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Standard Chartered PLC

(渣打集團有限公司)

(Registered in England and Wales number 966425)

(Stock Code : 02888)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Highlights

Reported results

- Operating income up 9 per cent to \$15,184 million (2008: \$13,968 million)
- Profit before taxation up 13 per cent to \$5,151 million (2008: \$4,568 million)³
- Profit attributable to ordinary shareholders¹ up 4.7 per cent to \$3,279 million (2008: \$3,131 million)³

Performance metrics²

- Normalised earnings per share up 2.8 per cent at 179.8 cents (2008: 174.9 cents)
- Normalised return on ordinary shareholders' equity of 14.3 per cent (2008: 15.2 per cent)
- Recommended final dividend of 44.80 cents per share resulting in an annual dividend for 2009 of 66.03 cents per share up 7.2 per cent from 61.62 cents per share for 2008
- Normalised cost income ratio of 51.3 per cent (2008: 56.1 per cent)
- Advances-to-deposits ratio of 78.6 per cent (2008: 74.8 per cent)
- Core Tier 1 capital ratio at 8.9 per cent (2008: 7.5 per cent⁴)
- Total capital ratio at 16.5 per cent (2008: 15.6 per cent)

Significant achievements

- Produced record income and profits, from diversified income sources in a period of unparalleled change, with disciplined focus on costs.
- Delivered diverse and well spread income and profit - five individual markets delivered over \$1 billion of income and India, for the first time, joined Hong Kong in generating operating profits in excess of \$1 billion.
- Reinforced a liquid and prudently managed balance sheet, focusing on the basics of good banking.
- Continued to de-risk the asset book, positioning it well to deal with challenges arising from an uncertain environment.
- Reduced loan impairment in both businesses in the second half.
- Improved strong capital position by strong organic equity generation and capital raising.
- 2009 is the seventh successive year of record income and profits and fourth year of generating over \$1 billion of incremental organic income.
- 2010 has begun well for both businesses.

Commenting on these results, the Chairman of Standard Chartered PLC, John Peace, said:

'2009 was the seventh successive year of record income and profits. The Bank has used its strong capital and liquidity position and its increasingly powerful brand to capture market share from competitors and to deepen relationships with customers and clients. The Bank enters 2010 with real resilience and momentum.'

¹ Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 8 on page 57).

² Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 9 on page 58.

³ Restated as explained in note 33 on page 80

⁴ Restated as explained on page 44

Standard Chartered PLC Results for the year ended 31 December 2009

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Unless another currency is specified, the word 'dollar' or symbol '\$' in this document means United States dollar and the word 'cent' or symbol 'c' means one-hundredth of one United States dollar.

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'; The Republic of Korea is referred to as Korea or South Korea; Middle East and Other South Asia ('MESA') includes: Pakistan, United Arab Emirates ('UAE'), Bahrain, Qatar, Jordan, Sri Lanka and Bangladesh; and 'Other Asia Pacific' includes: China, Malaysia, Indonesia, Brunei, Thailand, Taiwan, Vietnam and the Philippines.

Standard Chartered PLC - Summary of results

For the year ended 31 December 2009

	2009 \$million	2008 \$million
Results		
Operating income	15,184	13,968
Impairment losses on loans and advances and other credit risk provisions	(2,000)	(1,321)
Other impairment	(102)	(469)
Profit before taxation	5,151	4,568 ³
Profit attributable to parent company shareholders	3,380	3,241 ³
Profit attributable to ordinary shareholders ¹	3,279	3,131 ³
Balance sheet		
Total assets	436,653	435,068
Total equity	27,920	22,695
Total capital base (Basel II basis)	35,265	29,442
Information per ordinary share	Cents	Cents
Earnings per share – normalised basis	179.8	174.9
– basic	167.9	192.1 ³
Dividend per share	66.03	61.62
Net asset value per share	1,281.6	1,091.1
Ratios	%	%
Return on ordinary shareholders' equity – normalised basis ²	14.3%	15.2%
Cost income ratio – normalised basis ²	51.3%	56.1%
Capital ratios (Basel II basis):		
Core Tier 1 capital	8.9%	7.5% ⁴
Tier 1 capital	11.5%	9.9% ⁴
Total capital	16.5%	15.6%

¹ Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 8 on page 57).

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⁴ Restated as explained on page 44.

Standard Chartered PLC – Chairman's statement

I am delighted to report that 2009 was the seventh successive year of record income and profits. The Bank used its strong capital and liquidity position and its increasingly powerful brand to capture market share from competitors and to deepen relationships with customers and clients. Standard Chartered grew income and profit despite the economic downturn across the world and significant interest rate and foreign exchange headwinds.

- Income increased 9 per cent to \$15.18 billion
- Profit before taxation rose 13 per cent to \$5.15 billion
- Normalised earnings per share were up 2.8 per cent to 179.8 cents

The Board is recommending a final dividend of 44.80 cents per share making a total annual dividend of 66.03 cents per share, up 7 per cent.

Throughout the financial crisis and economic downturn, we have consistently produced strong results. We have achieved this by sticking to our strategy and supporting our customers and clients through these difficult times. Throughout the crisis we stayed open for business.

We helped many of our customers buy their homes, increasing our mortgage lending by \$10 billion to a total of \$58 billion. In 2009, our total lending to customers, clients and financial institutions increased by \$28 billion, an increase of over 10 per cent. The Bank now lends more than \$250 billion around the world.

Longevity in our markets is something we are proud of. Not only does it give us the local knowledge to serve our customers well, it also makes us part of their community.

We have been working with many of our clients for generations and the downturn has uniquely helped us to reinforce these valuable relationships. We have managed a way through the crisis very well, much to the benefit of our clients and shareholders.

However, like most bankers, we are conscious that the world has changed and that we must work together with regulators, governments and the rest of the industry to secure a better financial system, if we are to support the global recovery and to focus on the socially-useful aspects of banking.

The issue of bonuses has been much in the spotlight. In our geographic footprint, competition for talented employees is both international and red hot. Today, we employ over 75,000 people, only 2,000 of whom are based in the UK. We must therefore take a global perspective in setting a remuneration policy.

We pay for good performance and we do not reward failure. And we have continued to produce record income and profits on a sustained basis. We have increased our capital base, raised our dividend, continued to invest in the business and have generated substantial value for our shareholders over an extended period of time. We have not used government liquidity, capital or asset protection support.

On balance, the Board has therefore concluded that it is in the interests of the business and our shareholders to reward the management team for yet another successful year and to retain top talent in these fiercely competitive markets, but only when appropriate to do so.

We are also satisfied that our remuneration policies encourage this long-term performance and do not reward short-term risk taking.

We fully support the Financial Services Authority code on remuneration, to which we were already broadly aligned last year and we have even gone further this year.

So we will continue to reward performance within that framework.

Standard Chartered PLC – Chairman’s statement continued

However, in setting this year’s bonus pool, we did take into account the UK bonus tax and we have spread the cost of this across the business globally. Our compensation as a proportion of revenue has fallen in each of the last two years to 32 per cent.

For all the industry and media discussion on regulation and remuneration, it is crucial that the balance of regulatory reform is right to avoid unintended consequences that could potentially hinder global recovery. The best way to protect against financial stress and ensure an effective, functioning financial system is to have sound, well-managed, well-governed institutions. At Standard Chartered we have a proven strategy and a world-class management team, both of which have withstood the test of the last couple of years.

We have also taken steps to further strengthen our corporate governance with new appointments to the Board and changes to our Board Committee structure.

We have appointed two new executive directors.

Mike Rees was appointed Group Executive Director in August 2009. Mike has been CEO of Wholesale Banking since 2002 and has done an exceptional job in transforming and growing that business.

Jaspal Bindra, our CEO Asia, was appointed Group Executive Director on 1 January 2010. He has wide-ranging international experience, including previous roles as Global Head of Client Relationships and Chief Executive Officer, India.

We have also appointed three new non-executive directors.

Dr Han Seung-Soo was Prime Minister of the Republic of Korea in 2008 and 2009 and has had a distinguished political and diplomatic career. Richard Delbridge has a wealth of financial experience from a wide-ranging banking career. Simon Lowth, who is currently an Executive Director and Chief Financial Officer of AstraZeneca PLC, will join the Board on 1 May and brings with him considerable business and financial experience.

I would also like to take this opportunity to thank Gareth Bullock, another of our Group Executive Directors, for the significant contribution he has made to the success of the Bank over many years. Gareth will be stepping down from the Board on 30 April. He will continue his responsibilities for growth and governance across Africa, Europe, Americas and the Middle East until his successor is appointed.

In 2009 the Board conducted a review and implemented changes to the Board Committee structures to reinforce the highest standards of corporate governance. This included separating the existing Audit and Risk Committee to accentuate the focus on risk management.

In summary, 2009 was another successful year for the Bank. We face challenges in the global economic and regulatory environment but the Board believes Standard Chartered has the right strategy for sustainable growth and the Bank enters 2010 with real resilience and momentum.

John Peace
Chairman
3 March 2010

Standard Chartered PLC – Group Chief Executive’s review

Our results tell a compelling story; we produced record profits on the back of record income. We have an ever stronger balance sheet and a broader, deeper client and customer franchise. The Bank is in very good shape.

We did not let the crisis interrupt our track record of consistently delivering for our shareholders and we have no intention of allowing the aftermath to deflect us either. Both businesses have begun 2010 with good momentum and, whilst the economic uncertainties remain daunting and the regulatory rules of the game are in a state of total flux, we start the year with a blend of caution and confidence.

Moreover, at no point during the crisis did we take capital from any government or liquidity support from any central bank. Nor did we utilise debt guarantee schemes or asset protection arrangements.

Rather than just focus on our achievements in 2009, I want to start with the problems or headwinds we have faced and the challenges we see ahead. I will then lay out our strategic priorities for 2010.

Challenges

In my half-year results statement I mentioned three specific challenges we faced: overall performance in Korea; loan impairment in our Middle East South Asia, or MESA region; and the sharp fall in income in Wealth Management and Deposits in Consumer Banking.

This is a brief update on progress since then. Korea delivered much better performance in the second half of 2009 and we expect even stronger results in 2010. In MESA, we anticipate continued challenges, given the political and security situation in Pakistan, the well-publicised problems in Dubai and credit issues elsewhere in the region. However, it is important to keep these issues in perspective. We are well-provisioned, have limited exposure to commercial real estate and the underlying business is strong. Income in MESA was up 25 per cent in 2009. Whilst not underestimating the near-term challenges, we remain firmly committed to the region and are investing for growth. We plan to open for

business in both Saudi Arabia and Libya this year.

In Wealth Management and Deposits the picture is mixed. We saw a marked improvement in Wealth Management income in the last quarter of 2009. Deposit margins remain under pressure, although we have continued to be very successful in attracting accounts and balances.

If those were the challenges we saw in the first half of the year, in the second half the biggest challenge to the Bank’s overall performance arose from the slowdown in Wholesale Banking’s own account income, which fell 47 per cent. Some of this decline is seasonal, since August and December are always slow trading months, but we also felt the effects of reduced bid-offer spreads, lower volatility and reduced Asset and Liability Management (ALM) opportunities.

This slowdown is not of great concern as the real engine of growth in Wholesale Banking is client income. Own account income will fluctuate between 15 and 30 per cent of total income, depending on external factors. It was at the top end of this spectrum in the first half of last year and has now fallen to more normal levels. Client income momentum is the fundamental driver of Wholesale Banking’s performance on a sustainable basis and this continued to be resilient through the second half of 2009. Furthermore, client income in January 2010 was up over 20 per cent compared to January last year.

Looking ahead, our most significant challenges in 2010 have less to do with specific markets and more to do with the uncertainties about global economic prospects and the sheer scale and pace of change in banking regulation.

Global economic outlook

There is no doubt that the global economy started 2010 looking better than it did 12 months ago. After a contraction of nearly two per cent in 2009, global growth will return in 2010. We expect a modest recovery of perhaps two per cent, or just over, this year. However, there is a sharp disparity between the prospects for our markets and those for Western economies.

Standard Chartered PLC – Group Chief Executive’s review continued

But if we have learned anything from this crisis, it is that the global economy is far less predictable and far more turbulent than many thought. I see five risks.

First, remarkably little progress appears to have been made in rebalancing the world economy. And while imbalances of such scale exist, so there remains the potential for currency crises, asset bubbles and trade wars.

Second, there is lot of deleveraging still to happen, particularly in the West, both in the private and the public sector. This is never quick or painless.

Third, it is far from clear how robust the recovery will be once governments and central banks withdraw their extraordinary stimulus measures.

Fourth, there is a real risk that persistently high levels of unemployment across many parts of the world will fuel protectionism and other populist policies that will actually impede resumption of sustainable growth.

Finally, there is the risk that the pendulum swings too far in the reform of banking regulation, with the result that the real economy is starved of credit just as confidence and the desire to invest begins to return.

Our markets – and particularly Asia – are better placed than most parts of the world to weather these risks, but they are not immune, so we cannot be complacent. Yet thus far, policy-makers in most parts of Asia have been remarkably effective in responding to the twists and turns of the crisis.

Regulation

The regulatory debate revolves around how to achieve two important objectives. First, making the banking system safer, less prone to crisis. Second, ensuring we have an efficient and effective banking system that can support recovery and job creation in the real economy.

The challenge is that there are some real trade-offs between these objectives and it is crucial that policy-makers strike the right balance. Get it wrong one way and we risk another crisis; get it wrong the other way and we will stifle growth and job creation and risk another sort of crisis.

The debate about capital levels illustrates the point. There is no doubt that the banking system held too little high-quality capital before the crisis. Most banks, including Standard Chartered, have already improved their capital ratios significantly.

The question now is how much is enough? The closer a regulator was to the epicentre of the crisis, the higher the answer they tend to give.

It is all too easy to see how the pendulum could swing too far, with hugely damaging unintended consequences, to the real economy and to jobs. This is why it is absolutely critical that we think through the aggregate impact of all these changes before we rush to implement them.

This is not to say we are against all the proposals or are defending the status quo. Better regulation is clearly needed and we are broadly supportive of many of the specific proposals put forward by the Basel Committee. Specific measures we do support include:

- higher capital levels and a greater emphasis on quality of capital, and thus on core equity with a consistent approach to deductions;
- a new approach to non-equity capital that allows greater loss absorption in practice
- significant increases in the risk weighting of trading book activities;
- far more robust liquidity regulation;
- simplification of resolution approaches, particularly cross-border, to reduce the “too big to fail” problem;
- harmonisation of accounting approaches;
- international application of common principles on remuneration;
- introduction of macro-prudential tools, such as loan-to-value (LTV) caps or liquid asset reserves. Here the West could learn much from Asia, where many of these tools are well-established.

Standard Chartered PLC – Group Chief Executive’s review continued

There is a lot that we agree it makes sense to change and we are committed to working with policy-makers to ensure the changes are as well thought through and practical as possible.

But I would also add that there are some things we think are bad ideas. For example, variants of Glass-Steagal seem to us hugely distracting, costly and unlikely to make anyone or anything safer. Pre-funded resolution funds seem equally unattractive, since they institutionalise moral hazard. Contingent capital looks remarkably like some of the overly-complex derivatives that helped cause the crisis in the first place and which did not work in practice in the way they were supposed to in theory.

I would argue for action, but deliberate, somewhat cautious action; for simplicity, because complexity creates obscurity and diverts management and regulatory attention from the real risks; and for international consistency, because otherwise we will stimulate arbitrage between different regulatory jurisdictions and generate yet further complexity.

We should also accept that, however good the rules, they will not make up for poor management or poor supervision. The crisis had less to do with weaknesses in the regulatory framework (although there were flaws and gaps) than with poor management and governance and with inadequate supervision of existing rules.

Given such economic uncertainties and regulatory flux, it is critically important to be clear on our strategy and priorities. We are. We have a consistent, clear strategy which is well understood by staff, customers and investors.

Group strategy

Back in 2003 we said we wanted to be the world’s best international bank, leading the way in Asia, Africa and the Middle East. Last year we reflected on our strategy, asking ourselves whether or not we should change it in light of the crisis. Should we expand in the West? Should we be more acquisition driven? The fundamentals of our strategy are organically led growth, a focus on Asia, Africa and the Middle East and a balance sheet driven, conservative business model, running ourselves as one bank.

We concluded that, if anything, they are even more compelling today than before the crisis.

One of the strengths of this strategy is that year after year we have been able to take problems or headwinds in our stride and still deliver superior performance.

The geographic pattern of our results demonstrates this resilience and diversity. In 2009, India, Singapore and Africa set the pace once again. UK, Europe and the Americas bounced back strongly. Hong Kong and Other APR returned to good profit growth.

These are some of the highlights:

- India: In 2007, Hong Kong became the first of our markets to achieve \$1 billion in profits. India achieved this milestone in 2009 and is just a whisker behind Hong Kong. There is a race for which will be our biggest market by profits this year. We have built a superb franchise in India and this year it is our intention to open a new chapter in our long history there by listing Indian Depository Receipts.
- Africa: profits up 54 per cent to \$482 million. This is an outstanding performance. We are capitalising on the rapid growth in trade and investment flows between Africa and Asia.
- Singapore: profits up 17 per cent driven by Wholesale Banking.
- Within Other APR, China: with profits up more than 200 per cent to \$280 million, on the back of income up 17 per cent, China is becoming a significant business for us.
- UK, Europe and Americas: profit growth of \$294 million is driven by a number of factors, including the successful integration of American Express Bank, where we have exceeded our synergy targets, non-recurrence of write-downs of strategic investments and asset-backed securities and derivative losses we experienced in 2008.

The breadth of our business, across diverse, fast-growing markets gives us enormous resilience in a turbulent world.

Standard Chartered PLC – Group Chief Executive’s review continued

Our near term strategic priorities are very clear. Our top priority is to maintain our track record of delivering superior financial performance. To do this we need to sustain the momentum in Wholesale Banking and complete the transformation of Consumer Banking. We need to stay absolutely focused on the basics of banking: on the way we manage liquidity, capital, risks and costs. And we also need to grasp the opportunity to reinforce our brand.

Wholesale Banking

The key to sustaining performance momentum in Wholesale Banking is our client franchise. We turned the crisis into an opportunity by reaching out to our clients and filling the gaps that other banks had left. One decision we took following the collapse of Lehman was to put tight restrictions on taking on new clients. We had prospective clients knocking at every door, but we wanted our existing clients to know that at a time of crisis they had first call on our liquidity and capital, that we were there to support them.

In 2009 income from our top 50 clients increased by 38 per cent and the number of clients from which we generated income in excess of \$10 million increased by 88 per cent. We are deepening our relationships by getting closer to our clients. We are also expanding the product capabilities and solutions we provide to them.

Indeed, we are constantly enhancing these capabilities, both organically and through capability acquisitions. These include American Express Bank and Pembroke as well as Harrison Lovegrove and First Africa. The most recent was Cazenove’s Asian equity businesses, which we purchased in January 2009 and now call Standard Chartered Securities. This has already exceeded expectations, executing mandates on a range of IPOs, rights issues and placings predominantly with existing clients of the Bank. This is the beginning of a deliberate strategy to build a relevant equities business across our key markets, extending our capabilities in helping our clients raise capital and grow.

Whilst Wholesale Banking is constantly refreshing an already highly successful client-led strategy, Consumer Banking is midway through a strategic transformation.

Consumer Banking

Until recently this was a largely product-led business, but over the last 18 months Steve Bertamini and his team have been reshaping Consumer Banking so that it, too, focuses on building deep, longstanding, multi-product relationships with customers.

This is a big, complex change programme and, whilst it is far from complete, we are making good progress.

Consumer Banking’s performance was hit hard by the crisis. Wealth Management income collapsed, liability margins fell sharply and loan impairment increased significantly as unemployment rose and small businesses struggled. We moved swiftly and decisively in response: cutting costs, adjusting risk parameters and rebalancing the product mix.

But we did not let such tactical priorities deflect us from the strategic reshaping of the business: hiring relationship managers, opening new branches, extending and enhancing mobile and internet channels, changing incentives and performance metrics, launching a new Customer Charter.

We undertook a number of actions to support our focus on building deep relationships with customers, understanding their needs and devising solutions to meet these needs and improve the customer experience.

It is early days in this transformation and we are not fully through the margin headwinds from the crisis, but the signs are more than encouraging. Income in the second half was up 10 per cent on the first half. Despite subdued demand in many of our markets, we are growing the most critical elements of the balance sheet faster than ever before, with current and savings account deposits (or CASA) up 51 per cent and loans up 17 per cent. We are winning market share in most products and segments in all of our key markets.

For both businesses, the depth and quality of our client and customer relationships are critical to our strategy and success. This focus on clients and customers, the obsession with the basics of banking, the emphasis on acting as one bank, on doing the

Standard Chartered PLC – Group Chief Executive’s review continued

right thing; these are key elements of our culture, key aspects of our brand.

Brand

Standard Chartered is a rather different kind of bank. We have been around for more than 150 years. In 2009 we marked our 150th anniversary in Hong Kong by issuing the World’s first ‘\$150’ note. We believe in building long-term client and customer relationships. Without diluting our focus on delivering for shareholders, we are committed to be a force for good in the communities in which we live and work.

There is no doubt that our brand has been strengthened by the way we performed during the crisis. But I think it is still the case that it is the performance of the Bank lifting the brand, rather than the brand helping drive the performance of the Bank. We have a brand that means a lot to those who know us. But too few people in our markets know our name; too few know what we stand for.

So this year we will be investing to build awareness, not least by putting our name on Liverpool Football Club shirts that will be seen on hundreds of millions of television screens around the world. And we will be working harder to tell people what we stand for, what makes us different.

Our brand is all about commitment. We are here for good, to create value for our shareholders, to support and partner our clients and customers and to make a positive contribution to the broader community. We are here for the long term. We do not run when things get tough. We do not dodge tough decisions and trade offs. This is the way we do business: it has underpinned our strategy and success for over 150 years across Asia, Africa and the Middle East; and it will be the foundation for our future.

Outlook

2010 has started well for both businesses.

For the Group as a whole, income and profit were higher than in January 2009 and we started very fast in 2009. The performance in January 2010 is particularly pleasing because we have a better balance between the two businesses, with Consumer Banking a larger relative contributor to total income and client income in Wholesale up strongly.

In Consumer Banking, income momentum continues and income is ahead of the underlying run rate for the second half of 2009. Expenses remain well managed and the loan impairment picture continues to improve.

The momentum in Wholesale Banking has continued. Client income had a record month in January and was some 80 per cent of total Wholesale Banking income in the month. Own account income although lower than in January 2009, was ahead of the run rate for the second half of 2009. Our deal pipelines remain active and strong.

This said, we remain watchful on the outlook, we are not complacent as to the risk environment and we enter the year with good momentum. Costs are well controlled and loan impairment in both businesses is falling. 2010 has started very strongly.

We remain focused on the effective management of capital, on maintaining excellent levels of liquidity, on improving our risk profile further and on the disciplined execution of our strategy. Ensuring that the Bank’s foundations are well managed is increasingly important in an ever-more politicised and confused regulatory environment. We are well-positioned in growth markets, we are taking market share in multiple products across multiple geographies and we are in great shape.

Standard Chartered PLC – Group Chief Executive’s review continued

Summary

I became Group Chief Executive in late 2006, just before the crisis hit the world of banking. I am immensely proud of the way the people of Standard Chartered responded to the crisis, turning it into a strategic opportunity for the Bank. So I want to take this opportunity to thank all our staff.

