

## HIGHLIGHTS

### STANDARD CHARTERED PLC RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

#### Results

- Profit before tax up 52 per cent to \$1,106 million, compared with \$730 million\* in H1 2003 (H2 2003: \$829 million\*).
- Net revenue up 16 per cent to \$2,722 million from \$2,340 million\* (H2 2003: \$2,400 million\*).
- Costs (including goodwill) up 14 per cent to \$1,475 million (H1 2003: \$1,296 million\*; H2 2003: \$1,338 million\*).
- Debt charge down 55 per cent to \$139 million (H1 2003: \$308 million; H2 2003: \$228 million).
- Normalised earnings per share up 41 per cent at 57.9 cents (H1 2003: 41.0 cents; H2 2003: 49.6 cents).
- Normalised return on equity reaches 19.0 per cent (H1 2003: 14.3 per cent; H2 2003: 16.7 per cent).
- Interim dividend per share increased by 10 per cent to 17.06 cents.

#### Significant achievements

- Record first half profits
- Consumer Banking operating profit up 47 per cent
- Wholesale Banking operating profit up 31 per cent
- Incorporated local business in Hong Kong, ahead of schedule
- Acquisition of PrimeCredit

Commenting on these results, the Chairman of Standard Chartered PLC, Bryan Sanderson, said:

**“The Group has achieved another strong half-year performance and we see good growth across most of our markets. We are an increasingly confident bank with a growing track record for performance, strongly positioned in a number of vibrant and growing economies. We intend to take full advantage of these positive conditions.”**

\*Comparative restated (see note 32 on page 71).

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

## STANDARD CHARTERED PLC - SUMMARY OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03*	6 months ended 31.12.03* \$m
<b>RESULTS</b>			
Net revenue	<b>2,722</b>	2,340	2,400
Provisions for bad and doubtful debts and contingent liabilities	<b>(139)</b>	(308)	(228)
Profit before taxation	<b>1,106</b>	730	829
Profit attributable to shareholders	<b>746</b>	481	549
<b>BALANCE SHEET</b>			
Total assets	<b>129,135</b>	119,846	120,224
Shareholders' funds:			
Equity	<b>7,367</b>	6,829	6,897
Non-equity	<b>655</b>	625	649
Capital resources	<b>14,571</b>	13,343	14,127
<b>INFORMATION PER ORDINARY SHARE</b>			
	<b>Cents</b>	Cents	Cents
Earnings per share – normalised basis	<b>57.9</b>	41.0	49.6
basic	<b>61.2</b>	38.7	43.8
Dividend per share	<b>17.06</b>	15.51	36.49
Net asset value per share	<b>628.4</b>	585.0	588.9
<b>RATIOS</b>			
	<b>%</b>	%	%
Post-tax return on equity – normalised basis	<b>19.0</b>	14.3	16.7
Cost income ratio – normalised basis	<b>53.2</b>	53.6	53.2
Capital ratios:			
Tier 1 capital	<b>9.2</b>	8.5	8.7
Total capital	<b>15.6</b>	14.3	14.6

\* Comparative restated (see note 32 on page 71).

Results on a normalised basis reflect the Group's results excluding amortisation of goodwill, profits/losses of a capital nature, profits/losses on repurchase of share capital and subordinated debt.

## STANDARD CHARTERED PLC - CHAIRMAN'S STATEMENT

I am pleased to report that the Group has achieved another strong half-year performance.

While we have certainly had the advantage of a 'fair wind' in some of our markets, we have delivered real growth and productivity improvement, extending our track record of consistent performance.

### First Half Results

Revenue is up 16 per cent on the first half of 2003, pre-tax profit is up 52 per cent. The Board has approved an interim dividend of 17.06 cents. In addition we have achieved strong earnings per share growth with EPS up 41 per cent.

### Creating the Right Governance Structure

It is important that we have the right governance platform to ensure we sustain our strong performance. Good governance not only underpins shareholder confidence that we are a well-run institution, but it also adds value to our business.

We have made a number of changes to the Board structure to bring us in line with the new Combined Code. These include: the creation of a new Nomination Committee, the establishment of a separate Remuneration Committee and the appointment of a Senior Independent Director, Hugh Norton.

In addition we have appointed four new high-calibre Non-Executive Directors; Paul Skinner, Ruth Markland, Jamie Dundas and Oliver Stocken. Each brings a wealth of experience in our key markets.

These changes have strengthened the Board and increased its diversity and breadth of international and financial experience.

It is essential that the Board is there to question and challenge the management of the Company. The Non-Executive Directors are

there to provide support and encouragement but not comfort.

I am confident that we have the right Board with the right expertise to take our Company forward.

### Community

Many things help define the culture of a company, and our work in the area of Corporate Social Responsibility sets us apart.

Nothing has quite gripped the imagination and hearts and minds of our staff like "Seeing is Believing", which has already restored sight to 68,000 people. That's why we are expanding our "Seeing is Believing" programme with the target of restoring sight to one million people over the next three years.

We will continue with our AIDS programme, "Living with HIV", and extend this to include the provision of anti-retroviral drugs for employees and their immediate dependents. We aim to break down the myths surrounding HIV, a pandemic that is not only present in our markets but across the globe.

We are also launching a new initiative around our marathon sponsorships in Hong Kong, Singapore, Mumbai and Nairobi. This is another demonstration of the strength of our brand.

### Positioning for Growth

Our strategy is threefold:

We will pursue organic growth across our markets with small add-ons to fill gaps in our coverage and extend our product range. Second, we will build on our long history in China: in the Pearl River Delta by using and enhancing our Hong Kong base; and by seeking alliances with one or more local banks to cover the key economic areas. The incorporation last month of our local

## **STANDARD CHARTERED PLC - CHAIRMAN'S STATEMENT (continued)**

business in Hong Kong will help us take advantage of closer economic integration with mainland China.

Third, we will examine acquisitions in a few selected markets where we would like to be much bigger, faster. However, financial discipline will be at the top of our agenda, as demonstrated earlier this year in South Korea. We reached a point where we were unwilling to proceed with discussions on KorAm and opted to take a profit of \$95 million on our stake.

We are successfully building a broader base with a growing proportion of our revenue coming from India, Africa and the Middle East. This diversity of earnings opens up opportunities which we are well positioned to capitalise on.

### **Growth in Our Markets**

As one of the world's most international banks we are operating under economic conditions that are considerably different from our OECD counterparts. Right now, we see good growth across most of our markets. Despite uncertainties, such as rising interest rates, the upward trend in oil prices and the threat of terrorist shocks, we expect this growth to continue.

What distinguishes us is that we are an increasingly confident bank with a growing track record for performance, strongly positioned in a number of vibrant and growing economies. We intend to take full advantage of these positive conditions. However, we will be disciplined and consistent performance remains our top priority.

**Bryan Sanderson CBE  
Chairman  
4 August 2004**

## STANDARD CHARTERED PLC – GROUP CHIEF EXECUTIVE’S REVIEW

In the first half of 2004 we have continued to deliver strong financial performance, achieving a record profit of \$1,106 million, an increase of 52 per cent half year on half year. Revenue has increased 16 per cent and the momentum in our businesses is strong.

Our aspiration is to become the world’s best international bank, leading the way in Asia, Africa and the Middle East.

Over the last two years our management team has been committed to improving performance and taking returns to a higher level. We have achieved this and will continue to deliver for our shareholders, while sustaining the growth and investment in our businesses.

We have made a number of one-off gains in the first half, which have contributed to our strong results, including the disposal of our stake in Bank of China (BOC Hong Kong (Holdings) Limited) for a profit of \$36 million, and our holding in KorAm for a profit of \$95 million.

Offsetting these gains we took the opportunity to repurchase some surplus subordinated debt in India, where we paid a premium of \$21 million. We also incurred one-off costs of \$18 million for incorporating our business in Hong Kong.

### Progress on our Management Agenda

At our annual results in February 2004 we outlined six key priorities for 2004:

- Accelerate Consumer Banking revenue and growth
- Drive returns in Wholesale Banking
- Step up growth in India
- Build China options
- Deliver technology benefits
- Begin out-serve journey

We continue to make excellent progress on our near term management agenda. We have a very clear and ambitious strategy and we are making the right strategic moves to deliver against it.

### Consumer Banking

Consumer Banking is a high growth, high return on equity business. In the first half of 2004 revenues increased by ten per cent.

Our good performance last year allowed us to accelerate the pace of investment to capture growth opportunities. Costs therefore increased by 13 per cent. This investment is already paying off and we have seen strong double-digit revenue growth in countries like Thailand, UAE, Bangladesh and Malaysia.

Costs remain in line with the second half of 2003, up two per cent, as investment in distribution and product capabilities is maintained to capitalise on the opportunities in our markets.

Overall, bad debts have fallen by 47 per cent. Bad debts in Hong Kong have fallen more quickly than expected and outside Hong Kong, bad debt levels have improved as a result of the investments in our risk discipline and a benign credit environment.

We have seen excellent customer acquisition in wealth management through innovative products such as retail bonds and investment products, the beginnings of what is a strong international banking proposition, solid progress in cards and we are continuing to gain market share in mortgages.

Consumer Banking is now becoming a broader, more customer-centric business with a growing product set. However, the market is changing and there are a number of businesses where we are currently a small player - for example, we have a small market share in the SME (Small and Medium sized Enterprises) business. This is a very profitable segment and we have now developed new SME product propositions that we are rolling out, initially in Hong Kong, Singapore and Thailand.

We have not been present in the consumer finance business in Asia. Consequently, we acquired PrimeCredit in Hong Kong - this acquisition is small but is important for our entry

## **STANDARD CHARTERED PLC – GROUP CHIEF EXECUTIVE’S REVIEW (continued)**

to the consumer finance market. We will learn from this acquisition as we look to expand this business in the region.

Demographic changes in our markets and increasing demand for banking products gives us many growth opportunities in Consumer Banking. We intend to seize these opportunities.

### **Wholesale Banking**

The transformation of our Wholesale Banking business continues apace and it is now beginning to deliver on its potential - with positive jaws (the gap between revenue and cost increases), a broader product capability with a significant expansion of the global markets business, a good trade-off of revenue and risk and, as a result of all these, improved returns on tightly controlled economic capital.

Revenues have increased by 13 per cent with particularly good growth in global markets and commercial banking products.

Costs have increased in the first half due to the increased investment in product capabilities, including debt capital markets, derivatives, investment in infrastructure and also an increase in performance-driven variable compensation. We believe all of these measures will prove to be good investments and will deliver strong returns.

Bad debts remained at a very low level in the first half, due to good risk management and a benign credit environment.

We believe that we have much more potential as we widen our product array. Our constant focus is on balancing risk with reward and delivering good returns.

### **Hong Kong and Greater China**

Hong Kong is our largest market and China is at the heart of our growth strategy. On 1 July 2004, we incorporated our Hong Kong business, which will provide the Group with an

opportunity to further capitalise on the business advantages created as a result of the closer economic integration between Hong Kong and China.

We have seen a significant improvement in economic conditions in Hong Kong from last year and the bankruptcy problem has improved considerably on the back of reduced unemployment levels. However consumer spending remains sluggish. We are changing our business model, expanding our branch footprint, refurbishing branches and launching a marketing campaign to win market share.

China remains a key priority for us. We are applying for new licences, driving forward our branch expansion plans and extending our Hong Kong business into the Pearl River Delta. We are developing the right growth options and have the scale to be a big player.

### **India**

India is a country where we have huge ambitions. It is also a market in which we have seen strong growth in favourable economic conditions.

We have grown our sales force dramatically over the last 12 months. We have already added 2,200 new sales agents, expanded our ATM network and we will open 11 new branches in the second half, extending our coverage to 40 cities next year.

### **Technology and Operations**

In Technology and Operations we are now a leader in our industry in hubbing of operational and analytical roles. Our Shared Service Centres in Chennai and Kuala Lumpur give us operating scale, allowing us to control our costs.

We are also at the forefront in terms of developing systems and software offshore. This has allowed us to build innovative systems to support our customers, particularly in Consumer Banking.

## **STANDARD CHARTERED PLC – GROUP CHIEF EXECUTIVE’S REVIEW (continued)**

### **Focus on Service**

Although we are one of the leading banks in service in the markets we operate in, our goal is to provide excellent service. In some areas, for example, Priority Banking globally and 20twenty in South Africa we already do this. We want to make every customer experience as good as the best ones that we offer today. We are absolutely committed to making this happen because we believe stronger customer satisfaction and loyalty will ultimately lead to improved returns.

### **Growth in Other Markets**

#### **Middle East South Asia**

We are growing rapidly in the Middle East South Asia region, taking advantage not only of the size and sophistication of the banking population in this region - approximately 470 million people - but also the fragmented competition.

Our growth is broad-based across a number of countries - UAE, Qatar, Pakistan, Bangladesh and Bahrain are performing well.

#### **Africa**

Africa has had a good first half - particularly in Wholesale Banking. Strong commodity prices and US investment in the oil and infrastructure sectors have accelerated growth across the region.

Our growth strategy is focused on Nigeria and South Africa, but we are also doing well in markets like Tanzania, Uganda and Botswana.

### **Disciplined Growth**

As we position the Company for accelerated growth, we will ensure that the engine of the Bank is fuelled with effective processes and controls, good risk discipline and the right systems and infrastructure.

Strong processes and controls will make us more nimble and forward-looking in a changing world. And it makes us more confident as we step up the pace of growth.

### **The Outlook - Delivering Today, Investing for Tomorrow**

Our performance in the first half has been strong. However, there is no room for complacency. The external environment is still prone to shocks and there are a number of uncertainties. We have to stay focused and keep on delivering, just as we have done in the last few years.

We have a clear and ambitious strategy, a confident management team and there are plenty of opportunities in our markets.

We are confident we will continue to deliver improved performance.

**Mervyn Davies CBE  
Group Chief Executive  
4 August 2004**



## STANDARD CHARTERED PLC – FINANCIAL REVIEW

### GROUP SUMMARY

The Group delivered another strong performance in the six months ended 30 June 2004 with a record profit before tax of \$1,106 million, up 52 per cent on the equivalent period last year. Normalised earnings per share has grown by 41 per cent to 57.9 cents. (Refer to note 10 on page 48 for the details of basic and diluted earnings per share).

The first half performance was driven by broad-based growth across geographies and products and an excellent debt performance. The results have also benefited from two one-off gains reported within other operating income. In January 2004 the Group sold its investment in BOC Hong Kong (Holdings) Limited realising a net profit of \$36 million and in May 2004, it disposed of its investment in KorAm realising a net profit of \$95 million. These gains were partially offset by a \$21 million premium paid on the repurchase of surplus subordinated debt in India. One-off costs of \$18 million were incurred on incorporating the Group's business in Hong Kong. The effect of these gains and charges, all of which arose from corporate decisions taken at the centre and are non-recurring in nature, have not been attributed to the Consumer Banking and Wholesale Banking businesses in the business segmental results. Profit before tax adjusted for these one-off gains and charges increased by 39 per cent compared to the first half of 2003.

The Group has adopted fully the provisions of FRS 17 "Retirement Benefits" for the first time and prior period figures have been restated. See note 32 on page 71.

Net revenue has grown by 16 per cent in total to \$2,722 million compared to the first half of last year. The increase is 12 per cent when adjusted for the one-off items above. Both Consumer Banking and Wholesale Banking achieved double digit revenue growth. Business momentum is strong.

Net interest income grew by six per cent to \$1,546 million. A fall in interest margins from 2.8 per cent to 2.7 per cent has been offset by 11 per cent growth in average earning assets. Interest spread fell from 2.6 per cent to 2.4 per cent.

Net fees and commissions increased by 24 per cent from \$536 million to \$665 million. Growth was seen in every region, driven by wealth management, mortgages and corporate advisory services.

Revenue from dealing profits grew by 21 per cent from \$274 million to \$332 million, largely driven by customer led foreign exchange dealing. In particular, retail foreign exchange performed well.

Other operating income at \$176 million compares to \$79 million for the same period last year. The increase reflects the profit on disposal of investments in KorAm and BOC Hong Kong (Holdings) Limited. This was partly offset by a fall in profits on investment securities as a result of a programme to reduce the risk in the book in 2003 and the premium on the repurchase of subordinated debt in India.

Total operating expenses increased from \$1,296 million to \$1,475 million. Of this increase \$18 million resulted from incorporating the business in Hong Kong and \$21 million from accelerated goodwill amortisation. The adjusted cost increase, excluding goodwill, was 11 per cent, broadly in line with adjusted revenue growth. The normalised cost income ratio has fallen from 53.6 per cent in the first half of 2003 to 53.2 per cent in the current period. With strong revenue growth, the Group continued to invest for growth and increased spend on its regulatory and control infrastructure.

Provisions for bad and doubtful debts fell by 55 per cent to \$139 million. This excellent performance is a direct result of significantly strengthened risk management discipline, as well as a favourable credit environment.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### CONSUMER BANKING

Consumer Banking showed strong momentum with operating profit up 47 per cent over the first half of 2003 to \$524 million. The accelerated investment in growth opportunities in the second half of 2003 is delivering results. Revenue increased by ten per cent to \$1,335 million, driven by strong asset growth of 15 per cent outside Hong Kong and an increased contribution across all product segments. Investing for growth has led to a 13 per cent increase in costs when compared to the first half of 2003, but only two per cent when compared to the second half of 2003. The bad debt charge fell by 47 per cent. The debt charge in Hong Kong fell significantly and charges elsewhere also improved.

Hong Kong delivered an excellent increase in operating profit of 117 per cent to \$234 million. This was largely driven by a lower debt charge and tight cost control. Revenue grew by five per cent to \$489 million. Strong margin growth in mortgages and a good performance in wealth management was offset by subdued asset levels across the market.

In Singapore, operating profit was broadly flat at \$90 million in an intensely competitive environment. Despite contracting margins, revenue growth was four per cent, fuelled by wealth management and asset growth in Business Financial Services.

Operating profit in Malaysia was up 21 per cent to \$35 million with strong performance across all products. Revenue grew by 13 per cent. Continued margin pressure in the mortgage portfolio was offset by higher volume. Wealth management revenue increased significantly, driven by unit trust sales.

In Other Asia Pacific, operating profit at \$37 million was constrained by growth in costs

which increased by 29 per cent to \$112 million as the Group took advantage of growth opportunities, particularly in South Korea and China. There was good profit growth in Taiwan fuelled by investment services sales and retail deposits. Revenue in Thailand grew by 35 per cent driven by credit cards and personal loans. Wealth management and personal loans contributed to revenue growth of 21 per cent in Indonesia.

