Thai Government agency. Under the LMA, the FIDF has guaranteed the recovery of a principal amount of the NPLs of \$533 million. The LMA also provides, inter alia, for loss sharing arrangements whereby the FIDF will bear up to 85 per cent of losses in excess of the guaranteed amount. The carrying cost of the NPLs is reimbursable by the FIDF to SCNB every half year for a period of five years from the date of acquisition.

Excluding the SCNB non-performing loan portfolio, subject to the LMA, specific provisions and interest in suspense together cover 47 per cent (2001: 48 per cent) of total non-performing lending to customers. If lending and provisions are adjusted for the cumulative amounts written off of \$1,652 million (2001: \$1,574 million), the effective cover is 71 per cent (2001: 68 per cent).

	2002			2001		
	Customers \$million	Banks \$million	Total \$million	Customers \$million	Banks \$million	Total \$million
Gross loans and advances on which interest is suspended	189	–	189	275	–	275
Gross loans and advances on which provisions have been raised	2,204	212	2,416	2,777	141	2,918
Total gross loans and advances on which interest is suspended	2,393	212	2,605	3,052	141	3,193

Income suspended in the period amounted to \$259 million (2001: \$287 million). Income recognised in the period was \$60 million (2001: \$58 million).

20. Debt Securities and Other Fixed Income Securities

	2002			
	Book amount Investment securities \$million	Book amount Dealing securities \$million	Book amount Total debt securities \$million	Valuation Investment securities \$million
Issued by public bodies:				
Government securities	5,498	733	6,231	5,606
Other public sector securities	599	–	599	607
	6,097	733	6,830	6,213
Issued by banks:				
Certificates of deposit	4,260	32	4,292	4,258
Other debt securities	4,494	247	4,741	4,492
	8,754	279	9,033	8,750
Issued by other issuers:				
Bills discountable with recognised markets	–	113	113	–
Other debt securities	3,547	664	4,211	3,556
	3,547	777	4,324	3,556
Total debt securities	18,398	1,789	20,187	18,519
Of which:				
Listed on a recognised UK exchange	4,167	24	4,191	4,169
Listed elsewhere	7,244	692	7,936	7,350
Unlisted	6,987	1,073	8,060	7,000
	18,398	1,789	20,187	18,519
Book amount investment securities:				
One year or less	9,033			
One to five years	7,976			
More than five years	1,389			
	18,398			

20. Debt Securities and Other Fixed Income Securities continued

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

Debt securities include \$552 million (2001: \$203 million) of securities sold subject to sale and repurchase transactions, and \$552 million (2001: \$11 million) which are subordinated to the claims of other parties.

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 \$million	Amortisation of discounts/ premiums \$million	Book amount \$million
At 1 January 2002	14,422	23	14,445
Exchange translation differences	1,135	7	1,142
Acquisitions	38,314	5	38,319
Maturities and disposals	(35,488)	(24)	(35,512)
Amortisation of discounts and premiums	–	4	4
At 31 December 2002	18,383	15	18,398

At 31 December 2002, unamortised premiums on debt securities held for investment purposes amounted to \$307 million (2001: \$75 million) and unamortised discounts amounted to \$21 million (2001: \$4 million).

Notes to the Accounts

Continued

21. Equity Shares and Other Variable Yield Securities

	2002		2001	
	Book amount Investment securities \$million	Valuation Investment securities \$million	Book amount Investment securities \$million	Valuation Investment securities \$million
Listed on a recognised UK exchange:				
Own shares	57	58	1	1
Other	1	1	–	–
Listed elsewhere	69	66	10	12
Unlisted	123	123	98	98
	250	248	109	111
One year or less	6	5	–	–
One to five years	45	46	26	27
More than five years	–	–	4	4
Undated	199	197	79	80
	250	248	109	111

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 (2001: \$1 million) and income from unlisted equity shares amounted to \$4 million (2001: \$2 million).

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

	Historical cost \$million	Provisions \$million	Book amount \$million
At 1 January 2002	123	(14)	109
Exchange translation differences	4	(1)	3
Acquisitions	175	–	175
Disposals	(20)	2	(18)
Other	–	(19)	(19)
At 31 December 2002	282	(32)	250

The Royal Bank of Scotland Trust Company (Jersey) Limited is trustee of the 1995 Employees' Share Ownership Plan Trust (the 'trust'), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes. The Trustee has agreed to satisfy a number of awards made under these schemes. As part of these arrangements Group companies fund from time to time, the trust to enable the trustee to acquire shares to satisfy these awards.

The trust has acquired, at market value, 7,160,366 Standard Chartered PLC shares which are held in a pool for the benefit of participants under the Group's Restricted Share Scheme and Executive Share Option Schemes. The purchase of these shares has been fully funded by the Group.

At 31 December 2002, the trust held 7,160,366 shares, of which 2,038,122 have vested unconditionally. The balance of 5,122,244 shares have been included in the Group balance sheet, as investments in own shares, at cost of \$57 million. The market value of the unvested shares at 31 December 2002 was \$58 million. 3,022,244 shares have been conditionally gifted to employees and 2,100,000 shares are under option to employees. Dividends on the shares held have been waived.

22. Investments in Subsidiary Undertakings

	Historical cost \$million	Revaluation reserve \$million	Loans \$million	Total \$million
At 1 January 2002, previously published	3,937	3,636	1,670	9,243
Prior year adjustment (note 40)	–	156	–	156
At 1 January 2002, restated	3,937	3,792	1,670	9,399
Exchange translation differences	3	10	25	38
Additions	300	–	–	300
Decrease in net assets of subsidiary undertakings	–	(625)	–	(625)
Other	–	–	(153)	(153)
At 31 December 2002	4,240	3,177	1,542	8,959

At 31 December 2002, 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	100%

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

23. Intangible Fixed Assets

	Goodwill \$million
Cost	
At 1 January 2002	2,493
Movements during the year	5
At 31 December 2002	2,498
Provisions for amortisation	
At 1 January 2002	224
Amortisation charged in the year	156
At 31 December 2002	380
Net book value at 31 December 2002	2,118
Net book value at 31 December 2001	2,269

Movements during the year relate to the purchase of the minority shareholding in Banco Standard Chartered.

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

Following an impairment review goodwill relating to the Groups' Latin American businesses has been written down by \$20 million.

Notes to the Accounts

Continued

24. Tangible Fixed Assets

	Premises \$million	Equipment \$million	Total \$million
Cost or valuation			
At 1 January 2002	742	724	1,466
Exchange translation differences	(7)	7	–
Additions	51	158	209
Disposals and fully depreciated assets written off	(63)	(118)	(181)
Net deficit on revaluation	(92)	–	(92)
Other	(17)	17	–
At 31 December 2002	614	788	1,402
Depreciation			
Accumulated at 1 January 2002	148	326	474
Exchange translation differences	–	3	3
Charge for the year	37	143	180
Impairment losses	9	–	9
Write back of depreciation	(46)	–	(46)
Other	(5)	5	–
Attributable to assets sold or written off	(34)	(112)	(146)
Accumulated at 31 December 2002	109	365	474
Net book value at 31 December 2002	505	423	928
Net book value at 31 December 2001	594	398	992

	2002 \$million	2001 \$million
Premises – analysis of net book value		
Freehold	153	171
Long leasehold	74	72
Short leasehold	278	351
	505	594
Premises – cost or valuation		
At cost	196	606
At valuations made:		
Prior to 1999	–	39
1999	22	97
2002	396	–
	614	742
On the historical cost basis, the book amount of premises amounted to:		
Cost	661	679
Accumulated depreciation	(145)	(144)
Net book value	516	535

Valuations were carried out on an open market existing use basis by the directors based upon the advice of independent qualified professional valuers. The net book value of premises occupied by the Group for its own activities at 31 December 2002 was \$505 million (2001: \$594 million). Cost or valuation of premises subject to depreciation at 31 December 2002 was \$484 million (2001: \$702 million).

25. Future Rental Commitments Under Operating Leases

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

	2002		2001	
	Premises \$million	Equipment \$million	Premises \$million	Equipment \$million
Annual rental on operating leases expiring:				
Within one year	12	1	18	2
Between one and five years	31	1	65	4
Five years or more	33	–	14	–
	76	2	97	6

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

26. Other Assets

	2002 \$million	2001* \$million
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	5,031	4,784
Hong Kong Government certificates of indebtedness (note 42)	2,015	1,884
Assets awaiting sale	13	4
Deferred taxation (note 32)	236	188
Other	1,811	1,390
	9,106	8,250

*Comparative restated (see note 40).

The Hong Kong Government certificates of indebtedness, are subordinated to the claims of other parties.