I am also enormously appreciative of the support we received from our clients and customers, our investors and our regulators. We look at the crisis as an inflection point. Banking has changed irreversibly. Our role and position in the world of banks have changed dramatically. We did not just weather the crisis; we turned it to our advantage.

Whilst I do not underestimate the challenges and uncertainties before us, I am excited by the opportunities. We are in the right markets and we have a clear strategy and a strong brand.

Peter Sands
Group Chief Executive
3 March 2010

Standard Chartered PLC – Financial review

Group summary

The Group has delivered a record performance for the year ended 31 December 2009. Profit before taxation rose 13 per cent to \$5,151 million and operating income increased by 9 per cent to \$15,184 million. On a constant currency basis, profit before taxation was up 18 per cent and operating income up 14 per cent.

This is the seventh consecutive year in which we have demonstrated a sustained and consistent track record of delivering record operating income and record profits. Over this period, we achieved a compounded annual growth rate (CAGR) of 19 per cent and 22 per cent for income and profits, respectively.

The normalised cost to income ratio improved from 56.1 per cent in 2008 to 51.3 per cent. Normalised earnings per share increased by 2.8 per cent to 179.8 cents. Further details of basic and diluted earnings per share are provided in note 9 on page 58.

After the exceptional events in the latter part of 2008, this year continued to be a challenging and uncertain period for the banking industry. We navigated the year by retaining a keen focus on the fundamentals of sound banking practice: capital and liquidity management, proactive risk management and discipline on expenses.

Our capital position is strong. The Core Tier 1 ratio at 31 December 2009 was 8.9 per cent, compared to 7.5 per cent at the end of 2008. It was strengthened by organic equity generation of over \$3 billion and a share issue in August 2009 of \$1.7 billion. Balance sheet and risk weighted asset (RWA) growth was appropriately paced.

We remain highly liquid. The advances to deposit ratio at 31 December 2009 was 78.6 per cent, compared to 74.8 per cent at the end of 2008 and we remain a net lender into the interbank market. Whilst we benefitted from being a “flight to quality” institution for deposits, we also further improved our liability mix. For example, low cost current and saving account balances now comprise 53 per cent of our total deposit base, up from 43 per cent at the end of 2008. Current and saving account balances grew strongly by over \$40 billion to \$157 billion, up 34 per cent.

The balance sheet is conservatively positioned with minimal exposure to problem asset classes. Although we benefitted in the second half of 2009 from a moderating risk environment, we also took steps to de-risk the portfolio and loan Impairment fell in both businesses in the second half. In Consumer Banking, over 75 per cent of the portfolios are now secured.

Expense management in 2009 was very good with overall cost growth of 4 per cent, well below 9 per cent income growth so resulting in operating ‘jaws’ of 5 per cent. During the early part of the year, when the economic outlook was uncertain, discretionary spending was reined in. As the year progressed and trading conditions became more settled, we accelerated our investment to support trading momentum into 2010.

Our capital, liquidity and risk foundations are excellent and we enter 2010 with good momentum, well placed to meet the opportunities and challenges that we will face.

Operating income and profit

	2009 \$million	2008 \$million	2009 vs 2008 %
Net interest income	7,623	7,387	3
Fees and commissions income, net	3,370	2,941	15
Net trading income	2,890	2,405	20
Other operating income	1,301	1,235	5
	7,561	6,581	15
Operating income	15,184	13,968	9
Operating expenses	(7,952)	(7,611)	4
Operating profit before impairment losses and taxation	7,232	6,357	14
Impairment losses on loans and advances and other credit risk provisions	(2,000)	(1,321)	51
Other impairment	(102)	(469)	(78)
Profit from associates	21	1	nm
Profit before taxation	5,151	4,568	13

Group performance

Operating income grew by \$1,216 million, or 9 per cent, to \$15,184 million. This was despite the income drag that came from margin compression on liabilities and the adverse impact of foreign exchange (FX) movements, primarily in India, Korea and certain countries in Africa. On a constant currency basis, our income was up 14 per cent.

Income growth was driven by Wholesale Banking, broadly spread across geographies and well diversified over multiple product lines. Five individual markets now deliver over \$1 billion of income.

Net interest income grew \$236 million or 3 per cent. In Consumer Banking net interest income fell \$331 million or 8 per cent as net margins on deposits remained some 60

basis points lower than in 2008 reflecting the low interest rate environment. Wholesale Banking net interest income rose \$567 million or 17 per cent. The Cash Management and Custody businesses were also impacted by low margins and income here fell 24 per cent despite a 24 per cent growth in balances. However the Trade and Lending businesses more than compensated for this reduction growing income 26 per cent and 54 per cent respectively with re-pricing actions serving to increase asset margins. The Group’s net interest margin fell from 2.5 per cent in 2008 to 2.3 per cent, with higher asset margins more than offset by compressed liability margins.

Standard Chartered PLC – Financial review continued

Non-interest income grew \$980 million or 15 per cent, to \$7,561 million.

Net fees and commissions income grew \$429 million, or 15 per cent, to \$3,370 million. In Consumer Banking, whilst demand for Wealth Management products improved steadily through the year, fee income levels were still below those of 2008. Wholesale Banking fee income was higher as a result of strong corporate advisory income and capital market fees, which more than offset reduced custody income.

Net trading income increased \$485 million, or 20 per cent, to \$2,890 million. Asset and Liability Management (ALM) income was up 6 per cent through realisations from positions taken at the end of 2008 capturing both high interest rates and wide credit spreads. Trading income also grew through increased client demand with gains in securities, interest rate and credit and other derivatives.

Other operating income was up \$66 million, or 5 per cent, to \$1,301 million. Other operating income includes \$592 million of net profits on available for sale (AFS) assets including disposals from private equity and strategic portfolios, \$264 million of gains arising from the buy back of subordinated debt, and \$156 million related to lease income.

Operating expenses increased \$341 million or 4 per cent to \$7,952 million. On a constant currency basis expenses were up 10 per cent. Expenses include \$170 million for the buy back of structured notes from the PEM Group in Taiwan and a \$58 million charge in respect of the UK bank payroll tax. Both these items have been normalised. We have again maintained a tight rein on expenses this year. Group headcount reduced by over 3,000 both through natural attrition and selective restructuring initiatives. Consumer Banking expenses were \$3,709 million, down 3 per cent on 2008. Consumer Banking continued a number of restructuring initiatives. Expenses increased towards the end of 2009 as the business increased investment in the light of improving income and impairment levels. Wholesale Banking expenses were \$4,185 million, up 11 per cent. This increase was driven by the flow through effect of investments in skills and infrastructure in previous years together with increased variable compensation driven by a strong income performance.

The Group's normalised cost to income ratio improved to 51.3 per cent, down from 56.1 per cent in 2008.

Operating profit before impairment losses and taxation (also referred to as 'working profit') increased by \$875 million, or 14 per cent, to \$7,232 million. On a constant currency basis, the increase in working profit was 19 per cent.

Loan impairment was up \$679 million or 51 per cent to \$2,000 million. The challenging credit environment seen in the latter half of 2008 continued into the early part of the year. In the second half both businesses have generally seen an improving credit environment. Loan impairment was down on the first half in Consumer Banking and in Wholesale Banking by 13 per cent and 19 per cent, respectively, the latter despite the portfolio provision taken in respect of exposures in the Middle East.

Other impairment charges were \$102 million, down 78 per cent from \$469 million in 2008. In 2009 the other impairment charge relates mainly to asset backed securities whereas in 2008 the charge also comprised write downs in the valuation of the private equity and strategic investment portfolios.

Profit before taxation was up \$583 million, or 13 per cent, to \$5,151 million. India joined Hong Kong as the second geography to deliver operating profits in excess of \$1 billion.

The Group's effective tax rate (ETR) was 32.5 per cent, up from 26.8 per cent in 2008. The 2009 ETR is higher than our normal underlying tax rate due to the effects of a collaborative exercise with Her Majesty's Revenue and Customs (HMRC) which finalised prior year UK tax computations from 1990 to 2006 resulting in a one-off net charge of \$190 million in the current year.

Normalised return on ordinary shareholders' equity was 14.3 per cent, down from 15.2 per cent reflecting the further strengthening of our capital positioning.

Acquisitions

On 30 January 2009, we completed the acquisition of Cazenove Asia Limited (subsequently renamed Standard Chartered Securities (Hong Kong) Limited) in Hong Kong.

On 30 June 2009, we completed the acquisition of the remaining 75 per cent equity shareholding in First Africa, in South Africa.

The effects of the above acquisitions were not material to our 2009 performance.

On 30 June 2009, the assets of the 'good bank' business of Asia Trust and Investment Corporation (ATIC) in Taiwan were amalgamated into Standard Chartered Bank (Taiwan) Limited. The integration of the business is largely complete.

Geographic reporting

Malaysia, which was previously reported as a separate geography, is now reported in Other Asia Pacific (Other APR) reflecting the way the Group reviews the performance of its business.

Standard Chartered PLC – Financial review continued

Consumer Banking

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

	2009								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Consumer Banking Total
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹					
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,082	635	995	1,283	444	678	351	161	5,629
Operating expenses	(604)	(297)	(701)	(1,046)	(248)	(395)	(229)	(189)	(3,709)
Loan impairment	(104)	(34)	(185)	(240)	(147)	(285)	(28)	(29)	(1,052)
Other impairment	5	-	(1)	(2)	5	-	-	(8)	(1)
Operating profit/(loss)	379	304	108	(5)	54	(2)	94	(65)	867

¹ Other Asia Pacific (Other APR) includes Malaysia : operating income \$246 million, operating expenses \$(122) million, loan impairment \$(53) million, operating profit \$71 million.

	2008								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Consumer Banking Total
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹					
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,163	618	1,017	1,393	484	700	344	233	5,952
Operating expenses	(587)	(289)	(726)	(1,007)	(317)	(410)	(250)	(257)	(3,843)
Loan impairment	(106)	(20)	(161)	(311)	(89)	(178)	(19)	(53)	(937)
Other impairment	(25)	-	-	(2)	(7)	-	-	(22)	(56)
Operating profit/(loss)	445	309	130	73	71	112	75	(99)	1,116

¹ Other APR includes Malaysia : operating income \$265 million, operating expenses \$(128) million, loan impairment \$(48) million, operating profit \$89 million.

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

Operating income by product	2009	2008	2009 vs 2008
	\$million	\$million	%
Cards, Personal Loans and Unsecured Lending	1,992	2,106	(5)
Wealth Management and Deposits	2,232	2,789	(20)
Mortgages and Auto Finance	1,244	928	34
Other	161	129	25
Total operating income	5,629	5,952	(5)

Consumer Banking continued the execution of its transformation initiative, delivering early results, despite an economic and business environment that remained challenging.

The early part of 2009 saw a continuation of the difficult trading conditions of 2008 with low interest rates, compressed liability margins, subdued demand for Wealth Management products and challenging credit conditions. The second half of 2009 was more encouraging for the Consumer Banking business. Demand for Wealth Management products continued to recover, secured lending volumes were up and margins improved. As the credit environment improved, loan impairment fell. As profitability improved, we accelerated investment.

This story has driven the shape of our results across all Consumer Banking markets; results which have been further affected by adverse currency translation impacts.

Full year operating income fell \$323 million or 5 per cent to \$5,629 million. On a constant currency basis, income was flat to 2008. Second half income was up 10 per cent up on first half and 6 per cent on a constant currency basis.

Net interest income dropped \$331 million, or 8 per cent, to \$3,815 million. There was good growth in Mortgage lending

with balances up 21 per cent over the year and improved margins on 2008. However, even though liability balances were up 12 per cent on 2008, liability margins remained 60 basis points lower pushing down net interest income

Non interest income at \$1,814 million was flat to that of the previous year. Sales of Wealth Management products comprise the majority of non interest income and demand for these products reduced sharply in late 2008. Since that time there has been consistent steady growth in Wealth Management income on a quarter by quarter basis.

Expenses were down \$134 million, or 3 per cent, to \$3,709 million. On a constant currency basis, they were up 2 per cent. Expenses included a \$170 million charge in the first half for the buy back of structured notes issued by the PEM Group in Taiwan. This was offset by some reduction in the workforce as well as other efficiency measures, which in the latter part of the year created room for investment in relationship managers, infrastructure and products.

Loan impairment increased by \$115 million, or 12 per cent, to \$1,052 million. In the first half of 2009, difficult credit conditions continued driving up impairment across all

Standard Chartered PLC – Financial review continued

Consumer Banking continued

markets, mainly in the unsecured and SME portfolios. The portfolios have been actively de-risked and with an improving economic environment delinquency rates also improved in the second half of the year. Loan impairment was 13 per cent down on the first half.

Operating profit fell \$249 million, or 22 per cent, to \$867 million, but second half operating profit was 49 per cent up on the first half.

Consumer Banking continued to be an important source of liquidity for the Group. Liabilities grew by 12 per cent driven by Priority customers and a 21 per cent increase in SME balances. The mix of deposits was also improved by reducing time and other deposits and increasing the relatively less expensive and more stable current and savings accounts (CASA). CASA is now 60 per cent of the deposit base, up from 44 per cent in the previous year.

Product performance

Income from Cards, Personal Loans and Unsecured Lending fell \$114 million, or 5 per cent, to \$1,992 million. This fall was driven by our Consumer Banking strategy to de-emphasise unsecured lending in the light of stressed credit conditions in markets such as India, Taiwan and Pakistan. The decline in income was partially offset by volume gains in Korea, Hong Kong and China.

Income from Wealth Management and Deposits fell \$557 million, or 20 per cent, to \$2,232 million. Income has been driven down by two significant factors. Firstly customer demand for Wealth Management products is still well below the levels seen in early 2008, although it has been steadily increasing and income has grown quarter on quarter throughout 2009. Secondly, deposit balances grew by \$13 billion helped by enhancement of online banking capabilities and increasing co-operation with Wholesale Banking to source payroll accounts; this volume growth has, however, been insufficient to offset the margin compression of 60 basis points

Income from Mortgages and Auto Finance (Mortgages) grew by \$316 million, or 34 per cent, to \$1,244 million. This strong growth was driven by our focus on lower risk secured lending products. Net interest margins improved year on year due to lower funding expenses and mortgage re-pricing. The improving property market, especially in countries such as Singapore and Hong Kong has supported new Mortgage business in the latter part of the year.

Geographic performance

Hong Kong

Income was down \$81 million, or 7 per cent, to \$1,082 million. To compensate for a subdued Wealth Management contribution the business focused on growing secured lending. Mortgage balances, including in the SME book, grew \$2 billion, or 16 per cent, driven by successful HIBOR-linked mortgage campaigns. Income from these mortgages was also supported by a widening of the Prime-HIBOR spread. The Group captured approximately 17 per cent of all new Mortgage business booked in Hong Kong, up from 15.5 per cent in 2008. SME lending increased by 28 per cent. Fee income from unit trust sales started to pick up again in the latter part of the year amongst signs of an increase in demand for structured products. Operating expenses were marginally higher at \$604 million. Discretionary spend was carefully managed and headcount fell primarily through natural attrition. Working profit was down \$98 million, or 17 per cent, to \$478 million. Loan impairment remained flat at \$104 million. In the latter part of 2008 loan impairment from

the SME segment had increased. The upward trend was stopped by the Hong Kong Government's SME loan guarantee scheme which now covers all our new SME exposures in Hong Kong. Personal bankruptcies peaked in April 2009 but have since reduced. Operating profit fell \$66 million, or 15 per cent, to \$379 million.

Singapore

Income was up \$17 million, or 3 per cent, to \$635 million. Wealth Management revenue remained under pressure though campaigns like E\$aver top-up deposit helped to grow liabilities by 15 per cent. Income from Mortgages grew by 28 per cent. Whilst mortgage margins remained flat, there was good volume growth driven by customer focussed product innovations such as 'MortgageOne SIBOR'. There was also double digit income growth in unsecured lending as the business grew market share. SME income increased as volumes grew supported by the Singapore Government guarantee scheme. We were the leading bank disbursing these government guaranteed loans in 2009. Operating expenses increased \$8 million, or 3 per cent, to \$297 million, with investment in frontline marketing and infrastructure being largely funded by operational savings. Working profit was up \$9 million, or 3 per cent, at \$338 million. Loan impairment was up \$14 million, or 70 per cent, to \$34 million driven primarily by SME related impairments in the first half of the year. The introduction of guarantees improved the profile of our SME book and impairment was substantially reduced in the second half. Operating profit was slightly lower by \$5 million or 2 per cent at \$304 million.

Korea

Income was down \$22 million, or 2 per cent, to \$995 million. On a constant currency, basis income was up 13 per cent year on year. Wealth Management and Deposit income fell 25 per cent. SME income was also down by over 30 per cent as the business reduced unsecured lending products such as Business Instalment Loans. These were offset by double digit income growth in Mortgages driven by strong sales volumes and increasing margins. Income also benefitted in the second half by \$68 million profit from the sale of our investment in BC Cards. Operating expenses were down \$25 million, or 3 per cent, to \$701 million. On a constant currency basis, they were 13 per cent higher, largely driven by investment in infrastructure such as extensive refurbishing and renovation work undertaken on our property portfolio and the opening of 47 new branches. The increase is distorted by a previous year curtailment release from the retirement plan. Working profit was flat at \$294 million. Loan impairment was up \$24 million, or 15 per cent, to \$185 million driven by unsecured lending as bankruptcies and industry debt restructuring increased. Loan impairment in the second half of 2009 fell 41 per cent on the first half as the SME portfolio continued to be de-risked and the environment improved. Operating profit was down \$22 million, or 17 per cent, to \$108 million, equating to a 10 per cent fall on a constant currency basis.

Other Asia Pacific

Income was down \$110 million, or 8 per cent, to \$1,283 million. All countries in Other Asia Pacific (Other APR) were adversely impacted by the slow down in Wealth Management. Income in China was up 20 per cent to \$172 million driven by strong volume growth in personal loans and mortgages and improved asset margins. Income in Taiwan was severely affected by margin compression. However, there was strong double digit growth in Mortgage income as balances grew 10 per cent year on year. Income in Malaysia was down 7 per cent to \$246 million adversely impacted by

Standard Chartered PLC – Financial review continued

Consumer Banking continued

the low interest rates. Operating expenses in Other APR were up \$39 million, or 4 per cent, to \$1,046 million. Expenses across the region were generally flat or down, with Taiwan driving the increase. This was due to the \$170 million charge for the buy back of structured notes issued by the PEM Group, partly offset by a reduction in retirement obligations of \$52 million. Efficiency gains in China enabled expenses to be held 4 per cent lower at \$228 million whilst investing in four new outlets. Other APR working profit was down \$149 million, or 39 per cent, to \$237 million. Loan impairment was down \$71 million, or 23 per cent, to \$240 million. Taiwan delivered a \$57 million reduction and Thailand a \$22 million reduction in impairment as enhanced collection efforts took effect and delinquency rates improved. Loan impairment in China also reduced by \$11 million to \$3 million as portfolios improved resulting in a reduction in the operating loss in Consumer Banking China to \$60 million. Other APR delivered an operating loss of \$5 million against a profit of \$73 million in 2008.

India

Income was down \$40 million, or 8 per cent, to \$444 million. On a constant currency basis, income was up by 1 per cent. As in other geographies Wealth Management was under pressure and income was down on 2008. The Mortgages business, whilst growing from a small base, delivered a 75 per cent increase in income as volumes grew and margins doubled. SME income was driven by the growth in both secured lending and deposit volumes. Operating expenses were \$69 million, or 22 per cent, lower at \$248 million. On a constant currency basis, expenses were lower by 14 per cent. Expenses benefitted from a service tax rebate, but also from tight cost control coupled with restructuring initiatives such as consolidation of contact centres. Investment in the franchise continued with four new branch openings and continued refurbishment of the existing branch network. Working profit was up \$29 million, or 17 per cent, to \$196 million. On a constant currency basis, the growth in working profit was 28 per cent. Loan impairment was up \$58 million, or 65 per cent, to \$147 million driven by increased delinquencies on unsecured SME and personal lending products. Operating profit was lower by \$17 million, or 24 per cent, at \$54 million. On a constant currency basis, operating profit was lower by 18 per cent.

MESA

Income was down \$22 million, or 3 per cent, to \$678 million. The reduction in total MESA income was largely driven by Pakistan where customer lending was significantly reduced and margin compression offset strong deposit growth. In UAE, income was flat year on year and was impacted by a reduction of the high-yield personal loan portfolio in light of economic stress and tighter underwriting criteria. Wealth

Management had a difficult first half, but recovered in the latter part of the year. Operating expenses in MESA were lower by \$15 million, or 4 per cent, at \$395 million. Pakistan expenses fell by \$21 million or 16 per cent mainly due to exchange rate movements and efficiency initiatives. UAE expenses were up by \$14 million or 9 per cent with investment in Private Banking and branch refurbishment. Working profit for MESA was down \$7 million, or 2 per cent, to \$283 million. Loan impairment was higher at \$285 million, 60 per cent up on 2008. This was predominantly in UAE where loan impairment more than doubled as unemployment increased. This resulted in higher delinquency on unsecured lending and some stress in the mortgage book. MESA delivered an operating loss of \$2 million, compared to an operating profit of \$112 million in 2008.

Africa

Income was up \$7 million, or 2 per cent, at \$351 million. On a constant currency basis, income growth was 20 per cent. Wealth Management and Deposits fared relatively well compared to the other Consumer Banking markets with income growing 6 per cent. Nigeria, Ghana and Kenya all drove income growth with the liability businesses benefiting from a flight to quality. In addition, a new strategic partnership for distribution of Bancassurance products increased fee income. There was strong momentum in SME. Operating expenses were \$21 million, or 8 per cent, lower at \$229 million. On a constant currency basis, expenses were higher by 7 per cent and were driven by investments to strengthen the distribution network as well as the introduction of new product offerings. Working profit in Africa was up \$28 million, or 30 per cent, at \$122 million. On a constant currency basis, the increase in working profit was 55 per cent. Loan impairment was up \$9 million, or 47 per cent, to \$28 million. Loan impairment increased in unsecured lending reflecting increased unemployment in several countries. Operating profit increased \$19 million, or 25 per cent, to \$94 million. On a constant currency basis, operating profit grew 52 per cent.

Americas, UK & Europe

Income fell \$72 million or 31 per cent from \$233 million to \$161 million. The business in this region is primarily Private Banking and thus has been disproportionately affected by the challenges faced by the Wealth Management products globally. Depressed world stock markets and low investor confidence resulted in a fall in assets under management (AUM) of 15 per cent, or \$2.0 billion with a corresponding income decline. Low interest rates resulted in a squeeze in liability margins. Operating expenses fell \$68 million or 26 per cent through disciplined cost management and a significant reduction in American Express Bank (AEB) integration expenses. Impairment was lower by \$24 million or 45 per cent. Operating loss fell from \$99 million to \$65 million, largely driven by cost efficiencies.