In India, strong asset growth and a lower debt charge drove operating profit up by 72 per cent to \$43 million, despite contracting margins. Costs increased by \$11 million to \$70 million as a result of continued investment to support the rapid business growth and enhanced risk management.

Operating profit in the UAE increased by \$6 million to \$30 million with revenue up by 18 per cent, driven by credit cards and personal loans. Costs were higher than the equivalent period in 2003, reflecting the continued investment from the second half of 2003. Elsewhere in MESA operating profit grew by 14 per cent to \$32 million with strong performances in Bangladesh, and Bahrain.

In Africa, operating profit has increased by ten per cent, with revenue up by 24 per cent to \$107 million. This was largely driven by asset growth in Botswana, Nigeria and Uganda and improved margins in Zimbabwe. Costs have grown by 26 per cent. This was driven by continued investment in Nigeria and South Africa and inflationary pressures.

The Americas, UK and Group Head Office has seen an increase in operating profit from \$5 million to \$12 million, largely driven by tight cost control. The business has been refocused on a new international banking offering which has delivered promising growth in the first half of 2004 through five international booking centres.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

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

### 6 months ended 30.06.04

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Consumer Banking Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Net revenue	489	168	88	180	124	59	81	107	39	1,335
Costs	(200)	(58)	(45)	(112)	(70)	(25)	(44)	(93)	(27)	(674)
Charge for debts	(55)	(20)	(8)	(31)	(11)	(4)	(5)	(3)	-	(137)
Operating profit	234	90	35	37	43	30	32	11	12	524

### 6 months ended 30.06.03\*

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Consumer Banking Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Net revenue	464	161	78	157	107	50	66	86	40	1,209
Costs	(192)	(53)	(40)	(87)	(59)	(20)	(36)	(74)	(34)	(595)
Charge for debts	(164)	(19)	(9)	(32)	(23)	(6)	(2)	(2)	(1)	(258)
Operating profit	108	89	29	38	25	24	28	10	5	356

### 6 months ended 31.12.03\*

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Consumer Banking Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Net revenue	490	167	84	176	116	52	72	84	38	1,279
Costs	(218)	(57)	(38)	(100)	(67)	(26)	(46)	(84)	(24)	(660)
Charge for debts	(118)	(21)	(10)	(26)	(36)	(5)	(3)	(2)	1	(220)
Operating profit	154	89	36	50	13	21	23	(2)	15	399

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

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

Revenue by product	6 months ended 30.06.04 \$m	6 months ended 30.06.03* \$m	6 months ended 31.12.03* \$m
Cards and Personal Loans	538	506	537
Wealth Management / Deposits	425	403	402
Mortgages and Auto Finance	351	283	320
Other	21	17	20
	<b>1,335</b>	<b>1,209</b>	<b>1,279</b>

\*Comparative restated (see note 32 on page 71).

Cards and personal loans have delivered a stable performance with six per cent growth in a very competitive price environment. Hong Kong has returned to profitability despite eight per cent decline in cards outstandings, as bankruptcy losses continued to fall sharply. Outside of Hong Kong, the portfolio grew by over ten per cent.

Wealth management revenue has increased by five per cent to \$425 million with strong demand for investment products, partially offset by compression in deposit margins.

Mortgages and Auto Finance revenue has grown by 24 per cent to \$351 million driven by new product successes, increased fee income and, in Hong Kong, improved margins.

Costs in Consumer Banking have increased by \$79 million to \$674 million, 13 per cent. This was a direct result of the continued pace of investment in distribution and products which began in the second half of 2003. Cost growth over the second half of 2003 was two per cent.

The net charge for debts in Consumer Banking has fallen by 47 per cent to \$137 million. Bankruptcy charges in Hong Kong have

fallen significantly from \$104 million in first half of 2003 to \$40 million in the current period. This reduction was better than the industry average over the period. Outside of Hong Kong, the debt charge also improved despite 15 per cent asset growth, testimony to the success in reinforcing risk management across all geographies.

### WHOLESALE BANKING

Wholesale Banking had a very successful first half of 2004 with operating profit up 31 per cent at \$578 million. This has been achieved on tightly controlled economic capital. Revenue has increased by 13 per cent to \$1,277 million, with good growth across all product segments in global markets and commercial banking. Customer revenues were up by more than 20 per cent. Costs have increased by ten per cent due to increased investment in product capabilities such as debt capital markets and derivatives, increased spend on infrastructure and controls, and an increase in performance driven compensation. The net debt charge remained at a very low level. This reflected success in changing the risk profile of the business and also a benign credit environment.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

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

	6 months ended 30.06.04									
	Hong Kong \$m	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m
Net revenue	201	97	51	222	136	75	95	163	237	1,277
Costs	(112)	(58)	(29)	(133)	(46)	(25)	(36)	(73)	(183)	(695)
Charge for debts	(37)	3	7	17	-	4	7	4	(7)	(2)
Amounts written off fixed asset investments	-	-	-	-	-	-	-	-	(2)	(2)
Operating profit	52	42	29	106	90	54	66	94	45	578

	6 months ended 30.06.03 *									
	Hong Kong \$m	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m
Net revenue	185	89	42	162	142	67	88	125	231	1,131
Costs	(107)	(52)	(31)	(129)	(40)	(22)	(28)	(60)	(165)	(634)
Charge for debts	(17)	-	5	(31)	1	8	10	(8)	(18)	(50)
Amounts written off fixed asset investments	-	-	-	-	(1)	-	-	-	(5)	(6)
Operating profit	61	37	16	2	102	53	70	57	43	441

	6 months ended 31.12.03 *									
	Hong Kong \$m	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m
Net revenue	216	69	31	186	101	65	89	148	216	1,121
Costs	(99)	(48)	(26)	(111)	(46)	(23)	(33)	(63)	(162)	(611)
Charge for debts	(6)	7	16	(10)	(2)	1	(1)	3	(16)	(8)
Amounts written off fixed asset investments	-	-	-	-	(3)	-	-	-	(2)	(5)
Operating profit	111	28	21	65	50	43	55	88	36	497

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

In Hong Kong, net revenue grew by nine per cent from \$185 million to \$201 million. The growth was driven by foreign exchange and derivatives on the back of strong trade flows. Costs were \$5 million higher at \$112 million with continued investment in the front office partially offset by reduction in technology costs.

Revenue in Singapore grew by nine per cent. Strong customer revenue more than offset a decline in revenue from asset and liability management. The increase in costs from \$52 million to \$58 million was mainly due to investment in risk and governance infrastructure.

In Malaysia, revenue increased from \$42 million to \$51 million with good growth in global markets products facilitated by a wider product mix and advisory services. Costs have been tightly controlled.

The Other Asia Pacific region had an exceptional performance with strong growth in the Philippines, Taiwan, Thailand and Indonesia. Revenue grew by 37 per cent to \$222 million. This increase was broadly spread across the commercial banking and global markets product range. Costs were well managed.

In India, profit on the sale of investment securities arising as a result of a programme, to reduce the risk in the book, was significantly lower. Excluding the effect of this,

revenue grew by around 30 per cent to \$136 million. This reflected broad based product growth with positive contribution from all customer segments. The increase in costs of 15 per cent to \$46 million has been driven by investment in new businesses, people and infrastructure to capture further growth opportunities.

In the UAE revenue increased by 12 per cent to \$75 million, driven largely by foreign exchange, cash management and structured global markets products. Elsewhere in the region revenue grew from \$88 million to \$95 million, led by strong cross-sell opportunities for global markets products. The increase in costs in the region was due to expansion into Iraq and Afghanistan, investment in infrastructure and continued strengthening of risk and governance functions.

In Africa, revenue at \$163 million was 30 per cent higher than the first half of 2003. Strong commodity prices and relative economic stability in a number of key markets have contributed to this result. Costs grew by 22 per cent, mainly due to inflationary pressure and expansion in Nigeria and South Africa.

The Americas, UK and Group Head Office has seen revenue increase of three per cent to \$237 million. Strong fees and commissions were partially offset by reduced yield on asset and liability management.

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

<b>Revenue by product</b>	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03*	6 months ended 31.12.03*
	\$m	\$m	\$m
Trade and Lending	433	393	422
Global Markets	615	553	501
Cash Management and Custody	229	185	198
	<b>1,277</b>	1,131	1,121

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

Trade and lending revenue has increased by ten per cent to \$433 million. Strong growth was seen in Hong Kong and Singapore underpinned by strong intra-Asian trade flows, and in Africa.

Global markets revenue has grown strongly at 11 per cent. Investment in new product capability in debt capital markets, structured trade and derivatives has started to deliver good returns. The decline in revenue from asset and liability management in 2003 has stabilised with changes in interest rate direction and the shape of the yield curve.

Cash management and custody was up by 24 per cent reflecting both strong volume growth, particularly in India and Africa, and stabilising margins.

Costs in Wholesale Banking have increased by ten per cent. This was due to further investment for growth, increased spending on infrastructure and controls, and higher performance driven costs, largely due to variable compensation.

The Wholesale Banking debt charge was \$2 million compared to \$50 million in the previous period. Gross provisions were down by over 40 per cent with recoveries lower by 15 per cent. This has been achieved through continued enhancement of risk management processes and improvement in the risk profile, together with a favourable credit environment.

### RISK

Risk is inherent in the Group's business and the effective management of that risk is seen as a core competency 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 our 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 Company's Board of Directors who control and manage risk through the Audit and Risk Committee. The Audit and Risk Committee reviews specific areas of risk, and guides and monitors the activities of the Group Asset and Liability Committee and the Group Risk Committee.

All the Executive Directors of Standard Chartered PLC are members of the Group Risk Committee which is chaired by the Group Executive Director, Risk (GED Risk). This Committee has responsibility for determining the Group standards and policies for risk measurement and management, and also delegating authorities and responsibilities to various sub committees.

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

### Credit Risk

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

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

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### Loan Portfolio

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

	30.06.04				30.06.03			
	One year or less \$m	One to five years \$m	Over five years \$m	Total \$m	One year or less \$m	One to five years \$m	Over five years \$m	Total \$m
Consumer Banking								
Mortgages	1,998	4,289	14,927	21,214	2,144	4,372	14,055	20,571
Other	5,107	3,431	1,757	10,295	4,832	3,175	1,512	9,519
Total	7,105	7,720	16,684	31,509	6,976	7,547	15,567	30,090
Wholesale Banking	26,161	4,355	2,032	32,548	21,565	4,234	2,582	28,381
General provisions				(386)				(458)
Net loans and advances to customers	33,266	12,075	18,716	63,671	28,541	11,781	18,149	58,013

	31.12.03			
	One year or less \$m	One to five years \$m	Over five years \$m	Total \$m
Consumer Banking				
Mortgages	2,072	4,333	14,320	20,725
Other	4,963	3,551	1,903	10,417
Total	7,035	7,884	16,223	31,142
Wholesale Banking	22,561	4,545	1,921	29,027
General provisions				(425)
Net loans and advances to customers	29,596	12,429	18,144	59,744

The Group's loans and advances to customers are predominantly short term with over half the portfolio having a maturity of one year or less.

The longer term portfolio, with a maturity of over five years, mainly relates to Consumer Banking personal residential mortgages and term lending products.



## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

The following tables set out an analysis of the Group's net loans and advances as at 30 June 2004, 30 June 2003 and 31 December 2003 by the principal category of borrowers, business or industry and/or geographical distribution:

	30.06.04									
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m							
Loans to individuals										
Mortgages	12,342	4,233	2,563	773	903	-	78	40	282	21,214
Other	1,995	2,016	418	2,306	1,166	718	1,193	375	108	10,295
Consumer Banking	14,337	6,249	2,981	3,079	2,069	718	1,271	415	390	31,509
Agriculture, forestry and fishing	-	40	54	62	22	-	40	143	325	686
Construction	56	39	19	63	63	91	100	21	5	457
Commerce	1,460	970	154	791	160	712	384	343	737	5,711
Electricity, gas and water	421	53	23	227	111	1	117	166	98	1,217
Financing, insurance and business services	1,714	947	375	718	335	720	292	41	1,032	6,174
Loans to governments	-	1,045	1,155	53	-	-	13	11	232	2,509
Mining and quarrying	-	1	66	40	-	98	79	40	345	669
Manufacturing	1,514	640	258	2,537	902	204	1,119	391	1,646	9,211
Commercial real estate	906	689	176	344	-	-	1	11	18	2,145
Transport, storage and communication	385	231	230	126	99	33	248	139	1,539	3,030
Other	49	96	137	124	30	36	184	19	64	739
Wholesale Banking	6,505	4,751	2,647	5,085	1,722	1,895	2,577	1,325	6,041	32,548
General provision									(386)	(386)
<b>Total loans and advances to customers</b>	<b>20,842</b>	<b>11,000</b>	<b>5,628</b>	<b>8,164</b>	<b>3,791</b>	<b>2,613</b>	<b>3,848</b>	<b>1,740</b>	<b>6,045</b>	<b>63,671</b>
<b>Total loans and advances to banks</b>	<b>4,608</b>	<b>945</b>	<b>160</b>	<b>4,357</b>	<b>249</b>	<b>687</b>	<b>899</b>	<b>341</b>	<b>6,341</b>	<b>18,587</b>

Under "Loans to individuals - Other", \$1,250 million (30 June 2003: \$1,360 million; 31 December 2003: \$1,371 million) relates to the cards portfolio in Hong Kong. The total cards portfolio is \$3,289 million (30 June 2003: \$3,249 million; 31 December 2003: \$3,329 million).

Approximately 49 per cent (30 June 2003: 52 per cent; 31 December 2003: 52 per cent) of total Loans and Advances to Customers relates

to the Consumer Banking portfolio, predominantly personal residential mortgages.

The Wholesale Banking portfolio is well diversified across both geography and industry. The Group does not have any significant concentrations in special interest industries such as Aviation, Telecoms and Tourism. Exposure to each of these industries is less than five per cent of Wholesale Banking Loans and Advances to Customers.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

30.06.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans to individuals										
Mortgages	12,833	3,925	2,153	818	418	-	62	24	338	20,571
Other	2,285	1,726	598	1,781	980	631	1,076	282	160	9,519
Consumer Banking	15,118	5,651	2,751	2,599	1,398	631	1,138	306	498	30,090
Agriculture, forestry and fishing	4	6	74	36	20	-	25	81	267	513
Construction	60	33	28	32	6	86	17	30	4	296
Commerce	1,513	879	167	599	58	601	359	312	949	5,437
Electricity, gas and water	118	66	10	157	102	4	122	29	114	722
Financing, insurance and business services	1,578	773	365	643	112	383	262	167	1,268	5,551
Loans to governments	-	162	414	8	-	-	13	-	352	949
Mining and quarrying	-	8	37	26	5	34	57	43	569	779
Manufacturing	1,231	595	251	2,111	1,102	205	893	227	1,731	8,346
Commercial real estate	896	712	15	151	-	-	-	3	5	1,782
Transport, storage and communication	406	149	146	159	188	25	220	115	1,647	3,055
Other	17	35	59	181	-	25	179	37	418	951
Wholesale Banking	5,823	3,418	1,566	4,103	1,593	1,363	2,147	1,044	7,324	28,381
General provision									(458)	(458)
<b>Total loans and advances to customers</b>	<b>20,941</b>	<b>9,069</b>	<b>4,317</b>	<b>6,702</b>	<b>2,991</b>	<b>1,994</b>	<b>3,285</b>	<b>1,350</b>	<b>7,364</b>	<b>58,013</b>
<b>Total loans and advances to banks</b>	<b>4,145</b>	<b>2,015</b>	<b>414</b>	<b>2,796</b>	<b>224</b>	<b>903</b>	<b>789</b>	<b>228</b>	<b>6,452</b>	<b>17,966</b>

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

31.12.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans to individuals										
Mortgages	12,536	4,029	2,246	831	640	-	67	30	346	20,725
Other	2,234	2,018	660	1,990	1,125	677	1,127	430	156	10,417
Consumer Banking	14,770	6,047	2,906	2,821	1,765	677	1,194	460	502	31,142
Agriculture, forestry and fishing	6	3	77	49	12	-	24	144	387	702
Construction	104	15	38	43	34	83	91	19	13	440
Commerce	1,350	1,001	190	717	30	619	394	398	725	5,424
Electricity, gas and water	327	36	32	240	56	3	69	127	84	974
Financing, insurance and business services	1,575	887	432	657	194	434	320	116	1,184	5,799
Loans to governments	-	61	748	8	-	-	13	-	281	1,111
Mining and quarrying	-	15	86	35	-	59	59	16	470	740
Manufacturing	1,326	780	214	2,016	943	179	916	283	1,738	8,395
Commercial real estate	873	716	7	250	-	-	1	18	3	1,868
Transport, storage and communication	491	150	222	118	71	30	237	114	1,513	2,946
Other	23	70	57	170	1	26	166	44	71	628
Wholesale Banking	6,075	3,734	2,103	4,303	1,341	1,433	2,290	1,279	6,469	29,027
General provision									(425)	(425)
<b>Total loans and advances to customers</b>	<b>20,845</b>	<b>9,781</b>	<b>5,009</b>	<b>7,124</b>	<b>3,106</b>	<b>2,110</b>	<b>3,484</b>	<b>1,739</b>	<b>6,546</b>	<b>59,744</b>
<b>Total loans and advances to banks</b>	<b>2,113</b>	<b>1,045</b>	<b>204</b>	<b>2,784</b>	<b>239</b>	<b>605</b>	<b>889</b>	<b>308</b>	<b>5,167</b>	<b>13,354</b>

## **STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)**

### **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 are charged off at 150 days past due.

For 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.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

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

<b>30.06.04</b>										
	Asia Pacific						Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	\$m	\$m	\$m	\$m
Loans and advances										
Gross non-performing	101	125	170	61	42	13	24	20	27	583
Specific provisions for bad and doubtful debts	(38)	(19)	(26)	(15)	(10)	(11)	(8)	(6)	(5)	(138)
Interest in suspense	(1)	(3)	(22)	(8)	(9)	(2)	(8)	(8)	(2)	(63)
Net non-performing loans and advances	62	103	122	38	23	-	8	6	20	382
Cover ratio										34%
<b>30.06.03</b>										
	Asia Pacific						Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	\$m	\$m	\$m	\$m
Loans and advances										
Gross non-performing	144	109	192	72	46	14	26	15	26	644
Specific provisions for bad and doubtful debts	(55)	(16)	(25)	(17)	(6)	(11)	(7)	(5)	(5)	(147)
Interest in suspense	(1)	(3)	(23)	(10)	(8)	(3)	(7)	(7)	(2)	(64)
Net non-performing loans and advances	88	90	144	45	32	-	12	3	19	433
Cover ratio										33%
<b>31.12.03</b>										
	Asia Pacific						Other Middle East & Other S Asia	Africa	Americas UK & Group Head Office	Total
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m	India \$m	UAE \$m	\$m	\$m	\$m	\$m
Loans and advances										
Gross non-performing	138	115	192	63	43	16	23	18	10	618
Specific provisions for bad and doubtful debts	(48)	(17)	(26)	(15)	(11)	(11)	(8)	(7)	(5)	(148)
Interest in suspense	(1)	(3)	(23)	(9)	(9)	(5)	(8)	(7)	(2)	(67)
Net non-performing loans and advances	89	95	143	39	23	-	7	4	3	403
Cover ratio										35%

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

The relatively low Consumer Banking cover ratio reflects the fact that Standard Chartered classifies all exposure which is more than 90 days past due as non-performing, whilst provisions on unsecured lending are only raised at the time of charge-off. For secured products, provisions reflect the difference between the underlying assets and the outstanding loan (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.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

The following tables set out the total non-performing portfolio in Wholesale Banking including the portfolio covered by the Loan Management Agreement with a Thai Government Agency:

### 30.06.04

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

### 30.06.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans and advances										
Gross non-performing	379	274	261	1,195	79	58	193	125	818	3,382
Specific provisions for bad and doubtful debts	(202)	(127)	(152)	(426)	(50)	(39)	(106)	(55)	(420)	(1,577)
Interest in suspense	(95)	(69)	(73)	(89)	(29)	(12)	(66)	(43)	(105)	(581)
Net non-performing loans and advances	82	78	36	680	-	7	21	27	293	1,224

### 31.12.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Loans and advances										
Gross non-performing	357	236	194	1,077	86	52	180	116	887	3,185
Specific provisions for bad and doubtful debts	(220)	(106)	(118)	(375)	(44)	(40)	(99)	(51)	(460)	(1,513)
Interest in suspense	(91)	(64)	(55)	(68)	(30)	(12)	(66)	(43)	(126)	(555)
Net non-performing loans and advances	46	66	21	634	12	-	15	22	301	1,117

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### Wholesale Banking Cover Ratio

The following tables show the Wholesale Banking cover ratio. The non-performing loans recorded below under Standard Chartered Nakornthon Bank (SCNB) are excluded from the cover ratio calculation as they are the subject of a Loan Management Agreement (LMA) with a Thai Government Agency. Refer to note 12 on page 49.