27. Deposits by Banks

	2002 \$million	2001 \$million
Repayable on demand	2,742	2,810
With agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	6,718	7,342
Between three months and one year	1,112	1,042
Between one and five years	277	494
Over five years	1	—
	10,850	11,688

The deposits by banks over five years at 31 December 2002 are on a fixed rate charge of three per cent.

28. Customer Accounts

	2002 \$million	2001 \$million
Repayable on demand	24,730	22,135
With agreed maturity dates or periods of notice, by residual maturity:		
Three months or less	39,691	39,210
Between three months and one year	5,539	5,331
Between one and five years	1,666	1,132
Over five years	—	47
	71,626	67,855

29. Debt Securities in Issue

	2002			2001		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in Issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in Issue \$million	Total \$million
By residual maturity:						
Three months or less	1,642	142	1,784	1,278	65	1,343
Between three and six months	411	138	549	1,204	37	1,241
Between six months and one year	648	28	676	239	82	321
Between one and five years	1,527	152	1,679	594	84	678
Over five years	27	162	189	—	123	123
	4,255	622	4,877	3,315	391	3,706

Notes to the Accounts

Continued

30. Structure of Deposits

The following table sets out the structure of the Group's deposits in the principal geographic regions where it operates at 31 December 2002 and 31 December 2001:

	2002 \$million	2001 \$million
Deposits by banks (note 27)	10,850	11,688
Customer accounts (note 28)	71,626	67,855
Debt securities in issue (note 29)	4,877	3,706
	87,353	83,249

	2002								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total Deposits \$million
Non interest bearing current and demand accounts	1,341	992	828	597	807	1,465	696	428	7,154
Interest bearing current and demand accounts	10,841	1,860	76	1,590	3	500	908	2,939	18,717
Savings deposits	553	455	514	1,117	584	1,151	416	11	4,801
Time deposits	14,615	7,779	2,739	4,812	2,722	3,531	525	11,726	48,449
Other deposits	5	382	444	1,097	113	410	26	878	3,355
Total	27,355	11,468	4,601	9,213	4,229	7,057	2,571	15,982	82,476
Deposits by banks (note 27)	649	1,356	422	2,183	1,078	1,156	113	3,893	10,850
Customer accounts (note 28)	26,706	10,112	4,179	7,030	3,151	5,901	2,458	12,089	71,626
Debt securities in issue (note 29)	27,355	11,468	4,601	9,213	4,229	7,057	2,571	15,982	82,476
	1,813	177	295	358	82	–	–	2,152	4,877
Total	29,168	11,645	4,896	9,571	4,311	7,057	2,571	18,134	87,353

	2001								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total Deposits \$million
Non interest bearing current and demand accounts	1,207	901	728	439	672	980	714	669	6,310
Interest bearing current and demand accounts	10,002	1,622	107	1,301	5	767	711	2,228	16,743
Savings deposits	582	437	579	1,042	518	1,040	372	220	4,790
Time deposits	16,687	7,078	2,824	4,565	2,798	3,672	461	9,831	47,916
Other deposits	4	253	303	1,099	57	205	190	1,673	3,784
Total	28,482	10,291	4,541	8,446	4,050	6,664	2,448	14,621	79,543
Deposits by banks (note 27)	1,001	1,028	472	2,051	1,115	1,298	67	4,656	11,688
Customer accounts (note 28)	27,481	9,263	4,069	6,395	2,935	5,366	2,381	9,965	67,855
Debt securities in issue (note 29)	28,482	10,291	4,541	8,446	4,050	6,664	2,448	14,621	79,543
	1,305	81	245	363	82	–	3	1,627	3,706
Total	29,787	10,372	4,786	8,809	4,132	6,664	2,451	16,248	83,249

31. Other Liabilities

	2002 \$million	2001 \$million
Mark-to-market adjustments arising on foreign exchange and interest rate contracts	5,454	4,792
Notes in circulation (note 42)	2,015	1,884
Short positions in treasury bills	69	210
Short positions in debt securities and equity shares	178	166
Current taxation	255	162
Proposed dividend	385	329
Other liabilities	3,262	2,367
	11,618	9,910

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

32. Deferred Taxation

	2002 \$million	2001* \$million
Deferred taxation comprises:		
Accelerated tax depreciation	1	17
Provisions for bad debts	(173)	(171)
Other timing differences	(64)	(34)
	(236)	(188)
Changes in deferred taxation balances during the year comprised:		
At 1 January	(188)	(185)
Exchange translation differences	(4)	2
Charge (credit to)/against profit	(42)	22
Other	(2)	(27)
At 31 December	(236)	(188)

The net deferred tax asset is included in other assets.

	2002 \$million	2001* \$million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Accelerated tax depreciation	–	52
Tax losses carried forward	53	137
Provisions for bad debts	20	20
Other	10	10
Unrelieved foreign tax	76	31
Premises revaluation	(16)	(16)

*Comparative restated (see note 40).

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.

33. Provisions for Liabilities and Charges

	Provision for restructuring \$million	Provision for retirement benefits \$million	Provision for contingent liabilities and commitments \$million	Total \$million
At 1 January 2002	102	39	9	150
Exchange translation differences	–	(2)	1	(1)
Charge against profit	–	73	7	80
Provisions utilised	(79)	(91)	(3)	(173)
Other	–	5	2	7
At 31 December 2002	23	24	16	63

In August 2000, the Group announced a major efficiency programme to improve efficiency and customer service. This involved a major restructuring and re-shaping of the Group's business. The remaining provision will be utilised in 2003.

Notes to the Accounts

Continued

34. Subordinated Loan Capital

	2002 \$million	2001* \$million
Undated – Company		
Primary Capital Floating Rate Notes:		
\$400 million	400	400
\$300 million (Series 2)	300	300
\$400 million (Series 3)	400	400
\$200 million (Series 4)	200	200
£150 million	242	218
	1,542	1,518
Undated – Subsidiary undertakings		
£200 million Step-Up Notes	311	286
Undated subordinated loan capital – Group	1,853	1,804
Dated – Company		
£97 million 12½ per cent Subordinated Unsecured Loan Stock 2002/2007	–	141
Dated – Subsidiary undertakings		
£30 million Floating Rate Notes 2009	48	44
£300 million 6.75 per cent Notes 2009	433	432
€600 million 5.375 per cent Notes 2009	562	526
\$25 million Floating Rate Notes 2004/2009	25	25
BWP 75 million Floating Rate Notes 2012	14	–
\$325 million Floating Rate Notes 2005/2010	311	323
€575 million 4.5 per cent Notes 2010	592	498
\$700 million 8.0 per cent subordinated notes 2031	620	688
€500 million 8.16 per cent non-cumulative Trust Preferred Securities 2010	518	437
£300 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities	479	430
Dated subordinated loan capital – Group	3,602	3,544
Dated subordinated loan capital – repayable:		
Between one and two years	–	141
Between two and five years	336	348
Over five years	3,266	3,055
Dated subordinated loan capital – Group	3,602	3,544
Total subordinated liabilities	5,455	5,348

*Comparative restated (see note 40).

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.

On 17 March 2000, the Group issued at par €575 million of 4.5 per cent Subordinated Guaranteed Convertible Bonds via a Jersey incorporated subsidiary, Standard Chartered Finance (Jersey) Ltd. The bondholders have the right to convert each bond (denominated in units of €1,000 face value) into one fully paid €1,000 Preference Share in Standard Chartered Finance (Jersey) Ltd at any time on or after 26 April 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 30 March 2010, although they may be redeemed at Standard Chartered's option after 15 April 2005. They may be redeemed earlier if 85 per cent of the bonds have been converted.

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

On 22 March 2000, the Group issued Tier 1 Capital €500 million of 8.16 per cent Non-cumulative Trust Preferred Securities in Standard Chartered Capital Trust 1LP, a Delaware statutory business trust, representing a corresponding amount of 8.16 per cent Non-cumulative Partnership Preferred Securities of Standard Chartered Capital 1LP, 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 23 March 2010 or in whole or in part on any dividend payment date thereafter. Dividends are fixed at 8.16 per cent for ten years and at Euribor plus 3.8 per cent thereafter. The securities will be exchanged for preference shares in Standard Chartered PLC in the event that they

34. Subordinated Loan Capital continued

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 23 March 2010.

In February 2002, the Urgent Issues Task Force issued Abstract 33 – Obligations in Capital Instruments. This reviewed the classification of instruments that have the characteristics of both liabilities and shareholders' funds and provided further guidance on the accounting treatment of these issues. As a result of this €500 million 8.16 per cent Non-cumulative Trust Preferred Securities 2010 and £300 million 8.103 per cent Step-Up Callable Perpetual Securities were reanalysed from non-equity minority interests to subordinated loan capital.