Standard Chartered PLC – Financial review continued

Wholesale Banking

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

2009									
Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Wholesale Banking Total	
Hong Kong	Singapore	Korea	Other Asia Pacific ¹	India					
\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,288	957	559	1,605	1,369	1,400	738	1,375	9,291
Operating expenses	(564)	(504)	(252)	(732)	(323)	(496)	(324)	(990)	(4,185)
Loan impairment	(41)	(3)	(93)	(155)	(54)	(526)	(26)	(50)	(948)
Other impairment	5	(40)	-	28	14	(10)	-	(79)	(82)
Operating profit	688	410	214	746	1,006	368	388	256	4,076

¹ Other APR includes Malaysia : operating income \$242 million, operating expenses \$(85) million, loan impairment \$(8) million, operating profit \$149 million

2008 ¹									
Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Wholesale Banking Total	
Hong Kong	Singapore	Korea	Other Asia Pacific ²	India					
\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,092	699	530	1,567	1,064	958	566	1,013	7,489
Operating expenses	(443)	(375)	(229)	(714)	(329)	(411)	(314)	(953)	(3,768)
Loan impairment	(77)	5	(102)	(125)	(44)	(7)	(14)	(20)	(384)
Other impairment	(27)	(30)	-	(100)	(17)	-	-	(162)	(336)
Operating profit/(loss)	545	299	199	628	674	540	238	(122)	3,001

¹ Geographic amounts restated as explained in 'Geographic performance' below and note 33 on page 80. There is no change to the Group's total operating income or operating income by product for 2008.

² Other APR includes Malaysia : operating income \$265 million, operating expenses \$(84) million, Loan impairment \$1 million, other impairment \$(21) million, operating profit \$161 million

Income by product is set out below:

Operating income by product	2009	2008	2009 vs 2008
	\$million	\$million	%
Lending and Portfolio Management	849	551	54
Transaction Banking	2,537	2,663	(5)
Global Markets ¹			
Financial Markets	3,311	2,365	40
Asset and Liability Management (ALM)	963	912	6
Corporate Finance	1,294	745	74
Principal Finance	337	253	33
Total Global Markets	5,905	4,275	38
Total operating income	9,291	7,489	24

¹ Global Markets comprises the following businesses: Financial Markets (foreign exchange, interest rate and other derivatives, commodities and equities, debt capital markets, syndications); ALM; Corporate Finance (corporate advisory, structured trade finance, structured finance and project and export finance); and Principal Finance (corporate private equity, real estate infrastructure and alternative investments).

Financial Markets operating income by desk	2009	2008	2009 vs 2008
	\$million	\$million	%
Foreign Exchange	1,349	1,194	13
Rates	879	748	18
Commodities and Equities	389	141	176
Capital Markets	409	234	75
Credit and Other	285	48	494
Total Financial Markets operating income	3,311	2,365	40

Wholesale Banking has had another excellent year, with broad based income growth driven by continued client income momentum, which remains the cornerstone of a consistent and well executed strategy.

The market dislocation and volatility in the early part of 2009 enabled Wholesale Banking to drive exceptionally strong

income growth. The business made gains in market share and benefitted from increased asset margins. Competitors remained distracted and ALM benefitted from strong accrual income as a result of strategic positioning in late 2008. However low interest rates drove Cash and Custody income down and stressed economic conditions fuelled loan impairment. As economic conditions moderated in the

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

second half so did income growth. Client income remained robust and there was good underlying volume growth in the lending and flow businesses. Loan impairment moderated as the economic conditions improved.

Operating income grew \$1,802 million, or 24 per cent, to \$9,291 million. On a constant currency basis, operating income increased 30 per cent.

Net interest income was up \$567 million, or 17 per cent, to \$3,808 million. Non-interest income was up \$1,235 million, or 29 per cent, to \$5,483 million. Client income represented 74 per cent of total income and was up 22 per cent on the previous year.

Operating expenses grew \$417 million, or 11 per cent, to \$4,185 million. On a constant currency basis, the increase in expenses was 15 per cent. This increase, which was well below income growth, was driven by staff costs. The business continued to invest in specialist skills and expertise, building in areas such as sales, trading and financial institutions teams.

Working profit increased \$1,385 million, or 37 per cent, to \$5,106 million. On a constant currency basis, the increase in working profit was 45 per cent.

Loan impairment increased by \$564 million to \$948 million reflecting the challenging economic environment. A significant portion of the impairment arose in MESA while other markets such as Korea, India and Other APR were also impacted but to a lesser extent. The portfolio remains well diversified and is increasingly well collateralised.

Other impairment was lower by \$254 million, or 76 per cent, at \$82 million. The 2008 charge reflected a fall in equity and other markets and a drop in value on the ABS, private equity and strategic investment portfolios. In 2009, as economic conditions moderated, impairment reduced. The business also benefitted from recoveries on disposal of private equity and strategic investments.

Operating profit increased \$1,075 million, or 36 per cent, to \$4,076 million and constitutes nearly 80 per cent of the Group profits. On a constant currency basis, the increase was 44 per cent. Second half operating profit was down 19 per cent on first half as spreads narrowed and volatility reduced.

Product performance

Lending and Portfolio Management income increased by \$298 million, or 54 per cent, to \$849 million. This was primarily driven by improved margins through re-pricing and an increase in fee income from new deals.

Transaction banking income fell by \$126 million, or 5 per cent, to \$2,537 million. Despite a 10 per cent fall in volumes, Trade income grew by 26 per cent as margins increased. Cash income fell by 23 per cent due to margin compression in a low interest rate environment. However, the business continues to gain significant cash management mandates and volumes increased by some 21 per cent.

Global Markets income increased by \$1,630 million, or 38 per cent, to \$5,905 million.

Within Global Markets, the Financial Markets (FM) business was the largest contributor. Income was up \$946 million, or 40 per cent, to \$3,311 million. The FM business primarily comprises sales and the trading of exchange and interest rate products. In 2009, there has been diversification of income streams with increased contributions from commodity, equity and credit derivatives. Nearly 70 per cent

of FM income was client driven. This included the sale of products to meet client's hedging requirements, supported through upgraded risk management capabilities. We were favourably positioned to meet client demand for risk management solutions in a volatile and uncertain market, benefitting from wider bid-offer spreads and the rates business had a record year. This FM flow trading arose by virtue of being a market maker and was a key driver for the increase in own account income, which for the Group, also comprises ALM and Principal Finance.

The commodities and equities business delivered impressive growth of 176 per cent driven by opportunities arising in the energy and metals business, most notably in Africa. In the equities business, there was significant growth with strong primary deal flows.

ALM income was up \$51 million, or 6 per cent, at \$963 million. Positions put on at the end of 2008 captured both high fixed interest rates and wide credit spreads benefitting from lower funding rates. In addition to sales from the AFS portfolio, re-investment throughout 2009 in relatively steep curves generated income on accruals.

Corporate Finance income was up \$549 million, or 74 per cent, to \$1,294 million with strong income growth across all products. Much of this growth was driven by Corporate Advisory, where income more than doubled, driven by a number of landmark deals in India and Africa.

Principal Finance income was up \$84 million, or 33 per cent higher, at \$337 million and realisations benefitted as Asian market prices rose.

Geographic performance

The Group maintains a Global Booking Unit (GBU) in the UK in which are recorded the income and expenses related to the private equity portfolio, portfolio management and some FM products. In 2008 income and expenses related to the private equity portfolio were apportioned and reported across a number of geographies and the remainder of the GBU was reported in Americas, UK & Europe. In 2009, FM income and expenses have also apportioned over other geographies to better align financial reporting with underlying organisational changes. In order to facilitate a more meaningful comparison, the 2008 Wholesale Banking geography split has been restated. The geographic performance commentary is based on the restated 2008 numbers. A comparison of the 2008 results as originally reported and as restated can be found in note 33 on page 80. The restatement does not affect the Group's total operating income.

Hong Kong

Income was up \$196 million or 18 per cent, to \$1,288 million. Both Fixed Income and ALM increased income capturing opportunities arising from volatile interest rates and FX markets. Lending and Trade income both grew as re-pricing actions widened margins; the former also benefitted from increased volumes. However these advances were offset by shrinking margins in Cash and Custody and lower AUM. Operating expenses grew \$121 million, or 27 per cent, to \$564 million driven by higher staff costs and increased investment in infrastructure including a new dealing room. Working profit was up \$75 million, or 12 per cent, to \$724 million. Loan impairment was lower by \$36 million, down almost a half, compared to 2008. Proactive engagement in debt relief plans helped mitigate impairment. Other impairment reflects some recovery on realisation of previously impaired investments. Operating profit was up \$143 million or 26 per cent, at \$688 million.

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

Singapore

Income grew \$258 million, or 37 per cent, to \$957 million. Client income benefitted from increased Trade Finance, a number of Corporate Finance deals and increased volumes through the offshore banking unit. Trading income was driven higher by fixed income being well positioned to take advantage of volatile market conditions. Operating expenses grew \$129 million, or 34 per cent, to \$504 million. Staff related costs constituted a major part of the increase. The full year impact of prior year hiring together with an increase in front line, client facing staff, drove up staff expenses. This hiring activity represents investment in specialist teams in areas such as commodities, options and interest rate derivatives and has helped drive income growth as evident from the positive jaws. Working profit was up 40 per cent at \$453 million. Other impairment of \$40 million represents provisions made against private equity investments. Operating profit was up \$111 million, or 37 per cent, at \$410 million.

Korea

Income at \$559 million was up \$29 million or 5 per cent. On a constant currency basis, income was 22 per cent higher. Client income grew substantially, driven by strong business momentum across all product lines including Transaction Banking, Lending and FM sales. Own account income was down as ALM accruals were adversely impacted by re-pricing. Operating expenses were higher by \$23 million, or 10 per cent, at \$252 million. On a constant currency basis, expenses rose 27 per cent. The increase is distorted by a prior year curtailment release from the retirement plan. Underlying expense growth was driven by the flow through of previous year investments in infrastructure expansion. Working profit was slightly up by \$6 million, or 2 per cent, at \$307 million. On a constant currency basis, working profit rose 18 per cent. Loan impairment was down 9 per cent at \$93 million, primarily comprising provisions raised in respect of exposures on certain foreign exchange transactions. Operating profit was up by \$15 million, or 8 per cent, at \$214 million. On a constant currency basis, operating profit rose 25 per cent.

Other Asia Pacific

Income was up \$38 million, or 2 per cent, at \$1,605 million. Across Other APR, lending income increased through higher margins. However this was offset by lower income from Transaction Banking which was impacted by lower margins in a low interest rate environment and intense competition. In China, a major component of Other APR, income grew by 16 per cent to \$566 million with further benefit from the Private Equity portfolio. In Taiwan, income was down 19 per cent due to margin compression in both cash and custody despite record liability levels. Other APR operating expenses were up \$18 million, or 3 per cent, to \$732 million. Expenses increased as a result of staff and premises costs and flow through from prior year investments. China operating expenses were up 10 per cent to \$252 million. In Taiwan, operating expenses were down 9 per cent reflecting a reduction in retirement obligations. Working profit in Other APR was higher by 2 per cent at \$873 million. Loan impairment was up \$30 million from \$125 million in 2008. The increase was driven by Thailand and Japan. In China, loan impairment reduced by \$4 million to \$9 million. In Taiwan, the results of recovery actions offset new loan impairment charges. Other impairment benefitted from the reversal of prior year provisions on sale of private equity

investments. Operating profit was \$118 million, or 19 per cent, higher at \$746 million. China operating profit was \$333 million.

India

Income grew \$305 million or 29 per cent, to \$1,369 million. On a constant currency basis income growth was 43 per cent. Income growth was broad based across all products. Trade and lending income was up through re-pricing and higher margins. Corporate Advisory income grew on the back of cross border financing and leveraging deal structuring capabilities. This helped offset reduced cash and custody income which was impacted by margin compression and sluggish equity markets. Operating expenses of \$323 million were flat to 2008. On a constant currency basis, expenses were higher by 8 per cent, driven by staff and premises related costs, partially offset by a service tax rebate. Working profit was up \$311 million, or 42 per cent, at \$1,046 million. On a constant currency basis, working profit grew 59 per cent. Loan impairment was up \$10 million, or 23 per cent, at \$54 million driven by middle market clients. Other impairment release of \$14 million reflects a recovery on Private Equity disposals compared to a \$17 million charge in 2008. Operating profit was up \$332 million, or 49 per cent, to \$1,006 million. On a constant currency basis operating profit grew 67 per cent. This constitutes 20 per cent of the Group's operating profit and makes India the first geography within the Wholesale Banking business to generate profits in excess of one billion dollars.

MESA

Income was up \$442 million, or 46 per cent, to \$1,400 million driven by increases in both client and own account income. Capital Markets grew income benefitting from bond mandates including a number of Sukuks. Islamic banking income doubled to \$120 million. UAE led income growth with an overall increase of 74 per cent. Qatar income doubled driven by client revenue, principally FX sales and commodity derivatives. Bahrain income grew 28 per cent driven by lending volumes and re-pricing, large Corporate Advisory deals and a strong Islamic banking performance. Pakistan was affected by political and economic uncertainty which impacted business sentiment. MESA operating expenses were up \$85 million, or 21 per cent, to \$496 million driven by staff and investment expenditure. MESA working profit was up \$357 million, or 65 per cent, to \$904 million. Loan impairment was up by \$519 million over 2008. A substantial portion of this increase relates to individual impairment charges on corporate exposure in the Gulf and an increased portfolio impairment provision for the region generally. The total loan portfolio is \$14 billion of which \$10 billion is in the UAE. Certain high profile entities within this portfolio have experienced stress. Our exposure to these entities is around \$500 million. The resolution process is ongoing, but in the event losses arise, we do not expect they would be material. Operating profit was \$172 million, or 32 per cent, lower than the previous year.

Africa

Income was up \$172 million or 30 per cent, to \$738 million. On a constant currency basis, income grew 54 per cent driven by excellent corporate finance and capital markets performances. Trade and Lending income increased on higher volumes benefitting from Asia trade flows coupled with aggressive re-pricing. This increase in income helped offset a fall in cash income where higher volumes could only partially make up for margin compression. Corporate

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

Finance benefitted from several landmark deals. Whilst South Africa and Ghana registered particularly strong income growth, other major markets such as Nigeria, Kenya, Zambia and Uganda have all delivered broad based income growth. Operating expenses were up \$10 million, or 3 per cent, to \$324 million. On a constant currency basis expenses were 18 per cent higher reflecting investments in people and infrastructure. Working profit was up \$162 million or 64 per cent, to \$414 million. The loan impairment charge remained low at \$26 million. Operating profit was up \$150 million, or 63 per cent, to \$388 million. On a constant currency basis operating profit doubled.

Americas, UK & Europe

Income was higher by \$362 million, or 36 per cent, to \$1,375 million. In 2009, there was broad based income growth in Commercial Banking and Trading income. Lending and Trade saw volume increases and re-pricing actions, which helped offset the drop in Cash income.

The fixed income business was primarily driven by the growth in rates and commodities and equity derivative business. Trading income benefitted from favourable ALM accruals in a low interest rate environment and from sales from the AFS portfolio.

Operating expenses were higher by \$37 million at \$990 million. Staff expense increases were partially offset through a reduction in premises and other costs as synergies from the successful integration of AEB. Working profit grew \$325 million. Impairment was higher by \$30 million or 150 per cent. Other impairment was \$79 million down by \$83 million from 2008 which reflected write down of strategic investments. Operating profit was \$256 million compared to an operating loss of \$122 million in the previous year.

Balance sheet

	2009 \$million	2008 \$million	2009 vs 2008 \$million	%
Assets				
Advances and investments				
Cash and balances at central banks	18,131	24,161	(6,030)	(25)
Loans and advances to banks	50,885	46,583	4,302	9
Loans and advances to customers	198,292	174,178	24,114	14
Investment securities held at amortised cost	6,688	7,493	(805)	(11)
	273,996	252,415	21,581	9
Assets held at fair value				
Investment securities held at fair value through equity	69,040	61,849	7,191	12
Financial assets held at fair value through profit or loss	22,446	15,425	7,021	46
Derivative financial instruments	38,193	69,657	(31,464)	(45)
	129,679	146,931	(17,252)	(12)
Other assets	32,978	35,722	(2,744)	(8)
Total assets	436,653	435,068	1,585	-
Liabilities				
Deposits and debt securities in issue				
Deposits by banks	38,461	31,909	6,552	21
Customer accounts	251,244	234,008	17,236	7
Debt securities in issue	29,272	23,447	5,825	25
	318,977	289,364	29,613	10
Liabilities held at fair value				
Financial liabilities held at fair value through profit or loss	14,505	15,478	(973)	(6)
Derivative financial instruments	36,584	67,775	(31,191)	(46)
	51,089	83,253	(32,164)	(39)
Subordinated liabilities and other borrowed funds	16,730	16,986	(256)	(2)
Other liabilities	21,937	22,770	(833)	(4)
Total liabilities	408,733	412,373	(3,640)	(1)
Equity	27,920	22,695	5,225	23
Total liabilities and shareholders' funds	436,653	435,068	1,585	-

Standard Chartered PLC – Financial review continued

Balance sheet

2009 was a year of continued and rigorous focus on the balance sheet as we further consolidated our capital and liquidity position and worked towards further de-risking the asset profile. On a year on year basis, total assets grew by \$1.6 billion, less than 0.4 per cent, with a strong increase in advances to customers of \$24 billion, or 14 per cent, and in investment securities held at fair value which grew by \$14 billion or 18 per cent. This was offset by a decrease in derivatives mark-to-market by \$31 billion, or 45 per cent. Total liabilities fell by \$4 billion with strong growth in total deposits and debt securities in issue of \$30 billion, or 10 per cent, offset by a decrease in derivatives mark-to-market by \$31 billion or 46 per cent. Our emphasis on the continuing importance of liquidity resulted in strong deposits growth both from customers as well as banks. Our equity strengthened by \$5 billion or 23 per cent.

Advances, deposits, investments and borrowings

Nearly 70 per cent of our balance sheet is held at amortised cost.

Customer advances grew by \$24 billion, or 14 per cent, with 60 per cent of this increase from Consumer Banking. In Consumer Banking, Mortgages, a key component of the secured lending portfolio, increased to 61 per cent of their loan book, up from 59 per cent in 2008. We supported our SME customers through new products, including involvement in government sponsored initiatives in markets such as Singapore, Hong Kong and Korea. Consumer Banking share of the Group's customer advances increased from 45 per cent to 47 per cent.

Wholesale Banking focused on key clients, strengthening relationships and growing our product capabilities to support local trade, offering short term working capital solutions and supporting global cross border flows by leveraging the Group's network. From a sector perspective, much of the incremental growth in Wholesale Banking is in Commerce and Transport, indicative of efforts to support recovery in these markets. Exposure to sectors such as Construction and Commercial Real Estate has increased year on year by around 8 to 10 per cent but continue to be low as a proportion of overall advances, under 5 per cent. Exposure to financial institutions has dropped especially in the UK as funds deployed with central banks in 2008 have been moved to other sectors

The Group has continued to attract deposits from both customers and banks and benefitted from a flight to quality in markets such as in Africa. Customer deposits registered a strong \$17 billion growth, up 7 per cent. Given the importance of liquidity in a fragile and uncertain environment, both businesses continued to focus on deposit gathering through 2009. We ran successful campaigns such as "Do Dream" in Korea, "e\$aver" in Singapore and Hong Kong to garner deposits and increase market share. Markets such as Hong Kong, Taiwan and China used the low interest rate environment to reshape their balance sheet through an increase in CASA whilst reducing time deposits. CASA as a proportion of total deposits increased significantly from 43 per cent in December 2008 to 53 per cent.

We continue to be a net lender into the interbank money markets, and are particularly strong in geographies such as Hong Kong and Singapore. The net amount fell slightly from \$14 billion in 2008 to \$12 billion at the end of 2009 as we continue to be selective in choosing where to place funds.

We were successful in driving competitive pricing and raising senior debt in the United Kingdom. Debt securities in issue increased by \$6 billion.

Our advances to deposits (AD) ratio on 31 December 2009 was 78.6 per cent compared to 74.8 per cent in 2008. Given our emphasis on strong liquidity in each geography, advances growth was largely seen in countries that have seen strong deposits growth: Singapore, Korea and Hong Kong.

Assets and liabilities held at fair value

The mark-to-market on derivatives, both assets and liabilities, reduced by approximately \$31 billion while the notional amounts remained flat. Reductions were seen both in foreign exchange contracts and interest rate contracts. These decreases were largely driven by lower volatility.

We deployed surplus deposits, borrowings in investment securities and other assets held at fair value, which increased by \$14 billion, largely in listed debt securities and treasury bills.

Level 3 exposures constitute less than 0.5 per cent of our total assets.

Equity

We remain strongly capitalised, and have built on the strength of our capital position at the end of 2008 through another year of record profits.

As of 31 December 2009, total equity was \$28 billion, an increase of \$5 billion from \$23 billion as at 31 December 2008. In addition to retained profits, the increase also resulted from the \$1.7 billion raised from an issue of shares in August 2009 partially offset by dividend payment net of scrip dividend of \$739 million.

The impact of foreign exchange on reserves was less significant in 2009 compared to the \$2.8 billion of losses recognised in 2008. Year on year, exchange rates remained relatively constant although gains were generated as the Korean won appreciated slightly against the US dollar. The effects of AFS investments were also less significant than 2008, which saw \$0.7 billion of valuation write-downs. This was largely reversed in 2009 as markets improved and investments were realised.

There were no significant movements in minority interests within equity.

Summary

In summary, we have delivered another record performance in 2009 with multiple sources of income growth. We remain focused on effective management of risk and of capital and on maintaining excellent levels of liquidity. The Group begins 2010 with resilience and momentum, well-positioned and in great shape.

Standard Chartered PLC – Risk review

Risk overview

Standard Chartered has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take, and plays a central role in the development of our strategic plans and policy. We also regularly conduct stress tests to ensure that we are operating within our expressed risk appetite across key markets and customer segments.

We maintain a diversified portfolio across countries, products, and customer segments, and we have low exposure to higher-risk asset classes and customer segments. We are disciplined in our liquidity management, and we benefit from a well-established risk governance structure and an experienced senior team.

Our proactive approach to risk management, and steps taken early on in the current economic crisis to reshape our portfolios and tighten underwriting standards helped to mitigate the impact of market turbulence on our performance. Throughout 2009, our balance sheet and liquidity position remained strong, and we are well positioned to address further challenges and potential economic weakness in 2010.

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in more than 70 countries and there is no single country which accounts for more than 20 per cent of loans and advances to customers, or operating income. Our cross-border asset exposure is diversified and reflects our strategic focus on our core markets and customer segments. Approximately half of our loans and advances to customers are of short maturity, and within the Wholesale Bank approximately 70 per cent of loans and advances have a tenor of one year or less. More than 75 per cent of Consumer Banking assets are secured.

We also have low exposure to asset classes and segments outside of our core markets and target customer base. We have no mass-market business in the US or the UK. Our commercial real estate exposure accounts for less than two per cent of our total assets, and our exposure to leveraged loans is very low. Our portfolio of Asset-Backed Securities (ABS) accounts for less than one per cent of our total assets.

Market risk is tightly monitored using Value at Risk (VaR) methodologies complemented by sensitivity measures, gross nominal limits and management action triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements.

Our liquidity was underpinned in 2009 by good inflows of customer deposits, resulting in a strong advances-to-deposit ratio. Liquidity will continue to be deployed to support growth opportunities in our chosen markets. We manage multi-currency liquidity in each of our geographical locations, ensuring that we can meet all short-term funding requirements and that our balance sheet remains structurally sound. We are a net provider of liquidity to the interbank money markets.