	30.06.04		
	Total \$m	SCNB (LMA) \$m	Total excl LMA \$m
Loans and advances – Gross non-performing	2,917	711	2,206
Specific provisions for bad and doubtful debts	(1,395)	(108)	(1,287)
Interest in suspense	(521)	-	(521)
Net non-performing loans and advances	<b>1,001</b>	<b>603</b>	<b>398</b>
Cover ratio			<b>82%</b>

  

	30.06.03		
	Total \$m	SCNB (LMA) \$m	Total excl LMA \$m
Loans and advances – Gross non-performing	3,382	757	2,625
Specific provisions for bad and doubtful debts	(1,577)	(94)	(1,483)
Interest in suspense	(581)	-	(581)
Net non-performing loans and advances	<b>1,224</b>	<b>663</b>	<b>561</b>
Cover ratio			<b>79%</b>

  

	31.12.03		
	Total \$m	SCNB (LMA) \$m	Total excl LMA \$m
Loans and advances – Gross non-performing	3,185	772	2,413
Specific provisions for bad and doubtful debts	(1,513)	(112)	(1,401)
Interest in suspense	(555)	-	(555)
Net non-performing loans and advances	<b>1,117</b>	<b>660</b>	<b>457</b>
Cover ratio			<b>81%</b>

The Wholesale Banking non-performing portfolio is well covered. The balance uncovered by specific provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.



## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### Group

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

	6 months ended 30.06.04									Total \$m
	Hong Kong \$m	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & S Asia \$m	Africa \$m	
Provisions held at 1 January 2004	268	123	144	390	55	51	107	58	465	1,661
Exchange translation differences	(1)	(1)	-	(4)	-	-	(1)	-	2	(5)
Amounts written off	(87)	(37)	(25)	(58)	(39)	(5)	(12)	(12)	(13)	(288)
Recoveries of amounts previously written off	13	3	4	6	12	3	2	1	-	44
Other	-	-	-	-	(5)	(3)	(3)	-	(7)	(18)
New provisions	128	26	14	46	54	6	10	9	11	304
Recoveries/provisions no longer required	(36)	(9)	(13)	(32)	(43)	(6)	(12)	(10)	(4)	(165)
Net charge against/(credit to) profit	92	17	1	14	11	-	(2)	(1)	7	139
Provisions held at 30 June 2004	285	105	124	348	34	46	91	46	454	1,533

	6 months ended 30.06.03									Total \$m
	Hong Kong \$m	Asia Pacific			Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & S Asia \$m	Africa \$m	
Provisions held at 1 January 2003	255	159	235	358	60	108	144	53	452	1,824
Exchange translation differences	-	(1)	-	2	2	-	2	(1)	1	5
Amounts written off	(188)	(37)	(66)	(47)	(37)	(57)	(27)	(3)	(69)	(531)
Recoveries of amounts previously written off	9	3	5	8	8	-	1	1	2	37
Other	-	-	(1)	59	1	1	1	-	10	71
New provisions	207	30	17	85	62	8	10	17	38	474
Recoveries/provisions no longer required	(26)	(11)	(13)	(22)	(40)	(10)	(18)	(7)	(9)	(156)
Net charge against/(credit to) profit	181	19	4	63	22	(2)	(8)	10	29	318
Provisions held at 30 June 2003	257	143	177	443	56	50	113	60	425	1,724

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### Group (continued)

6 months ended 31.12.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Provisions held at 1 July 2003	257	143	177	443	56	50	113	60	425	1,724
Exchange translation differences	2	3	-	11	1	-	-	2	9	28
Amounts written off	(165)	(48)	(33)	(73)	(50)	(7)	(5)	(3)	5	(379)
Recoveries of amounts previously written off	14	11	5	5	10	1	-	-	1	47
Other	36	-	1	(32)	-	3	(5)	-	10	13
New provisions	157	42	17	57	80	6	12	7	52	430
Recoveries/provisions no longer required	(33)	(28)	(23)	(21)	(42)	(2)	(8)	(8)	(37)	(202)
Net charge against/(credit to) profit	124	14	(6)	36	38	4	4	(1)	15	228
Provisions held at 31 December 2003	268	123	144	390	55	51	107	58	465	1,661

### General Provision

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

The Group sets the general provision with reference to past experience by using both Flow Rate and Expected Loss methodology, as well as taking judgemental factors into account. These factors include, but are not confined to, the economic environment in our core markets, the shape of the portfolio with reference to a range of indicators, and management actions taken to pro-actively manage the portfolio.

During the first half of 2004, \$39 million of the general provision was applied to cover litigation in India dating back to 1992. At 30 June 2004, the balance of general provision stood at \$386 million, 0.6 per cent of Loans and Advances to Customers (30 June 2003: \$458 million, 0.8 per cent; 31 December 2003: \$425 million, 0.7 per cent).

### 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.

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.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

	30.06.04				30.06.03			
	Public sector \$m	Banks \$m	Other \$m	Total \$m	Public sector \$m	Banks \$m	Other \$m	Total \$m
USA	1,558	891	2,170	4,619	1,071	1,503	2,680	5,254
Hong Kong	38	150	2,537	2,725	22	111	2,146	2,279
Netherlands**	-	2,091	308	2,399	-	-	-	-
Korea	19	1,534	632	2,185	20	1,596	606	2,222
India	37	1,146	917	2,100	103	869	592	1,564
Singapore	1	853	937	1,791	-	169	1,334	1,503
Germany	-	1,372	300	1,672	-	2,965	295	3,260
France	4	1,331	182	1,517	4	1,537	313	1,854
China***	62	652	692	1,406	-	-	-	-
Italy*	-	-	-	-	502	788	386	1,676

	31.12.03			
	Public sector \$m	Banks \$m	Other \$m	Total \$m
USA	1,436	902	2,149	4,487
Hong Kong	14	112	2,301	2,427
Netherlands	-	1,729	275	2,004
Korea	3	1,393	475	1,871
India	60	641	1,052	1,753
Singapore	-	160	1,509	1,669
Germany	-	1,292	315	1,607
France	4	1,529	253	1,786
China***	-	-	-	-
Italy*	-	-	-	-

\* Less than one per cent of total assets at 30 June 2004 and 31 December 2003

\*\* Less than one per cent of total assets at 30 June 2003

\*\*\* Less than one per cent of total assets at 30 June 2003 and 31 December 2003

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### Market Risk

The Group recognises market risk as the exposure created by 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). The Group uses historic simulation to measure VaR on all market risk related activities. 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 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.

### Value at Risk

The Group measures the potential impact of changes in market prices and rates using Value at Risk (VaR) models.

The total VaR for trading and non-trading books combined at 30 June 2004 was \$13.6 million (30 June 2003: \$14.9 million; 31 December 2003: \$12.2 million). Interest rate related VaR was \$13.5 million (30 June 2003: \$14.6 million; 31 December 2003: \$12.2 million) and foreign exchange related VaR was \$2.5 million (30 June 2003: \$1.3 million; 31 December 2003: \$1.3 million). The total VaR of \$13.6 million recognises offsets between interest rate and foreign exchange risks. Additional information is given in note 29 on page 70.

The average total VaR for trading and non-trading books during the six months to 30 June 2004 was \$15.1 million (30 June 2003: \$14.0 million; 31 December 2003: \$13.3 million) with a maximum exposure of \$18.7 million.

The total VaR for market risks in the Group's trading book was \$4.5 million at 30 June 2004 (30 June 2003: \$4.6 million; 31 December 2003: \$3.2 million). Interest rate related VaR was \$3.1 million (30 June 2003: \$4.0 million; 31 December 2003: \$2.9 million) and foreign exchange-related VaR was \$2.5 million (30 June 2003: \$1.3 million; 31 December 2003: \$1.3 million). The total VaR of \$4.5 million recognises offsets between interest rate and foreign exchange risks.

VaR for interest rate risk in the non-trading books of the Group totalled \$13.2 million at 30 June 2004 (30 June 2003: \$11.5 million; 31 December 2003: \$9.5 million).

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

The average daily revenue earned from market

## **STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)**

risk related activities was \$4.3 million, compared with \$3.5 million during 2003.

### **Foreign Exchange Exposure**

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

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily revenue from foreign exchange trading businesses during the six months ended 30 June 2004 was \$1.9 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 revenue from interest rate trading businesses during the six months ended 30 June 2004 was \$2.4 million.

### **Derivatives**

Derivatives are contracts whose characteristics and value derive from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions in the foreign exchange 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 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 26 and 27 on pages 63 to 68.

The Group applies a potential future exposure methodology to manage counterparty credit exposure associated with derivative transactions. Please refer to note 29 on page 70 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. 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 portion 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

## **STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)**

currency and if other currencies are used the foreign exchange risk is usually hedged.

### **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 impact. Standard Chartered seeks to minimise actual or potential losses from Operational Risk failures through a framework of policies and procedures to identify, assess, control, manage and report risks.

An independent Group Operational Risk function is responsible for establishing and maintaining the overall Operational Risk framework. They are supported by Wholesale Banking and Consumer Banking Operational Risk units. The Group Operational Risk function reports to the Group Head of Compliance and Regulatory Risk and provides reports to the Group Risk Committee.

Compliance with Operational Risk policy is the responsibility of all managers. Every country operates a Country Operational Risk Group (CORG). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk, including social, ethical and environmental risk. Significant issues and exceptions must be reported to the CORG. Where appropriate, issues must also be reported to Business Risk Committees. Other risks recognised by the Group include Compliance, Business, Regulatory and Reputational risks.

### **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.

### **CAPITAL**

The Group Asset and Liability Committee targets Tier 1 and Total capital ratios of 7 - 9 per cent and 12 - 14 per cent respectively. The Group believes that being well capitalised is important.

The Group identified improving the efficiency of capital management as a strategic priority in 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.

## STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)

### CAPITAL (continued)

	30.06.04 \$m	30.06.03* \$m	31.12.03* \$m
<b>Tier 1 capital:</b>			
Shareholders' funds	8,022	7,454	7,546
Minority interests - equity	93	83	83
Innovative Tier 1 securities	1,142	1,058	1,155
Less: restriction on innovative Tier 1 securities	(42)	(88)	(157)
Unconsolidated associated companies	9	12	13
Less: premises revaluation reserves goodwill capitalised	-	(1)	-
Add: provision for retirement benefits after tax	81	146	111
<b>Total Tier 1 capital</b>	<b>7,410</b>	<b>6,615</b>	<b>6,765</b>
<b>Tier 2 capital:</b>			
Premises revaluation reserves	-	1	-
Qualifying general provision	386	458	387
Undated subordinated loan capital	1,572	1,547	1,568
Dated subordinated loan capital	3,209	3,049	3,244
Restricted innovative Tier 1 securities	42	88	157
<b>Total Tier 2 capital</b>	<b>5,209</b>	<b>5,143</b>	<b>5,356</b>
Investments in other banks	(20)	(635)	(742)
Other deductions	(4)	(4)	(4)
<b>Total capital</b>	<b>12,595</b>	<b>11,119</b>	<b>11,375</b>
Risk weighted assets	61,978	57,682	58,371
Risk weighted contingents	18,999	20,160	19,791
<b>Total risk weighted assets and contingents</b>	<b>80,977</b>	<b>77,842</b>	<b>78,162</b>
<b>Capital ratios:</b>			
Tier 1 capital	9.2%	8.5%	8.7%
<b>Total capital</b>	<b>15.6%</b>	<b>14.3%</b>	<b>14.6%</b>
	30.06.04 \$m	30.06.03 \$m	31.12.03 \$m
<b>Shareholders' funds:</b>			
Equity	7,367	6,829	6,897
Non-equity	655	625	649
	<b>8,022</b>	<b>7,454</b>	<b>7,546</b>
Post-tax return on equity (normalised)	19.0%	14.3%	16.7%

\*Comparative restated (see note 32 on page 71).

## **STANDARD CHARTERED PLC – FINANCIAL REVIEW (continued)**

### **International Financial Reporting Standards**

All companies listed in the European Union will be required to report their consolidated financial statements under International Financial Reporting Standards (IFRS) from 1 January 2005. The first public reporting date will be as at the end of the six months ended 30 June 2005, with 2004 comparatives.

An IFRS Transition Programme involving all businesses and locations Group-wide has been underway since 2002, and is supervised by a Project Steering Committee chaired by a Group Executive Director.

The transition to IFRS represents a significant change in the accounting framework underlying the Group's financial reporting, particularly in respect of IAS 39 'Financial Instruments: recognition and measurement'. In March 2004, the International Accounting Standards Board (IASB) completed its review of International Accounting Standards that will be effective for 2005 reporting. However, IAS 39 has not as yet been adopted by the European Commission.

The Group continues to prepare for the implementation of IFRS.



# STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

	Notes	6 months ended 30.06.04 \$m	6 months ended 30.06.03* \$m	6 months ended 31.12.03* \$m
Interest receivable		2,543	2,330	2,460
Interest payable		(997)	(872)	(950)
<b>Net interest income</b>		<b>1,546</b>	<b>1,458</b>	<b>1,510</b>
Other finance income		3	(7)	(6)
Fees and commissions receivable, net		665	536	620
Dealing profits and exchange	3	332	274	251
Other operating income	4	176	79	25
		<b>1,173</b>	<b>889</b>	<b>896</b>
<b>Net revenue</b>		<b>2,722</b>	<b>2,340</b>	<b>2,400</b>
Administrative expenses:				
Staff		(774)	(668)	(655)
Premises		(158)	(145)	(145)
Other		(332)	(308)	(332)
Depreciation and amortisation, of which:		(211)	(175)	(206)
Amortisation of goodwill		(88)	(67)	(67)
Other		(123)	(108)	(139)
<b>Total operating expenses</b>		<b>(1,475)</b>	<b>(1,296)</b>	<b>(1,338)</b>
<b>Operating profit before provisions</b>		<b>1,247</b>	<b>1,044</b>	<b>1,062</b>
Provisions for bad and doubtful debts	11	(139)	(308)	(228)
Amounts written off fixed asset investments		(2)	(6)	(5)
<b>Operating profit before taxation</b>	1,2	<b>1,106</b>	<b>730</b>	<b>829</b>
Taxation	6	(340)	(235)	(265)
<b>Operating profit after taxation</b>		<b>766</b>	<b>495</b>	<b>564</b>
Minority interests		(20)	(14)	(15)
<b>Profit for the period attributable to shareholders</b>		<b>746</b>	<b>481</b>	<b>549</b>
Dividends on non-equity preference shares	8	(29)	(28)	(27)
Dividends on ordinary equity shares	9	(201)	(182)	(429)
<b>Retained profit</b>		<b>516</b>	<b>271</b>	<b>93</b>
<b>Normalised earnings per ordinary share</b>	10	<b>57.9c</b>	<b>41.0c</b>	<b>49.6c</b>
<b>Basic earnings per ordinary share</b>	10	<b>61.2c</b>	<b>38.7c</b>	<b>43.8c</b>
<b>Diluted earnings per ordinary share</b>	10	<b>60.3c</b>	<b>38.4c</b>	<b>43.0c</b>
<b>Dividend per ordinary share</b>	9	<b>17.06c</b>	<b>15.51c</b>	<b>36.49c</b>

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

	Notes	30.06.04 \$m	30.06.03* \$m	31.12.03* \$m
<b>Assets</b>				
Cash, balances at central banks and cheques in course of collection		2,243	1,736	1,982
Treasury bills and other eligible bills		5,978	4,873	5,689
Loans and advances to banks	1,11	18,587	17,966	13,354
Loans and advances to customers	1,11	63,671	58,013	59,744
Debt securities and other fixed income securities	13	25,515	22,620	23,141
Equity shares and other variable yield securities	14	179	192	359
Intangible fixed assets		1,895	2,049	1,986
Tangible fixed assets		794	888	884
Prepayments, accrued income and other assets		10,273	11,509	13,085
<b>Total assets</b>		<b>129,135</b>	<b>119,846</b>	<b>120,224</b>
<b>Liabilities</b>				
Deposits by banks	1,15	16,999	14,785	10,924
Customer accounts	1,16	78,219	71,782	73,767
Debt securities in issue	1,17	6,579	6,433	6,062
Accruals, deferred income and other liabilities		12,767	13,503	15,344
Subordinated liabilities:				
Undated loan capital		1,572	1,547	1,568
Dated loan capital	18	4,351	4,107	4,399
Minority interests:				
Equity		93	83	83
Non-equity		533	152	531
Shareholders' funds	19,20	8,022	7,454	7,546
<b>Total liabilities and shareholders' funds</b>		<b>129,135</b>	<b>119,846</b>	<b>120,224</b>

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the six months ended 30 June 2004

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03* \$m	6 months ended 31.12.03* \$m
Profit attributable to shareholders	<b>746</b>	481	549
Exchange translation differences	<b>(72)</b>	36	31
Actuarial gain/(loss) on retirement benefits	<b>15</b>		
Deferred tax on actuarial gain/(loss) on retirement benefits	<b>(5)</b>		
Total recognised gains and losses for the period	<b>684</b>	517	580
Prior year adjustment**	<b>(169)</b>		
Total recognised gains and losses since the last annual report	<b>515</b>	517	580

\*Comparative restated (see note 32 on page 71).