On 30 September, 2002 £97 million 12½ per cent subordinated loan stock was redeemed pursuant to the Terms and Conditions of the Notes.

On 14 October 2002 Standard Chartered Bank Botswana Limited issued at par BWP 75 million Fixed Term Floating Rate Subordinated Notes due 14 October 2012. The coupon resets every three months dependant upon the Bank of Botswana three-month rate.

The Group policy is to manage its capital actively. During 2002 the Group bought back a portion of its subordinated debt issues on the open market. The amounts stated are net of the repurchases.

35. Minority Interests

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

	Total* \$million
At 1 January 2002	73
Exchange translation differences	(2)
Additions	171
Retained profits	13
Other	(6)
At 31 December 2002	249

* Restated balance at 1 January 2002 (see note 40).

36. Called-up Share Capital

Authorised

The authorised share capital of the Company at 31 December 2002 was \$4,671 million (2001: \$4,427 million) made up of 2,632 million ordinary shares of \$0.50 each, 500 million non-cumulative preference shares of £1 each, 300 million non-cumulative preference shares of \$5 each and one million non-cumulative preference shares of €1,000 each.

	Preference shares of \$5 each Number of shares (‘000)	Preference shares of £1 each Number of shares (‘000)	Ordinary shares of \$0.50 each Number of shares (‘000)	Total \$million
Allotted, called-up and fully paid				
At 1 January 2002	1,000	200,000	1,130,678	861
Exchange translation differences	–	–	–	32
Shares issued in Hong Kong	–	–	35,000	18
Preference shares repurchased	(659)	–	–	(3)
Issued instead of dividends	–	–	2,352	–
Issued under employee share option schemes	–	–	2,021	1
At 31 December 2002	341	200,000	1,170,051	909

On 31 October 2002, the Company listed its ordinary share capital on the Stock Exchange of Hong Kong and 35,000,000 shares were issued in Hong Kong at the price of HK\$84.00 per share. The price of HK\$84.00 represented an approximate two percent discount to 708 pence, which was the closing price of the Company's ordinary shares trading on the London Stock Exchange on 25 October 2002. The shares issued in Hong Kong represented approximately 3.1 per cent of the issued share capital at the time.

Part of the net proceeds from the issue of shares in Hong Kong was used to repurchase 659,126 of the Company's US dollar preference shares, as detailed below, with the remainder being invested in the Company's wholly-owned subsidiary, Standard Chartered Bank to support ongoing growth of the Group.

On 17 May 2002, 1,622,990 ordinary shares were issued instead of the 2001 final dividend. On 15 October 2002, 728,338 ordinary shares were issued instead of the 2002 interim dividend.

Notes to the Accounts

Continued

36. Called-up Share Capital continued

On 4 December 2002 the Company repurchased and cancelled 659,126 of its 8.9 per cent non-cumulative preference shares of \$5 each at a price of \$1,110 per share. The preference shares of \$5 each were originally issued at a price of \$1,000 per share and 340,874 of these shares remain in issue following the repurchase. The preference shares rank *pari passu* inter se with the existing preference shares and in priority to the ordinary shares. Subject to certain conditions, all or part of the preference shares may be redeemed at the option of the issuer, at dividend payment dates on or after October 2006.

The non cumulative 7% per cent and 8¼ per cent 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 117,005,066 ordinary shares of \$0.50 each, being part of the authorised share capital, may be issued under the employee share schemes.

1984 and 1994 Executive Share Option Schemes

As at 1 January 2002, there were options outstanding over 6,964,259 ordinary shares under the schemes. During the year options over 1,297,125 ordinary shares lapsed and options over 563,143 ordinary shares were exercised at various prices from 116.875 pence to 808.5 pence. There were no options granted under these schemes during the year.

As at 31 December 2002, there were options outstanding over 5,103,991 ordinary shares which may be exercised on various dates up to 2009 under the rules of the schemes.

Supplemental Executive Share Option Scheme

As at 1 January 2002, there were options outstanding over 2,963,884 ordinary shares under the scheme. During the year 1,661,416 options over ordinary shares lapsed and there were no exercises.

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

As at 31 December 2002, there were options outstanding over 1,302,468 ordinary shares, which may be exercised on various dates up to 2005 under the scheme rules.

1997 Restricted Share Scheme

As at 1 January 2002, there were allocations outstanding over 3,329,106 ordinary shares. During the year, allocations over 620,834 ordinary shares were exercised. The following allocations were made:

Date allocation made	Number of shares allocated	Exercise period
6 March 2002	2,190,462	2004–2009
20 May 2002	52,216	2004–2009
17 September 2002	210,055	2004–2009
5 December 2002	45,319	2004–2009

As at 31 December 2002, there were allocations outstanding over 4,938,714 ordinary shares, with allocations over 267,610 ordinary shares having lapsed during the year.

2000 Executive Share Option Scheme

As at 1 January 2002 there were options outstanding over 12,858,920 ordinary shares under the scheme. During the year options over 2,065,950 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
6 March 2002	722.8p	8,366,700	2005–2012
20 May 2002	861.8p	208,865	2005–2012
17 September 2002	718.2p	170,008	2005–2012
5 December 2002	772.3p	135,957	2005–2012

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

As at 31 December 2002, there were options outstanding over 19,674,500 ordinary shares which may be exercised at various dates up to 2012 under the rules of the scheme.

36. Called-up Share Capital continued

2001 Performance Share Plan

At 1 January 2002 there were options outstanding over 669,750 ordinary shares.

The following options were granted under the Plan:

Date option granted	Number of shares under option	Exercise period
6 March 2002	899,866	2005–2012
20 May 2002	52,216	2005–2012

The options granted under the 2001 performance share plan are nil cost options. The exercise of options granted during the year will be linked to performance criteria and a personal shareholding requirement. No options lapsed during the year and none were exercised.

At 31 December 2002 there were options outstanding over 1,621,832 ordinary shares.

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. This makes the Group's subsidiaries more accountable for the cost of granting options. During the year 457,768 ordinary shares were issued to the QUEST and options were exercised over 400,486 ordinary shares at an average price to the employees of 437 pence per share, with the price received by the Company from the QUEST averaging 752 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 1 January 2002, there were options outstanding over 1,926,630 ordinary shares under this scheme. During the year, options were exercised over 400,486 ordinary shares at prices from 200 pence to 723 pence and 438,104 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
6 September 2002	559.5p	810,003	2005–2008

At 31 December 2002, there were options outstanding over 1,898,043 ordinary shares, which may be exercised at various dates up to 2008 under the rules of the schemes.

International Scheme

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

At 1 January 2002, there were 6,420,309 options outstanding under the scheme. During the year, 1,883,973 options were registered as having lapsed. Options were exercised over 972,375 ordinary shares at prices from 334 pence to 723 pence and the following options were granted under the scheme:

Date option granted	Option price per share	Number of shares under option	Exercise period
17 September 2002	559.5p	5,138,193	2005–2008

At 31 December 2002, there were options outstanding over 8,702,154 ordinary shares which may be exercised on various dates up to 2008 under the scheme rules.

Notes to the Accounts

Continued

37. Shareholders' Funds

							2002	2001
	Share capital \$million	Share premium account \$million	Capital reserve \$million	Capital redemption reserve \$million	Premises revaluation reserve \$million	Profit and loss account \$million	Total shareholders' funds \$million	Total shareholders' funds \$million
At 1 January, previously published	861	2,761	5	–	45	3,710	7,382	6,353
Prior year adjustment (note 40)	–	–	–	–	16	140	156	155
At 1 January restated	861	2,761	5	–	61	3,850	7,538	6,508
Exchange translation differences	32	–	–	–	(6)	(26)	–	(118)
Shares issued, net of expenses	19	329	–	–	–	39	387	991
Repurchase of preference shares	(3)	(328)	–	3	–	(413)	(741)	–
Retained profit for the year	–	–	–	–	–	191	191	157
Premises revaluation	–	–	–	–	(48)	–	(48)	–
Capitalised on exercise of share options	–	2	–	–	–	(2)	–	–
Realised on disposal of premises	–	–	–	–	(4)	4	–	–
At 31 December	909	2,764	5	3	3	3,643	7,327	7,538
Equity interests							6,695	6,279
Non-equity interests							632	1,259
At 31 December							7,327	7,538

The cumulative amount of premiums on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is \$27 million (2001: \$27 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. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