We have a well-established risk governance structure and an experienced senior team. Members of our senior leadership sit on our risk committees, which ensures that risk oversight is a critical focus for all our directors, while common

membership between these committees helps us address the inter-relationships between risk types.

Since 1 January 2008, Standard Chartered has used the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital. The FSA has also granted Standard Chartered CAD2 internal model approval covering the majority of interest rate and foreign exchange risk in the trading book, as well as precious and base metals market risk. Assets and positions outside the scope of IRB and CAD2 are assessed according to standard FSA rules.

With effect from 4 March 2010, the Board Audit and Risk Committee will be split into a Board Risk Committee and a Board Audit Committee, to align with the recommendations of the Walker Review. Also as of March 2010, the Group Chief Risk Officer will report to the Group Finance Director and to the Board Risk Committee.

Risk performance review

In the first quarter of 2009, economic conditions in much of our footprint continued to worsen, but by the second half of the year credit conditions had generally begun to improve as the worst of the global financial crisis passed.

In Consumer Banking there was a moderate increase in loan impairment in the first half of the year, as trends that became evident during the fourth quarter of 2008 continued into 2009. This was primarily driven by unsecured portfolios impacted by rising unemployment and bankruptcy rates. The unsecured portfolios most affected were in Hong Kong and Korea where bankruptcy and debt restructuring programme filings increased markedly, in India where consumer leverage was particularly high, and in UAE where there was a rise in unemployment rates and a significant fall in property values.

In the second half of the year, as credit conditions improved, delinquency and impairment rates across most of our principal markets and product portfolios improved, and came back down below levels experienced at the end of 2008.

In Wholesale Banking loan impairment rose in the first half of 2009 relative to the second half of 2008. The increase occurred primarily in the Local Corporates portfolio, where the effects of the deteriorating economic environment were most acutely felt. However, in the context of gradually improving credit conditions, Wholesale Banking impairment in the second half of 2009 was lower than in the first half of 2009. A large portion of Wholesale Banking impairment for 2009 was concentrated on a very small number of accounts.

Elsewhere, the portfolio remained resilient. There were non-material levels of impairment on the ABS portfolio in 2009. The carrying value of the ABS portfolio reduced, primarily as a result of redemptions and some sales. The overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. Our net exposure to ABS represents less than one per cent of total Group assets and has had limited impact on our performance.

Sharp increases in the volatility of credit spreads following the collapse of Lehman Brothers in September 2008 drove an increase in non-trading book VaR through most of 2009, which in turn was a key factor in an increase in total average VaR in 2009 compared to 2008.

Standard Chartered PLC – Risk review continued

Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated. However, risks are by their nature uncertain and the management of risk relies on judgments and predictions about the future.

A description of our principal risk types and our approach to managing them are set out in our Risk Management section starting on page 24. The key uncertainties we face in the coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that we may experience.

Changing macroeconomic conditions in footprint countries

Macroeconomic conditions have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers and businesses, the general availability of credit for retail and corporate borrowers and the availability of capital and liquidity funding for our business. All these factors may impact our performance.

The world economy now appears to be emerging from the worst downturn since the 1930s. An even more serious recession would have occurred had governments globally not embarked upon a synchronised and extensive programme of monetary and fiscal easing, which has been a key driver of the current gradual return to growth in our markets and globally. There is a risk that as this stimulus is withdrawn economic conditions will deteriorate again, which could impact our performance as described above. We operate primarily in markets that appear well positioned to avoid another major downturn.

We balance risk and return taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We also continuously review the suitability of our risk policies and controls. Our risk management processes are pro-active and dynamic, allowing us to respond quickly to changes in economic conditions or outlook.

Regulatory changes and compliance

Our business as an international bank is subject to a complex regulatory framework comprising legislation, regulation and codes of practice, in each of the countries in which we operate.

A key uncertainty relates to the way in which governments and regulators adjust laws and regulations and economic policies in response to macroeconomic and other systemic conditions. The financial crisis has spurred unprecedented levels of proposals to change the regulations governing financial institutions and further changes to regulations remain under consideration in many jurisdictions.

The nature and impact of future changes in laws, regulations and economic policies are not predictable and could run counter to our strategic interests. We support changes to laws, regulations or codes of practice that will improve the overall stability of the financial system. However, we also have concerns that certain proposals may not achieve this desired objective and may have unintended consequences, either individually or in terms of aggregate impact. Proposed changes could affect the volatility and liquidity of the financial markets and, consequently, the way we conduct business and manage capital and liquidity. These effects may directly or indirectly impact our financial performance.

Both unilaterally and through our participation in industry forums, we endeavour to influence the development of relevant laws and regulatory policies in our key markets. We also keep close watch on key regulatory developments in order to anticipate changes and their potential impact.

We have a commitment to maintaining strong relationships with governments and regulators in the countries in which we operate. At any time the Group may be in discussion with a range of authorities and regulatory bodies in different countries on matters that relate to its past or current business activities.

HM Treasury regulations require compliance with sanctions adopted by the UK government. Similarly, US laws and regulations require compliance with US economic sanctions against designated foreign countries, nationals and others. The Group has a US Dollar payments and clearing business and has policies, procedures and controls designed to ensure compliance with relevant laws and regulations. Several US agencies have investigated how a number of other financial institutions have processed US Dollar payments potentially involving sanctioned parties. In the light of that activity relating to other institutions, the Group has initiated discussions with US authorities to discuss its past business.

On 29 February 2008, the Group completed the acquisition of American Express Bank. Prior to the acquisition, subsidiaries of the American Express Bank group located in New York and Miami had entered separately into a Written Agreement with the New York State Banking Department and a Cease and Desist Order with the Federal Reserve Bank of Atlanta to address deficiencies relating to compliance with applicable federal and state laws and regulations governing anti-money laundering.

On 15 January 2010, the New York State Banking Department notified the Group that Standard Chartered International (USA) Ltd. (formerly American Express Bank Ltd) had satisfied the terms of the written agreement and that the agreement was therefore terminated. The Cease and Desist Order remains in place. However, the Board believes that during the year the Group achieved substantial compliance with the terms of this document and the status of this matter continues to be monitored closely by the Board.

Financial markets dislocation

Financial market volatility subsided in the second half of 2009. However there remains a risk that renewed volatility or a sudden financial market dislocation could affect our performance over the coming year. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain customers holding derivative contracts during periods of financial market volatility could also lead to an increase in customer disputes and corporate defaults.

At the same time, financial market instability could cause some financial institution counterparties to experience tighter liquidity conditions or even fail. Government action has reduced the systemic risk, but the impact on the financial services industry of ongoing uncertainty in the broader economic environment means that the risk nonetheless remains.

We have low exposure to risky asset classes and segments. We also maintain robust appropriateness and suitability processes to mitigate the risk of customer disputes. We

Standard Chartered PLC – Risk review continued

Principal uncertainties continued

closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary

Geopolitical events

We operate in a large number of markets around the world, and our performance is in part reliant on the openness of cross-border trade and capital flows. We face a risk that geopolitical tensions or conflict in our footprint could impact trade flows, our customers' ability to pay, and our ability to manage capital or operations across borders.

We actively monitor the political situation in all of our principal markets, and conduct stress tests of the impact of extreme but plausible geopolitical events on our performance and the potential for such events to jeopardise our ability to operate within our stated risk appetite.

Reduced access to funding

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet all our obligations and commitments as they fall due, or can access funding only at excessive cost. Exceptional market events can impact us adversely, thereby affecting our ability to fulfil our obligations as they fall due. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the intended maturity date.

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Our customer deposit base is diversified both by type and maturity, and we have a low dependence on wholesale funding. We also hold a portfolio of liquid assets that can be realised if a liquidity stress event occurs.

Exchange rate movements

Changes in exchange rates affect, among other things, the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries. A sharp fall in the value of the US dollar could also impact trade flows and the wealth of clients holding US dollar-denominated assets, both of which could have an impact on our performance.

We monitor exchange rate movements closely and adjust our exposures accordingly. Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated by corresponding movements in risk weighted assets. The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for 31 December 2009 and 31 December 2008.

	Year ended 31.12.09	Year ended 31.12.08
Indian rupee		
Average	48.35	43.50
Period end	46.54	48.65
Korean won		
Average	1,276.62	1,101.82
Period end	1,164.47	1,259.91
Singapore dollar		
Average	1.45	1.42
Period end	1.40	1.44

As a result of our normal business operations, Standard Chartered is exposed to a broader range of risks than those principal risks mentioned previously, and our approach to managing risk is detailed on the following pages.

Risk management

The management of risk lies at the heart of Standard Chartered's business. One of the main risks we incur arises from extending credit to customers through our trading and lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as country cross-border, market, liquidity, operational, regulatory, pension, reputational and other risks which are inherent to our strategy, product range and geographical coverage.

Risk management framework

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Group.

Through our risk management framework we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite.

As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- **Balancing risk and reward:** risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite.
- **Responsibility:** it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return.
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported.
- **Anticipation:** We seek to anticipate future risks and maximise awareness of all risks.
- **Competitive advantage:** We seek competitive advantage through efficient and effective risk management and control.

Risk governance

Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board of Standard Chartered PLC (the Board). Executive responsibility for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the Group executive directors and other directors of Standard Chartered Bank.

The Court delegates authority for the management of risk to several committees.

The Group Risk Committee (GRC) is responsible for the management of all risks other than those delegated by the Court to the Group Asset and Liability Committee (GALCO) and the Group Pensions Executive Committee. The GRC is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, regulatory risk and reputational risk. The GRC also defines our overall risk management framework.

The GALCO is responsible for the management of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange rate risk.

Standard Chartered PLC – Risk review continued

Risk management continued

The Group Pensions Executive Committee is responsible for the management of pension risk.

Members of the Court are also members of both the GRC and GALCO. The GRC is chaired by the Group Chief Risk Officer (GCRO). The GALCO is chaired by the Group Finance Director.

Risk limits and risk exposure approval authority frameworks are set by the GRC in respect of credit risk, country cross-border risk and market risk. The GALCO sets the approval authority framework in respect of liquidity risk. Risk approval authorities may be exercised by risk committees or authorised individuals.

Acting within an authority delegated by the Board, the Audit and Risk Committee (ARC), whose members are all non-executive directors of the Group, reviews specific risk areas and monitors the activities of the GRC and GALCO. The ARC receives regular reports on risk management, including our portfolio trends, policies and standards, adherence with internal controls, regulatory compliance, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. As of 4 March 2010, the ARC will be split into a Board Risk Committee and a Board Audit Committee.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board through to the appropriate functional, divisional and country-level committees. Information regarding material risk issues and compliance with policies and standards is communicated to the country, business, functional committees and Group-level committees.

Business, governance and functional heads are accountable for risk management in their businesses and functions, and for countries where they have governance responsibilities. This includes:

- implementing across all business activities the policies and standards as agreed by the Group-level risk committees.
- managing risk in line with appetite levels agreed by the Group-level risk committees.
- developing and maintaining appropriate risk management infrastructure and systems to facilitate compliance with risk policies.

The GCRO directly manages a risk function which is separate from the origination, trading and sales functions of the businesses. The GCRO also chairs the GRC and is a member of the Group Management Committee. Chief risk officers for both Wholesale and Consumer Banking have their primary reporting lines into the GCRO. Country chief risk officers take overall responsibility for risk within our principal countries.

The Risk function is responsible for upholding the integrity of our risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with our standards.

The Risk function is independent of the origination and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues.

The Risk function is also responsible for maintaining our Risk Management Framework (RMF), ensuring it remains

appropriate to the Group's activities, and is effectively communicated and implemented across the Group. The Risk function also administers our Risk-related governance and reporting processes.

Our RMF identifies the risk types to which we are exposed, each of which is controlled by a designated risk type owner (RTO). The major risk types are described individually in the following sections. The RTOs have responsibility for establishing minimum standards and for implementing governance and assurance processes. The RTOs report up through specialist risk committees to the GRC or GALCO.

Group Internal Audit is a separate Group function that reports to the Chairman of the ARC and to the Group Chief Executive. It provides independent confirmation of compliance with Group and business standards, policies and procedures. Where necessary, it will recommend corrective action to restore or maintain such standards.

Risk appetite

We manage our risks to build a sustainable franchise in the interests of all our stakeholders.

Risk appetite is an expression of the amount of risk we are willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different stress trading conditions.

We define our risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. We also define a risk appetite with respect to liquidity risks and reputational risk.

Our quantitative risk profile is assessed through a 'bottom-up' analytical approach covering all of our major businesses, countries and products. The risk appetite is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

The GRC is responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing

Stress testing and scenario analysis are used to assess the financial and management capability of Standard Chartered to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors.

Our stress testing framework is designed to.

- contribute to the setting and monitoring of risk appetite.
- identify key risks to our strategy, financial position, and reputation.
- examine the nature and dynamics of the risk profile and assess the impact of stresses on our profitability and business plans.
- ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing.
- inform senior management.
- ensure adherence to regulatory requirements.

Standard Chartered PLC – Risk review continued

Stress testing continued

A stress-testing forum, led by the Risk function with participation from the businesses, Group Finance, Global Research and Group Treasury, aims to ensure that the earnings and capital implications of specific stress scenarios are fully understood. The stress-testing forum generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business.

In 2009, stress testing activity was intensified at country, business and Group levels, with specific focus on certain asset classes, customer segments and the potential impact of macroeconomic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of the development of prevailing market conditions.

Stress testing themes such as inflation, US dollar depreciation, declines in asset values, swine flu, or potential border conflicts are co-ordinated by the stress testing forum to ensure consistency of impacts on different risk types or countries. Stress tests for country or risk type are also performed. Examples of risk type stress testing are covered in the section on Market risk.

Credit risk

Credit risk is the risk that a counterparty to a financial transaction will fail to discharge an obligation, resulting in financial loss to Standard Chartered. Credit exposures may arise from both the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit policies

Group-wide credit policies and standards are considered and approved by the Group Risk Committee, which also oversees the delegation of credit approval and loan impairment provisioning authorities.

Policies and procedures specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with our Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Credit rating and measurement

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

For IRB portfolios, a standard alphanumeric credit risk grade (CG) system is used in both Wholesale and Consumer Banking. The grading is based on our internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Our credit grades in Wholesale Banking are not intended to replicate external credit grades, and ratings assigned by

external ratings agencies are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

Advanced IRB models cover a substantial majority of our exposures and are used extensively in assessing risks at customer and portfolio level, setting strategy and optimising our risk-return decisions.

For IRB portfolios, risk measurement models are approved by the responsible risk committee, on the recommendation of the Group Model Assessment Committee (MAC). The MAC supports risk committees in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the MAC, all IRB models are validated in detail by a model validation team, which is separate from the teams which develop and maintain the models. Models undergo a detailed annual review. Such reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group Credit Committee (GCC). The GCC derives its authority from the GRC.

All other credit approval authorities are delegated by the GRC to individuals based both on their judgement and experience and a risk-adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all but a very few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties, by industry sector and country in Wholesale Banking; and by product and country in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating.

Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Group are reviewed and approved at least annually by the Group Credit Committee.

Credit monitoring

We regularly monitor credit exposures, portfolio performance, and external trends which may impact risk management outcomes.

Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance; as well as IRB portfolio metrics including credit grade migration.

The Wholesale Banking Credit Issues Forum, which is a sub-committee of the Wholesale Banking Risk Committee, meets regularly to assess the impact of external events and trends on the Wholesale Banking credit risk portfolio and to define and implement our response in terms of appropriate

Standard Chartered PLC – Risk review continued

Credit risk continued

changes to portfolio shape, underwriting standards, risk policy and procedures.

Corporate accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by Group Special Assets Management (GSAM), our specialist recovery unit. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of GSAM.

In Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and informs lending decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by specialist recovery teams. In some countries, aspects of collections and recovery functions are outsourced.

The SME business is managed within Consumer Banking in two distinct segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. Medium enterprise accounts are monitored in line with Wholesale Banking procedures, while small business accounts are monitored in line with other Consumer Banking accounts. Medium enterprise and private banking past due accounts are managed by GSAM.

Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Standard Chartered also enters into collateralised reverse repurchase agreements.

Collateral is valued in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility

of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value.

Where appropriate, credit derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, such derivatives are used in a controlled manner with reference to their expected volatility.

Traded products

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions.

The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

For derivative contracts, we limit our exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are not presented net in the financial statements.

In addition, we enter into Credit Support Annexes (CSA) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Under a variation margin process, additional collateral is called from the counterparty if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is bilateral and requires us to post collateral if the overall mark-to-market value of positions is in the counterparty's favour and exceeds an agreed threshold.

Securities

Within Wholesale Banking, the Underwriting Committee approves the portfolio limits and parameters by business unit for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the GRC. Wholesale Banking operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day-to-day credit risk management activities for traded securities are carried out by Traded Credit Risk Management whose activities include oversight and approval of temporary excesses within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, is controlled by Wholesale Banking Credit Risk, while price risk is controlled by Group Market Risk.

The Underwriting Committee approves individual proposals to underwrite new corporate security issues. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with the Risk Function.

Standard Chartered PLC – Risk review continued

Loan portfolio

Loans and advances to customers have grown by \$23.3 billion to \$201.8 billion.

Compared to 2008, the Consumer Banking portfolio in 2009 has grown by \$13.9 billion, or 17 per cent, mainly due to increased mortgage lending.

The growth in the mortgage portfolio is in line with Consumer Banking's strategy of de-risking the overall portfolio by increasing the proportion of secured advances and taking advantage of the strengthening property markets. Growth was mostly in Korea, Singapore and Hong Kong which increased by \$3.3 billion, \$2.1 billion and \$1.8 billion respectively.

Growth in the Wholesale Banking customer portfolio was \$9.6 billion, or 10 per cent. Growth was spread across several regions, with Singapore particularly strong at \$6.9 billion, or 72 per cent of that growth.

The growth in Singapore is primarily in trade loans, due to business growth and the acquisition of new clients, receivables financing and other corporate loans.

Exposures to banks grew by 10 per cent. We continue to be highly liquid, with much of that liquidity placed with high quality bank counterparties, and remain a net provider of liquidity to the inter bank money markets.

The Wholesale Banking portfolio remains diversified across both geography and industry, with no significant concentration within the industry classifications of Manufacturing; Financing, insurance and business services; Commerce; or Transport, storage and communication.

Single borrower concentration risk has been mitigated by active distribution of assets to banks and institutional investors, some of which is achieved through credit-default swaps and synthetic risk transfer structures.

2009									
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Loans to individuals									
Mortgages	14,816	8,149	20,460	11,016	1,685	1,128	212	171	57,637
Other	2,971	4,957	4,951	5,012	772	2,396	678	1,909	23,646
Small and medium enterprises	1,641	2,370	4,024	3,258	1,255	636	113	3	13,300
Consumer Banking	19,428	15,476	29,435	19,286	3,712	4,160	1,003	2,083	94,583
Agriculture, forestry and fishing	16	81	25	351	75	150	613	630	1,941
Construction	274	49	370	350	342	788	116	234	2,523
Commerce	2,508	4,819	939	3,612	861	4,959	765	4,576	23,039
Electricity, gas and water	538	53	188	523	31	371	239	1,395	3,338
Financing, insurance and business services	2,319	4,150	668	4,515	543	4,036	174	5,406	21,811
Governments	-	966	344	3,256	1	250	34	366	5,217
Mining and quarrying	120	569	3	280	139	185	172	4,941	6,409
Manufacturing	2,586	1,061	3,369	7,794	2,485	1,857	685	5,735	25,572
Commercial real estate	1,274	2,275	997	908	360	672	4	518	7,008
Transport, storage and communication	579	1,438	310	1,024	399	1,115	258	4,323	9,446
Other	397	507	268	296	6	234	21	61	1,790
Wholesale Banking	10,611	15,968	7,481	22,909	5,242	14,617	3,081	28,185	108,094
Portfolio impairment provision	(66)	(45)	(112)	(203)	(88)	(293)	(55)	(12)	(874)
Total loans and advances to customers	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Total loans and advances to banks	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933

¹ Other Asia Pacific region (Other APR) includes Malaysia: Total loans and advances to customers \$9,022 million; Total loans and advances to banks \$390 million.

Total loans and advances to customers include \$3,511 million held at fair value through profit or loss. Total loans and advances to banks include \$2,048 million held at fair value through profit or loss.

Standard Chartered PLC – Risk review continued

	2008								
	Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong	Singapore	Korea	Other Asia Pacific¹	India				
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans to individuals									
Mortgages	12,977	6,044	17,120	8,786	1,447	891	171	131	47,567
Other	2,826	3,529	4,383	5,389	910	2,742	564	1,106	21,449
Small and medium enterprises	1,288	1,754	3,603	2,660	1,093	710	170	370	11,648
Consumer Banking	17,091	11,327	25,106	16,835	3,450	4,343	905	1,607	80,664
Agriculture, forestry and fishing	27	65	34	193	34	106	383	562	1,404
Construction	142	81	367	424	305	823	40	143	2,325
Commerce	2,150	2,685	964	3,533	749	4,150	725	2,395	17,351
Electricity, gas and water	453	15	93	532	34	242	71	1,246	2,686
Financing, insurance and business services	3,455	2,303	427	2,988	533	3,329	453	12,075	25,563
Governments	-	366	-	3,480	-	383	26	427	4,682
Mining and quarrying	-	355	26	174	104	257	194	4,710	5,820
Manufacturing	2,756	1,153	3,475	7,866	2,255	1,864	598	4,892	24,859
Commercial real estate	1,353	1,265	787	1,245	332	526	10	839	6,357
Transport, storage and communication	470	366	356	921	121	1,218	220	2,113	5,785
Other	168	415	217	403	12	319	48	85	1,667
Wholesale Banking	10,974	9,069	6,746	21,759	4,479	13,217	2,768	29,487	98,499
Portfolio impairment provision	(61)	(47)	(89)	(228)	(66)	(84)	(31)	(45)	(651)
Total loans and advances to customers	28,004	20,349	31,763	38,366	7,863	17,476	3,642	31,049	178,512
Total loans and advances to banks	18,963	9,283	1,594	5,201	291	1,504	587	10,523	47,946

¹ Other APR includes Malaysia: Total loans and advances to customers \$7,955 million; Total loans and advances to banks \$411 million.

Total loans and advances to customers include \$4,334 million held at fair value through profit or loss. Total loans and advances to banks include \$1,363 million held at fair value through profit or loss.

Standard Chartered PLC – Risk review continued

Maturity analysis

Approximately half of our loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short-term, with 70 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 61 per cent of the portfolio is in the mortgage book, traditionally longer term in nature and well secured.

Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

The following tables show the contractual maturity of loans and advances to customers by each principal category of borrowers business or industry.