\*\*Including cumulative actuarial gains/losses arising in prior periods

### NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES For the six months ended 30 June 2004

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 the historical cost profits and losses has been included.

### ACCOUNTING CONVENTION

The accounts of the Group have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and dealing positions. The accounting policies, as listed in the Annual Report 2003, continue to be consistently applied, apart from the adoption of FRS17 for Retirement Benefits (see note 5 on page 44) which has resulted in a restatement of comparative figures.

# STANDARD CHARTERED PLC – FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03* \$m	6 months ended 31.12.03* \$m
<b>Net cash inflow from operating activities (see note 21)</b>	<b>2,769</b>	1,672	2,076
<b>Returns on investment and servicing of finance</b>			
Interest paid on subordinated loan capital	(253)	(239)	(59)
Premium and costs on repayment of subordinated loan capital	(21)	-	-
Dividends paid to minority shareholders of subsidiary undertakings	(3)	(6)	(16)
Dividends paid on preference shares	(29)	(27)	(28)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(306)</b>	(272)	(103)
<b>Taxation</b>			
UK taxes paid	(26)	(52)	(109)
Overseas taxes paid	(245)	(225)	(128)
<b>Total taxes paid</b>	<b>(271)</b>	(277)	(237)
<b>Capital expenditure and financial investment</b>			
Purchases of tangible fixed assets	(95)	(68)	(88)
Acquisitions of treasury bills held for investment purposes	(5,813)	(6,073)	(6,531)
Acquisitions of debt securities held for investment purposes	(33,931)	(22,232)	(27,015)
Acquisitions of equity shares held for investment purposes	(42)	(63)	(131)
Disposals of tangible fixed assets	53	7	7
Disposals and maturities of treasury bills held for investment purposes	5,363	6,398	6,234
Disposals and maturities of debt securities held for investment purposes	31,788	21,394	28,104
Disposals of equity shares held for investment purposes	352	53	(40)
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>	<b>(2,325)</b>	(584)	540
<b>Net cash (outflow)/inflow before equity dividends paid and financing</b>	<b>(133)</b>	539	2,276
<b>Net cash outflow from disposal of interests in subsidiary and associated undertakings and the business of a branch**</b>	<b>6</b>	-	(95)
<b>Equity dividends paid to members of the Company</b>	<b>(396)</b>	(364)	(167)
<b>Financing</b>			
Gross proceeds from issue of ordinary share capital	4	2	1
Repurchase of preference share capital	-	(17)	(3)
<b>Net cash inflow/(outflow) from financing</b>	<b>4</b>	(15)	(2)
<b>(Decrease)/increase in cash in the period</b>	<b>(519)</b>	160	2,012

\*Comparative restated (see note 32 on page 71).

\*\* In 2003 a net figure of \$17 million was paid to counterparties for the net sale/purchase of the business of a branch. \$112 million worth of cash and cash equivalents were included in balances transferred on sale of the business of a branch, which was included in the \$95 million net outflow.

# STANDARD CHARTERED PLC – NOTES

## 1. 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 six month periods ended 30 June 2004, 30 June 2003 and 31 December 2003.

### 6 months ended 30.06.04

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Interest receivable	678	324	165	394	260	92	141	265	684	3,003
Interest payable	(220)	(165)	(74)	(169)	(114)	(20)	(41)	(90)	(564)	(1,457)
<b>Net interest income</b>	<b>458</b>	<b>159</b>	<b>91</b>	<b>225</b>	<b>146</b>	<b>72</b>	<b>100</b>	<b>175</b>	<b>120</b>	<b>1,546</b>
Other finance income	1	-	-	-	(1)	-	-	-	3	3
Fees and commissions receivable, net	166	57	29	99	57	43	53	65	96	665
Dealing profits and exchange	55	46	17	75	38	18	21	28	34	332
Other operating income	46	3	2	3	(1)	1	2	2	118	176
<b>Net revenue</b>	<b>726</b>	<b>265</b>	<b>139</b>	<b>402</b>	<b>239</b>	<b>134</b>	<b>176</b>	<b>270</b>	<b>371</b>	<b>2,722</b>
Costs	(330)	(116)	(74)	(245)	(116)	(50)	(80)	(166)	(210)	(1,387)
Amortisation of goodwill									(88)	(88)
<b>Total operating expenses</b>	<b>(330)</b>	<b>(116)</b>	<b>(74)</b>	<b>(245)</b>	<b>(116)</b>	<b>(50)</b>	<b>(80)</b>	<b>(166)</b>	<b>(298)</b>	<b>(1,475)</b>
<b>Operating profit before provisions</b>	<b>396</b>	<b>149</b>	<b>65</b>	<b>157</b>	<b>123</b>	<b>84</b>	<b>96</b>	<b>104</b>	<b>73</b>	<b>1,247</b>
Charge for debts	(92)	(17)	(1)	(14)	(11)	-	2	1	(7)	(139)
Amounts written off fixed asset investments	-	-	-	-	-	-	-	-	(2)	(2)
<b>Operating profit before taxation</b>	<b>304</b>	<b>132</b>	<b>64</b>	<b>143</b>	<b>112</b>	<b>84</b>	<b>98</b>	<b>105</b>	<b>64</b>	<b>1,106</b>
<b>Loans and advances to customers – average</b>	<b>21,520</b>	<b>10,330</b>	<b>4,912</b>	<b>7,819</b>	<b>3,443</b>	<b>2,356</b>	<b>3,629</b>	<b>1,605</b>	<b>8,253</b>	<b>63,867</b>
<b>Net interest margin (%)</b>	<b>2.3</b>	<b>1.7</b>	<b>2.5</b>	<b>2.4</b>	<b>3.8</b>	<b>3.3</b>	<b>3.5</b>	<b>8.3</b>	<b>0.6</b>	<b>2.7</b>
<b>Loans and advances to customers – period end</b>	<b>20,842</b>	<b>11,000</b>	<b>5,628</b>	<b>8,164</b>	<b>3,791</b>	<b>2,613</b>	<b>3,848</b>	<b>1,740</b>	<b>6,045</b>	<b>63,671</b>
<b>Loans and advances to banks – period end</b>	<b>4,608</b>	<b>945</b>	<b>160</b>	<b>4,357</b>	<b>249</b>	<b>687</b>	<b>899</b>	<b>341</b>	<b>6,341</b>	<b>18,587</b>
<b>Total assets employed</b>	<b>49,634</b>	<b>18,487</b>	<b>7,853</b>	<b>20,944</b>	<b>8,638</b>	<b>5,409</b>	<b>6,574</b>	<b>5,053</b>	<b>37,698</b>	<b>160,290</b>
<b>Total risk weighted assets and contingents</b>	<b>19,823</b>	<b>12,405</b>	<b>4,098</b>	<b>9,916</b>	<b>5,604</b>	<b>3,648</b>	<b>4,464</b>	<b>2,302</b>	<b>20,519</b>	<b>82,779</b>

See note a) to e) on page 40.

# STANDARD CHARTERED PLC – NOTES (continued)

## 1. Segmental Information by Geographic Segment (continued)

	6 months ended 30.06.03									Total* \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Asia Pacific Other Asia Pacific \$m	India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	
Interest receivable	713	348	168	374	268	119	161	183	616	2,950
Interest payable	(249)	(178)	(86)	(189)	(147)	(48)	(61)	(66)	(468)	(1,492)
<b>Net interest income</b>	<b>464</b>	<b>170</b>	<b>82</b>	<b>185</b>	<b>121</b>	<b>71</b>	<b>100</b>	<b>117</b>	<b>148</b>	<b>1,458</b>
Other finance income	(2)	(1)	-	(1)	(1)	-	-	(1)	(1)	(7)
Fees and commissions receivable, net	136	54	25	73	43	36	34	54	81	536
Dealing profits and exchange	44	28	11	50	32	12	16	37	44	274
Other operating income	7	(1)	2	12	54	(2)	4	4	(1)	79
<b>Net revenue</b>	<b>649</b>	<b>250</b>	<b>120</b>	<b>319</b>	<b>249</b>	<b>117</b>	<b>154</b>	<b>211</b>	<b>271</b>	<b>2,340</b>
Costs	(299)	(105)	(71)	(216)	(99)	(42)	(64)	(134)	(199)	(1,229)
Amortisation of goodwill									(67)	(67)
<b>Total operating expenses</b>	<b>(299)</b>	<b>(105)</b>	<b>(71)</b>	<b>(216)</b>	<b>(99)</b>	<b>(42)</b>	<b>(64)</b>	<b>(134)</b>	<b>(266)</b>	<b>(1,296)</b>
<b>Operating profit before provisions</b>	<b>350</b>	<b>145</b>	<b>49</b>	<b>103</b>	<b>150</b>	<b>75</b>	<b>90</b>	<b>77</b>	<b>5</b>	<b>1,044</b>
Charge for debts	(181)	(19)	(4)	(63)	(22)	2	8	(10)	(19)	(308)
Amounts written off fixed asset investments	-	-	-	-	(1)	-	-	-	(5)	(6)
<b>Operating profit/(loss) before taxation</b>	<b>169</b>	<b>126</b>	<b>45</b>	<b>40</b>	<b>127</b>	<b>77</b>	<b>98</b>	<b>67</b>	<b>(19)</b>	<b>730</b>
<b>Loans and advances to customers – average</b>	<b>21,064</b>	<b>8,303</b>	<b>4,115</b>	<b>6,055</b>	<b>2,637</b>	<b>1,823</b>	<b>3,268</b>	<b>1,245</b>	<b>9,178</b>	<b>57,688</b>
<b>Net interest margin (%)</b>	<b>2.7</b>	<b>2.1</b>	<b>2.5</b>	<b>2.3</b>	<b>4.3</b>	<b>3.4</b>	<b>4.3</b>	<b>7.3</b>	<b>0.7</b>	<b>2.8</b>
<b>Loans and advances to customers – period end</b>	<b>20,941</b>	<b>9,069</b>	<b>4,317</b>	<b>6,702</b>	<b>2,991</b>	<b>1,994</b>	<b>3,285</b>	<b>1,350</b>	<b>7,364</b>	<b>58,013</b>
<b>Loans and advances to banks – period end</b>	<b>4,145</b>	<b>2,015</b>	<b>414</b>	<b>2,796</b>	<b>224</b>	<b>903</b>	<b>789</b>	<b>228</b>	<b>6,452</b>	<b>17,966</b>
<b>Total assets employed</b>	<b>41,685</b>	<b>19,531</b>	<b>6,925</b>	<b>18,269</b>	<b>7,806</b>	<b>4,073</b>	<b>6,523</b>	<b>4,597</b>	<b>39,385</b>	<b>148,794</b>
<b>Total risk weighted assets and contingents</b>	<b>20,022</b>	<b>12,539</b>	<b>3,704</b>	<b>8,381</b>	<b>4,930</b>	<b>2,741</b>	<b>4,005</b>	<b>1,740</b>	<b>21,631</b>	<b>79,693</b>

\*Comparative restated (see note 32 on page 71).  
See note a) to e) on page 40.

# STANDARD CHARTERED PLC – NOTES (continued)

## 1. Segmental Information by Geographic Segment (continued)

6 months ended 31.12.03

	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total* \$m
	Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Interest receivable	760	273	150	326	245	96	130	226	566	2,772
Interest payable	(282)	(109)	(59)	(111)	(111)	(23)	(33)	(95)	(439)	(1,262)
<b>Net interest income</b>	<b>478</b>	<b>164</b>	<b>91</b>	<b>215</b>	<b>134</b>	<b>73</b>	<b>97</b>	<b>131</b>	<b>127</b>	<b>1,510</b>
Other finance income	(1)	(1)	(1)	-	(1)	-	-	1	(3)	(6)
Fees and commissions receivable, net	177	64	22	87	45	30	48	64	83	620
Dealing profits and exchange	52	15	1	59	28	12	17	28	39	251
Other operating income	-	(6)	2	1	11	2	(1)	8	8	25
<b>Net revenue</b>	<b>706</b>	<b>236</b>	<b>115</b>	<b>362</b>	<b>217</b>	<b>117</b>	<b>161</b>	<b>232</b>	<b>254</b>	<b>2,400</b>
Costs	(317)	(105)	(64)	(211)	(113)	(49)	(79)	(147)	(186)	(1,271)
Amortisation of goodwill									(67)	(67)
<b>Total operating expenses</b>	<b>(317)</b>	<b>(105)</b>	<b>(64)</b>	<b>(211)</b>	<b>(113)</b>	<b>(49)</b>	<b>(79)</b>	<b>(147)</b>	<b>(253)</b>	<b>(1,338)</b>
<b>Operating profit before provisions</b>	<b>389</b>	<b>131</b>	<b>51</b>	<b>151</b>	<b>104</b>	<b>68</b>	<b>82</b>	<b>85</b>	<b>1</b>	<b>1,062</b>
Charge for debts	(124)	(14)	6	(36)	(38)	(4)	(4)	1	(15)	(228)
Amounts written off fixed asset investments	-	-	-	-	(3)	-	-	-	(2)	(5)
<b>Operating profit/(loss) before taxation</b>	<b>265</b>	<b>117</b>	<b>57</b>	<b>115</b>	<b>63</b>	<b>64</b>	<b>78</b>	<b>86</b>	<b>(16)</b>	<b>829</b>
<b>Loans and advances to customers – average</b>	<b>21,792</b>	<b>8,945</b>	<b>4,543</b>	<b>7,295</b>	<b>2,985</b>	<b>2,035</b>	<b>3,388</b>	<b>1,587</b>	<b>5,320</b>	<b>57,890</b>
<b>Net interest margin (%)</b>	<b>2.2</b>	<b>1.7</b>	<b>2.5</b>	<b>2.4</b>	<b>3.8</b>	<b>3.4</b>	<b>3.5</b>	<b>6.2</b>	<b>1.0</b>	<b>2.7</b>
<b>Loans and advances to customers – period end</b>	<b>20,845</b>	<b>9,781</b>	<b>5,009</b>	<b>7,124</b>	<b>3,106</b>	<b>2,110</b>	<b>3,484</b>	<b>1,739</b>	<b>6,546</b>	<b>59,744</b>
<b>Loans and advances to banks – period end</b>	<b>2,113</b>	<b>1,045</b>	<b>204</b>	<b>2,784</b>	<b>239</b>	<b>605</b>	<b>889</b>	<b>308</b>	<b>5,167</b>	<b>13,354</b>
<b>Total assets employed</b>	<b>39,396</b>	<b>15,750</b>	<b>6,677</b>	<b>16,759</b>	<b>7,591</b>	<b>4,963</b>	<b>5,466</b>	<b>4,558</b>	<b>38,297</b>	<b>139,457</b>
<b>Total risk weighted assets and contingents</b>	<b>19,438</b>	<b>12,423</b>	<b>4,018</b>	<b>8,569</b>	<b>4,560</b>	<b>3,234</b>	<b>4,138</b>	<b>2,115</b>	<b>22,019</b>	<b>80,514</b>

\*Comparative restated (see note 32 on page 71).  
See note a) to e) on page 40.

## STANDARD CHARTERED PLC – NOTES (continued)

### 1. Segmental Information by Geographic Segment (continued)

- (a) Total interest receivable and total interest payable include intra-group interest of \$460 million (30 June 2003: \$620 million; 31 December 2003: \$312 million).
- (b) Group central expenses have been distributed between segments in proportion to their direct costs and the benefit of the Group's capital has been distributed between segments in proportion to their risk weighted assets.
- (c) Business acquisitions 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 release from the general provision of \$nil (30 June 2003: \$10 million; 31 December 2003: \$nil) is also reported in this segment.
- (d) Total assets employed include intra-group items of \$26,780 million (30 June 2003: \$22,184 million; 31 December 2003: \$11,726 million) and balances of \$4,375 million (30 June 2003: \$6,764 million; 31 December 2003: \$7,507 million) which are netted in the Summarised Consolidated Balance Sheet. Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.
- (e) Total risk weighted assets and contingents include \$1,802 million (30 June 2003: \$1,851 million; 31 December 2003: \$2,352 million) of balances which are netted in calculating capital ratios.
- (f) The \$10 million release from the general provision, in June 2003, is reported in Wholesale Banking.
- (g) In 2004 corporate decisions to dispose of investments in KorAm, BOC Hong Kong (Holdings) Limited, repurchase of surplus subordinated debt in India and incorporation of the Hong Kong business resulted in a number of non-recurring gains and charges. These are included in the Geographic segmental information, but have not been allocated in the Business segmental information shown in note 2.



## STANDARD CHARTERED PLC – NOTES (continued)

### 1. Segmental Information by Geographic Segment (continued)

The following tables set out the structure of Standard Chartered's deposits by principal geographic region where it operates at 30 June 2004, 30 June 2003 and 31 December 2003.