38. Company Share Capital and Reserves

							2002	2001
	Share capital \$million	Share premium account \$million	Capital reserve \$million	Capital redemption reserve \$million	Revaluation reserve \$million	Profit and loss account \$million	Total shareholders' funds \$million	Total shareholders' funds \$million
At 1 January, previously published	861	2,761	5	–	3,636	119	7,382	6,353
Prior year adjustment (note 40)	–	–	–	–	156	–	156	155
At 1 January restated	861	2,761	5	–	3,792	119	7,538	6,508
Exchange translation differences	32	–	–	–	10	(14)	28	(8)
Shares issued, net of expenses	19	331	–	–	–	39	389	1,010
Repurchase of preference shares	(3)	(328)	–	3	–	(413)	(741)	–
(Decrease)/ increase in net assets of subsidiary undertakings	–	–	–	–	(625)	–	(625)	368
Profit for the year	–	–	–	–	–	1,391	1,391	202
Dividends paid and proposed	–	–	–	–	–	(653)	(653)	(542)
At 31 December	909	2,764	5	3	3,177	469	7,327	7,538
Equity interests							6,695	6,279
Non-equity interests							632	1,259
At 31 December							7,327	7,538

39. Consolidated Cash Flow Statement

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

	2002 \$million	2001* \$million
Operating profit	1,262	1,089
Items not involving cash flow:		
Amortisation of goodwill	156	140
Depreciation and amortisation of premises and equipment	189	184
Loss on disposal of tangible fixed assets	3	1
Gain on disposal of investment securities	(18)	(23)
Amortisation of investments	(48)	(11)
Charge for bad and doubtful debts and contingent liabilities	712	731
Amounts written off fixed asset investments	8	–
Debts written off, net of recoveries	(966)	(950)
Decrease in accruals and deferred income	(256)	(66)
(Increase)/decrease in prepayments and accrued income	(16)	236
Adjustments for items shown separately:		
Interest paid on subordinated loan capital	330	321
Premium and costs on payment of subordinated liabilities	10	–
Net cash inflow from trading activities	1,366	1,652
Net increase in cheques in the course of collection	(19)	(71)
Net (increase)/decrease in treasury bills and other eligible bills	(93)	1
Net decrease in loans and advances to banks and customers	485	1,282
Net increase in deposits from banks, customer accounts and debt securities in issue	2,891	3,805
Net increase in dealing securities	(302)	(606)
Net decrease in mark-to-market adjustment	414	63
Net increase/(decrease) in other accounts	36	(13)
Net cash inflow from operating activities	4,778	6,113

* Comparative restated (see note 40).

(b) Analysis of changes in cash

	2002 \$million	2001 \$million
Balance at 1 January	3,549	4,278
Exchange translation differences	61	(121)
Net cash outflow	(114)	(608)
Balance at 31 December	3,496	3,549

(c) Analysis of cash

	2002 \$million	2001 \$million
Cash and balances at central banks	1,100	1,004
Demand loans and advances to banks	2,396	2,545
	3,496	3,549

Notes to the Accounts

Continued

39. Consolidated Cash Flow Statement continued

(d) Analysis of changes in financing during the year

	2002					2001			
	Share capital \$million	Share premium \$million	Capital reserve \$million	Capital redemption reserve \$million	Loan capital \$million	Share capital \$million	Share premium \$million	Capital reserve \$million	Loan capital \$million
Balance at 1 January	861	2,761	5	–	4,481	719	1,907	–	4,075
Prior year adjustment (note 40)	–	–	–	–	867	–	–	–	458
At 1 January restated	861	2,761	5	–	5,348	719	1,907	–	4,533
Exchange translation differences	32	–	–	–	450	(9)	–	–	(108)
Transfer from share premium as a result of capital conversion	–	–	–	–	–	144	(149)	5	–
Share capital issued, net of expenses	19	329	–	–	–	7	984	–	–
Repurchase of preferences shares	(3)	(328)	–	3	–	–	–	–	–
Capitalised on exercise of share options	–	2	–	–	–	–	19	–	–
Issue of subordinated loan capital, net of expenses	–	–	–	–	12	–	–	–	1,119
Repayment of subordinated liabilities	–	–	–	–	(355)	–	–	–	(200)
Other	–	–	–	–	–	–	–	–	4
Balance at 31 December	909	2,764	5	3	5,455	861	2,761	5	5,348

40. Change in Accounting Policies.

Financial Reporting Standard 19 – Deferred Tax (FRS19) is effective for accounting periods ending on or after 23 January 2002, and the Group adopted FRS19 in the current period.

It specifies the provisions that are required for Deferred Tax, which are on a different basis to its predecessor, Statement of Standard Accounting Practice 15.

The adjustments have no effect on current or prior periods tax charge but affect the Deferred Tax balances, and Reserves. The brought forward balances at 1 January 2001 have been restated as follows: the Deferred Tax Asset balance is increased by \$156 million, the Profit and Loss Reserves balance is increased by \$140 million and the Premises Revaluation Reserve is increased by \$16 million. In the Company balance sheet, the carrying value of Investments in Subsidiary Undertakings and the Revaluation Reserve is increased by \$156 million.

In February 2002, the Urgent Issues Task Force issued Abstract 33 (UITF 33) – Obligations in Capital Instruments. This reviewed the classification of instruments that have the characteristics of both liabilities and shareholders' funds and provided further guidance on the accounting treatment of these issues.

In 2001, the £300 million 8.103 per cent Step-up Callable Perpetual Trust Preferred Securities and the €500 million 8.16 per cent non-cumulative Trust Preferred Securities were treated as minority interests (non-equity) in the consolidated accounts of Standard Chartered PLC, in accordance with Financial Reporting Standard 4 – Capital Instruments.

As a result of complying with UITF 33 the instruments have been reclassified from minority interests (non-equity) to liabilities. The restatement of principal balances at 31 December 2001 is \$878 million together with accrued interest is \$51 million and fee accruals of \$11 million. The associated minority interest payable reclassified to interest payable is \$59 million, for the year ended 31 December 2001.

Comparative figures for the year ended 31 December 2001 are restated to reflect these changes to accounting policy.

41. Segmental Information

By Geographic Segment

The following tables set out profit and loss information, average loans and advances to customers, net interest margin and selected balance sheet information by geographic segment for the years 2002 and 2001:

	2002								
	Asia Pacific								
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Other Asia Pacific \$million	India \$million	Middle East & Other South Asia \$million	Africa \$million	Americas, UK & Group Head Office \$million	Total \$million
Interest receivable	1,718	780	349	789	597	638	316	1,541	6,728
Interest payable	(641)	(421)	(181)	(427)	(369)	(319)	(113)	(1,194)	(3,665)
Net interest income	1,077	359	168	362	228	319	203	347	3,063
Fees and commissions receivable, net	267	80	52	135	85	119	89	164	991
Dealing profits	68	31	15	73	43	58	37	95	420
Other operating income	4	15	(1)	2	38	5	3	(1)	65
Net revenue	1,416	485	234	572	394	501	332	605	4,539
Costs	(622)	(209)	(143)	(406)	(190)	(196)	(228)	(407)	(2,401)
Amortisation of goodwill								(156)	(156)
Total operating expenses	(622)	(209)	(143)	(406)	(190)	(196)	(228)	(563)	(2,557)
Operating profit before provisions	794	276	91	166	204	305	104	42	1,982
Charge for debts, contingent liabilities and commitments	(428)	(41)	(13)	(61)	(38)	(13)	(3)	(115)	(712)
Amounts written off fixed assets investments	–	–	–	–	–	–	–	(8)	(8)
Profit before taxation	366	235	78	105	166	292	101	(81)	1,262
Loans and advances to customers – average	21,121	7,534	3,808	5,952	2,186	4,369	1,042	8,451	54,463
Net interest margin (%)	3.0	2.3	2.6	2.3	4.2	3.7	6.9	1.0	3.1
Loans and advances to customers – period end	21,313	8,060	4,201	6,390	2,458	4,883	1,168	8,536	57,009
Loans and advances to banks – period end	2,507	2,027	394	2,703	212	1,792	218	6,148	16,001
Total assets employed	41,143	17,387	6,732	16,295	6,411	10,400	3,880	42,327	144,575
Total risk weighted assets and contingents	19,958	11,570	3,724	7,512	4,367	6,709	1,556	20,430	75,826

Total interest receivable and total interest payable include intra-group interest of \$1,440 million. Total assets employed include intra-group items of \$25,874 million and balances of \$5,691 million which are netted in the Consolidated Balance Sheet. Total risk weighted assets and contingents include \$1,272 million of balances which are netted in the note on Capital ratios on page 38 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.

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 and Group Head Office segment.