	2009			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	2,455	7,818	47,364	57,637
Other	14,266	7,158	2,222	23,646
Small and medium enterprises	7,110	3,054	3,136	13,300
Consumer Banking	23,831	18,030	52,722	94,583
Agriculture, forestry and fishing	1,515	348	78	1,941
Construction	1,921	482	120	2,523
Commerce	19,981	2,919	139	23,039
Electricity, gas and water	1,056	825	1,457	3,338
Financing, insurance and business services	15,282	6,484	45	21,811
Governments	4,754	398	65	5,217
Mining and quarrying	3,296	1,531	1,582	6,409
Manufacturing	18,979	5,286	1,307	25,572
Commercial real estate	3,325	3,523	160	7,008
Transport, storage and communication	3,665	4,312	1,469	9,446
Other	1,369	268	153	1,790
Wholesale Banking	75,143	26,376	6,575	108,094
Portfolio impairment provision				(874)
				201,803
	2008			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	2,357	6,883	38,327	47,567
Other	11,575	7,118	2,756	21,449
Small and medium enterprises	6,780	2,653	2,215	11,648
Consumer Banking	20,712	16,654	43,298	80,664
Agriculture, forestry and fishing	1,008	259	137	1,404
Construction	1,943	356	26	2,325
Commerce	15,732	1,477	142	17,351
Electricity, gas and water	1,108	345	1,233	2,686
Financing, insurance and business services	19,057	6,026	480	25,563
Governments	4,476	43	163	4,682
Mining and quarrying	3,238	1,449	1,133	5,820
Manufacturing	18,300	5,293	1,266	24,859
Commercial real estate	2,186	4,064	107	6,357
Transport, storage and communication	2,988	1,743	1,054	5,785
Other	1,271	337	59	1,667
Wholesale Banking	71,307	21,392	5,800	98,499
Portfolio impairment provision				(651)
				178,512

Standard Chartered PLC – Risk review continued

Problem credit management and provisioning Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Consumer Banking an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes we follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium enterprises among SME customers and Private Banking customers) consist of a large number of comparatively small exposures. As a result, much of the provisioning is initially done at an account level for each product and a portfolio impairment provision (PIP) is raised on a portfolio basis. PIP is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

For the main unsecured products and loans secured by automobiles, the entire outstanding amount is generally written off at 150 days past due. Unsecured consumer finance loans are similarly written off at 90 days past due. For secured loans (other than those secured by automobiles) individual impairment provisions (IIP) are generally raised at either 150 days (mortgages) or 90 days (other) past due.

The provisions are based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off and IIP is accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

The procedures for managing problem credits for Private Banking and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 33).

Non-performing loans are defined as loans past due by more than 90 days or that are otherwise individually impaired. Consumer Banking has seen significant improvements in the level of non performing loans in Taiwan and Korea due to de-risking actions taken and improvements in collections processes. These have been offset to some extent by increases in India and UAE.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing.

The following tables set out the total non-performing loans for Consumer Banking:

	2009								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Loans and advances									
Gross non-performing	80	47	190	482	65	263	28	97	1,252
Individual impairment provision	(64)	(20)	(63)	(212)	(17)	(91)	(10)	(61)	(538)
Non-performing loans net of individual impairment provision	16	27	127	270	48	172	18	36	714
Portfolio impairment provision									(519)
Net non-performing loans and advances									195
Cover ratio									84%

¹ Other APR includes Malaysia: Gross non-performing \$166 million; Individual impairment provision \$(47) million; Non-performing loans net of individual impairment provision \$119 million.

Standard Chartered PLC – Risk review continued

Consumer Banking continued

	2008								Total
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹					
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Loans and advances									
Gross non-performing	85	65	287	601	49	170	35	95	1,387
Individual impairment provision	(39)	(18)	(76)	(291)	(10)	(71)	(12)	(26)	(543)
Non-performing loans net of individual impairment provision	46	47	211	310	39	99	23	69	844
Portfolio impairment provision									(449)
Net non-performing loans and advances									395
Cover ratio									72%

¹ Other APR includes Malaysia: Gross non-performing \$164 million; Individual impairment provision \$(41) million; Non-performing loans net of individual impairment provision \$123 million.

The Consumer Banking total net impairment charge has increased by \$115 million, or 12 per cent. Mortgages dominate the Consumer Banking portfolio, making up 61 per cent of loans and advances to customers. The mortgage portfolio has an average loan to value ratio of 48 per cent, loss rates are low and have improved through the second half of the year. The exception to this is in UAE, where the significant fall in Dubai property prices has impacted the mortgage portfolio.

The increases in impairment have arisen primarily in the unsecured portfolios in MESA, India, Singapore and Korea. In UAE the impairment charge has been impacted by rising

unemployment, with the bulk of the charge taken in the unsecured credit card and personal loan portfolios. The high level of expatriate customers in this market has made collections a particular challenge. In India the impairment charge is driven by the unsecured credit card and instalment loan portfolios which have suffered with the high levels of customer debt leverage seen in this market. Rising unemployment and falling export orders have led to increased impairment in the unsecured and SME portfolios in Singapore. The unsecured portfolios in Korea have also been impacted by increases in personal bankruptcy and debt restructuring programme filings.

The tables below set out the net impairment charge by geographic area:

	2009								
	Asia Pacific								
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Gross impairment charge	139	64	200	424	163	256	31	33	1,310
Recoveries/provisions no longer required	(38)	(20)	(21)	(150)	(26)	(39)	(11)	(7)	(312)
Net individual impairment charge	101	44	179	274	137	217	20	26	998
Portfolio impairment provision charge									54
Net impairment charge									1,052

¹ Other APR includes Malaysia: Gross impairment charge \$90 million; Recoveries/provisions no longer required \$(41) million; Net individual impairment charge \$49 million.

	2008								Total
	Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹	India				
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Gross impairment charge	135	39	165	442	110	197	27	64	1,179
Recoveries/provisions no longer required	(37)	(26)	(16)	(130)	(28)	(25)	(11)	(8)	(281)
Net individual impairment charge	98	13	149	312	82	172	16	56	898
Portfolio impairment provision charge									39
Net impairment charge									937

¹ Other APR includes Malaysia: Gross impairment charge \$85 million; Recoveries/provisions no longer required \$(43) million; Net individual impairment charge \$42 million.

Standard Chartered PLC – Risk review continued

Wholesale Banking

Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by our specialist recovery unit, Group Special Assets Management (GSAM), which is separate from our main businesses. Where any amount is considered irrecoverable, an individual impairment provision is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, we attempt 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 a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

As with Consumer Banking, a portfolio impairment provision (PIP) to cover the inherent risk of losses which although not identified, are known to be present in any portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Gross non-performing loans in Wholesale Banking have increased by \$1.1 billion since 2008, and this is driven by a small number of individually significant accounts, the largest of which are two closely linked customers in Saudi Arabia, included within the MESA region.

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio has increased from 61 per cent as at 31 December 2008 to 65 per cent as at 31 December 2009. It continues to be impacted by downgrades of accounts in which recovery of principal is expected and so a low level of provision has been raised, in accordance with IAS 39. The balance uncovered by individual impairment provisions represents the value of collateral held and/or our estimate of the net outcome of any workout strategy.

The following tables set out the total non-performing loans for Wholesale Banking:

2009									
Asia Pacific									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	207	10	352	780	207	855	160	189	2,760
Individual impairment provision	(117)	(7)	(204)	(408)	(74)	(469)	(53)	(115)	(1,447)
Non-performing loans net of individual impairment provision	90	3	148	372	133	386	107	74	1,313
Portfolio impairment provision									(357)
Net non-performing loans and advances									956
Cover ratio									65%

¹ Other APR includes Malaysia: Gross non-performing \$37 million; Individual impairment provision \$(18) million; Non-performing loans and advances, net of individual impairment provision \$19 million.

Standard Chartered PLC – Risk review continued

Wholesale Banking continued

	2008								
	Asia Pacific				India	Middle East & Other S Asia ¹	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million					
Loans and advances									
Gross non-performing	201	3	193	533	61	241	80	308	1,620
Individual impairment provision	(125)	(2)	(78)	(314)	(34)	(99)	(42)	(87)	(781)
Non-performing loans net of individual impairment provision	76	1	115	219	27	142	38	221	839
Portfolio impairment provision									(208)
Net non-performing loans and advances									631
Cover ratio									61%

¹ Other APR includes Malaysia: Gross non-performing \$16 million; Individual impairment provision \$(16) million; Non-performing loans and advances, net of individual impairment provision \$nil million.

The total net impairment charge in Wholesale Banking has increased by \$564 million, largely driven by the increase in the MESA region. A significant individual impairment charge has been taken against two closely linked customers in

Saudi Arabia. To address the exceptional amount of economic stress still being experienced in the region, and the unusual level of uncertainty, the Group has significantly increased the portfolio impairment provision in 2009.

The tables below set out the net impairment charge by geographic area:

	2009								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Gross impairment charge	52	3	111	194	55	394	15	58	882
Recoveries/provisions no longer required	(8)	(5)	(18)	(23)	(6)	(6)	(3)	(7)	(76)
Net individual impairment charge	44	(2)	93	171	49	388	12	51	806
Portfolio impairment provision charge									142
Net impairment charge									948

¹ Other APR includes Malaysia: Gross impairment charge \$11 million; Recoveries/provisions no longer required \$(5) million; Net individual impairment charge \$6 million.

	2008								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Gross impairment charge	94	-	89	118	35	6	8	44	394
Recoveries/provisions no longer required	(20)	(3)	-	(16)	(5)	(7)	(9)	(29)	(89)
Net individual impairment charge/(credit)	74	(3)	89	102	30	(1)	(1)	15	305
Portfolio impairment provision charge									79
Net impairment charge									384

¹ Other APR includes Malaysia: Gross impairment charge \$Nil; Recoveries/provisions no longer required \$(2) million; Net individual impairment credit \$(2) million.

Standard Chartered PLC – Risk review continued

Movement in Group Individual impairment provision

The following tables set out the movements in our total individual impairment provision against loans and advances:

2009									
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Provisions held at 1 January 2009	164	20	154	605	44	170	54	113	1,324
Exchange translation differences	-	-	21	26	4	(6)	3	1	49
Amounts written off	(154)	(50)	(215)	(501)	(162)	(218)	(24)	(5)	(1,329)
Recoveries of acquisition fair values	-	-	(7)	(29)	-	(4)	-	-	(40)
Recoveries of amounts previously written off	32	14	6	100	19	19	-	3	193
Discount unwind	(6)	(1)	(13)	(27)	(2)	(6)	(2)	(2)	(59)
Other	-	-	49	1	2	(1)	-	(3)	48
New provisions	191	69	311	618	218	651	46	83	2,187
Recoveries/provisions no longer required	(46)	(25)	(39)	(173)	(32)	(45)	(14)	(14)	(388)
Net charge against profit	145	44	272	445	186	606	32	69	1,799
Provisions held at 31 December 2009	181	27	267	620	91	560	63	176	1,985

¹ Other APR includes Malaysia: Provisions held at 31 December 2009 \$64 million.

2008									
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Provisions held at 1 January 2008	74	44	137	623	44	197	66	88	1,273
Exchange translation differences	1	-	(43)	(24)	(10)	(28)	(9)	(3)	(116)
Amounts written off	(94)	(48)	(156)	(450)	(114)	(178)	(17)	(62)	(1,119)
Recoveries of acquisition fair values	-	-	(19)	(55)	-	(4)	-	-	(78)
Recoveries of amounts previously written off	31	15	2	88	23	12	-	9	180
Acquisitions	-	-	3	28	-	-	-	15	46
Discount unwind	(3)	(1)	(9)	(24)	(1)	(1)	(1)	-	(40)
Other	-	-	10	5	(1)	1	-	(5)	10
New provisions	213	39	245	560	136	203	33	109	1,538
Recoveries/provisions no longer required	(58)	(29)	(16)	(146)	(33)	(32)	(18)	(38)	(370)
Net charge against profit	155	10	229	414	103	171	15	71	1,168
Provisions held at 31 December 2008	164	20	154	605	44	170	54	113	1,324

¹ Other APR includes Malaysia: Provisions held at 31 December 2008 \$57 million.

Standard Chartered PLC – Risk review continued

Asset backed securities

Total exposures to asset backed securities

	31 December 2009				31 December 2008			
	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million
Residential Mortgage Backed Securities ('RMBS')								
- US Alt-A	2%	74	42	31	2%	84	57	35
- US Prime	-	1	-	-	-	2	1	-
- Other	24%	819	767	708	23%	1,024	969	858
Collateralised Debt Obligations ('CDOs')								
- Asset Backed Securities	2%	77	13	10	5%	208	32	30
- Other CDOs	10%	353	285	273	9%	379	306	225
Commercial Mortgage Backed Securities ('CMBS')								
- US CMBS	4%	139	122	108	3%	147	129	92
- Other	19%	664	480	373	15%	671	525	466
Other Asset Backed Securities ('Other ABS')	39%	1,315	1,227	1,204	43%	1,935	1,740	1,551
	100%	3,442	2,936	2,707	100%	4,450	3,759	3,257
Of which included within:								
- Financial assets held at fair value through profit or loss	3%	103	97	97	-	-	-	-
- Investment securities - available-for-sale	26%	903	608	608	26%	1,145	725	725
- Investment securities - Loans and receivables	71%	2,436	2,231	2,002	74%	3,305	3,034	2,532
	100%	3,442	2,936	2,707	100%	4,450	3,759	3,257

¹ Fair value reflects the value of the entire portfolio, including assets redesignated to loans and receivables

The carrying value of asset backed securities represents 0.7 per cent (31 December 2008: 0.9 per cent) of our total assets.

The notional value of the ABS portfolio fell by approximately \$1 billion during 2009 due to natural redemptions in the portfolio. The difference between carrying value and fair value of the remaining portfolio narrowed to \$229 million at 31 December 2009, benefitting from both the redemptions and a recovery in market prices in certain asset classes

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities subject to an impairment charge, 80 per cent of the overall portfolio is rated A or better, and 39 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market. The portfolio has an average credit grade of AA-, unchanged from year-end 2008.

26 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA (AA+ in 2008). 45 per cent of the residential mortgage exposures were originated in 2005 or earlier.

12 per cent of the overall portfolio is in CDOs. This includes \$77 million of exposures to Mezzanine and High Grade CDOs of ABS, of which \$56 million have been impaired. The remainder of the CDOs have a weighted average credit rating of BBB (AA+ in 2008).

23 per cent of the overall portfolio is in CMBS, of which \$139 million is in respect of US CMBS with a weighted average credit grade of AAA (AAA in 2008). The weighted average credit rating of the Other CMBS is A- (AA in 2008).

39 per cent of the overall portfolio is in Other ABS, which includes securities backed by credit card receivables, bank collateralised loan obligations, future flows and student loans, with a weighted credit rating of AA.

The Group reclassified some asset backed securities from trading and available-for-sale to loans and receivables with effect from 1 July 2008. The securities were reclassified at their fair value on the date of reclassification. Note 10 on page 62 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in the twelve months to 31 December 2009.

Writedowns of asset backed securities

	Trading \$million	Available for-sale \$million	Loans and receivables \$million	Total \$million
31 December 2009				
Credit to available-for-sale reserves	-	26	-	26
Charge to the profit and loss account	-	(70)	(7)	(77)
31 December 2008				
Charge to available-for-sale reserves	-	(309)	-	(309)
Charge to the profit and loss account	(74)	(90)	-	(164)

Standard Chartered PLC – Risk review continued

Country cross-border risk

Country cross border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency.

The GRC is responsible for our country cross border risk limits and delegates the setting and management of country limits to the Group Country Risk function.

The business and country chief executive officers manage exposures within these limits and policies. Countries designated as higher risk are subject to increased central monitoring.

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

Cross border exposure to China, India, Hong Kong, Singapore and UAE has risen significantly reflecting our focus and continued expansion in our core countries and the execution of underlying business strategies in these key markets.

Cross border exposure to UAE has increased as we grew our Abu Dhabi portfolio. In South Korea growth in the Wholesale Banking business was offset by a significant reduction in the marked to market positions on our derivative exposure and short-term exposure to the USA has continued to expand primarily in support of our substantial clearing capabilities.

Cross border exposure to countries in which we do not have a significant presence predominantly relates to short-dated money market and some global corporate activity. This business is originated in our key markets, but is conducted with counterparties domiciled in the country against which the exposure is reported, as indicated by the increased positions on France, Australia, Netherlands and Switzerland

The following table, based on our internal country cross border risk reporting requirements, shows cross border outstandings where they exceed one per cent of total assets.

	2009			2008		
	One year or less \$million	Over one year \$million	Total \$million	One year or less \$million	Over one year \$million	Total \$million
US	14,484	5,604	20,088	12,839	5,449	18,288
India	8,370	10,470	18,840	8,806	6,862	15,668
Hong Kong	12,410	4,856	17,266	9,481	4,136	13,617
Singapore	13,135	3,411	16,546	9,715	3,003	12,718
South Korea	8,555	6,500	15,055	8,803	7,040	15,843
United Arab Emirates	5,807	9,071	14,878	5,989	4,546	10,535
China	5,979	4,007	9,986	4,480	3,292	7,772
France	5,680	2,328	8,008	3,071	1,835	4,906
Australia	2,466	2,566	5,032	2,000	1,552	3,552
Netherlands	2,350	2,461	4,811	2,445	1,648	4,093
Switzerland	2,844	1,638	4,482	3,147	623	3,770

Standard Chartered PLC – Risk review continued

Market risk

We recognise market risk as the risk of loss resulting from changes in market prices and rates. Our exposure to market risk arises principally from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options.
- currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.
- commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agriculture.
- equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Market risk governance

The Group Risk Committee (GRC) approves our market risk appetite taking account of market volatility, the range of traded products and asset classes, business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2009.

The Group Market Risk Committee (GMRC), under authority delegated by the GRC, is responsible for setting Value at Risk (VaR) and stress loss limits for market risk within our risk appetite. The GMRC is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group. The trading book is defined as per the FSA Handbook's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). This is more restrictive than the broader definition within IAS 39 'Financial Instruments: Recognition and Measurement', as the FSA only permits certain types of financial instruments or arrangements to be included within the trading book. Limits by location and portfolio are proposed by the businesses within the terms of agreed policy.

Group Market Risk (GMR) approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the options' value.

Value at Risk ('VaR')

We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market

value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

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.

We apply two VaR methodologies:

- historic simulation: involves the revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors.
- Monte Carlo simulation: this methodology is similar to historic simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for credit spread VaR.

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as our exposure as at the close of business, generally London time. Intra-day risk levels may vary from those reported at the end of the day.

Back testing

To assess their predictive power, VaR models are back tested against actual results. In 2009 there was only one exception in the regulatory back testing, compared with three in 2008. This is well within the 'green zone' applied internationally to internal models by bank supervisors, and implies that model reliability is statistically greater than 95 per cent.

Stress testing

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.

Group Market Risk complements the VaR measurement by weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The Group Market Risk Committee has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The GRC considers the results of stress tests as part of its supervision of risk appetite.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets banking and trading books.

Standard Chartered PLC – Risk review continued

Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Market risk changes

Total average VaR rose in 2009 against 2008. This stemmed mainly from the non-trading book VaR, and reflected sharp increases in the volatility of credit spreads that followed the collapse of Lehman Brothers in September 2008. The one year historic data window applied as an input to the VaR model continued to reflect this period of particularly high credit spread volatility throughout most of 2009. Average trading book VaR rose slightly in 2009, with

Commodities and Equities VaR increasing as these businesses continue to expand their activities.

Securities classed as loans and receivables or held to maturity were removed from VaR in June 2009. These non-traded securities are accounted for on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves. This alignment of VaR with accounting treatment resulted in an \$8.6 million reduction in total VaR at the time of implementation. The inclusion of the listed part of our Private Equity portfolio in non-trading VaR from October 2009 resulted in a \$3 million increase in total VaR.

Daily value at risk (VaR at 97.5%, 1 day)

	2009				2008			
	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million
Trading and Non-trading								
Interest rate risk ¹	37.3	46.7	24.7	25.5	25.1	37.6	14.2	36.7
Foreign exchange risk	7.8	16.1	3.5	5.0	6.0	8.7	3.3	4.8
Commodity risk	3.0	5.5	1.3	3.7	1.3	2.4	0.6	2.1
Equity risk	4.3	11.1	1.1	10.8	1.4	2.4	0.5	0.8
Total ²	38.9	47.9	27.6	31.8	31.5	42.5	17.8	41.7
Trading								
Interest rate risk ¹	11.7	17.8	8.7	10.5	12.0	16.0	8.5	9.3
Foreign exchange risk	7.8	16.1	3.5	5.0	6.0	8.7	3.3	4.8
Commodity risk	3.0	5.5	1.3	3.7	1.3	2.4	0.6	2.1
Equity risk	2.7	3.6	1.0	2.5	1.4	2.4	0.5	0.8
Total ²	14.5	19.3	9.9	13.2	14.2	20.6	9.2	9.8
Non-trading								
Interest rate risk ¹	32.4	41.0	20.8	22.2	19.8	39.6	10.6	38.8
Equity risk ⁵	1.8	9.9	-	9.1	-	-	-	-
Total ²	32.7	41.0	22.6	23.5	19.8	39.6	10.6	38.8

¹ Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale.

² The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.

³ Highest and lowest VaR for each risk factor are independent and usually occur on different days.

⁴ Actual one day VaR as at period end date.

⁵ Non-trading equity risk VaR was included only from October 2009. For the period October to December 2009, non-trading equity risk VaR average was \$9.1 million, with a low of \$8.7 million.

Average daily income earned from market risk related activities

	2009	2008
	\$million	\$million
Trading		
Interest rate risk	5.0	3.4
Foreign exchange risk	5.3	5.1
Commodity risk	1.0	0.6
Equity risk	0.4	-
Total	11.7	9.1
Non-Trading		
Interest rate risk	4.5	3.2
Total	4.5	3.2

Standard Chartered PLC – Risk review continued

Market risk continued

Market risk VaR coverage

Interest rate risk from across the non-trading book portfolios is transferred to Financial Markets where it is managed by local Asset and Liability Management (ALM) desks under the supervision of local Asset and Liability Committees (ALCO). The ALM desks deal in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits. The interest rate risk on securities issued by Group Treasury is hedged to floating rate and is not included within Group VaR.

VaR and stress tests are therefore applied to non-trading book exposures in the same way as for the trading book, including listed available for sale securities. Securities classed as 'loans and receivables' or 'held to maturity' are not reflected in VaR or stress tests since they are accounted on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within Group VaR.

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. Equity shareholdings are detailed in note 16 on page 67.

Market risk regulatory capital

At Group level, the FSA specifies minimum capital requirements against market risk. The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate and foreign exchange risk in the trading book. In 2008 the scope was extended to include precious and base metals market risk. Positions outside the CAD2 scope are assessed according to standard FSA rules.

At 31 December 2009, our market risk regulatory capital requirement was \$1.6 billion (31 December 2008: \$0.7 billion). The increase occurred despite a reduction in trading book market risk as reflected above in internal VaR. It arises primarily due to energy derivative positions that are subject to FSA standard rules and for which application has been made to the FSA for CAD2 approval.

Derivatives

Derivatives are contracts with characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions. Derivatives are an important risk management tool for banks and their customers because they can be used to manage market price risk. The market risk of derivatives is managed in essentially the same way as other traded products.

Our derivative transactions are principally in instruments where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes.

We enter into derivative contracts in the normal course of business to meet customer requirements and to manage our exposure to fluctuations in market price movements.

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

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate customers. This is covered in more detail in the Credit risk section on page 26.

Hedging

Countries within the Group use futures, forwards, swaps and options transactions primarily to mitigate interest and foreign exchange risk arising from their own country exposures. The Company also uses futures, forwards and options to hedge foreign exchange and interest rate risk.