	30.06.04									
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m							
Non interest bearing current and demand accounts	3,015	1,703	930	1,437	1,298	1,268	1,018	991	471	12,131
Interest bearing current and demand accounts	14,456	1,776	103	2,213	5	298	482	1,174	3,642	24,149
Savings deposits	7	494	433	1,015	873	227	1,183	488	22	4,742
Time deposits	13,599	10,290	2,803	5,291	2,781	2,390	1,565	881	10,863	50,463
Other deposits	27	59	561	1,954	4	160	200	68	700	3,733
<b>Total</b>	<b>31,104</b>	<b>14,322</b>	<b>4,830</b>	<b>11,910</b>	<b>4,961</b>	<b>4,343</b>	<b>4,448</b>	<b>3,602</b>	<b>15,698</b>	<b>95,218</b>
Deposits by banks	1,977	3,230	429	3,550	683	1,012	403	165	5,550	16,999
Customer accounts	29,127	11,092	4,401	8,360	4,278	3,331	4,045	3,437	10,148	78,219
	31,104	14,322	4,830	11,910	4,961	4,343	4,448	3,602	15,698	95,218
Debt securities in issue	2,007	444	364	856	319	-	-	1	2,588	6,579
<b>Total</b>	<b>33,111</b>	<b>14,766</b>	<b>5,194</b>	<b>12,766</b>	<b>5,280</b>	<b>4,343</b>	<b>4,448</b>	<b>3,603</b>	<b>18,286</b>	<b>101,797</b>
	30.06.03									
	Asia Pacific				India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
Hong Kong \$m	Singapore \$m	Malaysia \$m	Other Asia Pacific \$m							
Non interest bearing current and demand accounts	1,574	1,067	661	793	996	675	852	865	288	7,771
Interest bearing current and demand accounts	11,583	2,078	76	1,601	28	521	311	881	3,820	20,899
Savings deposits	574	470	492	923	682	198	1,245	437	10	5,031
Time deposits	14,758	9,974	2,646	5,003	3,208	1,969	1,127	552	11,391	50,628
Other deposits	11	123	564	1,016	2	117	315	67	23	2,238
<b>Total</b>	<b>28,500</b>	<b>13,712</b>	<b>4,439</b>	<b>9,336</b>	<b>4,916</b>	<b>3,480</b>	<b>3,850</b>	<b>2,802</b>	<b>15,532</b>	<b>86,567</b>
Deposits by banks	1,219	3,516	409	2,122	1,253	731	358	112	5,065	14,785
Customer accounts	27,281	10,196	4,030	7,214	3,663	2,749	3,492	2,690	10,467	71,782
	28,500	13,712	4,439	9,336	4,916	3,480	3,850	2,802	15,532	86,567
Debt securities in issue	2,196	357	480	429	85	-	-	1	2,885	6,433
<b>Total</b>	<b>30,696</b>	<b>14,069</b>	<b>4,919</b>	<b>9,765</b>	<b>5,001</b>	<b>3,480</b>	<b>3,850</b>	<b>2,803</b>	<b>18,417</b>	<b>93,000</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 1. Segmental Information by Geographic Segment (continued)

	31.12.03									
	Hong Kong \$m	Asia Pacific			India \$m	UAE \$m	Other Middle East & Other S Asia \$m	Africa \$m	Americas UK & Group Head Office \$m	Total \$m
		Singapore \$m	Malaysia \$m	Other Asia Pacific \$m						
Non interest bearing current and demand accounts	2,997	1,814	781	944	1,049	775	920	867	433	10,580
Interest bearing current and demand accounts	14,294	1,538	94	1,906	3	599	325	991	3,863	23,613
Savings deposits	22	492	453	978	786	214	1,080	520	4	4,549
Time deposits	12,671	7,751	2,833	4,993	2,987	2,108	1,480	749	8,105	43,677
Other deposits	16	45	593	803	230	169	246	150	20	2,272
<b>Total</b>	<b>30,000</b>	<b>11,640</b>	<b>4,754</b>	<b>9,624</b>	<b>5,055</b>	<b>3,865</b>	<b>4,051</b>	<b>3,277</b>	<b>12,425</b>	<b>84,691</b>
Deposits by banks	1,097	921	733	1,725	1,234	955	305	160	3,794	10,924
Customer accounts	28,903	10,719	4,021	7,899	3,821	2,910	3,746	3,117	8,631	73,767
	30,000	11,640	4,754	9,624	5,055	3,865	4,051	3,277	12,425	84,691
Debt securities in issue	2,068	346	351	783	87	-	-	1	2,426	6,062
<b>Total</b>	<b>32,068</b>	<b>11,986</b>	<b>5,105</b>	<b>10,407</b>	<b>5,142</b>	<b>3,865</b>	<b>4,051</b>	<b>3,278</b>	<b>14,851</b>	<b>90,753</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 2. Segmental Information by Class of Business

	6 months ended 30.06.04				6 months ended 30.06.03			
	Consumer Banking \$m	Wholesale Banking \$m	Corporate items not allocated	Total \$m	Consumer Banking \$m	Wholesale Banking \$m	Corporate items not allocated	Total* \$m
Net interest income	958	588	-	1,546	904	554	-	1,458
Other finance income	1	2	-	3	(2)	(5)	-	(7)
Other income	376	687	110	1,173	307	582	-	889
<b>Net revenue</b>	<b>1,335</b>	<b>1,277</b>	<b>110</b>	<b>2,722</b>	<b>1,209</b>	<b>1,131</b>	<b>-</b>	<b>2,340</b>
Costs	(674)	(695)	(18)	(1,387)	(595)	(634)	-	(1,229)
Amortisation of goodwill	-	-	(88)	(88)	-	-	(67)	(67)
<b>Total operating expenses</b>	<b>(674)</b>	<b>(695)</b>	<b>(106)</b>	<b>(1,475)</b>	<b>(595)</b>	<b>(634)</b>	<b>(67)</b>	<b>(1,296)</b>
<b>Operating profit before provisions</b>	<b>661</b>	<b>582</b>	<b>4</b>	<b>1,247</b>	<b>614</b>	<b>497</b>	<b>(67)</b>	<b>1,044</b>
Charge for debts	(137)	(2)	-	(139)	(258)	(50)	-	(308)
Amounts written off fixed asset investments	-	(2)	-	(2)	-	(6)	-	(6)
<b>Operating profit before taxation</b>	<b>524</b>	<b>578</b>	<b>4</b>	<b>1,106</b>	<b>356</b>	<b>441</b>	<b>(67)</b>	<b>730</b>
<b>Total assets employed</b>	<b>34,127</b>	<b>95,008</b>	<b>-</b>	<b>129,135</b>	<b>32,891</b>	<b>86,955</b>	<b>-</b>	<b>119,846</b>
<b>Total risk weighted assets and contingents</b>	<b>25,154</b>	<b>55,823</b>	<b>-</b>	<b>80,977</b>	<b>23,421</b>	<b>54,421</b>	<b>-</b>	<b>77,842</b>

	6 months ended 31.12.03			
	Consumer Banking \$m	Wholesale Banking \$m	Corporate items not allocated	Total* \$m
Net interest income	926	584	-	1,510
Other finance income	(2)	(4)	-	(6)
Other income	355	541	-	896
<b>Net revenue</b>	<b>1,279</b>	<b>1,121</b>	<b>-</b>	<b>2,400</b>
Costs	(660)	(611)	-	(1,271)
Amortisation of goodwill	-	-	(67)	(67)
<b>Total operating expenses</b>	<b>(660)</b>	<b>(611)</b>	<b>(67)</b>	<b>(1,338)</b>
<b>Operating profit before provisions</b>	<b>619</b>	<b>510</b>	<b>(67)</b>	<b>1,062</b>
Charge for debts	(220)	(8)	-	(228)
Amounts written off fixed asset investments	-	(5)	-	(5)
<b>Operating profit before taxation</b>	<b>399</b>	<b>497</b>	<b>(67)</b>	<b>829</b>
<b>Total assets employed</b>	<b>33,897</b>	<b>86,327</b>	<b>-</b>	<b>120,224</b>
<b>Total risk weighted assets and contingents</b>	<b>24,253</b>	<b>53,909</b>	<b>-</b>	<b>78,162</b>

\*Comparative restated (see note 32 on page 71).

See note 1b), 1c), 1f) and 1g) on page 40.

## STANDARD CHARTERED PLC – NOTES (continued)

### 3. Dealing Profits and Exchange

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03 \$m	6 months ended 31.12.03 \$m
Income from foreign exchange dealing	<b>255</b>	187	209
Profits less losses on dealing securities	<b>4</b>	35	(23)
Other dealing profits and exchange	<b>73</b>	52	65
	<b>332</b>	274	251

### 4. Other Operating Income

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03 \$m	6 months ended 31.12.03 \$m
Other operating income includes:			
Profits less losses on disposal of investment securities	<b>159</b>	48	14
Premium paid on repurchase of India subordinated debt	<b>(21)</b>	-	-
Dividend income	<b>6</b>	7	7

### 5. Retirement Benefits

With effect from 1 January 2004 the Group fully adopted Financial Reporting Standard 17 – Retirement Benefits (FRS17). See note 32 on page 71.

The effective date of the full valuation for each material defined benefit scheme ranges between 31 December 2001 and 31 May 2004. These have been updated by qualified independent actuaries, Watson Wyatt Ltd, to 31 December 2003 and the expected cost for the year to 31 December 2004 calculated.

The disclosures at 30 June 2004 are determined by projecting forward the 31 December 2003 figures assuming the financial and demographic experience of the arrangements has been in line with the assumptions identified in the year end accounts. Actuarial gains during the period are based on an updated valuation carried out by the Group's in house

actuary of the material schemes to reflect conditions at the balance sheet date and are recognised in the Statement of Total Recognised Gains and Losses.

The total charge for benefits under the Group's retirement benefit schemes was \$45 million (30 June 2003: \$50 million; 31 December 2003: \$47 million), of which \$23 million (30 June 2003: \$26 million; 31 December 2003: \$25 million) was defined benefit pension schemes, \$21 million (30 June 2003: \$23 million; 31 December 2003: \$21 million) was for defined contribution pension schemes and \$1 million (30 June 2003: \$1 million; 31 December 2003: \$1 million) was for post-retirement benefits other than pensions. These have been assessed under the accounting standard, Financial Reporting Standard 17 - Retirement Benefits (FRS17).

## STANDARD CHARTERED PLC – NOTES (continued)

### 5. Retirement Benefits (continued)

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

	<b>30.06.04</b>	30.06.03	31.12.03
	<b>\$m</b>	\$m	\$m
Total market value of assets	<b>1,700</b>	1,376	1,665
Present value of the schemes' liabilities	<b>(1,820)</b>	(1,585)	(1,825)
Deficit	<b>(120)</b>	(209)	(160)
Related deferred tax asset	<b>39</b>	63	49
Net pension liability	<b>(81)</b>	(146)	(111)

Pension expense for defined benefit schemes on the FRS17 basis was:

	<b>6 months</b>	6 months	6 months
	<b>ended</b>	ended	ended
	<b>30.06.04</b>	30.06.03	31.12.03
	<b>\$m</b>	\$m	\$m
Current service cost	<b>26</b>	18	19
Past service cost	-	3	3
(Gain)/loss on settlement & curtailments	-	(2)	(3)
Total charge to operating profit	<b>26</b>	19	19
Expected return on pension scheme assets	<b>(53)</b>	(36)	(37)
Interest on pension scheme liabilities	<b>50</b>	43	43
(Credit)/charge to investment income	<b>(3)</b>	7	6
Total charge to profit before deduction of tax	<b>23</b>	26	25
Actual less expected return on assets	<b>28</b>	(33)	(34)
Experience (gain)/loss on liabilities	-	5	4
(Reduction)/increase in liabilities on update of assumptions	<b>(43)</b>	60	63
Total (gain)/loss recognised in Statement of Total Recognised Gains and Losses before tax	<b>(15)</b>	32	33

## STANDARD CHARTERED PLC – NOTES (continued)

### 6. Taxation

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03*	6 months ended 31.12.03*
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% (30 June 2003: 30%; 31 December 2003: 30%):			
Current tax on income for the period	<b>190</b>	158	193
Adjustments in respect of prior periods	-	2	(36)
Double taxation relief	<b>(182)</b>	(139)	(147)
Foreign tax:			
Current tax on income for the period	<b>288</b>	223	268
Adjustments in respect of prior periods	<b>8</b>	(1)	(25)
Total current tax	<b>304</b>	243	253
Deferred tax:			
Origination/reversal of timing differences	<b>36</b>	(8)	12
Tax on profits on ordinary activities	<b>340</b>	235	265
Effective tax rate	<b>30.7%</b>	32.2%	32.0%

\*Comparative restated (see note 32 on page 71).

Overseas taxation includes taxation on Hong Kong profits of \$45 million (30 June 2003: \$25 million; 31 December 2003: \$109 million) provided at a rate of 17.5 per cent (30 June 2003: 17.5 per cent; 31 December 2003: 17.5 per cent) on the profits assessable in Hong Kong. The Group's net deferred tax asset is \$295 million at 30 June 2004, (30 June 2003: \$258 million; 31 December 2003: \$271 million). \$256 million (30 June 2003: \$195 million; 31 December 2003: 222 million) is included in other assets. The balance of \$39 million in June 2004 (30 June 2003: \$63 million; 31 December 2003: \$49 million) represents the deferred tax on the pension liabilities, so offsets this amount in other liabilities.

### 7. Depreciation and Amortisation

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03	6 months ended 31.12.03
Goodwill	<b>88</b>	67	67
Premises	<b>21</b>	19	24
Equipment	<b>102</b>	89	115
	<b>211</b>	175	206

The Group has reviewed its goodwill amortisation periods and has revised the amortisation schedule from periods between 10 and 20 years to periods between 5 and 20 years.

## STANDARD CHARTERED PLC – NOTES (continued)

### 8. Dividends on Preference Shares

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03 \$m	6 months ended 31.12.03 \$m
Non-cumulative irredeemable preference shares:			
7 <sup>3</sup> / <sub>8</sub> % preference shares of £1 each	7	6	6
8 <sup>1</sup> / <sub>4</sub> % preference shares of £1 each	7	7	6
Non-cumulative redeemable preference shares:			
8.9% preference shares of \$5 each	15	15	15
	<b>29</b>	<b>28</b>	<b>27</b>

### 9. Dividends on Ordinary Equity Shares

	<b>6 months ended 30.06.04</b>		6 months ended 30.06.03		6 months ended 31.12.03	
	<b>Cents per share</b>	<b>\$m</b>	Cents per share	\$m	Cents per share	\$m
Interim	<b>17.06</b>	<b>201</b>	15.51	182	-	-
Final	-	-	-	-	36.49	429
	<b>17.06</b>	<b>201</b>	15.51	182	36.49	429

The 2004 interim dividend of 17.06 cents per share will be paid in either sterling, Hong Kong dollars or US dollars on 8 October 2004, to shareholders on the UK register of members at the close of business on 13 August 2004 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 13 August 2004. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the interim cash dividend. Details of the dividend will be sent to shareholders on or around 20 August 2004.

## STANDARD CHARTERED PLC – NOTES (continued)

### 10. Earnings per Ordinary Share

	6 months ended 30.06.04			6 months ended 30.06.03*			6 months ended 31.12.03*		
	Profit \$m	Average number of shares ('000)	Per share amount cents	Profit \$m	Average number of shares ('000)	Per share amount cents	Profit \$m	Average number of shares ('000)	Per share amount cents
<b>Basic EPS</b>									
Profit attributable to ordinary shareholders	717	1,170,699		453	1,165,676		522	1,168,990	
Premium and costs paid on repurchase of preference shares	-			(2)			(10)		
Basic earnings per ordinary share	717	1,170,699	61.2c	451	1,165,676	38.7c	512	1,168,990	43.8c
<b>Effect of dilutive potential ordinary shares:</b>									
Convertible bonds	11	34,488		10	34,488		11	34,488	
Options	-	2,252		-	231		-	12,091	
<b>Diluted EPS</b>	<b>728</b>	<b>1,207,439</b>	<b>60.3c</b>	<b>461</b>	<b>1,200,395</b>	<b>38.4c</b>	<b>523</b>	<b>1,215,569</b>	<b>43.0c</b>

The Group measures earnings per share on a normalised basis. This differs from earnings defined in Financial Reporting Standard 14. The table below provides a reconciliation.

	6 months ended 30.06.04 \$m	6 months ended 30.06.03* \$m	6 months ended 31.12.03* \$m
Basic earnings per ordinary share, as above	717	451	512
Premium and costs paid on repurchase of preference shares	-	2	10
Premium and costs paid on repurchase of subordinated debt	21	-	-
Amortisation of goodwill	88	67	67
Profits less losses on disposal of investment securities	(159)	(48)	(14)
Costs re Hong Kong incorporation	18	-	-
Amounts written off fixed asset investments	2	6	5
Profit on sale of tangible fixed assets	(4)	-	-
Profit on disposal of subsidiary undertakings	(4)	-	-
Normalised earnings	679	478	580
<b>Normalised earnings per ordinary share</b>	<b>57.9c</b>	<b>41.0c</b>	<b>49.6c</b>

\*Comparative restated (see note 32 on page 71).



## STANDARD CHARTERED PLC – NOTES (continued)

### 11. Loans and Advances

	30.06.04		30.06.03		31.12.03	
	Loans to banks \$m	Loans to customers \$m	Loans to banks \$m	Loans to customers \$m	Loans to banks \$m	Loans to customers \$m
Gross loans and advances	18,653	66,108	18,072	60,734	13,423	62,383
Specific provisions for bad and doubtful debts	(54)	(1,479)	(98)	(1,626)	(59)	(1,602)
General provision	-	(386)	-	(458)	-	(425)
Interest in suspense	(12)	(572)	(8)	(637)	(10)	(612)
	<b>18,587</b>	<b>63,671</b>	17,966	58,013	13,354	59,744

The movement in provisions for bad and doubtful debts is set out below:

	6 months ended 30.06.04		6 months ended 30.06.03		6 months ended 31.12.03	
	Specific \$m	General \$m	Specific \$m	General \$m	Specific \$m	General \$m
Provisions held at beginning of period	1,661	425	1,824	468	1,724	458
Exchange translation differences	(5)	-	5	-	28	-
Amount utilised	-	(39)	-	-	-	(33)
Amounts written off	(288)	-	(531)	-	(379)	-
Recoveries of amounts previously written off	44	-	37	-	47	-
Other	(18)	-	71	-	13	-
New provisions	304	-	474	-	430	-
Recoveries/provisions no longer required	(165)	-	(156)	(10)	(202)	-
Net charge against/(credit to) profit	139	-	318	(10)	228	-
Provisions held at end of period	<b>1,533</b>	<b>386</b>	1,724	458	1,661	425

### 12. Non-Performing Loans and Advances

	30.06.04			30.06.03			31.12.03		
	SCNB (LMA) \$m	Other \$m	Total \$m	SCNB (LMA) \$m	Other \$m	Total \$m	SCNB (LMA) \$m	Other \$m	Total \$m
Loans and advances on which interest is suspended	711	2,789	3,500	757	3,269	4,026	772	3,031	3,803
Specific provisions for bad and doubtful debts	(108)	(1,425)	(1,533)	(94)	(1,630)	(1,724)	(112)	(1,549)	(1,661)
Interest in suspense	-	(584)	(584)	-	(645)	(645)	-	(622)	(622)
	<b>603</b>	<b>780</b>	<b>1,383</b>	663	994	1,657	660	860	1,520

Net non-performing loans and advances comprises loans and advances to banks \$83 million (30 June 2003: \$86 million; 31 December 2003: \$96 million) and loans and advances to customers \$1,300 million (30 June 2003: \$1,571 million; 31 December 2003: \$1,424 million).