The geographic segment is based on the location of the office.

Notes to the Accounts

Continued

41. Segmental Information continued

By Geographic Segment

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

* Comparative restated (see note 40).

Total interest receivable and total interest payable include intra-group interest of \$2,287 million. Total assets employed include intra-group items of \$24,724 million and balances of \$3,558 million which are netted in the Consolidated Balance Sheet. Total risk weighted assets and contingents include balances of \$500 million which are netted in the note on Capital ratios on page 38 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.

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 and Group Head Office segment.

The geographic segment is based on the location of the office.

41. Segmental Information continued

By Class of Business

	2002			2001*		
	Consumer Banking \$million	Wholesale Banking \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Total \$million
Net interest income	1,867	1,196	3,063	1,702	1,198	2,900
Other income	549	927	1,476	520	985	1,505
Net revenue	2,416	2,123	4,539	2,222	2,183	4,405
Costs	(1,190)	(1,211)	(2,401)	(1,254)	(1,191)	(2,445)
Amortisation of goodwill			(156)			(140)
Total operating expenses†	(1,190)	(1,211)	(2,557)	(1,254)	(1,191)	(2,585)
Operating profit before provisions	1,226	912	1,982	968	992	1,820
Charge for debts, contingent liabilities, and commitments	(603)	(109)	(712)	(330)	(401)	(731)
Amount written off fixed assets investments	–	(8)	(8)	–	–	–
Profit before taxation	623	795	1,262	638	591	1,089
Total assets employed	40,465	104,110	144,575	44,992	90,825	135,817
Total risk weighted assets and contingents	23,779	50,775	74,554	21,688	47,654	69,342

† Total operating expenses include \$156 million (2001: \$140 million) amortisation of goodwill. This cost is a result of global projects managed from the centre and corporate decisions made at the centre and has not been attributed to business segments.

* Comparative restated (see note 40).

For the segmental information given above, 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 \$25,874 million (2001: \$24,724 million) and balances which are netted in the summarised consolidated balance sheet of \$5,691 million (2001: \$3,558 million). Assets held at the centre have been distributed between classes of businesses in proportion to their total assets employed.

42. Secured Liabilities

	2002 \$million	2001 \$million
Notes in circulation (note 31)	2,015	1,884

The notes in circulation were secured by the deposit of funds of \$2,015 million (2001: \$1,884 million) in respect of which Hong Kong Government certificates of indebtedness were held (note 26).

43. Capital Commitments

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

	2002 \$million	2001 \$million
Contracted	12	29
Not contracted	27	32

Notes to the Accounts

Continued

44. Assets and Liabilities in Currencies other than US dollar

	2002 \$million	2001* \$million
Total assets denominated in:		
US dollar	51,079	52,513
Other currencies	61,931	55,022
	113,010	107,535
Total liabilities denominated in:		
US dollar	46,108	52,750
Other currencies	66,902	54,785
	113,010	107,535

* Comparative restated (see note 40).

45. Contingent Liabilities and Commitments

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

	2002			2001		
	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million
Contingent liabilities						
Acceptances and endorsements	897	897	854	704	704	671
Guarantees and irrevocable letters of credit	12,199	8,374	6,102	11,227	7,926	5,940
Other contingent liabilities	4,817	3,371	2,281	3,645	2,352	1,895
	17,913	12,642	9,237	15,576	10,982	8,506
Commitments						
Documentary credits and short term trade-related transactions	1,690	338	295	2,032	406	328
Forward asset purchases and forward deposits placed	21	21	4	41	41	8
Undrawn formal standby facilities, credit lines and other commitments to lend:						
one year and over	8,125	4,063	3,399	6,487	3,244	2,358
Less than one year	5,152	–	–	6,911	–	–
Unconditionally cancellable	28,815	–	–	27,151	–	–
	43,803	4,422	3,698	42,622	3,691	2,694

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

46. Fair Values

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

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

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

46. Fair Values continued

The risk section of the Financial Review on pages 28 to 37 explains the Group's risk management of derivative contracts.

	2002			2001		
	Notional principal amounts \$million	Positive fair value \$million	Negative fair value \$million	Notional principal amounts \$million	Positive fair value \$million	Negative fair value \$million
Trading book						
Forward foreign exchange contracts	340,334	5,623	5,548	373,796	5,050	4,636
Foreign exchange derivative contracts						
Currency swaps and options	96,940	1,108	1,252	56,327	760	776
Interest rate derivative contracts						
Swaps	188,313	2,926	2,653	172,144	1,508	1,354
Forward rate agreements and options	28,335	108	91	73,051	158	114
Exchange traded futures and options	39,834	25	36	45,646	22	23
Total	256,482	3,059	2,780	290,841	1,688	1,491
Equity and stock index derivatives	–	–	–	123	–	–
Total trading book derivative financial instruments	693,756	9,790	9,580	721,087	7,498	6,903
Effect of netting		(5,691)	(5,691)		(3,558)	(3,558)
		4,099	3,889		3,940	3,345

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

	2002			2001		
	Notional principal \$million	Positive fair value \$million	Negative fair value \$million	Notional principal \$million	Positive fair value \$million	Negative fair value \$million
Non-trading book						
Forward foreign exchange derivative contracts						
Currency swaps and options	524	2	–	–	–	–
Interest rate derivative contracts						
Swaps	1,313	–	2	1,639	2	7
Forward rate agreements and options	181	2	1	6	–	–
Exchange traded futures and options	2,231	2	1	2,781	–	1
Total	3,725	4	4	4,426	2	8
Commodity derivative contracts	1,812	14	14	954	39	39
Total non-trading book derivative financial instruments	6,061	20	18	5,380	41	47

	2002		2001	
	Book value \$million	Market value \$million	Book value \$million	Market value \$million
Listed and publicly traded securities:				
Financial assets	16,337	16,451	13,223	13,283
Preference shares	632	753	1,259	1,377
Other financial liabilities	9,710	9,478	7,809	7,385
Financial liabilities	10,342	10,231	9,068	8,762

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

Notes to the Accounts

Continued

47. Credit Exposures in respect of Derivative Contracts

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

	2002				2001			
	Under one year \$million	One to five years \$million	Over five years \$million	Total \$million	Under one year \$million	One to five years \$million	Over five years \$million	Total \$million
Forward foreign exchange and foreign exchange derivative contracts								
Notional principal amount	415,839	18,589	3,370	437,798	415,360	12,608	2,155	430,123
Net replacement cost	6,294	360	79	6,733	5,513	232	65	5,810
Interest rate derivative contracts								
Notional principal amount	120,843	77,219	20,080	218,142	160,364	74,811	11,665	246,840
Net replacement cost	578	1,490	968	3,036	637	836	195	1,668
Equity and stock index derivatives								
Notional principal amount	–	–	–	–	123	–	–	123
Net replacement cost	–	–	–	–	–	–	–	–
Commodity derivative contracts								
Notional principal amount	943	869	–	1,812	424	530	–	954
Net replacement cost	3	11	–	14	18	21	–	39
Counterparty risk								
Financial institutions				9,034				7,057
Non financial institutions				749				460
Total net replacement cost				9,783				7,517

The risk section of the Financial Review on pages 28 to 37 explains the Group's risk management of derivative contracts.

48. Interest Rate Sensitivity Gap for the Non-Trading Book

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

	Non-trading book							2002
	Three months or less \$million	Between three months and six months \$million	Between six months and one year \$million	Between one year and five years \$million	More than five years \$million	Non-interest bearing \$million	Trading book \$million	Total \$million
Assets								
Cash, balances at central banks and cheques in course of collection	458	–	–	–	–	779	–	1,237
Treasury bills and other eligible bills	2,826	1,115	943	59	22	–	85	5,050
Loans and advances to banks	10,731	2,540	1,463	277	135	619	236	16,001
Loans and advances to customers	45,055	4,656	2,939	3,113	1,143	–	103	57,009
Debt securities and equity shares	7,510	3,503	2,120	4,654	627	768	1,255	20,437
Other assets	75	2	311	11	3	7,665	5,209	13,276
Total assets	66,655	11,816	7,776	8,114	1,930	9,831	6,888	113,010
Liabilities								
Deposits by banks	8,479	579	569	275	–	574	374	10,850
Customer accounts	57,579	3,025	2,686	1,645	–	6,578	113	71,626
Debt securities in issue	1,914	416	539	1,608	189	–	211	4,877
Other liabilities	171	1	221	111	50	6,304	5,768	12,626
Subordinated liabilities	–	–	–	338	5,165	(48)*	–	5,455
Minority interests and shareholders' funds	–	–	–	–	–	7,576	–	7,576
Total liabilities	68,143	4,021	4,015	3,977	5,404	20,984	6,466	113,010
Off balance sheet items	1,237	(337)	(1,014)	114	–	–	–	–
Interest rate sensitivity gap	(251)	7,458	2,747	4,251	(3,474)	(11,153)	422	–
Cumulative gap	(251)	7,207	9,954	14,205	10,731	(422)	–	–

* Unamortised discount on the issue of subordinated loan capital.