In accounting terms under IAS 39, hedges are classified into three types: fair value hedges, predominantly where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, predominantly where variable rates of interest or foreign exchange are exchanged for fixed rates; and hedges of net investments in overseas operations translated to the parent company's functional currency, US dollars.

The use of interest rate swaps for the purposes of hedging significantly increased in 2009 compared to 2008. A large part of the increase arose in cash flow hedges from hedging of the returns on mortgage backed securities obtained in 2009 following the government sponsored mortgage acquisition programme in Korea. The use of fair value hedging was also expanded as part of our focus on liquidity management. Foreign exchange options were also taken out during the year to provide more flexibility in managing the foreign exchange risks in elements of our non-US dollar cost base.

We may also, under certain individually approved circumstances, enter into 'economic hedges' which do not qualify for IAS 39 hedge accounting treatment, and which are accordingly marked to market through the profit and loss account, thereby creating an accounting asymmetry. These are entered into primarily to ensure that residual interest rate and foreign exchange risks are being effectively managed.

Structural currency exposure management

We have investments in foreign operations (subsidiaries and branches) in currencies other than our functional currency, US dollars. Foreign exchange movements on those net investments in foreign currencies are taken to our reserves; these reserves form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements. We hedge the net investments in limited circumstances if it is anticipated that the capital ratio will be materially affected by exchange rate movements.

Liquidity risk

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet all our obligations and commitments as they fall due, or can only access these financial resources at excessive cost.

It is our policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. We manage liquidity risk both on a short-term and medium-term basis. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the balance sheet remains structurally sound.

Standard Chartered PLC – Risk review continued

The GALCO is the responsible governing body that approves our liquidity management policies. The Liquidity Management Committee (LMC) receives authority from the GALCO and is responsible for setting liquidity limits and proposing liquidity risk policies and practices. Liquidity in each country is managed by the Country ALCO within the pre-defined liquidity limits set by the LMC and in compliance with Group liquidity policies and local regulatory requirements. The Group Treasury and Group Market Risk functions propose and oversee the implementation of policies and other controls relating to the above risks.

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact us adversely, thereby affecting our ability to fulfill our obligations as they fall due. The principal uncertainties for liquidity risk are that customer depositors withdraw their funds at a substantially faster rate than expected, or that repayment for asset maturities is not received on the intended day. To mitigate these uncertainties, our customer deposit base is diversified by type and maturity. In addition we have a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Policies and procedures

Due to the diversified nature of our business, our policy is that liquidity is more effectively managed locally, in-country. Each ALCO is responsible for ensuring that the country is self-sufficient, able to meet all its obligations to make payments as they fall due, and operates within the local regulations and liquidity limits set for the country.

Our liquidity risk management framework requires limits to be set for prudent liquidity management. There are limits on:

- the mismatch in local and foreign currency behavioural cash flows.
- the level of wholesale borrowing to ensure that the size of this funding is proportionate to the local market and our local operations.
- commitments, both on and off balance sheet, to ensure there are sufficient funds available in the event of drawdown on these commitments.
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources and that customer lending is funded by customer deposits.
- the amount of medium-term funding to support the asset portfolio.
- the amount of local currency funding sourced from foreign currency sources.

In addition, we prescribe a liquidity stress scenario that assumes accelerated withdrawal of deposits over a period of time. Each country has to ensure that cash inflows exceed outflows under such a scenario.

All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by Group Market Risk. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO. Excesses are also reported monthly to the LMC and GALCO which provide further oversight.

In addition, regular reports to the ALCO include the following:

- information on the concentration and profile of debt maturities.
- depositor concentration report to monitor reliance on large individual depositors.

We have significant levels of marketable securities, principally government securities and bank paper, which can be realised, repo'd or used as collateral in the event that there is a need for liquidity in a crisis. In addition, liquidity crisis management plans are maintained by Group and within each country, and are reviewed and approved annually. The liquidity crisis management plan lays out trigger points and actions in the event of a liquidity crisis to ensure that there is an effective response by senior management.

Primary sources of funding

A substantial portion of our assets is funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The Asset and Liability Committee in each country monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these deposits are addressed effectively. ALCO also reviews balance sheet plans to ensure that projected asset growth is matched by growth in the stable funding base.

We maintain access to the interbank wholesale funding markets in all major financial centres and countries in which we operate. This seeks to ensure that we have flexibility around maturity transformation, have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities.

Liquidity metrics

We monitor key liquidity metrics on a regular basis. Liquidity is managed on a country basis and in aggregate across the Group. The key metrics are:

Advances to deposit ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

31 December	2009 \$million	2008 \$million
Loans and advances to customers ¹	201,803	178,512
Customer accounts ²	256,746	238,591
	%	%
Advances to deposits ratio	78.6	74.8

¹ see note 14 on page 65.

² see note 20 on page 71.

Liquid asset ratio

This is the ratio of liquid assets to total assets. The significant level of holdings of liquid assets in the balance sheet reflects the application of our liquidity policies and practices. The following table shows the ratio of liquid assets to total assets:

31 December	2009 %	2008 %
Liquid assets ¹ to total assets ratio	26.2	23.1

¹ Liquid assets are the total of Cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

Standard Chartered PLC – Risk review continued

Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The Group Operational Risk Committee (GORC) oversees the management of operational risks across the Group, supported by business, functional, and country-level committees. This formal structure of governance provides the Group Risk Committee with confidence that operational risks are being proactively identified and effectively managed.

Group Operational Risk is responsible for setting and maintaining standards for operational risk management and measurement. An independent assurance function, separate from the business and functions, is responsible for assuring adherence to our operational risk controls.

Regulatory risk

Regulatory risk includes the risk of loss arising from a failure to comply with the laws, regulations or codes applicable to the financial services industry.

The Regulatory Risk function within Group Compliance and Assurance is responsible for developing and maintaining an appropriate framework of regulatory compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all employees and is monitored by the Compliance and Assurance function.

The Group Compliance and Regulatory Risk Committee reviews and approves our Regulatory Compliance standards and monitors key regulatory risks across the Group.

Reputational risk

Reputational risk is that we fail to meet the standards of performance or behaviours mandated by our Board and expected by our stakeholders in the way in which business is conducted. It is our policy that protecting our reputation should at all times take priority over all other activities, including revenue generation.

Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk. All employees are responsible for day-to-day identification and management of reputational risk.

The Wholesale Banking Responsibility and Reputational Risk Committee and the Consumer Banking Responsibility and Reputational Risk Committee have responsibility for managing reputational risk in their respective businesses, while the Group Risk Committee provides oversight, sets Group-wide policy and monitors any material risk issues.

At country level, it is the responsibility of the country Chief Executive Officer to protect our reputation in that market. To achieve this, the country Chief Executive Officer and country management committee must actively:

- promote awareness and application of our policy and procedures regarding reputational risk.
- encourage business and functions to take account of our reputation in all decision-making, including dealings with customers and suppliers.
- implement effective in-country reporting systems to ensure they are aware of all potential issues.
- promote effective, proactive stakeholder management.

Pension risk

Pension risk is the risk caused by our obligations to provide pension benefits to our employees. Pension risk exposure is not concerned with the financial performance of our pension schemes but is focused upon the risk to our financial position arising from our need to meet our pension scheme funding obligations. The risk assessment is focused on our obligations towards our major pension schemes, ensuring that our funding obligation to these schemes is comfortably within our financial capacity. Pension risk is monitored on a quarterly basis, taking account of the actual variations in asset values and updated expectations regarding the progression of the pension fund assets and liabilities.

The Pensions Executive Committee is the body responsible for governance of pension risk and it receives its authority directly from the Court.

Tax risk

Tax risk is any uncertainty of outcome regarding our tax position.

We manage tax risk through the Tax Management Committee (TMC), which receives its authority from the Group Asset and Liability Committee (GALCO). Tax risks are identified at both a country and a Group level; significant tax risks identified in this way, and mitigating action both planned and taken, are reported to the TMC and GALCO on a quarterly basis.

Standard Chartered PLC – Capital

Capital management

Our approach to capital management is driven by our desire to maintain a strong capital base to support the development of our business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a three year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy.

The capital plan takes the following into account:

- regulatory capital requirements.
- forecast demand for capital to support the credit ratings.
- increases in demand for capital due to business growth, market shocks or stresses.
- available supply of capital and capital raising options.
- internal controls and governance for managing the Group's risk, performance and capital.

We use a capital model to assess the capital demand for material risks, and support our internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of our management disciplines.

A strong governance and process framework is embedded in our capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board. The Audit and Risk Committee reviews specific risk areas and the issues discussed at the key capital management committees. The Group Asset and Liability Committee (GALCO) sets internal triggers and target ranges for capital management and oversees adherence with these.

Current compliance with Capital Adequacy Regulations

Our lead supervisor is the FSA. The capital that we are required to hold by the FSA is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk Review on pages 22 to 42.

Capital in branches and subsidiaries is maintained on the basis of host regulators' regulatory requirements. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all our legal entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements at all times.

The table on page 44 summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital increased by \$5,823 million during the year. The issue of shares in August 2009 increased ordinary share capital by \$65 million and the \$5,073 million increase in eligible reserves is primarily on

account of retained profits less dividends paid. We issued \$1,500 million of Innovative Tier 1 securities in the period and gave notice of redemption of EUR500 million of Preferred Securities in full. Qualifying subordinated liabilities, net of associated amortisations, decreased on account of the redemption of a variety of Upper and Lower Tier 2 securities amounting to approximately \$1,000 million, the impact of which was partially offset by the issuance of TWD10 billion and KRW300 billion Lower Tier 2 subordinated debt.

Basel II

The Basel Committee on Banking Supervision published a framework for the International Convergence of Capital Measurement and Capital Standards (commonly referred to as 'Basel II'), which replaced the original 1988 Basel I Accord. Basel II is structured around three 'pillars' which are outlined below:

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume
- Pillar 2 sets out the key principles for the supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, reinforcing principles of internal control and other corporate governance practices
- Pillar 3 aims to bolster market discipline through enhanced disclosure by banks

Basel II provides three approaches of increasing sophistication for the calculation of credit risk capital; the Standardised Approach, the Foundation Internal Ratings Based Approach and the Advanced Internal Ratings Based Approach. Basel II also introduces capital requirements for operational risk for the first time.

The EU Capital Requirements Directive (CRD) is the means by which Basel II has been implemented in the EU. In the case of the provisions relating to the advanced approaches for credit risk and operational risk, implementation commenced from 1 January 2008. In the UK the CRD is implemented by the FSA through its General Prudential Sourcebook and its Prudential Sourcebook for Banks, Building Societies and Investment Firms.

From 1 January 2008, we have been using the Advanced Internal Ratings Based approach for the measurement of credit risk capital. This approach builds on our risk management practices and is the result of a significant investment in data warehousing and risk models.

We use Value at Risk (VaR) models for the measurement of market risk capital for part of our trading book exposures where permission to use such models has been granted by the FSA. Where our market risk exposures are not approved for inclusion in VaR models, the capital requirements are determined using standard rules provided by the regulator which are less risk sensitive.

We apply the Standardised Approach for determining the capital requirements for operational risk.

During the initial years of Basel II implementation, the minimum capital requirements were restricted by reference to the Basel I framework, so they could not fall below 80 per cent of the Basel I capital requirements in 2009. This restriction was due to expire at the end of 2009, but the FSA has decided to retain this capital floor indefinitely.

Standard Chartered PLC – Capital continued

The GALCO targets Tier 1 and total capital ratios within a range of 7 to 9 per cent and 12 to 14 per cent respectively. In light of the uncertain economic environment and evolving regulatory debate on banks' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

	2009 \$million	2008 ¹ \$million
Tier 1 capital:		
Called-up ordinary share capital	1,013	948
Eligible reserves ²	25,001	19,928
Minority interests	256	228
Less: excess expected losses ³	(502)	(483)
Less: securitisation	(97)	(85)
Goodwill and other intangible assets	(6,620)	(6,361)
Other regulatory adjustments	51	5
Core Tier 1 capital	19,102	14,180
Innovative Tier 1 securities	2,860	1,974
Preference shares	2,694	2,664
Tax on excess expected losses ²	163	130
Less: material holdings	(237)	(216)
Total Tier 1 capital	24,582	18,732
Tier 2 capital:		
Eligible revaluation reserves	253	107
Portfolio impairment provision	242	251
Less: excess expected losses ³	(502)	(483)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	1,535	1,823
Other eligible subordinated debt	9,547	10,520
Less: amortisation of qualifying subordinated liabilities	-	(1,126)
Less: material holdings and securitisations	(335)	(301)
Total Tier 2 capital	10,740	10,791
Deductions from Tier 1 and Tier 2 capital	(57)	(81)
Total capital base	35,265	29,442
Risk weighted assets		
Credit risk	173,315	161,276
Operational risk	20,696	18,340
Market risk	19,912	9,205
Total risk weighted assets	213,923	188,821
Capital ratios		
Core Tier 1 capital	8.9%	7.5%
Tier 1 capital	11.5%	9.9%
Total capital ratio	16.5%	15.6%

¹ The capital for December 2008 has been restated in accordance with the definitions of Core Tier 1 capital as advised by the FSA on 1 May 2009.

² The tax benefit on excess expected losses is included 50 per cent in eligible reserves and 50 percent in tax on excess expected losses.

³ Excess expected losses are shown gross.

Standard Chartered PLC – Capital continued

Risk weighted assets

	2009 \$million	2008 \$million
Consumer Banking	53,215	52,124
Wholesale Banking	160,708	136,697
Total risk weighted assets	213,923	188,821
Hong Kong	24,706	21,072
Singapore	21,531	15,064
Korea	26,093	27,020
Other Asia Pacific ¹	41,276	37,053
India	17,381	15,578
Middle East & Other S Asia	28,727	22,070
Africa	10,228	7,247
Americas, UK & Europe	52,921	51,744
	222,863	196,848
Less : Intra-group balances ²	(8,940)	(8,027)
Total risk weighted assets	213,923	188,821

¹ Other APR includes Malaysia risk weighted assets of \$7,041 million (2008: \$6,314 million).

² Intra-group balances are netted in calculating capital ratios.

Risk weighted assets (RWA) increased by \$25 billion or 13 per cent compared to 2008, largely driven through Wholesale Banking, whose RWA increased by \$24 billion, or 18 per cent. RWA growth was concentrated in Singapore, Hong Kong and MESA.

Credit risk RWA increased by \$12 billion, or 7 per cent, largely driven by downgrades in Wholesale Banking resulting in an increase of \$13 billion as a result of credit migration. The rate of credit migration eased in the second half of the year, accounting for \$2 billion of the \$13 billion during the year. Asset growth was muted resulting in an RWA increase of \$1.6 billion whereas savings through RWA efficiencies (\$5.2 billion) were higher through collaterals, better data capture and lower risk weighting of the product mix. Against this, savings through the use of CDOs decreased by \$1.6

billion due to challenging market conditions. In Consumer Banking the RWA growth was more muted and mainly driven by increases in Other APR, secured on real estate property and SME portfolios, and Singapore, due to the increase in cards, mortgages, SME and Private Banking, partly offset by a decline in Retail and Personal Loans.

Market risk RWA increased by \$11 billion, or 116 per cent, in line with increased trading in energy-related products and as a result of changes in methodology as advised by the FSA in respect of credit default swaps.

Operational risk RWA increased by \$2 billion, or 13 per cent, and given that it is primarily determined by the change in income drivers over a rolling three year time horizon, the growth reflects the strong performance of the Wholesale Banking businesses over that period.

Standard Chartered PLC

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 \$million	2008 ¹ \$million
Interest income		12,926	16,378
Interest expense		(5,303)	(8,991)
Net interest income		7,623	7,387
Fees and commission income		3,824	3,420
Fees and commission expense		(454)	(479)
Net trading income	3	2,890	2,405
Other operating income	4	1,301	1,235
Non-interest income		7,561	6,581
Operating income		15,184	13,968
Staff costs		(4,912)	(4,737)
Premises costs		(698)	(738)
General administrative expenses		(1,822)	(1,711)
Depreciation and amortisation	5	(520)	(425)
Operating expenses		(7,952)	(7,611)
Operating profit before impairment losses and taxation		7,232	6,357
Impairment losses on loans and advances and other credit risk provisions		(2,000)	(1,321)
Other impairment	6	(102)	(469)
Profit from associates		21	1
Profit before taxation		5,151	4,568
Taxation	7	(1,674)	(1,224)
Profit for the year		3,477	3,344
Profit attributable to:			
Minority interests	26	97	103
Parent company shareholders		3,380	3,241
Profit for the year		3,477	3,344
Earnings per share:			
Basic earnings per ordinary share (cents)	9	167.9	192.1
Diluted earnings per ordinary share (cents)	9	165.3	191.1
Dividends per ordinary share :			
Interim dividend paid (cents)	8	21.23	19.30
Final proposed dividend (cents) ²	8	44.80	42.32
		66.03	61.62
Total dividend :			
Interim dividend paid (\$ million)	8	425	364
Final proposed dividend (\$ million) ²	8	904	801
		1,329	1,165

¹ Amounts have been restated as explained in note 33.

² The final dividend will be accounted for in 2010 as explained in note 8.

Standard Chartered PLC

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	2009 \$million	2008 ¹ \$million
Profit for the year		3,477	3,344
Other comprehensive income :			
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity		600	(2,794)
Actuarial losses on retirement benefit obligations	23	(150)	(229)
Share of other comprehensive income from associates		19	-
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity		455	(738)
Reclassified to income		(580)	(198)
Cash flow hedges:			
Net gains/(losses) taken to equity		14	(176)
Reclassified to income		106	(18)
Taxation relating to components of other comprehensive income		62	218
Other comprehensive income for the year, net of taxation		526	(3,935)
Total comprehensive income for the year		4,003	(591)
Attributable to:			
Minority interests	26	111	(3)
Parent company shareholders		3,892	(588)
		4,003	(591)

¹ Amounts have been restated as explained in note 33.

Standard Chartered PLC

Consolidated balance sheet

As at 31 December 2009

	Notes	2009 \$million	2008 \$million
Assets			
Cash and balances at central banks	10, 28	18,131	24,161
Financial assets held at fair value through profit or loss	10, 11	22,446	15,425
Derivative financial instruments	10, 12	38,193	69,657
Loans and advances to banks	10, 13	50,885	46,583
Loans and advances to customers	10, 14	198,292	174,178
Investment securities	10, 16	75,728	69,342
Other assets	10, 18	17,201	20,374
Current tax assets		203	764
Prepayments and accrued income		3,241	3,466
Interests in associates		514	511
Goodwill and intangible assets		6,620	6,361
Property, plant and equipment		4,103	3,586
Deferred tax assets		1,096	660
Total assets		436,653	435,068
Liabilities			
Deposits by banks	10, 19	38,461	31,909
Customer accounts	10, 20	251,244	234,008
Financial liabilities held at fair value through profit or loss	10, 11	14,505	15,478
Derivative financial instruments	10, 12	36,584	67,775
Debt securities in issue	10, 21	29,272	23,447
Other liabilities	10, 22	16,139	17,363
Current tax liabilities		802	512
Accruals and deferred income		4,113	4,132
Subordinated liabilities and other borrowed funds	10, 24	16,730	16,986
Deferred tax liabilities		193	176
Provisions for liabilities and charges		184	140
Retirement benefit obligations	23	506	447
Total liabilities		408,733	412,373
Equity			
Share capital	25	1,013	948
Reserves		26,327	21,192
Total parent company shareholders' equity		27,340	22,140
Minority interests	26	580	555
Total equity		27,920	22,695
Total equity and liabilities		436,653	435,068

Standard Chartered PLC

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Share capital \$million	Share premium account \$million	Capital and capital redemption reserve ¹ \$million	Merger reserve ² \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings ² \$million	Parent company shareholders' equity \$million	Minority interests \$million	Total \$million
At 1 January 2008	705	4,713	18	3,149	750	57	981	10,478	20,851	601	21,452
Profit for the year	-	-	-	-	-	-	-	3,408	3,408	103	3,511
Other comprehensive income	-	-	-	-	(755)	(140)	(2,765)	(169) ³	(3,829)	(106)	(3,935)
Distributions	-	-	-	-	-	-	-	-	-	(147)	(147)
Shares issued, net of expenses	237	36	-	2,468	-	-	-	-	2,741	-	2,741
Rights issue option (net of tax)	-	-	-	(167)	-	-	-	-	(167)	-	(167)
Net own shares adjustment	-	-	-	-	-	-	-	(67)	(67)	-	(67)
Share option expense, net of taxation	-	-	-	-	-	-	-	128	128	-	128
Capitalised on scrip dividend	6	(6)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(925)	(925)	-	(925)
Other increases	-	-	-	-	-	-	-	-	-	104	104
At 31 December 2008 as previously stated	948	4,743	18	5,450	(5)	(83)	(1,784)	12,853	22,140	555	22,695
Restatement ²	-	-	-	167	-	-	-	(167)	-	-	-
At 31 December 2008 as restated	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the year	-	-	-	-	-	-	-	3,380	3,380	97	3,477
Other comprehensive income	-	-	-	-	(88)	98	599	(97) ⁴	512	14	526
Distributions	-	-	-	-	-	-	-	-	-	(87)	(87)
Shares issued, net of expenses	44	106	-	1,667	-	-	-	-	1,817	-	1,817
Net own shares adjustment	-	-	-	-	-	-	-	(81)	(81)	-	(81)
Share option expense, net of taxation	-	-	-	-	-	-	-	311	311	-	311
Capitalised on scrip dividend	21	(21)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(739)	(739)	-	(739)
Other increases	-	-	-	-	-	-	-	-	-	1	1
At 31 December 2009	1,013	4,828	18	7,284	(93)	15	(1,185)	15,460	27,340	580	27,920

¹ Includes capital reserve of \$5 million and capital redemption reserve of \$13 million at 1 January 2008, 31 December 2008 and 31 December 2009.

² Amounts have been restated as explained in note 33.

³ Comprises actuarial losses, net of taxation.

⁴ Comprises actuarial losses, net of taxation and minority interest, of \$116 million and share of comprehensive income from associates of \$19 million.

Standard Chartered PLC

Cash flow statement

For the year ended 31 December 2009

	Notes	2009 \$million	2008 ¹ \$million
Cash flows from operating activities			
Profit before taxation		5,151	4,568
Adjustments for:			
Non-cash items included within income statement	27	1,385	1,995
Change in operating assets	27	2,962	(88,103)
Change in operating liabilities	27	(11,219)	105,913
Contributions to defined benefit schemes		(124)	(95)
UK and overseas taxes paid, net of refund		(1,210)	(1,400)
Net cash (used in)/from operating activities		(3,055)	22,878
Net cash flows from investing activities			
Purchase of property, plant and equipment		(261)	(579)
Disposal of property, plant and equipment		218	73
Acquisition of investment in subsidiaries, net of cash acquired		(68)	6,209
Disposal of investment in subsidiaries		-	159
Purchase of investment securities		(129,739)	(109,938)
Disposal and maturity of investment securities		126,678	97,756
Dividends received from investment in associates		11	-
Net cash used in investing activities		(3,161)	(6,320)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		1,817	2,753
Purchase of own shares		(103)	(76)
Exercise of share options through ESOP		22	9
Interest paid on subordinated liabilities		(361)	(718)
Gross proceeds from issue of subordinated liabilities		2,063	3,667
Repayment of subordinated liabilities		(2,440)	(1,436)
Dividends paid to minority interests and preference shareholders net of scrip		(188)	(257)
Dividends paid to ordinary shareholders net of scrip		(638)	(815)
Net cash from financing activities		172	3,127
Net (decrease)/increase in cash and cash equivalents		(6,044)	19,685
Cash and cash equivalents at beginning of year		73,699	55,338
Effect of exchange rate movements on cash and cash equivalents		418	(1,324)
Cash and cash equivalents at end of year	28	68,073	73,699

¹ Amounts have been restated as explained in note 33.