## STANDARD CHARTERED PLC – NOTES (continued)

### 12. Non-Performing Loans and Advances (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 THB 38.84 billion (\$949.8 million) are subject to a Loan Management Agreement (LMA) with the Financial Institutions Development Fund (FIDF), a Thai Government agency. Under the LMA, the FIDF has guaranteed the recovery of a principal amount of the NPLs of THB 23 billion (\$562 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 guarantee from FIDF is expected to settle in early 2005. 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 72 per cent (30 June 2003: 70 per cent; 31 December 2003: 72 per cent) of total non-performing lending to customers.

### 13. Debt Securities and Other Fixed Income Securities

	30.06.04			Valuation Investment securities \$m
	Book amount Investment securities \$m	Book amount Dealing securities \$m	Book amount Total debt securities \$m	
Issued by public bodies:				
Government securities	7,879	1,250	9,129	7,925
Other public sector securities	484	9	493	483
	<b>8,363</b>	<b>1,259</b>	<b>9,622</b>	<b>8,408</b>
Issued by banks:				
Certificates of deposit	5,646	159	5,805	5,639
Other debt securities	5,904	606	6,510	5,908
	<b>11,550</b>	<b>765</b>	<b>12,315</b>	<b>11,547</b>
Issued by other issuers:				
Bills discountable with recognised markets	-	-	-	-
Other debt securities	2,779	799	3,578	2,713
	<b>2,779</b>	<b>799</b>	<b>3,578</b>	<b>2,713</b>
Total debt securities	<b>22,692</b>	<b>2,823</b>	<b>25,515</b>	<b>22,668</b>
Of which:				
Listed on a recognised UK exchange	6,011	-	6,011	6,015
Listed elsewhere	4,837	734	5,571	4,791
Unlisted	11,844	2,089	13,933	11,862
	<b>22,692</b>	<b>2,823</b>	<b>25,515</b>	<b>22,668</b>
Book amount investment securities:				
One year or less	13,736			
One to five years	8,626			
More than five years	330			
	<b>22,692</b>			

Debt securities include \$419 million (30 June 2003: \$559 million; 31 December 2003: \$559 million) of securities sold subject to sale and repurchase transactions.

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

## STANDARD CHARTERED PLC – NOTES (continued)

### 13. Debt Securities and Other Fixed Income Securities (continued)

	30.06.03			Valuation Investment securities \$m
	Book amount Investment securities \$m	Book amount Dealing securities \$m	Book amount Total debt securities \$m	
Issued by public bodies:				
Government securities	5,852	1,470	7,322	5,932
Other public sector securities	440	-	440	445
	<u>6,292</u>	<u>1,470</u>	<u>7,762</u>	<u>6,377</u>
Issued by banks:				
Certificates of deposit	4,549	33	4,582	4,528
Other debt securities	4,753	340	5,093	4,753
	<u>9,302</u>	<u>373</u>	<u>9,675</u>	<u>9,281</u>
Issued by other issuers:				
Bills discountable with recognised markets	-	20	20	-
Other debt securities	4,254	909	5,163	4,272
	<u>4,254</u>	<u>929</u>	<u>5,183</u>	<u>4,272</u>
<b>Total debt securities</b>	<b>19,848</b>	<b>2,772</b>	<b>22,620</b>	<b>19,930</b>
Of which:				
Listed on a recognised UK exchange	5,192	-	5,192	5,189
Listed elsewhere	5,519	914	6,433	5,598
Unlisted	9,137	1,858	10,995	9,143
	<u>19,848</u>	<u>2,772</u>	<u>22,620</u>	<u>19,930</u>
Book amount investment securities:				
One year or less	10,496			
One to five years	8,152			
More than five years	1,200			
	<u>19,848</u>			

## STANDARD CHARTERED PLC – NOTES (continued)

### 13. Debt Securities and Other Fixed Income Securities (continued)

	31.12.03			
	Book amount Investment securities \$m	Book amount Dealing securities \$m	Book amount Total debt securities \$m	Valuation Investment securities \$m
Issued by public bodies:				
Government securities	7,496	819	8,315	7,570
Other public sector securities	476	-	476	478
	<u>7,972</u>	<u>819</u>	<u>8,791</u>	<u>8,048</u>
Issued by banks:				
Certificates of deposit	4,086	65	4,151	4,072
Other debt securities	5,215	353	5,568	5,212
	<u>9,301</u>	<u>418</u>	<u>9,719</u>	<u>9,284</u>
Issued by other issuers:				
Bills discountable with recognised markets	-	17	17	-
Other debt securities	3,528	1,086	4,614	3,489
	<u>3,528</u>	<u>1,103</u>	<u>4,631</u>	<u>3,489</u>
<b>Total debt securities</b>	<b>20,801</b>	<b>2,340</b>	<b>23,141</b>	<b>20,821</b>
Of which:				
Listed on a recognised UK exchange	5,855	-	5,855	5,846
Listed elsewhere	5,298	957	6,255	5,301
Unlisted	9,648	1,383	11,031	9,674
	<u>20,801</u>	<u>2,340</u>	<u>23,141</u>	<u>20,821</u>
Book amount investment securities:				
One year or less	10,993			
One to five years	8,445			
More than five years	1,363			
	<u>20,801</u>			

## STANDARD CHARTERED PLC – NOTES (continued)

### 13. Debt Securities and Other Fixed Income Securities (continued)

The change in the book amount of debt securities held for investment purposes comprised:

	6 months ended 30.06.04			6 months ended 30.06.03		
	Historical cost \$m	Amortisation of discounts/ premiums \$m	Book amount \$m	Historical cost \$m	Amortisation of discounts/ premiums \$m	Book amount \$m
At 1 January	20,791	10	20,801	18,383	15	18,398
Exchange translation differences	(271)	5	(266)	570	3	573
Acquisitions	33,931	-	33,931	22,232	-	22,232
Maturities and disposals	(31,765)	6	(31,759)	(21,314)	(32)	(21,346)
Amortisation of discounts and premiums	-	(15)	(15)	-	(9)	(9)
At 30 June	22,686	6	22,692	19,871	(23)	19,848

	6 months ended 31.12.03		
	Historical cost \$m	Amortisation of discounts/ premiums \$m	Book amount \$m
At 1 July	19,871	(23)	19,848
Exchange translation differences	905	7	912
Acquisitions	28,034	-	28,034
Maturities and disposals	(28,019)	(61)	(28,080)
Amortisation of discounts and premiums	-	87	87
At 31 December	20,791	10	20,801

At 30 June 2004, unamortised premiums on debt securities held for investment purposes amounted to \$123 million (30 June 2003: \$135 million; 31 December 2003: \$163 million) and unamortised discounts amounted to \$15 million (30 June 2003: \$205 million; 31 December 2003: \$366 million).

## STANDARD CHARTERED PLC – NOTES (continued)

### 14. Equity Shares and Other Variable Yield Securities

	30.06.04		30.06.03*		31.12.03*	
	Book amount Investment securities \$m	Valuation Investment securities \$m	Book amount Investment securities \$m	Valuation Investment securities \$m	Book amount Investment securities \$m	Valuation Investment securities \$m
Listed on a recognised UK exchange	1	1	2	2	1	1
Listed elsewhere	69	70	74	75	261	353
Unlisted	109	112	116	116	97	97
	<b>179</b>	<b>183</b>	192	193	359	451
One year or less	7	7	24	24	14	14
One to five years	38	38	31	39	40	44
More than five years	-	-	-	-	-	-
Undated	134	138	137	130	305	393
	<b>179</b>	<b>183</b>	192	193	359	451

\*Comparative restated (see note 32 on page 71).

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

Income from listed equity shares amounted to \$2 million (30 June 2003: \$2 million; 31 December 2003: \$5 million) and income from unlisted equity shares amounted to \$3 million (30 June 2003: \$5 million; 31 December 2003: \$9 million).

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

	6 months ended 30.06.04			6 months ended 30.06.03*		
	Historical cost \$m	Provisions \$m	Book amount \$m	Historical cost \$m	Provisions \$m	Book amount \$m
At 1 January	398	(39)	359	225	(32)	193
Exchange translation differences	(2)	-	(2)	1	-	1
Acquisitions	42	-	42	63	-	63
Disposals	(218)	(2)	(220)	(59)	-	(59)
Other	-	-	-	-	(6)	(6)
At 30 June	<b>220</b>	<b>(41)</b>	<b>179</b>	230	(38)	192

  

	6 months ended 31.12.03*		
	Historical cost \$m	Provisions \$m	Book amount \$m
At 1 July	230	(38)	192
Exchange translation differences	3	(1)	2
Acquisitions	183	-	183
Disposals	(12)	1	(11)
Amortisation	-	(5)	(5)
Other	(6)	4	(2)
At 31 December	<b>398</b>	<b>(39)</b>	<b>359</b>

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – NOTES (continued)

### 15. Deposits by Banks

	30.06.04 \$m	30.06.03 \$m	31.12.03 \$m
Repayable on demand	3,124	3,728	3,894
With agreed maturity dates or periods of notice, by residual maturity:			
Three months or less	9,014	8,587	5,057
Between three months and one year	2,207	1,596	1,502
Between one and five years	2,654	318	446
Over five years	-	556	25
	<b>16,999</b>	<b>14,785</b>	<b>10,924</b>

### 16. Customer Accounts

	30.06.04 \$m	30.06.03 \$m	31.12.03 \$m
Repayable on demand	33,478	26,617	31,619
With agreed maturity dates or periods of notice, by residual maturity:			
Three months or less	38,574	38,561	35,789
Between three months and one year	5,246	5,525	5,615
Between one and five years	877	1,032	742
Over five years	44	47	2
	<b>78,219</b>	<b>71,782</b>	<b>73,767</b>

### 17. Debt Securities in Issue

	30.06.04			30.06.03		
	Certificates of deposit of \$100,000 or more \$m	Other debt securities in issue \$m	Total \$m	Certificates of deposit of \$100,000 or more \$m	Other debt securities in issue \$m	Total \$m
By residual maturity:						
Three months or less	1,087	1,387	2,474	1,602	1,040	2,642
Between three and six months	622	177	799	219	148	367
Between six months and one year	732	321	1,053	569	388	957
Between one and five years	1,620	515	2,135	1,883	395	2,278
Over five years	17	101	118	24	165	189
	<b>4,078</b>	<b>2,501</b>	<b>6,579</b>	<b>4,297</b>	<b>2,136</b>	<b>6,433</b>
				31.12.03		
				Certificates of deposit of \$100,000 or more \$m	Other debt securities in issue \$m	Total \$m
By residual maturity:						
Three months or less				1,711	612	2,323
Between three and six months				487	52	539
Between six months and one year				1,030	59	1,089
Between one and five years				1,552	459	2,011
Over five years				13	87	100
				<b>4,793</b>	<b>1,269</b>	<b>6,062</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 18. Dated Subordinated Loan Capital

	30.06.04 \$m	30.06.03* \$m	31.12.03 \$m
By residual maturity:			
Within one year	715	-	25
Between one and five years	1,508	337	1,026
Over five years	2,128	3,770	3,348
	<b>4,351</b>	4,107	4,399

\*Comparative restated (see note 32 on page 71).

Of the total dated subordinated loan capital, \$3,945 million is at fixed interest rates (30 June 2003: \$3,385 million; 31 December 2003: \$3,992 million).

### 19. Called Up Share Capital

	30.06.04 \$m	30.06.03 \$m	31.12.03 \$m
<b>Equity capital</b>			
Ordinary shares of \$0.50 each	589	586	587
<b>Non-equity capital</b>			
Non-cumulative irredeemable preference shares:			
7½% preference shares of £1 each	174	158	172
8¼% preference shares of £1 each	179	164	178
Non-cumulative redeemable preference shares:			
8.9% preference shares of \$5 each	2	2	2
	<b>944</b>	910	939

During 2003, the Company repurchased 9,486 8.9 per cent non-cumulative preference shares of \$5 each. The preference shares were repurchased at prices between \$1,112.50 and \$1,140.52. The total premium paid on the repurchase was \$10.7 million. The shares were cancelled leaving 331,388 of the 8.9 per cent dollar preference shares in issue.

During 2003, the Company repurchased 3,965,000 7½ per cent non-cumulative preference shares of £1 each. The preference shares were repurchased at prices between £1.12875 and £1.13. The total premium paid

on the repurchase was \$0.9 million. The shares were cancelled leaving 96,035,000 of the 7½ per cent sterling preference shares in issue.

During 2003, the Company repurchased 750,000 8¼ per cent non-cumulative preference shares of £1 each. The preference shares were repurchased at £1.22875. The total premium paid on the repurchase was \$0.3 million. The shares were cancelled leaving 99,250,000 of the 8¼ per cent sterling preference shares in issue.



## STANDARD CHARTERED PLC – NOTES (continued)

### 20. Shareholders' Funds

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital redemption reserve \$m	Premises revaluation reserve \$m	Profit and loss account \$m	Total* shareholders' funds \$m
At 1 January 2004 previously published	939	2,813	5	11	(2)	4,009	7,775
Prior year adjustment (note 32)	-	-	-	-	-	(169)	(169)
At 1 January 2004 restated	939	2,813	5	11	(2)	3,840	7,606
Exchange translation differences	4	-	-	-	2	(78)	(72)
Shares issued, net of expenses	1	3	-	-	-	32	36
Total gains/losses recognised under FRS17	-	-	-	-	-	10	10
Retained profit	-	-	-	-	-	516	516
Capitalised on exercise of share options	-	2	-	-	-	(2)	-
At 30 June 2004	944	2,818	5	11	-	4,318	8,096
Own shares held in ESOP Trust							(74)
Total shareholders' funds							8,022
Equity interests							7,367
Non-equity interests							655
At 30 June 2004							8,022

## STANDARD CHARTERED PLC – NOTES (continued)

### 20. Shareholders' Funds (continued)

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital redemption reserve \$m	Premises revaluation reserve \$m	Profit and loss account \$m	Total* shareholders' funds \$m
At 1 January 2003 previously published	909	2,764	5	3	3	3,643	7,327
Prior year adjustment (note 32)	-	-	-	-	-	(128)	(128)
At 1 January 2003 restated	909	2,764	5	3	3	3,515	7,199
Exchange translation differences	8	-	-	-	-	28	36
Shares issued, net of expenses	1	1	-	-	-	21	23
Realised on disposal of property	-	-	-	-	(2)	2	-
Repurchase of preference shares	(8)	-	-	8	-	(17)	(17)
Retained profit	-	-	-	-	-	271	271
At 30 June 2003	910	2,765	5	11	1	3,820	7,512
Own shares held in ESOP Trust							(58)
Total shareholders' funds							7,454
Equity interests							6,829
Non-equity interests							625
At 30 June 2003							7,454

\*Comparative restated (see note 32 on page 71).

## STANDARD CHARTERED PLC – NOTES (continued)

### 20. Shareholders' Funds (continued)

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital redemption reserve \$m	Premises revaluation reserve \$m	Profit and loss account \$m	Total* shareholders' funds \$m
At 1 July 2003 previously published	910	2,765	5	11	1	3,956	7,648
Prior year adjustment (note 32)	-	-	-	-	-	(136)	(136)
At 1 July 2003 restated	910	2,765	5	11	1	3,820	7,512
Exchange translation differences	27	-	-	-	(2)	6	31
Shares issued, net of expenses	2	45	-	-	-	(21)	26
Realised on disposal of property	-	-	-	-	(1)	1	-
Repurchase of preference shares	-	-	-	-	-	(3)	(3)
FRS17 restatement	-	-	-	-	-	(53)	(53)
Retained profit	-	-	-	-	-	93	93
Capitalised on exercise of share options	-	3	-	-	-	(3)	-
At 31 December 2003	939	2,813	5	11	(2)	3,840	7,606
Own shares held in ESOP Trust							(60)
Total shareholders' funds							7,546
Equity interests							6,897
Non-equity interests							649
At 31 December 2003							7,546

\* Comparative restated (see note 32 on page 71).

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust ('the 1995 trust'), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and the Standard Chartered 2004 Employee Benefit Trust ('the 2004 trust') which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. 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 1995 trust has acquired, at market value, 15,383,963 (30 June 2003: 11,070,546; 31 December 2003: 9,513,386) Standard Chartered PLC shares which are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Performance Share Plan and Executive Share Option Schemes. The purchase of these shares has been fully funded by the Group.

At 30 June 2004, the 1995 trust held 15,383,963 (30 June 2003: 11,070,546; 31 December 2003: 9,513,386) shares, of which 10,573,696 (30 June 2003: 6,019,469; 31 December 2003: 4,733,884) have vested unconditionally. The balance of

4,810,267 (30 June 2003: 5,051,077; 31 December 2003: 4,779,502) shares have been included in the Group balance sheet, as a deduction in shareholders' funds at a cost of \$71 million (30 June 2003: \$58 million; 31 December 2003: \$60 million). The market value of the unvested shares at 30 June 2004 was \$78 million (30 June 2003: \$61 million; 31 December 2003: \$79 million). 4,513,992 (30 June 2003: 4,947,801; 31 December 2003: 4,585,901) shares have been conditionally gifted to employees and 296,275 shares are under option to employees.

The 2004 trust has acquired, at market value, 178,926 (31 December 2003: nil; 30 June 2003: nil) Standard Chartered PLC shares which are held in a pool for the benefit of participants under the Group's deferred bonus plan. The purchase of these shares has been fully funded by the Group.

At 30 June 2004, the 2004 trust held 178,926 (31 December 2003: nil; 30 June 2003: nil) shares, all of which were unvested. These shares have been included in the Group balance sheet, as a deduction in shareholders' funds, at cost of \$3 million (31 December 2003: nil; 30 June 2003: nil). The market value of the unvested shares at 30 June was \$3 million. The shares are used to satisfy awards under the Group's deferred bonus plan, further details of which are set out on page 76.