The risk section of the Financial Review on pages 28 to 37 explains the Group's risk management with respect to asset and liability management.

Notes to the Accounts

Continued

48. Interest Rate Sensitivity Gap for the Non-Trading Book continued

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

* Comparative restated (see note 40).

[†] Unamortised discount on the issue of subordinated loan capital.

49. Non-Structural Currency Exposures

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

The risk section of the Financial Review on page 37 explains risk management with respect to the Group's hedging policies.

50. Structural Currency Exposures

The Group's structural currency exposures were as follows:

	2002			2001		
	Net investments in overseas units \$million	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$million	Structural currency exposures \$million	Net investments in overseas units \$million	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$million	Structural currency exposures \$million
Functional currency of the business unit:						
Singapore Dollar	49	–	49	4	–	4
Indian Rupee	459	–	459	278	–	278
Hong Kong Dollar	(32)	–	(32)	–	–	–
Malaysian Ringgit	428	–	428	453	–	453
Thai Baht	27	–	27	20	–	20
UAE Dirham	170	–	170	316	–	316
Sterling	1,593	(1,542)	51	633	(725)	(92)
Other non US dollar	799	–	799	808	–	808
Total	3,493	(1,542)	1,951	2,512	(725)	1,787

50. Structural Currency Exposures continued

Structural currency exposures for 2001 and 2002 relate to net investments in non US dollar units.

In the years ended 31 December 2001 and 2002, the Group's main operations in non US dollar units were Asia, Africa and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong Dollar, Malaysian Ringgit, Singapore Dollar and Sterling. As the Group prepares its consolidated financial statements in US dollars, it follows that the Group's consolidated balance sheet is affected by movements in the exchange rates between functional currencies and US dollars.

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 section of the Financial Review on page 37 explains the risk management with respect to the Group's hedging policies.

51. Market Risk

Trading book	31 December 2002				31 December 2001			
	12 months to 31 December 2002				12 months to 31 December 2001			
	Average \$million	High \$million	Low \$million	Actual \$million	Average \$million	High \$million	Low \$million	Actual \$million
Daily value at risk:								
Interest rate risk	2.6	6.0	1.6	1.6	2.6	4.2	2.1	2.1
Foreign exchange risk	1.9	2.6	1.1	1.1	2.5	5.3	1.3	1.5
Total	4.5	8.6	2.7	2.7	5.1	9.5	3.5	3.5

This note should be read in conjunction with the market risk section of the Financial Review on pages 28 to 37 which explains the Group's market risk management.

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 the estimated potential change in the market value of the portfolio during a specified period.

The Group Trading book 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 all market risk related activities. In 2002, most of the trading book VaR was measured using the historical simulation and the remainder using the variance-covariance approach. The exposures above are reported under the variance-covariance methodology

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of approximately 97.5 per cent. This confidence level suggests that potential daily losses, 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 methodology 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. The derived volatility and correlations are applied to risk factor sensitivities to measure the VaR.

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.

Notes to the Accounts

Continued

51. Market Risk continued

The Group recognises that there are limitations to the generic VaR methodology. These limitations 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 invalidate the assumption that positions can be closed in a liquid market. VaR is calculated as the Group's exposure as at the close of business, London time. Intra-day risk levels may vary from those reported at the end of the day.

To manage the risk 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 the Group Risk Committee.

52. Hedging Instruments – Unrecognised Gains and Losses on Derivative Hedges

Gains and losses on derivatives used for hedging are recognised and reported in the profit and loss account and balance sheet in line with the underlying items which are being hedged. At 31 December 2002, the unrecognised gains and losses on derivatives used for hedging where the item being hedged had not been recognised were \$20 million and \$18 million respectively.

	2002			2001		
	Gains \$million	Losses \$million	Net gains/ (losses) \$million	Gains \$million	Losses \$million	Net gains/ (losses) \$million
Unrecognised gains and losses at 1 January	41	47	(6)	42	22	20
Exchange translation differences	–	–	–	–	–	–
Gains and losses arising in previous years recognised in the year	(26)	(31)	5	(40)	(20)	(20)
Gains and losses arising in the year but not recognised	5	2	3	39	45	(6)
Unrecognised gains and losses at 31 December	20	18	2	41	47	(6)
Of which:						
Gains and losses expected to be recognised within one year	4	4	–	20	22	(2)
Gains and losses expected to be recognised in more than one year	16	14	2	21	25	(4)
	20	18	2	41	47	(6)

53. UK and Hong Kong Accounting Requirements

The consolidated financial statements of the Group are prepared in accordance with UK GAAP which differs in certain significant respects from Hong Kong GAAP. There would be no material differences between the accounting conventions except as set out below:

Investments in securities

UK GAAP

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis are classified as investment securities. Investment securities are stated at cost less any provision for permanent diminution in value. Where dated investment securities are purchased at a premium or a discount, these premiums or discounts are amortised through the profit and loss account. Securities other than investment securities are classified as dealing securities and are stated at market value.

Hong Kong GAAP

Under Hong Kong Statement of Accounting Practice 24 – Accounting for Investments in Securities (SSAP24), investment securities classified as held-to-maturity securities are stated at amortised cost less any provision for diminution in value. Other securities, not intended to be held until maturity, are accounted for under the ‘alternative’ treatment. Under the alternative treatment securities are identified as either trading or non-trading. Trading securities are stated at fair value with changes in fair value recognised in the profit and loss account as they arise. Non-trading securities are stated at fair value with changes in fair value recognised in the revaluation reserve until disposal.

If the Group had prepared its financial statements under Hong Kong SAAP24 there would have been a net charge to the profit and loss account of \$20 million (2001: \$1 million), an increase in investment in securities of \$60 million (2001: increase of \$1 million) and a credit to reserves of \$42 million (2001: credit of \$1 million).

Tangible Fixed Assets

UK GAAP

Under Financial Reporting Standard 15 – Tangible Fixed Assets (FRS15), revaluation gains should be recognised in the profit and loss account only to the extent (after adjusting for subsequent depreciation) that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account. All other revaluation gains should be recognised in the statement of total recognised gains and losses.

All revaluation losses that are caused by a clear consumption of economic benefits should be recognised in the profit and loss account. Other revaluation losses should be recognised:

- In the statement of total recognised gains and losses until the carrying amount reaches its depreciated historical cost; and
- thereafter, in the profit and loss account unless it can be demonstrated that the recoverable amount (the higher of net realisable value and value in use as defined in Financial Reporting Standard 11 – Impairment of fixed assets and goodwill) of the asset is greater than the revalued amount, in which case the loss should be recognised in the statement of recognised gains and losses to the extent that the recoverable amount of the asset is greater than its revalued amount.

Hong Kong GAAP

Under Hong Kong SSAP17 – Property, Plant and Equipment, when an asset’s carrying amount is increased as a result of revaluation, the increase should be credited directly to equity under the heading of revaluation reserve. However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When an asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense. However, a revaluation decrease should be charged directly against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any excess thereafter will be charged to the profit and loss account.

At 31 December 2002, the Group’s total properties comprised less than one per cent of the Group’s total assets. A formal revaluation of certain of the Group’s principal properties was performed at 31 August 2002, and at 30 September 2002 for all other properties, by independent valuers.

If the Group had prepared its financial statements under Hong Kong SSAP17 there would have been a net charge to the profit and loss account of \$80 million (2001: \$Nil million) in respect of valuations below depreciated historical cost.

Notes to the Accounts

Continued

53. UK and Hong Kong Accounting Requirements continued

Dividends

UK GAAP

Dividends declared after the period end are recognised as a liability in the period to which they relate.

Hong Kong GAAP

Under Hong Kong SSAP9 (revised) – Events after the balance sheet date which is effective for accounting periods beginning on or after 1 January 2001, dividends are only recognised as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

The retained profit for the year ended 31 December 2002 would be increased by \$56 million (year ended 31 December 2001, \$31 million increase) had the Company adopted Hong Kong SSAP9 (revised), and there would have been an increase in reserves of \$385 million (2001: increase \$329 million).

Cash Flow Statement

UK GAAP

The Group prepares its cash flow statement in accordance with Financial Reporting Standard 1 – Cash flow statements (FRS1). FRS1 is based on cash, with no concept of cash equivalents. Cash is defined as cash in hand and deposits with qualifying financial institutions repayable on demand, less overdrafts from such institutions repayable on demand.