Standard Chartered PLC – Notes

1. Basis of preparation

The Group financial statements consolidate those of Standard Chartered PLC (the 'Company') and its subsidiaries (together referred to as the 'Group'), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretation Committee ('IFRIC') interpretations as adopted by the EU (together 'adopted IFRS').

On 1 January 2009 the Group retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007). As a result, in the Group's financial statements certain terminology has changed and a statement of changes in equity has been included as a primary statement.

On 1 January 2009 the Group retrospectively adopted IFRS 8 'Operating Segments' which did not have a material impact on the Group's financial statements. The Group's reportable segments, as disclosed in note 2, continue to be Consumer Banking and Wholesale Banking. In addition, the Group continues to provide entity-wide geographic financial information.

On 1 January 2009 the Group retrospectively adopted IFRIC 13 'Customer Loyalty Programmes', IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', amendments to IFRS 2 'Share Based Payment: Vesting Conditions and Cancellations', IAS 23 (revised) 'Borrowing Costs' and an amendment to IAS 32 'Financial Instruments: Presentation', none of which had a material impact on the Group's financial statements.

On 1 January 2009 the Group prospectively adopted an amendment to IAS 27 'Consolidated and Separate Financial Statements' in respect of cost of investment in a subsidiary, jointly controlled entity or associate, which did not have a material impact on the Group's financial statements.

On 1 January 2009 the Group prospectively adopted amendments to IFRS 7 'Financial Instruments: Disclosures'. On 1 January 2009 the Group prospectively adopted amendments to IFRS 7 'Financial Instruments: Disclosures'. Where permitted, comparatives have not been provided.

On 1 January 2009, the Group adopted Improvements to IFRSs (2008), a collection of amendments to a number of IFRSs. The amendments to IAS 19, IAS 20, IAS 28, IAS 31, IAS 32, and IAS 40 were applied on a prospective basis and the amendments to IAS 1, IAS 7, IAS 16, IAS 19, IAS 23, IAS 27, IAS 29, IAS 36, IAS 38 and IAS 39 were applied on a retrospective basis. None of these amendments has had a material impact on the Group's financial statements. However, the amendment to IAS 7 resulted in a reclassification in the cash flow statement of cash flows between investing and operating activities. Further details are provided in note 33.

On 31 December 2009 the Company adopted, on a retrospective basis, the amendment to IAS 32 'Financial Instruments: Presentation' in advance of its effective date. This amendment permits a fixed for fixed rights issue denominated in a currency other than the Company's functional currency to be accounted for within equity rather than creating a derivative liability. The impact has been to reclassify the \$233 million gain and associated tax of \$66 million recognised in the income statement in respect of the rights issue option in the 2008 annual accounts into equity in these financial statements. Further details are provided in note 33.

A summary of the Group's significant accounting policies will be included in the 2009 Annual Report.

Standard Chartered PLC – Notes continued

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into two main business segments: Consumer Banking and Wholesale Banking. The products offered by these segments are summarised under 'Income by product' below. The businesses' focus is on broadening and deepening the relationship with customers, rather than maximising a particular product line. Hence the Group evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing customer needs and trends in the market place. The strategies adopted by Consumer Banking and Wholesale Banking need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's matrix structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the businesses because of the one-off nature of these items.

The Group's entity-wide disclosure comprises geographic areas, classified by the location of the customer.

Transactions between the business segments and geographic areas are carried out on an arms length basis. Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between the business segments and geographic areas in proportion to their direct costs, and the benefit of the Group's capital has been distributed between segments in proportion to their average risk weighted assets. In the year in which an acquisition is made, the Group does not charge or allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on the estimate of central management costs associated with the acquisition.

By class of business

	2009					2008				
	Consumer Banking	Wholesale Banking	Total reportable segments	Corporate items not allocated ³	Total	Consumer Banking	Wholesale Banking	Total reportable segments	Corporate items not allocated ⁴	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	(55)	55	-	-	-	(78)	78	-	-	-
Net interest income	3,876	3,747	7,623	-	7,623	4,224	3,163	7,387	-	7,387
Other income	1,808	5,489	7,297	264	7,561	1,806	4,248	6,054	527	6,581
Operating income	5,629	9,291	14,920	264	15,184	5,952	7,489	13,441	527	13,968
Operating expenses	(3,709)	(4,185)	(7,894)	(58)	(7,952)	(3,843)	(3,768)	(7,611)	-	(7,611)
Operating profit before impairment losses and taxation	1,920	5,106	7,026	206	7,232	2,109	3,721	5,830	527	6,357
Impairment losses on loans and advances and other credit risk provisions	(1,052)	(948)	(2,000)	-	(2,000)	(937)	(384)	(1,321)	-	(1,321)
Other impairment	(1)	(82)	(83)	(19)	(102)	(56)	(336)	(392)	(77)	(469)
Profit from associates	-	-	-	21	21	-	-	-	1	1
Profit before taxation	867	4,076	4,943	208	5,151	1,116	3,001	4,117	451	4,568
Total assets employed¹	103,534	331,306	434,840	1,813	436,653	86,402	346,731	433,133	1,935	435,068
Total liabilities employed	144,167	263,571	407,738	995	408,733	129,029	282,656	411,685	688	412,373
Other segment items:										
Capital expenditure ²	160	901	1,061	-	1,061	375	1,207	1,582	-	1,582
Depreciation	161	151	312	-	312	157	93	250	-	250
Interests in associates ¹	-	-	-	514	514	-	-	-	511	511
Amortisation of intangible assets	71	137	208	-	208	93	82	175	-	175

¹ Interests in associates at 31 December 2008 included \$511 million previously allocated by business that has now been included in 'Corporate items not allocated.'

² Includes capital expenditure in Wholesale Banking of \$631 million in respect of operating lease assets (31 December 2008: \$852 million).

³ Relates to gain on buy-back of subordinated debt, UK payroll tax, impairment of associates and the Group's share of profit from associates.

⁴ Relates to gain on buy-back of subordinated debt, disposal of business, impairment of associates and other strategic investments and the Group's share of profit from associates.

Standard Chartered PLC – Notes continued

2. Segmental information continued

Entity-wide information

By geography

The Group manages its reportable business segments on a global basis. The operations are based in eight main geographic areas. The UK is the home country of the Company.

	2009								
	Asia Pacific								
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹	India	Middle East & Other S Asia	Africa	Americas UK & Europe ²	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	14	(18)	(62)	43	195	(42)	39	(169)	-
Net interest income	1,308	782	908	1,505	724	1,134	491	771	7,623
Fees and commissions income, net	542	291	187	502	546	494	320	488	3,370
Net trading income	456	357	322	502	259	356	221	417	2,890
Other operating income	50	180	199	336	89	136	18	293	1,301
Operating income	2,370	1,592	1,554	2,888	1,813	2,078	1,089	1,800	15,184
Operating expenses	(1,168)	(801)	(953)	(1,778)	(571)	(891)	(553)	(1,237)	(7,952)
Operating profit before impairment losses and taxation	1,202	791	601	1,110	1,242	1,187	536	563	7,232
Impairment losses on loans and advances and other credit risk provisions	(145)	(37)	(278)	(395)	(201)	(811)	(54)	(79)	(2,000)
Other impairment	10	(40)	(1)	26	19	(10)	-	(106)	(102)
(Loss)/profit from associates	(5)	-	-	29	-	-	-	(3)	21
Profits before taxation	1,062	714	322	770	1,060	366	482	375	5,151
Loans and advances to customers - average	29,194	25,938	32,372	38,972	8,351	18,972	3,316	31,336	188,451
Net interest margins (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	2.3
Loans and advances to customers - period end	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Loans and advances to banks - period end	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933
Total assets employed³	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	481,065
Capital expenditure⁴	24	164	63	32	49	19	37	673	1,061

¹ Other Asia Pacific region (Other APR) includes Malaysia: operating income of \$488 million; operating expenses of \$207 million; impairment losses on loans and advances and other credit risk provisions of \$61 million and profit before taxation of \$220 million. Total assets employed of \$13,881 million.

² Americas UK & Europe includes operating income of \$967 million and total assets employed of \$76,541 million in respect of the UK, the Company's country of domicile.

³ Total assets employed includes intra-group items of \$45,711 million and excludes tax assets of \$1,299 million. Assets held at the centre have been distributed between geographical areas in proportion to their total assets employed.

⁴ Includes capital expenditure in Americas, UK and Europe of \$631 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

Standard Chartered PLC – Notes continued

2. Segmental information continued

	2008 ⁵								
	Asia Pacific								
	Hong Kong	Singapore	Korea	Other Asia Pacific ¹	India	Middle East & Other S Asia	Africa	Americas UK & Europe ²	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	1	105	(109)	25	12	16	2	(52)	-
Net interest income	1,296	364	1,234	1,575	724	991	503	700	7,387
Fees and commissions income, net	507	246	183	501	450	452	227	375	2,941
Net trading income	357	359	162	701	298	182	167	179	2,405
Other operating income	94	243	77	158	210	17	11	425	1,235
Operating income	2,255	1,317	1,547	2,960	1,694	1,658	910	1,627	13,968
Operating expenses	(1,030)	(664)	(955)	(1,721)	(646)	(821)	(564)	(1,210)	(7,611)
Operating profit before impairment losses and taxation	1,225	653	592	1,239	1,048	837	346	417	6,357
Impairment releases on loans and advances and other credit risk provisions	(183)	(15)	(263)	(436)	(133)	(185)	(33)	(73)	(1,321)
Other impairment	(52)	(30)	-	(102)	(24)	-	-	(261)	(469)
(Loss)/profit from associates	(1)	-	-	4	-	-	-	(2)	1
Profit before taxation	989	608	329	705	891	652	313	81	4,568
Loans and advances to customers – average	26,610	19,610	34,867	40,116	8,612	16,041	3,091	29,970	178,917
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Loans and advances to customers – period end	28,004	20,349	31,763	38,366	7,863	17,476	3,642	31,049	178,512
Loans and advances to banks – period end	18,963	9,283	1,594	5,201	291	1,504	587	10,523	47,946
Total assets employed³	77,627	51,246	64,350	82,193	32,269	34,364	12,104	130,723	484,876
Capital expenditure ⁴	25	140	59	170	178	40	31	939	1,582

¹ Other APR includes Malaysia: operating income of \$530 million; operating expenses of \$212 million, impairment losses on loans and advances and other credit risk provisions of \$47 million, other impairment of \$21 million and profit before taxation of \$250 million. Total assets employed of \$13,557 million.

² Americas UK & Europe includes operating income of \$849 million and total assets employed of \$115,900 million in respect of the UK, the Company's country of domicile.

³ Total assets employed includes intra-group items of \$51,232 million and excludes tax assets of \$1,424 million. Assets held at the centre have been distributed between geographic areas in proportion to their total assets employed.

⁴ Includes capital expenditure in Americas, UK and Europe of \$852 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

⁵ Restated as explained in note 33.

Standard Chartered PLC – Notes continued

2. Segmental information continued

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2009 and 31 December 2008:

	2009								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Non-interest bearing current and demand accounts	6,220	6,343	81	4,393	2,779	6,571	2,274	1,911	30,572
Interest bearing current accounts and savings deposits	42,493	16,544	16,663	24,480	2,051	3,093	3,386	18,016	126,726
Time deposits	22,964	20,731	13,840	27,855	5,101	11,086	1,694	30,611	133,882
Other deposits	73	52	458	1,048	1,291	408	146	1,033	4,509
Total	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Deposits by banks	2,898	1,972	8,287	6,673	620	1,353	294	16,846	38,943
Customer accounts	68,852	41,698	22,755	51,103	10,602	19,805	7,206	34,725	256,746
	71,750	43,670	31,042	57,776	11,222	21,158	7,500	51,571	295,689
Debt securities in issue	145	679	12,608	1,695	520	45	326	17,241	33,259
Total	71,895	44,349	43,650	59,471	11,742	21,203	7,826	68,812	328,948

¹ Other APR includes Malaysia: Deposits by banks \$710 million; customer accounts \$9,365 million; debt securities in issue \$386 million.

	2008								
	Asia Pacific				India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific ¹ \$million					
Non-interest bearing current and demand accounts	4,947	3,550	64	3,299	2,215	5,313	2,031	2,776	24,195
Interest bearing current accounts and savings deposits	27,131	9,340	14,094	22,030	1,634	2,888	2,632	13,343	93,092
Time deposits	31,471	20,875	13,187	32,725	5,313	9,574	1,335	30,726	145,206
Other deposits	52	92	1,079	727	677	1,320	75	8,062	12,084
Total	63,601	33,857	28,424	58,781	9,839	19,095	6,073	54,907	274,577
Deposits by banks	1,140	1,701	8,478	4,748	254	1,687	193	17,785	35,986
Customer accounts	62,461	32,156	19,946	54,033	9,585	17,408	5,880	37,122	238,591
	63,601	33,857	28,424	58,781	9,839	19,095	6,073	54,907	274,577
Debt securities in issue	530	1,291	12,656	1,849	622	29	145	9,947	27,069
Total	64,131	35,148	41,080	60,630	10,461	19,124	6,218	64,854	301,646

¹ Other APR includes Malaysia: Deposits by banks \$593 million; customer accounts \$8,665 million; debt securities in issue \$617 million.

Standard Chartered PLC – Notes continued

3. Net trading income

	2009 \$million	2008 \$million
Gains less losses on instruments held for trading:		
Foreign currency ¹	1,830	2,596
Trading securities	329	238
Interest rate derivatives	576	(402)
Credit and other derivatives	35	(30)
	2,770	2,402
Gains less losses from fair value hedging		
Gains less losses from fair value hedged items	454	(1,139)
Gains less losses from fair value hedged instruments	(462)	1,145
	(8)	6
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	22	150
Financial liabilities designated at fair value through profit or loss	70	(118)
Derivatives managed with financial instruments designated at fair value through profit or loss	36	(35)
	128	(3)
	2,890	2,405

¹ Includes foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities

4. Other operating income

	2009 \$million	2008 \$million
Other operating income includes:		
Gains less losses on available-for-sale financial assets:		
On disposal	592	322
Writedowns on asset backed securities	(4)	(49)
Dividend income	109	203
Gains arising on repurchase of subordinated liabilities	264	384
Gains arising on assets fair valued at acquisition	43	80
Rental income from operating lease assets	156	67
Profit on sale of property, plant and equipment	40	10
Recognition of profit on Visa shares	-	17
(Loss)/profit on sale of businesses	(2)	146

Profit on sale of businesses in 2008 represents the gain on sale of the Group's Indian asset management business.

Gains arising on assets fair valued at acquisition primarily relate to recoveries of fair value adjustments on loans and advances.

5. Depreciation and amortisation

	2009 \$million	2008 \$million
Premises	119	98
Equipment	193	152
Intangibles:		
Software	139	94
Acquired on business combinations	69	81
	520	425

6. Other impairment

	2009 \$million	2008 \$million
Impairment losses on available-for-sale financial assets	123	417
Impairment of investment in associates	19	46
Other	17	6
	159	469
Recovery of impairment on disposal of equity instruments	(57)	-
	102	469

Impairment losses on available-for-sale financial assets includes \$49 million (2008: \$315 million) in relation to impairment of equity investments, \$66 million (2008: \$41 million) impairment on asset backed securities, and \$8 million (2008: \$61 million) on other debt securities. Recoveries of impairments of \$57 million during 2009 are in respect of private and strategic equity investments sold during 2009 which had impairment provisions raised against them during 2008.

Standard Chartered PLC – Notes continued

7. Taxation

Analysis of taxation charge in the year:

	2009 \$million	2008 ¹ \$million
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 28% (2008: 28.5%):		
Current tax on income for the year	893	708
Adjustments in respect of prior periods (including double taxation relief) ²	398	(135)
Double taxation relief	(623)	(602)
Foreign tax:		
Current tax on income for the year	1,309	1,221
Adjustments in respect of prior periods	48	(117)
	2,025	1,075
Deferred tax:		
Origination/reversal of temporary differences	(192)	89
Adjustments in respect of prior periods	(159)	60
	(351)	149
Tax on profits on ordinary activities	1,674	1,224
Effective tax rate	32.5%	26.8%

¹ Amounts have been restated as explained in note 33.

² Adjustments to the tax charge in respect of previous periods includes \$192 million (2008: \$nil million) one-off charge resulting from a collaborative exercise with the UK tax authority, HM Revenue and Customs, to settle the UK tax position relating to the period from 1990 to 2006.

Foreign taxation includes taxation on Hong Kong profits of \$151 million (2008: \$156 million) provided at a rate of 16.5 per cent (2008: 16.5 per cent) on the profits assessable in Hong Kong. During 2008, the United Kingdom corporation tax rate was reduced from 30 per cent to 28 percent, which gave a blended 28.5 per cent tax rate for 2008.

8. Dividends

	2009		2008	
	Cents per share	\$million	Cents per share	\$million
Ordinary equity shares				
Final dividend declared and paid during the period	42.32	801	42.27	793
Interim dividend declared and paid during the period	21.23	425	19.30	364
	63.55	1,226	61.57	1,157
Preference shares				
			2009 \$million	2008 \$million
Non-cumulative irredeemable preference shares: 7 ³ / ₈ per cent preference shares of £1 each ¹			11	15
8 ¹ / ₄ per cent preference shares of £1 each ¹			13	16
Non-cumulative redeemable preference shares: 8.125 per cent preference shares of \$5 each ¹			75	32
7.014 per cent preference shares of \$5 each			53	62
6.409 per cent preference shares of \$5 each			48	48

¹ Dividends on these preference shares are treated as interest expense and accrued accordingly.

Dividends on ordinary equity and those preference shares classified as equity are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2009 final ordinary equity share dividend of 44.80 cents per share (\$904 million) will be paid in either sterling, Hong Kong dollars or US dollars on 13 May 2010 to shareholders on the UK register of members at the close of business in the UK on 12 March 2010, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 12 March 2010. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend.

Standard Chartered PLC – Notes continued

9. Earnings per ordinary share

	2009			2008		
	Profit ¹	Weighted average number of shares ³	Per share amount	Profit ^{1,4}	Weighted average number of shares	Per share amount ⁴
	\$million	('000)	Cents	\$million	('000)	cents
Basic earnings per ordinary share	3,279	1,952,377	167.9	3,131	1,629,633	192.1
Effect of dilutive potential ordinary shares:						
Options ²	–	31,632	–	–	8,622	–
Diluted earnings per ordinary share	3,279	1,984,009	165.3	3,131	1,638,255	191.1

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 'Earnings per share'.

The table below provides a reconciliation.

	2009 \$million	2008 \$million
Profit attributable to ordinary shareholders	3,279	3,131 ⁴
Amortisation of intangible assets arising on business combinations	69	81
Profit on sale of property, plant and equipment ⁵	–	(10)
Gains arising on repurchase of subordinated liabilities	(264)	(384)
Loss/(profit) on sale of businesses	2	(146)
Loss on PEM Group structured notes	170	–
Pre-incorporation costs of Korean principal holding company	5	–
UK bank payroll tax	58	–
Day one loss on strategic investment	–	3
Impairment of associates and other strategic investments	19	77
One-off settlement with the UK tax authority ⁶	190	–
Tax on normalised items	(17)	98
Normalised earnings	3,511	2,850
Normalised basic earnings per ordinary share (cents)	179.8	174.9
Normalised diluted earnings per ordinary share (cents)	177.0	174.0

¹ The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after minority interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 8).

² The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 'Earnings Per Share'.

³ There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculation had they been issued prior to the end of the balance sheet date.

⁴ Amounts have been restated as explained in note 33.

⁵ In 2009, the Group has prospectively re-evaluated its definition of normalised earnings and as a consequence profits or losses on sale of Consumer Banking branches are no longer considered to be normalising items as they relate to an ongoing programme of branch renovation and relocation and as a consequence are considered part of normal business operations.

⁶ This amount represents \$192 million one-off tax settlement with the UK tax authority, net of post tax interest income on tax receivables \$2 million.

Standard Chartered PLC – Notes continued

10. Financial instruments

Classification

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity; and two measurement categories for financial liabilities: held at fair value through profit or loss (comprising trading and designated) and amortised cost. Instruments are classified in the balance sheet in accordance with their legal form, except for instruments that are held for trading purposes and those that the Group has designated to hold at fair value through the profit and loss account. The latter are combined on the face of the balance sheet and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities is summarised in the table below:

	Assets at fair value				Assets at amortised cost			
Assets	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Non-financial assets \$million	Total \$million
Cash and balances at central banks	-	-	-	-	18,131	-	-	18,131
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,947	-	101	-	-	-	-	2,048
Loans and advances to customers	3,373	-	138	-	-	-	-	3,511
Treasury bills and other eligible bills	5,319	-	240	-	-	-	-	5,559
Debt securities	9,941	-	170	-	-	-	-	10,111
Equity shares	633	-	584	-	-	-	-	1,217
	21,213	-	1,233	-	-	-	-	22,446
Derivative financial instruments	36,858	1,335	-	-	-	-	-	38,193
Loans and advances to banks	-	-	-	-	50,885	-	-	50,885
Loans and advances to customers	-	-	-	-	198,292	-	-	198,292
Investment securities								
Treasury bills and other eligible bills	-	-	-	18,958	-	-	-	18,958
Debt securities	-	-	-	48,433	6,657	31	-	55,121
Equity shares	-	-	-	1,649	-	-	-	1,649
	-	-	-	69,040	6,657	31	-	75,728
Other assets	-	-	-	-	11,181	-	6,020	17,201
Total at 31 December 2009	58,071	1,335	1,233	69,040	285,146	31	6,020	420,876
Cash and balances at central banks	-	-	-	-	24,161	-	-	24,161
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,351	-	12	-	-	-	-	1,363
Loans and advances to customers	4,103	-	231	-	-	-	-	4,334
Treasury bills and other eligible bills	2,502	-	205	-	-	-	-	2,707
Debt securities	6,193	-	203	-	-	-	-	6,396
Equity shares	165	-	460	-	-	-	-	625
	14,314	-	1,111	-	-	-	-	15,425
Derivative financial instruments	68,166	1,491	-	-	-	-	-	69,657
Loans and advances to banks	-	-	-	-	46,583	-	-	46,583
Loans and advances to customers	-	-	-	-	174,178	-	-	174,178
Investment securities								
Treasury bills and other eligible bills	-	-	-	16,713	-	-	-	16,713
Debt securities	-	-	-	43,543	7,456	37	-	51,036
Equity shares	-	-	-	1,593	-	-	-	1,593
	-	-	-	61,849	7,456	37	-	69,342
Other assets	-	-	-	-	14,773	-	5,601	20,374
Total at 31 December 2008	82,480	1,491	1,111	61,849	267,151	37	5,601	419,720

Standard Chartered PLC – Notes continued

10. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value					Total \$million
	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Amortised cost \$million	Non-financial liabilities \$million	
Financial liabilities held at fair value through profit or loss						
Deposits by banks	432	-	50	-	-	482
Customer accounts	1,886	-	3,616	-	-	5,502
Debt securities in issue	2,618	-	1,369	-	-	3,987
Short positions	4,534	-	-	-	-	4,534
	9,470	-	5,035	-	-	14,505
Derivative financial instruments	36,007	577	-	-	-	36,584
Deposits by banks	-	-	-	38,461	-	38,461
Customer accounts	-	-	-	251,244	-	251,244
Debt securities in issue	-	-	-	29,272	-	29,272
Other liabilities	-	-	-	8,513	7,626	16,139
Subordinated liabilities and other borrowed funds	-	-	-	16,730	-	16,730
Total at 31 December 2009	45,477	577	5,035	344,220	7,626	402,935

Financial liabilities held at fair value through profit or loss

Deposits by banks	4,028	-	49	-	-	4,077
Customer accounts	1,207	-	3,376	-	-	4,583
Debt securities in issue	2,128	-	1,494	-	-	3,622
Short positions	3,196	-	-	-	-	3,196
	10,559	-	4,919	-	-	15,478
Derivative financial instruments	67,212	563	-	-	-	67,775
Deposits by banks	-	-	-	31,909	-	31,909
Customer accounts	-	-	-	234,008	-	234,008
Debt securities in issue	-	-	-	23,447	-	23,447
Other liabilities	-	-	-	9,401	7,962	17,363
Subordinated liabilities and other borrowed funds	-	-	-	16,986	-	16,986
Total at 31 December 2008	77,771	563	4,919	315,751	7,962	406,966

Valuation hierarchy

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and agency securities Listed equities Listed derivative instruments Investments in publicly traded mutual funds with listed market prices	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Asset backed securities Private equity investments	Asset backed securities Private equity investments Highly structured OTC derivatives with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters.