## STANDARD CHARTERED PLC – NOTES (continued)

### 21. Consolidated Cash Flow Statement

*Reconciliation between operating profit before taxation and net cash inflow from operating activities:*

	<b>6 months ended 30.06.04 \$m</b>	6 months ended 30.06.03*	6 months ended 31.12.03*
	\$m	\$m	\$m
Operating profit	<b>1,106</b>	730	829
Adjustments for items not involving cash flow or shown separately:			
Amortisation of goodwill	<b>88</b>	67	67
Depreciation and amortisation of premises and equipment	<b>123</b>	108	139
Gain on disposal of tangible fixed assets	<b>(4)</b>	-	(14)
Gain on disposal of investment securities	<b>(159)</b>	(48)	(14)
Amortisation of investments	<b>18</b>	12	(119)
Gain on disposal of subsidiary undertakings	<b>(4)</b>	-	-
Charge for bad and doubtful debts and contingent liabilities	<b>139</b>	308	228
Amounts written off fixed asset investments	<b>2</b>	6	5
Debts written off, net of recoveries	<b>(74)</b>	(494)	(313)
(Decrease)/increase in accruals and deferred income	<b>(199)</b>	49	167
(Increase)/decrease in prepayments and accrued income	<b>(197)</b>	(452)	540
Net decrease/(increase) in mark-to-market adjustment***	<b>473</b>	(104)	(299)
Interest paid on subordinated loan capital	<b>253</b>	239	59
<b>Net cash inflow from trading activities</b>	<b>1,565</b>	421	1,275
Net (increase)/decrease in cheques in the course of collection	<b>(83)</b>	(73)	46
Net decrease/(increase) in treasury bills and other eligible bills	<b>52</b>	(14)	(62)
Net (increase)/decrease in loans and advances to banks and customers	<b>(10,357)</b>	(2,856)	5,254
Net increase/(decrease) in deposits from banks, customer accounts and debt securities in issue	<b>12,098</b>	5,320	(3,192)
Net increase in dealing securities	<b>(488)</b>	(972)	(578)
Net increase/(decrease) in other accounts**	<b>(18)</b>	(154)	(667)
<b>Net cash inflow from operating activities</b>	<b>2,769</b>	1,672	2,076
<b>Analysis of changes in cash</b>			
Balance at beginning of period	<b>5,661</b>	3,496	3,663
Exchange translation differences	<b>(40)</b>	7	(14)
Net cash (outflow)/inflow	<b>(519)</b>	160	2,012
<b>Balance at end of period</b>	<b>5,102</b>	3,663	5,661

\* Comparative restated (see note 32 on page 71).

\*\* This includes the effect of foreign exchange translation in the local books of subsidiaries and branches.

\*\*\* Mark to market adjustments are being reclassified from the reconciliation to 'Net cash inflow from operating activities', to the reconciliation to 'Net cash inflow from trading activities', as this better reflects their impact on cash flows.

## STANDARD CHARTERED PLC – NOTES (continued)

### 22. Net Interest Margin and Interest Spread

	<b>6 months ended 30.06.04 %</b>	6 months ended 30.06.03 %	6 months ended 31.12.03 %
Net interest margin	<b>2.7</b>	2.8	2.7
Interest spread	<b>2.4</b>	2.6	2.4
	<b>\$m</b>	\$m	\$m
Average interest earning assets	<b>115,419</b>	103,871	110,007
Average interest bearing liabilities	<b>100,632</b>	91,028	92,652

### 23. Remuneration

The Group employed 31,300 staff at 30 June 2004 (30 June 2003: 30,100; 31 December 2003: 30,200).

Within the authority delegated by the Board of Directors, the Board Remuneration Committee is involved in determining the remuneration policy of Standard Chartered Group but specifically for agreeing the individual remuneration packages for executive directors and other highly remunerated individuals. No executive directors are involved in deciding their own remuneration. The Group's remuneration policy is 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 the shareholders;
- Maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

The success of the Group depends upon the performance and commitment of talented employees. In terms of applying this policy:

- Base salaries are set at the median of the Group's key international competitors.
- Annual bonus awards are made wholly on the basis of Group and individual performance and also an individual's adherence to the Group's values.

Standard Chartered believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of tough performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 40 per cent of employees participate.

## STANDARD CHARTERED PLC – NOTES (continued)

### 24. Charge on Group Assets

Group assets include \$2,564 million (30 June 2003: \$2,741 million; 31 December 2003: \$2,951 million) which are subordinated to the claims of other parties.

### 25. 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 Financial Services Authority guidelines implementing the Basel Accord on capital adequacy, after taking account of collateral and guarantees received.

	30.06.04			30.06.03		
	Contract or underlying principal amount \$m	Credit equivalent amount \$m	Risk weighted amount \$m	Contract or underlying principal amount \$m	Credit equivalent amount \$m	Risk weighted amount \$m
<b>Contingent liabilities</b>						
Acceptances and endorsements	914	914	745	870	870	817
Guarantees and irrevocable letters of credit	14,505	10,384	6,689	12,235	8,324	5,888
Other contingent liabilities	4,071	2,869	1,998	5,549	4,064	2,923
	<b>19,490</b>	<b>14,167</b>	<b>9,432</b>	<b>18,654</b>	<b>13,258</b>	<b>9,628</b>
<b>Commitments</b>						
Documentary credits and short term trade-related transactions	2,213	443	414	1,640	328	291
Forward asset purchases and forward deposits placed	77	77	15	95	95	19
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	7,861	3,931	3,664	8,071	4,036	3,231
Less than one year	8,020	-	-	6,456	-	-
Unconditionally cancellable	26,652	-	-	26,924	-	-
	<b>44,823</b>	<b>4,451</b>	<b>4,093</b>	<b>43,186</b>	<b>4,459</b>	<b>3,541</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 25. Contingent Liabilities and Commitments (continued)

	31.12.03		
	Contract or underlying principal amount \$m	Credit equivalent amount \$m	Risk weighted amount \$m
<b>Contingent liabilities</b>			
Acceptances and endorsements	716	716	535
Guarantees and irrevocable letters of credit	12,350	8,480	5,773
Other contingent liabilities	4,802	3,364	2,132
	<b>17,868</b>	<b>12,560</b>	<b>8,440</b>
<b>Commitments</b>			
Documentary credits and short term trade-related transactions	2,157	431	394
Forward asset purchases and forward deposits placed	26	26	5
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	7,182	3,591	3,259
Less than one year	5,203	-	-
Unconditionally cancellable	26,589	-	-
	<b>41,157</b>	<b>4,048</b>	<b>3,658</b>

### 26. Fair Values

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

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

Trading activities are defined as positions held in financial instruments with the intention of benefiting from short term rates or price movements. The risk section of the Financial Review on pages 15 to 30 explains the Group's risk management of derivative contracts.

## STANDARD CHARTERED PLC – NOTES (continued)

### 26. Fair Values (continued)

	30.06.04			30.06.03		
	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
<b>Trading book</b>						
<b>Forward foreign exchange contracts</b>	<b>411,031</b>	<b>3,628</b>	<b>3,632</b>	486,541	5,808	5,437
<b>Foreign exchange derivative contracts</b>						
Currency swaps and options	138,782	1,555	1,473	134,909	1,532	1,674
Exchange traded futures and options	353	1	7	-	-	-
Total	139,135	1,556	1,480	134,909	1,532	1,674
<b>Interest rate derivative contracts</b>						
Swaps	344,993	2,577	2,794	200,459	3,413	3,191
Forward rate agreements and options	64,667	110	110	33,591	89	72
Exchange traded futures and options	129,562	54	53	149,357	48	47
Total	539,222	2,741	2,957	383,407	3,550	3,310
<b>Total trading book derivative financial instruments</b>	<b>1,089,388</b>	<b>7,925</b>	<b>8,069</b>	1,004,857	10,890	10,421
Effect of netting		(4,375)	(4,375)		(6,764)	(6,764)
		<b>3,550</b>	<b>3,694</b>		<b>4,126</b>	<b>3,657</b>
31.12.03						
				Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
<b>Trading book</b>						
<b>Forward foreign exchange contracts</b>				405,983	8,936	8,535
<b>Foreign exchange derivative contracts</b>						
Currency swaps and options				124,138	1,875	1,931
Exchange traded futures and options				327	-	-
Total				124,465	1,875	1,931
<b>Interest rate derivative contracts</b>						
Swaps				253,359	2,834	2,941
Forward rate agreements and options				61,506	89	81
Exchange traded futures and options				108,995	24	27
Total				423,860	2,947	3,049
<b>Total trading book derivative financial instruments</b>				954,308	13,758	13,515
Effect of netting					(7,507)	(7,507)
					<b>6,251</b>	<b>6,008</b>



## STANDARD CHARTERED PLC – NOTES (continued)

### 26. Fair Values (continued)

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

	30.06.04			30.06.03		
	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
<b>Non-trading book</b>						
<b>Forward foreign exchange contracts</b>						
Currency swaps and options	-	-	-	524	-	-
<b>Interest rate derivative contracts</b>						
Swaps	1,142	1	5	1,124	-	2
Forward rate agreements and options	53	-	-	79	-	-
Exchange traded futures and options	1,694	-	-	4,009	2	2
Total	2,889	1	5	5,212	2	4
<b>Equity and Stock index derivatives</b>	1	-	-	-	-	-
<b>Commodity derivative contracts</b>	617	-	-	1,207	6	6
<b>Total non-trading book derivative financial instruments</b>	<b>3,507</b>	<b>1</b>	<b>5</b>	<b>6,943</b>	<b>8</b>	<b>10</b>

	31.12.03		
	Notional principal amounts \$m	Positive fair value \$m	Negative fair value \$m
<b>Non-trading book</b>			
<b>Forward foreign exchange contracts</b>			
Currency swaps and options	-	-	-
<b>Interest rate derivative contracts</b>			
Swaps	28	-	2
Forward rate agreements and options	92	-	-
Exchange traded futures and options	2,634	2	1
Total	2,754	2	3
<b>Commodity derivative contracts</b>	866	1	1
<b>Total non-trading book derivative financial instruments</b>	<b>3,620</b>	<b>3</b>	<b>4</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 26. Fair Values (continued)

	30.06.04		30.06.03	
	Book value \$m	Market value \$m	Book value \$m	Market value \$m
<b>Listed and publicly traded securities:</b>				
Financial assets	<b>18,566</b>	<b>18,562</b>	15,456	15,544
Preference shares	<b>655</b>	<b>774</b>	625	749
Other financial liabilities	<b>10,901</b>	<b>11,053</b>	11,110	11,169
Financial liabilities	<b>11,556</b>	<b>11,827</b>	11,735	11,918

	31.12.03	
	Book value \$m	Market value \$m
<b>Listed and publicly traded securities:</b>		
Financial assets	17,542	17,548
Preference shares	649	768
Other financial liabilities	10,760	10,965
Financial liabilities	11,409	11,733

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

## STANDARD CHARTERED PLC – NOTES (continued)

### 27. 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 30 June 2004, 30 June 2003 and 31 December 2003 for trading and non-trading purposes is set out below:

	30.06.04				30.06.03			
	Under one year \$m	One to five years \$m	Over five years \$m	Total \$m	Under one year \$m	One to five years \$m	Over five years \$m	Total \$m
<b>Forward foreign exchange and foreign exchange derivative contracts</b>								
Notional principal amount	498,725	47,880	3,208	549,813	587,971	29,973	4,030	621,974
Net replacement cost	4,171	922	90	5,183	6,575	685	80	7,340
<b>Interest rate derivative contracts</b>								
Notional principal amount	212,724	165,612	32,519	410,855	120,767	89,649	24,837	235,253
Net replacement cost	512	1,453	723	2,688	494	1,693	1,315	3,502
<b>Equity and Stock index derivatives</b>								
Notional principal amount	1	-	-	1	-	-	-	-
Net replacement cost	-	-	-	-	-	-	-	-
<b>Commodity derivative contracts</b>								
Notional principal amount	308	309	-	617	701	506	-	1,207
Net replacement cost	-	-	-	-	1	5	-	6
<b>Counterparty risk</b>								
Financial institutions				6,242				8,894
Non financial institutions				1,629				1,954
<b>Total net replacement cost</b>				<b>7,871</b>				<b>10,848</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 27. Credit Exposures in respect of Derivative Contracts (continued)

	31.12.03			Total \$m
	Under one year \$m	One to five years \$m	Over five years \$m	
<b>Forward foreign exchange and foreign exchange derivative contracts</b>				
Notional principal amount	488,667	37,075	4,379	530,121
Net replacement cost	9,581	1,091	139	10,811
<b>Interest rate derivative contracts</b>				
Notional principal amount	166,138	119,008	29,839	314,985
Net replacement cost	474	1,520	929	2,923
<b>Commodity derivative contracts</b>				
Notional principal amount	445	421	-	866
Net replacement cost	-	1	-	1
<b>Counterparty risk</b>				
Financial institutions				12,901
Non financial institutions				834
<b>Total net replacement cost</b>				<b>13,735</b>

The risk section of the Financial Review on pages 15 to 30 explains the Group's risk management of derivative contracts.

## STANDARD CHARTERED PLC – NOTES (continued)

### 28. Structural Currency Exposures

The Group's structural currency exposures are set out below:

	30.06.04			30.06.03		
	Net investments in overseas units \$m	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$m	Structural currency exposures \$m	Net investments in overseas units \$m	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$m	Structural currency exposures \$m
Functional currency of the business unit:						
Singapore Dollar	1,024	-	1,024	2	-	2
Indian Rupee	572	-	572	476	-	476
Hong Kong Dollar	2,645	-	2,645	(65)	-	(65)
Malaysian Ringgit	447	-	447	428	-	428
Thai Baht	128	-	128	(1)	-	(1)
UAE Dirham	251	-	251	161	-	161
Sterling	909	(909)	-	1,305	(1,295)	10
Other non US dollar	962	-	962	768	-	768
<b>Total</b>	<b>6,938</b>	<b>(909)</b>	<b>6,029</b>	<b>3,074</b>	<b>(1,295)</b>	<b>1,779</b>

	31.12.03		
	Net investments in overseas units \$m	Borrowing in the functional currency of the units concerned hedging the net investment in the units \$m	Structural currency exposures \$m
Functional currency of the business unit:			
Singapore Dollar	9	-	9
Indian Rupee	482	-	482
Hong Kong Dollar	(1)	-	(1)
Malaysian Ringgit	428	-	428
Thai Baht	(1)	-	(1)
UAE Dirham	241	-	241
Sterling	842	(832)	10
Other non US dollar	1,038	-	1,038
<b>Total</b>	<b>3,038</b>	<b>(832)</b>	<b>2,206</b>

## STANDARD CHARTERED PLC – NOTES (continued)

### 28. Structural Currency Exposures (continued)

Structural currency exposures for 2004 and 2003 relate to net investments in non US dollar units.

The Group's main operations in non US dollar units were Asia, Africa, India and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong Dollar, Malaysian Ringgit, Singapore Dollar, Indian Rupee and Sterling. The Group prepares its consolidated financial statements in US dollars, and 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 pages 15 to 30 explains the risk management with respect to the Group's hedging policies.

### 29. Market Risk

	6 months ended 30.06.04				30.06.04	6 months ended 30.06.03			
	Average \$m	High \$m	Low \$m	Actual \$m		Average \$m	High \$m	Low \$m	Actual \$m
<b>Trading book</b>									
Daily value at risk:									
Interest rate risk	3.1	4.1	2.2	3.1		2.5	4.0	1.8	4.0
Foreign exchange risk	2.7	4.5	1.3	2.5		1.8	3.8	0.9	1.3
Total	4.4	6.0	3.1	4.5		3.8	6.7	2.0	4.6

	6 months ended 31.12.03				31.12.03
	Average \$m	High \$m	Low \$m	Actual \$m	
<b>Trading book</b>					
Daily value at risk:					
Interest rate risk					2.9
Foreign exchange risk					1.3
Total					3.2

This note should be read in conjunction with the market risk section of the Financial Review on pages 28 to 30 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 a VaR methodology. The Group uses historic simulation as its VaR methodology. This methodology measures the estimated potential change in the market value of the portfolio for a given confidence interval during a specified period.

The total Group Trading book VaR shown in the table above is not a sum of the interest rate and exchange rate risks due to offset. The highest and lowest VaR are independent and could have occurred on different days.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

The historic simulation method is used with an observation period of 250 days and 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.

The Group recognises that there are limitations to the VaR methodology. These limitations include the fact that the historic data may not be the best proxy for future price movements, either because the

## STANDARD CHARTERED PLC – NOTES (continued)

observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group performs regular back-testing, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR Model.

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.

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. To manage the risk arising from events which the VaR methodology does not capture, the Group regularly stress tests its main market risk exposures. 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.

### 30. Statutory Accounts

The information in this Interim statement is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. This document was approved by the Board on 4 August 2004. The comparative figures for the financial year end 31 December 2003 are not the Company's

statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

### 31. Forward Looking Statements

This document contains forward-looking statements, including such statements within the meaning of section 27A of the US Securities Act of 1993 and section 21E of the Securities Exchange Act of 1934. These statements concern, or may affect, future matters. These may include the Group's future strategies, business plans, and results and are based on the current expectations of the directors of

Standard Chartered. They are subject to a number of risks and uncertainties that might cause actual results and outcomes to differ materially from expectations outlined in these forward-looking statements. These factors are not limited to regulatory developments but include stock markets, IT developments, competitive and general operating conditions.

### 32. Restatement of Comparative Figures

- a) The Urgent Issues Task Forces issued abstract 38 (UITF 38) - Accounting for ESOP Trusts in December 2003. This abstract required that when a company reacquires its own equity instruments it should present this as a deduction in arriving at shareholders' funds rather than as assets. For the Group's consolidated accounts the amount reported in Equity shares and other variable yield securities at June 2003 has been reduced by \$58 million and shareholders' funds has been reduced by \$58 million to reflect this change in disclosure.
- b) Minority Interests at 30 June 2003 have been restated to reflect non-equity minority interests. These include third party investments in the Group's Global Liquidity fund.
- c) The Group has fully adopted the accounting requirements of FRS17 - Retirement Benefits. FRS17 replaces Statement of Standard Accounting Practice (SSAP) 24 and Urgent Issue Task Force (UITF) Abstract 6 as the accounting standard dealing with post-retirement benefits. The standard is being introduced in the UK in stages, starting with disclosures in the notes to the accounts. The full requirements of the standard are not mandatory until reporting periods starting on or after 1 January 2005, however early adoption is encouraged. The Group has adopted the standard one year early as there is now more certainty that similar requirements will be incorporated within IFRS, under which the Group will report from 2005.

## STANDARD CHARTERED PLC – NOTES (continued)

### 32. Restatement of Comparative Figures (continued)

The new standard requires the Group to include the assets of its defined benefit schemes on its balance sheet together with the related liability to make benefit payments net of deferred tax. The profit and loss account includes a charge in respect of the cost of accruing benefits for current employees and any benefit improvements. The expected return of the schemes' assets is included within other income less a charge in respect of unwinding of the discount applied to the scheme's liabilities.