Hong Kong GAAP

Under Hong Kong SSAP15 – Cash flow statements (Revised 2001) the statement is based on a wider concept of cash and cash equivalents. Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Hong Kong SSAP15 also specifies that bank borrowings are generally considered to be financing activities. However, bank overdrafts repayable on demand which form an integral part of an enterprise's Cash Management are included as a component of cash and cash equivalents.

In addition, Hong Kong SSAP15 is different from FRS1 in respect of the presentation/classification of the cash flow statement. Hong Kong SSAP15 classifies cash flows under three headings: (a) cash flows from operating activities; (b) cash flows from investing activities; and (c) cash flows from financing activities. FRS1 specifies a fuller analysis using eight headings: (a) cash flows from operating activities; (b) dividends from joint ventures and associates; (c) returns on investment and servicing of finance; (d) taxation; (e) capital expenditure and financial investment; (f) acquisitions and disposals; (g) equity dividends paid; and (h) financing.

Retirement Benefits

UK GAAP

Background

Financial Reporting Standard 17 – Retirement benefits (FRS17) has been published by the Accounting Standards Board in December 2000 to replace United Kingdom SSAP24 – Accounting for pension costs.

Currently UK SSAP24 is still applicable although additional disclosure is required under the transitional provisions in FRS17.

Hong Kong GAAP

Hong Kong SSAP34 – Employment benefits has been published by the Hong Kong Society of Accountants in December 2001 and is effective for periods beginning on or after 1 January 2002. Hong Kong SSAP34 contains transitional provisions which are applicable only to defined benefit plans.

Hong Kong SSAP34 requires the defined benefit pension scheme assets to be measured at fair value at the balance sheet date. Hong Kong SSAP34 requires actuarial gains and losses to be recognised in the profit and loss account if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of ten per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and ten per cent of the fair value of any plan assets at that date. These limits should be calculated and applied separately for each defined benefit plan. Actuarial gains and losses falling outside this ten per cent 'corridor' may be recognised in the profit and loss account over the average remaining working lives of participating employees. However, recognition on a fast systematic basis is permitted if consistently applied. In addition, Hong Kong SSAP34 does not allow the balance sheet or liability to be offset by the related deferred tax.

53. UK and Hong Kong Accounting Requirements continued

Transitional provisions for defined benefit scheme are summarised as follows:

- A liability or asset at the date of first adoption of Hong Kong SSAP34 needs to be determined and compared to the amount that would have been recognised at the same date under the previous accounting policy.
- A resulting transitional loss can be recognised either immediately under Hong Kong SSAP2 – Net profit or loss for the period, fundamental errors and changes in accounting policies or on a straight-line basis over up to five years from the date of adoption.
- A resulting transitional gain should be recognised immediately under Hong Kong SSAP2.

The Group has not quantified, on practical grounds, the differences arising from the different treatments between Hong Kong GAAP and UK GAAP for retirement benefits. In order to quantify the differences, the Group would need to examine approximately 50 different retirement benefit schemes operating throughout the world during the period. Additionally, the Group has already provided disclosures under two accounting standards (UK SSAP24 and FRS17). Full compliance with a third standard (Hong Kong SSAP34) would be costly in terms of commissioning a third actuarial review, the results of which the Group do not believe would be materially different from those obtained under the FRS17 disclosures.

Investment in subsidiaries

UK GAAP

Standard Chartered PLC has recorded its investments in subsidiary undertakings at the Company's share of their attributable net assets, together with any long-term loans provided by the Company to the subsidiary undertakings.

Hong Kong GAAP

Under Hong Kong SSAP32 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries, investments in undertakings are recorded at cost less any impairment loss in the Company balance sheet.

If the Company had prepared its financial statements under Hong Kong SSAP32 there would have been a reduction in the reserves of the Company at 31 December 2002 of \$3,177 million (2001: \$3,792 million).

There would have been no impact on the consolidated financial statements of the Group.

Deferred taxation

UK GAAP

Under Financial Reporting Standard 19 – Deferred tax, deferred taxation is provided in full, subject to the recoverability of deferred tax assets, on timing differences at the rates of taxation anticipated to apply when the differences crystallise, arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Hong Kong GAAP

Under Statement of Standard Accounting Practice 12 – Accounting for deferred tax, provision is made, under the liability method, for the tax effect arising from all material timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

The deferred tax asset balance would be decreased by \$165 million at 31 December 2002 (31 December 2001: \$156 million) and the deferred tax liability balance would be increased by \$nil at 31 December 2002 (at 31 December 2001: \$nil; 2000). The profit and loss reserves balance would be decreased by \$149 million (at 31 December 2001: \$140 million) and the Premises Revaluation Reserve would be decreased by \$16 million at 31 December 2002 (at 31 December 2001: US \$16 million).

Supplementary Financial Information

Average Balance Sheets and Yield

The following tables set out the average balances and yields for Standard Chartered's assets and liabilities for the years ended 31 December 2002 and 31 December 2001. For the purpose 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. The Company does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	2002			
	Average non interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield per cent
Assets				
Cash, balances at central banks and cheques in course of collection	946	184	3	1.8
Treasury bills and other eligible bills	–	5,006	256	5.1
Gross loans and advances to banks	1,072	19,821	732	3.7
Gross loans and advances to customers	625	56,977	3,536	6.2
Provisions against loans and advances to banks and customers	(2,509)	(708)	–	–
Debt securities	11	18,387	761	4.1
Equity shares	124			
Premises and equipment	949			
Prepayments, accrued income and other assets	8,094			
Total average assets	9,312	99,667	5,288	5.3

	2001			
	Average non* interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield per cent
Assets				
Cash, balances at central banks and cheques in course of collection	758	180	7	3.8
Treasury bills and other eligible bills	–	3,690	253	6.9
Gross loans and advances to banks	1,117	24,518	1,172	4.8
Gross loans and advances to customers	901	55,286	4,211	7.6
Provisions against loans and advances to banks and customers	(2,404)	(735)	–	–
Debt securities	14	13,799	776	5.6
Equity shares	59			
Premises and equipment	942			
Prepayments, accrued income and other assets	8,576			
Total average assets	9,963	96,738	6,419	6.6

*Comparative restated (see note 40).

Average Balance Sheets and Yield continued

	2002			
	Average non interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid per cent
Liabilities				
Non interest bearing current and demand accounts	6,473	–		
Interest bearing current and demand accounts	–	18,339	194	1.1
Saving deposits	43	4,750	107	2.2
Time deposits	15	50,297	1,403	2.8
Other deposits	96	3,310	93	2.8
Debt securities in issue	1,930	4,151	125	3.0
Accruals, deferred income and other liabilities	6,200	–	–	–
Subordinated liabilities:				
Undated loan capital	–	1,795	61	3.4
Dated loan capital	–	3,842	242	6.3
Minority interests	118			
Shareholders' funds	7,620			
Total average liabilities and shareholders' funds	22,495	86,484	2,225	2.6
Net yield				2.7
Net interest margin				3.1

	2001			
	Average non* interest bearing balance \$million	Average* interest bearing balance \$million	Interest* expense \$million	Rate paid per cent
Liabilities				
Non interest bearing current and demand accounts	5,322	–	–	
Interest bearing current and demand accounts	–	16,140	421	2.6
Saving deposits	45	4,703	132	2.8
Time deposits	21	51,864	2,204	4.2
Other deposits	45	3,648	180	4.9
Debt securities in issue	1,758	4,696	238	5.1
Accruals, deferred income and other liabilities	6,512	–	–	–
Subordinated liabilities:				
Undated loan capital	–	1,507	78	5.2
Dated loan capital	–	4,066	266	6.5
Minority interests	74			
Shareholders' funds	6,300			
Total average liabilities and shareholders' funds	20,077	86,624	3,519	4.1
Net yield				2.6
Net interest margin				3.0

* Comparative restated (see note 40).

Supplementary Financial Information

Continued

Volume and Price Variances

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

	2002 versus 2001		
	Increase/(decrease) in interest due to		Net* increase/ (decrease) in interest
	Volume \$million	Rate \$million	\$million
Interest-earning assets			
Cash and unrestricted balances at central banks	–	(4)	(4)
Treasury bills and other eligible bills	67	(64)	3
Loans and advances to banks	(179)	(261)	(440)
Loans and advances to customers	105	(780)	(675)
Debt securities and equity shares	190	(205)	(15)
Total interest-earning assets	183	(1,314)	(1,131)
Interest-bearing liabilities			
Dated subordinated loan capital	(14)	(10)	(24)
Undated subordinated loan capital	10	(27)	(17)
Interest bearing current and demand accounts	23	(250)	(227)
Savings deposits	1	(26)	(25)
Time deposits	(44)	(757)	(801)
Other deposits	(9)	(78)	(87)
Debt securities in issue	(16)	(97)	(113)
Total interest bearing liabilities	(49)	(1,245)	(1,294)

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

* Comparative restated (see note 40).