Under SSAP24 the profit and loss account included a charge in respect of the cost of accruing surplus benefits for the current employees offset by a credit respecting the amortisation of the surplus in the Group's defined benefit schemes. A net pension prepayment was included in the Group's balance sheet.

A prior year adjustment has been made reducing shareholders' funds at 30 June 2003 by \$136 million and at 31 December 2003 by \$169 million to reflect the revised policy.

The effect of this change on the profit and loss account for the six months ended 30 June 2004 has been to introduce other finance income of \$3 million (30 June 2003: \$7 million charge; 31 December 2003: \$6 million charge), and to decrease administrative expenses by \$5 million (30 June 2003: \$4 million increase; 31 December 2003: \$34 million decrease). Profit before tax has been increased by \$8 million (30 June 2003: \$11 million decrease; 31 December 2003: \$28 million increase).

The effect on the Group's balance sheet at 30 June 2004 has been to reflect a net post retirement benefit liability of \$81 million (30 June 2003: \$146 million; 31 December 2003: \$111 million), to reduce prepayments and accrued income by \$78 million (30 June 2003: \$7 million; 31 December 2003: \$81 million), and reduce shareholders' funds by \$154 million (30 June 2003: \$136 million; 31 December 2003: \$169 million).

- d) The Group's £200 million Step-Up Notes 2022 (30 June 2003: \$320million) have been reclassified from undated to dated subordinated loan capital to incorporate callable options in place.



## STANDARD CHARTERED PLC – NOTES (continued)

### 33. 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 impairment. 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 Standard 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 SSAP24 there would have been a net charge to the profit and loss account of \$24 million, (30 June 2003: \$5 million; 31 December 2003: \$5 million), an increase in the book amount of investment in securities of \$25 million (30 June 2003: \$47 million; 31 December 2003: \$30 million) and a credit to reserves of \$18 million (30 June 2003: \$33 million; 31 December 2003: \$21 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 30 June 2004, 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 credit to the profit and loss account of \$23 million (30 June 2003: \$nil million; 31 December 2003: \$15 million charge) in respect of valuations below depreciated historical cost.

#### Dividends

##### UK GAAP

Dividends declared after the period end are recognised as a liability in the period to which they relate.

## STANDARD CHARTERED PLC – NOTES (continued)

### 33. UK and Hong Kong Accounting Requirements (continued)

#### Hong Kong GAAP

Under Hong Kong SSAP9 (revised) - Events after the balance sheet date, 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 six months ended 30 June 2004 would fall by \$228 million (30 June 2003: \$203 million; 31 December 2003: \$44 million rise) had the Company adopted Hong Kong SSAP9 (revised), and there would have been an increase in reserves of \$201 million (30 June 2003: \$182 million; 31 December 2003: \$429 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 cashflows 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 adopted by the Group for the first time and comparatives have been re-stated accordingly.

FRS17 requires defined benefit pension scheme assets to be measured at fair value at each balance sheet date and liabilities to be measured on an actuarial basis using the projected unit method. Differences due to actuarial gains and losses are taken through the Statement of Total Recognised Gains and Losses. FRS17 requires that the asset or liability be shown separately on the balance sheet and net of attributable deferred tax.

##### 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 faster systematic basis is permitted if consistently applied. In addition, Hong Kong GAAP does not allow the balance sheet asset or liability to be offset by the related deferred tax.

Due to the similarities in the UK and Hong Kong accounting standards, and because there has not been an actuarial gain or loss which falls outside of the Hong Kong standard's ten per cent 'corridor', there is no material difference between UK GAAP and HK GAAP in the accounting for retirement benefits.

## STANDARD CHARTERED PLC – NOTES (continued)

### 33. UK and Hong Kong Accounting Requirements (continued)

#### 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 (revised) - Accounting for deferred tax, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, on temporary differences between the carrying amounts of assets

and liabilities for financial reporting purposes and the tax basis are recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The deferred tax asset balance would be decreased by \$24 million at 30 June 2004 (30 June 2003: \$28 million; 31 December 2003: \$24 million) and the deferred tax liability balance would be increased by \$nil at 30 June 2004 (30 June 2003: \$nil; 31 December 2003: \$nil million). The profit and loss reserves balance would be decreased by \$8 million (30 June 2003: \$12 million; 31 December 2003: \$8 million) and the premises revaluation reserve would be decreased by \$16 million at 30 June 2004 (30 June 2003: \$16 million; 31 December 2003: \$16 million).

## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### Directors' interests in Ordinary Shares

Director	At 1 January 2004*			At 30 June 2004	
	Total interests	Personal interests	Family interests	Other interests (e)	Total interests
B K Sanderson	53,221	73,262	1,159	26,469	100,890
E M Davies	60,490	87,482	-	37,056	124,538
Sir CK Chow	8,664	15,664	-	-	15,664
M B DeNoma	10,455	33,056	-	20,116	53,172
J F T Dundas	-	2,100	-	-	2,100
Ho KwonPing	2,299	2,352	-	-	2,352
C A Keljik	123,930	1,078	145,453	17,646	164,177
R H P Markham	2,160	2,210	-	-	2,210
R Markland	2,000	2,000	-	-	2,000
R H Meddings	2,000	2,046	-	15,881	17,927
K S Nargolwala	70,897	96,801	-	20,116	116,917
H E Norton	4,000	4,000	-	-	4,000
P A Sands	2,111	2,159	-	22,057	24,216
P D Skinner	3,000	3,000	-	-	3,000
O H J Stocken	5,000	5,000	-	-	5,000

\* or at date of appointment, if later.

#### Notes

- 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.
- 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.
- No director had any corporate interests in the Company's ordinary shares.
- Mr Dundas and Mr Stocken were appointed as independent non-executive directors on 15 March 2004 and 1 June 2004 respectively.
- The shares shown in this column are Deferred Bonus Plan shares. Under the 2004 Deferred Bonus Plan, shares are awarded instead of all or part of the director's annual cash bonus. The shares are held in trust and automatically vest one year after the date of purchase; no exercise is necessary. The director is not entitled to receive dividends on the shares until after the shares vest.

## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### Directors' interests in Ordinary Shares (continued)

Director	Scheme	At 1 January 2004	Granted	Exercised	Lapsed	At 30 June 2004	Weighted average exercise price (pence)	Period of Exercise
B K Sanderson	2000 Scheme	121,211	20,844 <sup>(a)</sup>	-	-	142,055	771	2006-2014
	Sharesave	2,472	-	-	-	2,472	641	2008-2009
E M Davies	2000 Scheme	999,463	138,963 <sup>(a)</sup>	-	-	1,138,426	773	2004-2014
	Sharesave	2,957	-	-	-	2,957	559.5	2007-2008
	Supplemental Scheme	79,049	-	-	52,217	26,832	820	2004-2005
	1994 Scheme	132,848	-	-	-	132,848	754.02	2004-2009
M B DeNoma	2000 Scheme	536,958	85,515 <sup>(a)</sup>	-	-	622,473	797.62	2004-2014
	Sharesave	2,397	-	-	-	2,397	704	2004-2005
	Supplemental Scheme	36,585	-	-	-	36,585	820	2004-2005
	1994 Scheme	33,783	-	-	-	33,783	888	2004-2009
C A Keljik	2000 Scheme	461,099	74,826 <sup>(a)</sup>	-	-	535,925	814.48	2004-2014
	Sharesave	1,439	-	-	-	1,439	641	2006-2007
	Supplemental Scheme	72,023	-	-	24,706	47,317	820	2004-2005
	1994 Scheme	117,098	-	-	-	117,098	767.01	2004-2009
R H Meddings	2000 Scheme	237,332	65,473 <sup>(a)</sup>	-	-	302,805	780.2	2005-2014
	Sharesave	1,439	-	-	-	1,439	641	2006-2007
K S Nargolwala	2000 Scheme	495,304	85,515 <sup>(a)</sup>	-	-	580,819	813.5	2004-2014
	Supplemental Scheme	91,093	-	-	36,215	54,878	820	2004-2005
	1994 Scheme	99,063	-	-	-	99,063	757.1	2004-2009
P A Sands	2000 Scheme	404,375	96,205 <sup>(a)</sup>	-	-	500,580	809.06	2005-2014
	Sharesave	2,957	-	-	-	2,957	559.5	2007-2008

#### Notes

(a) Exercise Price: 935p

(b) 2000 Executive Share Option Scheme (the 2000 Scheme). Executive share options are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is at least the share price at the date of grant and options can normally only be exercised if an earnings per share (EPS) linked performance condition is satisfied. For awards granted in 2004, there is a sliding scale EPS performance condition. EPS must increase by a minimum of 15 per cent over the performance period for partial vesting, and by 30 per cent for full vesting.

(c) Sharesave. Sharesave is an all employee share scheme in which staff across the Group, including the executive directors, are eligible to participate. There are two schemes - the UK Sharesave Scheme and the International Sharesave Scheme.

Under Sharesave participants have a choice of opening a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, participants may purchase ordinary shares in the Company. The price at which they may purchase shares is typically at a 20 per cent discount to the share price at the date of invitation. There are no performance conditions attached to awards under the Sharesave schemes.

(d) 1997 Supplemental Executive Share Option Scheme (the Supplemental Scheme) (closed). No awards have been made under the Supplemental 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, firstly, the share price over 20 consecutive days exceeds the share price at grant by at least 50 per cent plus RPI and, secondly, EPS increases by at least 25 per cent plus RPI.

(e) 1994 Executive Share Option Scheme (the 1994 Scheme) (closed). No awards have been made under the 1994 Scheme since August 1999 as it was replaced by the 2000 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.

Further details of the share schemes mentioned above, can be found in the Company's 2003 Report and Accounts, which is available on the Company's website: [www.standardchartered.com](http://www.standardchartered.com).

## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### Directors' interests in Ordinary Shares (continued)

Director	Type of Scheme*	Options where market price greater than exercise price			Options where market price lower than exercise price		
		At 30 June 2004	Weighted exercise price (pence)	Expiry date	At 30 June 2004	Weighted exercise price (pence)	Expiry date
B K Sanderson	Executive Schemes	121,211	742.5	2013	20,844	935.5	2014
	Sharesave	2,472	641	2009	-	-	-
E M Davies	Executive Schemes	1,039,410	735.2	2005-2013	258,696	920	2011-2014
	Sharesave	2,957	559.5	2008	-	-	-
M B DeNoma	Executive Schemes	487,593	755.75	2005-2013	205,248	915.96	2011-2014
	Sharesave	2,397	704	2005	-	-	-
C A Keljik	Executive Schemes	505,781	765.38	2005-2013	194,559	914.88	2011-2014
	Sharesave	1,439	641	2007	-	-	-
R H Meddings	Executive Schemes	237,332	737.36	2012-2013	65,473	935.5	2014
	Sharesave	1,439	641	2007	-	-	-
K S Nargolwala	Executive Schemes	529,512	763.91	2005-2013	205,248	915.96	2011-2014
P A Sands	Executive Schemes	404,375	778.98	2013	96,205	935.5	2014
	Sharesave	2,957	559.50	2008	-	-	-

\*Executive Schemes includes 1994 Executive Share Option Scheme, Supplemental Share Option Scheme and 2000 Executive Share Option Scheme

## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### Directors' interests in Ordinary Shares (continued)

Director	Scheme	At 1 January 2004	Granted	Exercised	Lapsed	At 30 June 2004	Period of vesting
B K Sanderson	Performance Share Plan	-	32,068(a)	-	-	32,068	2007
	Restricted Share Scheme	40,404	-	-	-	40,404	2005-2006
E M Davies	Performance Share Plan	34,500	-	23,992(c)	10,508	-	-
	Performance Share Plan	83,010	-	-	-	83,010	2005
	Performance Share Plan	86,893	-	-	-	86,893	2006
	Performance Share Plan	-	69,481(a)	-	-	69,481	2007
	Performance Share Plan	-	70,575(b)	-	-	70,575	2007
M B DeNoma	Performance Share Plan	32,500	-	22,601(c)	9,899	-	-
	Performance Share Plan	30,713	-	-	-	30,713	2005
	Performance Share Plan	55,032	-	-	-	55,032	2006
	Performance Share Plan	-	42,757(a)	-	-	42,757	2007
	Performance Share Plan	-	21,716(b)	-	-	21,716	2007
C A Keljik	Performance Share Plan	32,500	-	22,601(c)	9,899	-	-
	Performance Share Plan	38,392	-	-	-	38,392	2005
	Performance Share Plan	41,274	-	-	-	41,274	2006
	Performance Share Plan	-	42,757(a)	-	-	42,757	2007
	Performance Share Plan	-	10,858(b)	-	-	10,858	2007
R H Meddings	Performance Share Plan	38,015	-	-	-	38,015	2006
	Performance Share Plan	-	37,413(a)	-	-	37,413	2007
	Performance Share Plan	-	9,501(b)	-	-	9,501	2007
	Restricted Share Scheme	45,319	-	-	-	45,319	2004-2005
K S Nargolwala	Performance Share Plan	37,250	-	25,904(c)	11,346	-	-
	Performance Share Plan	51,189	-	-	-	51,189	2005
	Performance Share Plan	55,032	-	-	-	55,032	2006
	Performance Share Plan	-	42,757(a)	-	-	42,757	2007
	Performance Share Plan	-	21,716(b)	-	-	21,716	2007
P A Sands	Performance Share Plan	52,216	-	-	-	52,216	2005
	Performance Share Plan	65,170	-	-	-	65,170	2006
	Performance Share Plan	-	48,102(a)	-	-	48,102	2007
	Performance Share Plan	-	36,645(b)	-	-	36,645	2007
	Restricted Share Scheme	52,216	-	-	-	52,216	2004-2005

#### Notes

(a) Market value on date of award (4 March 2004) was 935.5p.

(b) Market value on date of award (9 June 2004) was 921p.

(c) Market value on date of exercise (14 June 2004) 898p.

(d) 2001 Performance Share Plan (the Plan). Under the Plan 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.

Before any award can be exercised under the Plan, certain performance conditions need to be met. The performance conditions are set at the time of the award. 50 per cent of each award is subject to the satisfaction of a relative total shareholder return performance target.

The remaining 50 per cent of the award is subject to the satisfaction of an EPS performance target. Further details of the performance conditions can be found in the Company's 2003 Report and Accounts, which is available on the Company's website: [www.standardchartered.com](http://www.standardchartered.com).

(e) 1997 Restricted Share Scheme (the Restricted Share Scheme). The awards under the Restricted Share Scheme are nil cost options and are not normally granted to executive directors except upon their appointment. Fifty per cent of the award vests two years after the date of grant and the remainder after three years. There are no performance conditions attached to awards under the Restricted Share Scheme.

Further details of the share schemes mentioned above, can be found in the Company's 2003 Report and Accounts, which is available on the Company's website: [www.standardchartered.com](http://www.standardchartered.com).

## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### Corporate Governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

### Securities transactions

The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange, and that the directors of the Company have complied with this code of conduct throughout the period.

### Substantial shareholders

The Company and its shareholders have been granted

partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (“SFO”). As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the UK.

### Share price information

The middle market price of an ordinary share at the close of business on 30 June 2004 was 898 pence. The share price range during the first half of 2004, was 833.5 pence to 963.5 pence (based on the closing middle market prices).

### Dividend and interest payment dates

#### 2004 Interim dividend

Ex dividend date	11 August 2004
Record date for dividend	13 August 2004
Dividend payment date	8 October 2004

#### 2004 Final dividend

(provisional only)

Results and dividend announced	16 February 2005
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#### Preference shares

#### Next half- yearly dividend

7 $\frac{3}{8}$ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2004
8 $\frac{1}{4}$ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2004

8.9 per cent Non-Cumulative preference shares of \$5 each: Dividends paid on the 1st of each calendar quarter

### Previous dividend payments

Dividend and financial year	Payment date	Cash dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
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
Final 2002	13 May 2003	32.9c/20.692p/ HK\$2.566	£6.884/\$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK\$1.205	£8.597/\$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK\$2.8448	£8.905/\$15.829



## STANDARD CHARTERED PLC – ADDITIONAL INFORMATION

### ShareCare

ShareCare is available to shareholders on the United Kingdom share register who have a resident address in the United Kingdom 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.

### 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 share 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 and you have enquiries, 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](http://www.computershare.com).

### Chinese translation

If you would like a Chinese version of this Interim Report please contact: Computershare Hong Kong Investor Services Limited at Rooms 1901–5, 19th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong.

中期報告之中文版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19樓1901-5室。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications 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 Interim Report, 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 share register and in future you would like to receive the Report and Accounts and Interim Reports electronically rather than by post, please register online at: [www.standardchartered.com/investors](http://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.

## **Independent review report by KPMG Audit Plc to Standard Chartered PLC**

### **Introduction**

We have been engaged by the Company to review the financial information set out on pages 33 to 75 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts, in which case any changes and the reasons for them are to be disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

KPMG Audit Plc  
Chartered Accountants  
London  
4 August 2004

## Financial Calendar

Ex-dividend date	11 August 2004
Record date	13 August 2004
Posting to shareholders of 2004 Interim Report	20 August 2004
Payment date – interim dividend on ordinary shares	8 October 2004

*Copies of this statement are available from:*

*Investor Relations, Standard Chartered PLC, 1 Aldermanbury Square, London, EC2V 7SB or from our website on <http://investors.standardchartered.com>*

*For further information please contact:*

*Tracy Clarke, Group Head of Corporate Affairs  
(020) 7280 7708*

*Paul Marriage, Head of Corporate Communications  
(020) 7280 7163*

*Benjamin Hung, Head of Investor Relations  
(020) 7280 7245*

*The following information is available on our website*

- *A live webcast of the final results analyst presentation (available from 9:45am GMT)*
- *A pre-recorded webcast and Q/A session of analyst presentation in London (available 1:00pm GMT)*
- *Interviews with Mervyn Davies, Group Chief Executive and Peter Sands, Group Finance Director (available from 9:00am GMT).*
- *Slides for the Group's presentations (available after 11:00am GMT)*

*Images of Standard Chartered are available for the media at [www.newscast.co.uk](http://www.newscast.co.uk)*

*Information regarding the Group's commitment to corporate social responsibility is available at [www.standardchartered.com/ourbeliefs](http://www.standardchartered.com/ourbeliefs)*

*The 2004 Interim Report will be made available on the website of the Stock Exchange of Hong Kong and on our website [www.standardchartered.com](http://www.standardchartered.com) as soon as is practicable.*