Five Year Summary

	2002 \$million	2001* \$million	2000* \$million	1999* \$million	1998* \$million
Operating profit before provisions	1,982	1,820	1,347	1,622	1,889
Provisions for bad and doubtful debts, and contingent liabilities and commitments	(712)	(731)	(470)	(801)	(723)
Amounts written off fixed asset investments	(8)	–	–	–	–
Operating profit	1,262	1,089	877	821	1,166
Profit before taxation	1,262	1,089	1,409	821	1,166
Profit attributable to shareholders	844	699	1,026	557	793
Loans and advances to banks	16,001	19,578	23,759	18,470	15,816
Loans and advances to customers	57,009	53,005	51,882	46,651	43,311
Total assets	113,010	107,535	102,435	87,786	79,562
Deposits by banks	10,850	11,688	11,103	8,999	8,184
Customer accounts	71,626	67,855	65,037	56,941	50,252
Shareholders' funds	7,327	7,538	6,508	5,594	4,837
Total capital resources ⁽¹⁾	13,031	12,959	11,117	8,783	6,839
Information per ordinary share					
Basic earnings per share	57.6c	55.9c	92.2c	50.8c	76.8c
Normalised earning per share ⁽²⁾	74.9c	66.3c	71.1c	53.7c	77.8c
Dividends per share	47.00c	41.92c	38.105c	36.967c	34.395c
Net asset value per share	572.05c	555.3c	551.1c	496.6c	450.2c
Ratios					
Post-tax return on ordinary shareholders' funds-normalised basis ⁽²⁾	13.4%	12.0%	13.4%	11.5%	18.2%
Basic cost to income ratio	53.1%	55.8%	57.3%	57.0%	51.6%
Cost to income ratio – normalised basis ⁽²⁾	53.6%	55.8%	57.3%	57.0%	51.6%
Capital ratios:					
Tier 1 capital	8.6%	9.0%	7.2%	8.8%	8.5%
Total capital	14.5%	16.2%	14.3%	15.1%	13.0%

* Comparative restated (see note 40).

(1) Shareholders' funds, minority interests and subordinated loan capital.

(2) Results on a normalised basis reflect the Group's results, excluding profits and losses of a capital nature, charges for restructuring and profits and losses on repurchase of share capital.

Principal Group Addresses

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2337/956 1713
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A. Christopher M. Low

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Standard Chartered Bank
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6555/7766
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Country Chief Executive Officer: Anish Paul

Nepal

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Country Chief Executive Officer: Sujit Mundal

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2000/262 6801–5/262 6815–19
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Country Chief Executive Officer: Simon Morris

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753212/5
Country Chief Executive Officer:
Washington Matsaira

Representative Offices

(Full banking facilities not provided)

Argentina

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Bahamas (Managing Agent)

Contact the New York office:
+1 212 6670700

Brazil

Telephone: +55 11 3371 0150

Cambodia

Telephone: +855 23
216685/212729

Iran

Telephone: +98 21888 1918/9

Laos

Telephone: +856 21 414422

Mexico

Telephone: +52 55 5387 1307

Myanmar

Telephone: +95 1 240260/240274

South Africa

Telephone: +27 11 3010600

Standard Chartered branches/offices:

Argentina	1
Australia	1
Bahamas	1
Bahrain	5
Bangladesh	18
Botswana	14
Brazil	1
Brunei	8
Cambodia	1
Cameroon	2
China	15
Hong Kong SAR	75
Colombia	1
Falkland Islands	1
The Gambia	4
Ghana	23
Greece	2
India	62
Indonesia	6
Iran	1
Ivory Coast	3
Japan	1
Jersey	1
Jordan	7
Kenya	29
Laos	1
Lebanon	5
Macao	1
Malaysia	31
Mauritius	1
Mexico	2
Myanmar	1
Nepal	9
Nigeria	3
Oman	1
Pakistan	22
Peru	1
Philippines	6
Qatar	1
Republic of Korea (South Korea)	1
Sierra Leone	3
Singapore	20
South Africa	1
Sri Lanka	9
Taiwan	3
Tanzania	7
Thailand	42
Uganda	6
United Arab Emirates	11
United Kingdom	6
United States of America	3
Venezuela	1
Vietnam	2
Zambia	15
Zimbabwe	30

Shareholder Information

Dividend and Interest Payment Dates

Ordinary shares	Final dividend	Interim dividend (provisional only)
Results and dividend announced	19 February 2003	6 August 2003
Ex dividend date	26 February 2003	13 August 2003
Record date for dividend	28 February 2003	15 August 2003
Last date to elect for share dividend or to change standing instructions	10 April 2003	22 September 2003
Dividend payment date	13 May 2003	14 October 2003

Preference shares	1st half yearly dividend	2nd half yearly dividend
7¼per cent Non-Cumulative Irredeemable preference shares of £1 each	1 April 2003	1 October 2003
8¼per cent Non-Cumulative Irredeemable preference shares of £1 each	1 April 2003	1 October 2003
8.9 per cent Non-Cumulative preference shares of \$5 each:	dividends paid on the 1st of each calendar quarter.	

Annual General Meeting

The Annual General Meeting will be held at 12 noon on 8 May 2003 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB.

Interim Results

The interim results will be announced to the London Stock Exchange, the Stock Exchange of Hong Kong and put on our website:

www.standardchartered.com.

ShareCare

ShareCare is available to shareholders on the United Kingdom register and allows you to hold your Standard Chartered shares in a nominee account. Your shares can be held in electronic form so you will no longer have to worry about keeping your share certificates safely. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please contact the shareholder helpline on 0870 702 0138.

Low Cost Share Dealing Service

We are pleased to be able to offer shareholders on the United Kingdom register a postal dealing service through NatWest Stockbrokers Limited and the use of the Instant Share Dealing Service which is available in many NatWest branches. If you would like details of these services please contact NatWest Stockbrokers Limited on 0870 600 2050. You can also request details of the service in pdf. Please e-mail NatWest Stockbrokers on contactces@natwest.com (quoting Standard Chartered Shareholder Dealing Services).*

Previous Dividend Payments

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 1998	16 October 1998	6.25p	587.2p
Final 1998	28 May 1999	14.50p	889.5p
Interim 1999	15 October 1999	6.75p	860.8p
Final 1999	26 May 2000	16.10p	797.9p
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/\$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/\$10.215

* Insofar as this reference constitutes an investment advertisement it has been approved by NatWest Stockbrokers Limited for the purposes of Section 21 (2)(b) of the Financial Services and Markets Act 2000 only. NatWest Stockbrokers Limited is a member of the London Stock Exchange and is regulated by the FSA. Telephone calls with NatWest Stockbrokers may be monitored or recorded in order to maintain and improve service.

Bankers' Automated Clearing System (BACS)

Dividends and loan stock interest can be paid straight into your bank or building society account. Please contact our registrar for a mandate form.

Registrars and Shareholder Enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC, at PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH. There is a shareholder helpline on 0870 702 0138. If you hold your shares on the Hong Kong branch register please contact Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong. You can check your shareholding at:

www.computershare.com.

Chinese Translation

If you would like a Chinese version of this Report and Accounts please contact:

Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong.

年報之中文譯本可向香港中央證券登記有限公司索取。

地址：香港皇后大道東183號合和中心1901-5室。

Shareholders on the Hong Kong branch register who have asked to receive the report and accounts in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Report and Accounts, the English text shall prevail.

Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

Electronic Communications

If you hold your shares on the United Kingdom register and in future you would like to receive the Report and Accounts electronically rather than by post, please register online at: www.standardchartered.com/investors. Then click on **Update Shareholder Details** and follow the instructions. You will need to have your Shareholder or ShareCare Reference number when you log on. You can find this on your share certificate or ShareCare statement.



Seeing is Believing
 Giving 28,000 people back their sight—
 \$25 for a cataract operation can let
 someone see again.

Seeing is Believing is Standard Chartered's global community fundraising project which aims to raise \$700,000, enough to restore sight to 28,000 people around the world by World Sight Day, 9th October 2003.

If you would like to support Seeing is Believing please contact:
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 Head of Corporate Social Responsibility
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 March 2003

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