Standard Chartered PLC – Notes continued

10. Financial instruments continued

Valuation hierarchy continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2009.

	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets				
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	372	1,676	-	2,048
Loans and advances to customers	170	3,341	-	3,511
Treasury bills and other eligible bills	4,537	1,022	-	5,559
Debt securities	5,250	4,732	129	10,111
Equity shares	604	37	576	1,217
	10,933	10,808	705	22,446
Derivative financial instruments	623	37,432	138	38,193
Investment securities				
Treasury bills and other eligible bills	12,794	6,164	-	18,958
Debt securities	16,366	31,630	437	48,433
Equity shares	595	298	756	1,649
	29,755	38,092	1,193	69,040
At 31 December 2009	41,311	86,332	2,036	129,679

Liabilities

Financial instruments held at fair value through profit or loss

Deposit by banks	-	482	-	482
Customer accounts	39	5,463	-	5,502
Debt securities in issue	-	3,987	-	3,987
Short positions	4,302	232	-	4,534
	4,341	10,164	-	14,505
Derivative financial instruments	578	35,856	150	36,584
At 31 December 2009	4,919	46,020	150	51,089

There were no significant transfers between level 1, level 2 and level 3 in 2009.

Instruments carried at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. The fair values in the table below are stated as at 31 December and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument.

	2009		2008	
	Book amount \$million	Fair value \$million	Book amount \$million	Fair value \$million
Assets				
Cash and balances at central banks	18,131	18,131	24,161	24,161
Loans and advances to banks	50,885	50,906	46,583	45,855
Loans and advances to customers	198,292	199,739	174,178	170,410
Investment securities	6,688	6,556	7,493	6,729
Other assets	11,181	11,181	14,773	14,773
Liabilities				
Deposits by banks	38,461	38,169	31,909	31,713
Customer accounts	251,244	249,548	234,008	230,558
Debt securities in issue	29,272	27,261	23,447	23,097
Subordinated liabilities and other borrowed funds	16,730	16,687	16,986	13,903
Other liabilities	8,513	8,513	9,401	9,401

Standard Chartered PLC – Notes continued

10. Financial instruments continued

Reclassification of financial assets

In 2008 the Group reclassified certain financial assets classified as held for trading into the available-for-sale ('AFS') category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and AFS categories to loans and receivables.

The following table provides details of the remaining balance of assets reclassified during 2008 as at 31 December 2009 and 31 December 2008:

						If assets had not been reclassified, fair value gain/(loss) from 1 January 2009 to 31 December 2009 which would have been recognised within
	Carrying amount at 31 December 2009	Fair value at 31 December 2009	Income	AFS reserve	Income/(expenses) recognised in income statement in 2009	Effective interest rate at date of reclassification
For assets reclassified:	\$million	\$million	\$million	\$million	\$million	%
From trading to AFS	593	593	(20) ¹	-	23	6.2
From trading to loans and receivables	2,213	2,049	127	-	95	5.8
From AFS to loans and receivables	1,362	1,216	-	145	49	5.3
	4,168	3,858	107	145	167	
Of which asset backed securities:						
reclassified to AFS	148	148	(17) ¹	-	(36)	
reclassified to loans and receivables	2,231	2,002	21	145	76	

¹ Post-reclassification, the loss is recognised within the available-for-sale reserve.

							If assets had not been reclassified, fair value loss from the date of reclassification to 31 December 2008 which would have been recognised within
	Carrying amount at 31 December 2008	Fair value at 31 December 2008	Income	AFS reserve	Income recognised in income statement in 2008	Effective interest rate at date of reclassification	
For assets reclassified:	\$million	\$million	\$million	\$million	\$million	%	
From trading to AFS	2,485	2,485	(83) ¹	—	12	5.9	
From trading to loans and receivables	2,754	2,456	(298)	—	15	5.7	
From AFS to loans and receivables	2,095	1,685	—	(410)	11	5.3	
	7,334	6,626	(381)	(410)	38		
Of which asset backed securities:							
reclassified to AFS	171	171	(66) ¹	—	2		
reclassified to loans and receivables	3,034	2,532	(92)	(410)	15		

¹ Post-reclassification, the loss is recognised within the available-for-sale reserve.

Standard Chartered PLC – Notes continued

11. Financial instruments held at fair value through profit or loss

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss. For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

Investment securities held at fair value through profit or loss

	2009			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	5,568			
Other public sector securities	18			
	5,586			
Issued by banks:				
Certificates of deposit	628			
Other debt securities	968			
	1,596			
Issued by corporate entities and other issuers:				
Other debt securities	2,929			
Total debt securities	10,111			
Of which:				
Listed on a recognised UK exchange	440	-	-	440
Listed elsewhere	4,835	604	1,516	6,955
Unlisted	4,836	613	4,043	9,492
	10,111	1,217	5,559	16,887
Market value of listed securities	5,275	604	1,516	7,395

	2008			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	4,346			
Other public sector securities	17			
	4,363			
Issued by banks:				
Certificates of deposit	33			
Other debt securities	798			
	831			
Issued by corporate entities and other issuers:				
Other debt securities	1,202			
Total debt securities	6,396			
Of which:				
Listed on a recognised UK exchange	14	-	-	14
Listed elsewhere	2,216	197	1,085	3,498
Unlisted	4,166	428	1,622	6,216
	6,396	625	2,707	9,728
Market value of listed securities	2,230	197	1,085	3,512

Standard Chartered PLC – Notes continued

11. Financial instruments held at fair value through profit or loss continued

Financial liabilities held at fair value through profit and loss

The Group designates certain financial liabilities at fair value through profit or loss where either the liabilities:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered into with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets, or where the assets and liabilities are managed, and performance evaluated, on a fair value basis for a documented risk management or investment strategy.

Derivatives are recorded at fair value whereas non-trading financial liabilities (unless designated at fair value) are recorded at amortised cost. Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition (a criterion of IAS 39). The Group ensures the criteria under IAS 39 are met by matching the principal terms of derivatives to the corresponding liabilities, either individually or on a portfolio basis.

12. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Group are set out below.

All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within reserves).

These tables analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net.

	2009			2008		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	701,502	9,052	7,920	832,915	23,096	21,017
Currency swaps and options	448,615	9,753	9,621	528,215	18,760	19,253
Exchange traded futures and options	774	-	-	742	-	-
	1,150,891	18,805	17,541	1,361,872	41,856	40,270
Interest rate derivative contracts:						
Swaps	1,210,432	14,230	13,946	1,089,407	21,992	21,451
Forward rate agreements and options	233,769	2,498	2,472	170,700	1,076	1,451
Exchange traded futures and options	252,625	83	84	242,694	557	429
	1,696,826	16,811	16,502	1,502,801	23,625	23,331
Credit derivative contracts	35,133	835	845	29,033	926	961
Equity and stock index options	3,208	470	613	1,075	219	233
Commodity derivative contracts	19,066	1,272	1,083	16,200	3,031	2,980
Total derivatives	2,905,124	38,193	36,584	2,910,981	69,657	67,775

Standard Chartered PLC – Notes continued

12. Derivative financial instruments continued

Derivatives held for hedging

The Group uses derivatives primarily to mitigate interest rate and foreign exchange risk. Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The table below lists the types of derivatives that the Group holds for hedge accounting.

	2009			2008		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives designated as fair value hedges:						
Interest rate swaps	29,595	1,247	440	18,376	1,393	251
Currency swaps	607	14	9	-	-	-
Forward foreign exchange contracts	825	-	1	-	-	-
	31,027	1,261	450	18,376	1,393	251
Derivatives designated as cash flow hedges:						
Interest rate swaps	14,673	46	23	4,514	92	13
Options	898	23	-	-	-	-
Forward foreign exchange contracts	410	-	37	1,015	6	210
Currency swaps	218	-	1	-	-	-
	16,199	69	61	5,529	98	223
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	738	5	66	600	-	89
Total derivatives held for hedging	47,964	1,335	577	24,505	1,491	563

13. Loans and advances to banks

	2009 \$million	2008 \$million
Loans and advances to banks	53,067	47,969
Individual impairment provision (note 14)	(132)	(17)
Portfolio impairment provision (note 14)	(2)	(6)
	52,933	47,946
Of which: loans and advances held at fair value through profit or loss (note 10)	(2,048)	(1,363)
	50,885	46,583

14. Loans and advances to customers

	2009 \$million	2008 \$million
Loans and advances to customers	204,530	180,470
Individual impairment provision	(1,853)	(1,307)
Portfolio impairment provision	(874)	(651)
	201,803	178,512
Of which: loans and advances held at fair value through profit or loss (note 10)	(3,511)	(4,334)
	198,292	174,178
Loans and advances sold subject to sale and repurchase transactions	231	106

The Group has transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of \$3,601 million (2008: \$4,192 million). The Group continues to be exposed to related credit and foreign exchange risk on these assets. The Group continues to recognise these assets in addition to the proceeds and related liability of \$3,063 million (2008: \$4,583 million) arising from the securitisations.

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of \$15.7 billion (2008: \$15.7 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

The Group has outstanding residential mortgage loans to Korea residents of \$20.5 billion (2008: \$17.1 billion) and Hong Kong residents of \$14.8 billion (2008: \$13.0 billion).

Standard Chartered PLC – Notes continued

14. Loans and advances to customers continued

The following table shows the movement in impairment provisions on loans and advances to customers and banks for 2009 and 2008:

	2009 \$million	2008 \$million
At 1 January	1,981	1,809
Exchange translation differences	70	(179)
Acquisitions	-	109
Amounts written off	(1,332)	(1,119)
Recoveries of acquisition fair values	(39)	(78)
Recoveries of amounts previously written off	191	180
Discount unwind	(58)	(40)
Other	53	13
New provisions	2,613	1,796
Recoveries/provisions no longer required	(618)	(510)
Net charge against profit	1,995	1,286
Provisions held at 31 December	2,861	1,981
Of which:		
Individual impairment provisions	1,985	1,324
Portfolio impairment provisions	876	657
Provisions held at the end of the year	2,861	1,981

The following table reconciles the charge for impairment provisions on loans and advances to the total impairment charge and other credit commitments:

	2009 \$million	2008 \$million
Net charge against profit on loans and advances:		
Individual impairment charge	1,799	1,168
Portfolio impairment charge	196	118
	1,995	1,286
(Releases)/provisions related to credit commitments	(2)	27
Impairment charges relating to debt securities classified as loans	7	8
Total impairment charge and other credit risk provisions	2,000	1,321

15. Individually impaired loans and advances

	2009				2008			
	Consumer Banking \$million	Wholesale Banking - Loans to customers \$million	Wholesale Banking - Loans to banks \$million	Total \$million	Consumer Banking \$million	Wholesale Banking - Loans to customers \$million	Wholesale Banking - Loans to banks \$million	Total \$million
Individual impaired loans	1,030	2,474	286	3,790	1,062	1,576	35	2,673
Individual impairment provisions	(538)	(1,315)	(132)	(1,985)	(543)	(764)	(17)	(1,324)
Net impaired loans	492	1,159	154	1,805	519	812	18	1,349

Individual impairment provisions are generally raised at 90 days past due, with the exception of mortgages in Consumer Banking, where individual impairment provisions are raised after 150 days past due. Individual impaired loans for Consumer Banking will therefore not equate to those loans reported as non-performing on page 31. As described on pages 31 and 33 prior to the raising of an individual impairment provision, impairment on these loans is captured within the portfolio impairment provision.

Standard Chartered PLC – Notes continued

16. Investment securities

	2009					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables ¹ \$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	31	16,825	392			
Other public sector securities	-	1,530	18			
	31	18,355	410			
Issued by banks:						
Certificates of deposit	-	5,875	1,795			
Other debt securities	-	17,445	1,852			
	-	23,320	3,647			
Issued by corporate entities and other issuers:						
Other debt securities	-	6,758	2,600			
Total debt securities	31	48,433	6,657			
Listed on a recognised UK exchange	-	5,180	-	105	-	5,285
Listed elsewhere	29	17,451	1,287	289	5,241	24,297
Unlisted	2	25,802	5,370	1,255	13,717	46,146
	31	48,433	6,657	1,649	18,958	75,728
Market value of listed securities	29	22,631	1,270	394	5,241	29,565
Investment securities subject to sale and repurchase transactions	-	618	-	72	547	1,237

¹ Includes debt securities of \$850 million which are listed or registered on a recognised UK exchange or elsewhere but the markets remain illiquid.

Standard Chartered PLC – Notes continued

16. Investment securities continued

	2008					
	Debt securities			Equity shares \$million	Treasury bills \$million	Total \$million
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables ¹ \$million			
Issued by public bodies:						
Government securities	37	17,849	389			
Other public sector securities	-	1,864	-			
	37	19,713	389			
Issued by banks:						
Certificates of deposit	-	6,771	1,969			
Other debt securities	-	13,597	735			
	-	20,368	2,704			
Issued by corporate entities and other issuers :						
Other debt securities	-	3,462	4,363			
Total debt securities	37	43,543	7,456			
Listed on a recognised UK exchange	-	4,096	1,217	35	-	5,348
Listed elsewhere	35	15,479	2,750	586	5,711	24,561
Unlisted	2	23,968	3,489	972	11,002	39,433
	37	43,543	7,456	1,593	16,713	69,342
Market value of listed securities	35	19,575	3,903	621	5,711	29,845
Investment securities subject to sale and repurchase transactions	-	1,855	-	-	1,455	3,310

¹ Includes debt securities of \$972 million which are listed or registered on a recognised UK exchange or elsewhere but the markets remain illiquid.

The change in the carrying amount of investment securities comprised:

	2009				2008			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
At 1 January	51,036	1,593	16,713	69,342	40,917	2,690	11,667	55,274
Exchange translation differences	1,635	20	539	2,194	(3,318)	(97)	(2,171)	(5,586)
Acquisitions	-	1	-	1	2,572	4	382	2,958
Additions	86,712	369	42,658	129,739	71,073	933	37,932	109,938
Reclassifications ¹	-	-	-	-	5,237	(69)	43	5,211
Disposal on sale of business	-	-	-	-	-	(9)	-	(9)
Maturities and disposals	(84,857)	(807)	(41,014)	(126,678)	(65,426)	(854)	(31,476)	(97,756)
Impairment, net of recoveries on disposal	(81)	8	-	(73)	(109)	(315)	(1)	(425)
Changes in fair value (including the effect of fair value hedging)	29	465	(53)	441	(106)	(687)	140	(653)
Amortisation of discounts and premiums	647	-	115	762	196	(3)	197	390
At 31 December	55,121	1,649	18,958	75,728	51,036	1,593	16,713	69,342

¹ In 2008, reclassifications for equity shares relates to a security held by the Group's private equity business which became eligible to be designated at fair value through profit or loss as permitted by IAS 28. The remainder of the reclassifications are in respect of securities reclassified as disclosed in note 10.

In 2008, the Group took advantage of the Term Auction Facility (TAF) introduced by the Federal Reserve Bank of New York, by borrowing \$2,850 million. Under the TAF, no single security was earmarked as collateral for the borrowing. The value of securities that is considered to be encumbered in relation to this borrowing was \$3,197 million and the borrowing was included as a sale and repurchase transaction within customer accounts.

At 31 December 2009, unamortised premiums on debt securities held for investment purposes amounted to \$669 million (2008: \$271 million) and unamortised discounts amounted to \$725 million (2008: \$743 million). Income from listed equity shares amounted to \$12 million (2008: \$20 million) and income from unlisted equity shares amounted to \$97 million (2008: \$183 million).

Standard Chartered PLC – Notes continued

17. Business Combinations

2009 acquisitions

On 30 January 2009, the Group acquired 100 per cent of the share capital of Cazenove Asia Limited (subsequently renamed Standard Chartered Securities (Hong Kong) Limited), a leading Asian equity capital markets, corporate finance and institutional brokerage business.

On 30 June 2009, the Group acquired the remaining 75 per cent minority interest in First Africa, for a consideration of \$13 million. Goodwill of \$5 million was recognised and \$5 million of customer relationship intangibles identified.

During 2009 the Group acquired a further 2 per cent interest in its subsidiary in Ghana for an additional \$8 million generating goodwill of \$6 million.

At 31 December 2009, under the requirements of IFRS 3 'Business Combinations', the Group was deemed to have paid contingent consideration of \$41 million in respect of its 2005 acquisition of Korea First Bank (subsequently renamed SC First Bank), and consequently additional goodwill of \$41 million has been recognised.

If the acquisitions had occurred on 1 January 2009 the operating income of the Group would have been approximately \$15,184 million and profit before taxation would have been approximately \$5,147 million.

The assets and liabilities arising from the acquisition of Cazenove Asia were as follows:

	Fair value \$million	Acquiree's carrying amount \$million
Loans and advances to banks	34	34
Investment securities	1	1
Intangibles other than goodwill	9	-
Property, plant and equipment	1	1
Other assets	45	45
Total assets	90	81
Other liabilities	39	39
Accruals and deferred income	7	7
Retirement benefit obligations	2	2
Total liabilities	48	48
Net assets acquired	42	33
Purchase consideration settled in cash	(73)	
Cash and cash equivalents in subsidiary acquired	31	
Cash outflow on acquisition	(42)	
Purchase consideration :		
- Cash paid	73	
Total purchase consideration	73	
Less : Fair value of net assets acquired	(42)	
Goodwill	31	
Intangible assets acquired:		
Customer relationships	9	
Total	9	
Contribution from acquisition to 31 December 2009:		
Operating income	39	
Loss before taxation	(3)	

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group and to those intangibles which are not recognised separately, such as the acquired workforce.

Standard Chartered PLC – Notes continued

17. Business Combinations continued

2008 acquisitions

On 25 February 2008, the Group acquired 100 per cent of the share capital of Yeahreum Mutual Savings Bank (Yeahreum), a Korean banking company. On 29 February 2008, the Group acquired 100 per cent of the share capital of American Express Bank Limited (AEB), a financial services company. The Group also entered into a put and call option agreement with American Express Company, exercisable 18 months from the acquisition of AEB, to purchase 100 per cent of American Express International Deposit Corporation at a purchase price equivalent to its net asset value at the time of exercise. On 27 December 2008, the Group acquired the 'good bank' portion of Asia Trust and Investment Corporation, a Taiwanese banking company.

If the acquisitions had occurred on 1 January 2008, the operating income of the Group would have been approximately \$14,093 million and profit before taxation would have been approximately \$4,576 million.

During 2008, the Group acquired the remaining 20 per cent minority of A Brain Co. Limited for a consideration of \$8 million, generating additional goodwill of \$5 million.

The assets and liabilities arising from the acquisitions are as follows:

	AEB		Other acquisitions	
	Fair value \$million	Acquiree's carrying amount \$million	Fair value \$million	Acquiree's carrying amount \$million
Cash and balances at central banks ¹	1,041	1,041	131	131
Derivative financial instruments	511	511	–	–
Loans and advances to banks	7,142	7,143	639	667
Loans and advances to customers	4,781	4,783	233	233
Investment securities	2,864	2,883	87	88
Intangibles other than goodwill	88	4	–	–
Property, plant and equipment	27	34	30	23
Deferred tax assets	10	–	4	–
Other assets	527	544	21	23
Total assets	16,991	16,943	1,145	1,165
Derivative financial instruments	514	514	–	–
Deposits by banks	5,519	5,519	–	–
Customer accounts	8,392	8,392	1,192	1,192
Other liabilities	1,848	1,829	47	43
Provisions for liabilities and charges	55	–	–	–
Retirement benefit obligations	46	46	–	–
Subordinated liabilities and other borrowed funds	190	190	–	–
Total liabilities	16,564	16,490	1,239	1,235
Net assets acquired	427	453	(94)	(70)
Purchase consideration settled in cash	(823)		(161)	
Cash and cash equivalents in subsidiary acquired	6,700		551	
Cash inflow on acquisition	5,877		390	
Purchase consideration:				
– cash paid	798		160	
– direct costs relating to the acquisition	25		1	
Total purchase consideration	823		161	
Less: Fair value of net assets (liabilities) acquired (assumed)	427		(94)	
Goodwill	396		255	
Intangible assets acquired:				
Customer relationships	84		–	
Capitalised software	4		–	
Total	88		–	
Contribution from acquisition to 31 December 2008:				
Operating income	552		1	
Loss before taxation	(124)		(9)	

¹ Cash and balances at central banks include amounts subject to regulatory restrictions.

Goodwill arising on the acquisition of AEB is attributable to the significant synergies expected to arise from their development within the Group and to those intangibles which are not recognised separately, such as the distribution network and acquired workforce. Goodwill arising on other acquisitions is attributable to those intangibles which are not recognised separately, such as the distribution network.

Standard Chartered PLC – Notes continued

18. Other assets

	2009 \$million	2008 \$million
Financial instruments held at amortised cost (note 10)		
Hong Kong SAR Government certificates of indebtedness (note 22)	3,414	3,097
Cash collateral	4,557	9,102
Acceptances and endorsements	3,080	2,574
Other	130	-
	11,181	14,773
Non-financial assets		
Other assets	6,020	5,601
	17,201	20,374

The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued.

19. Deposits by banks

	2009 \$million	2008 \$million
Deposits by banks	38,461	31,909
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 10)	482	4,077
	38,943	35,986

20. Customer accounts

	2009 \$million	2008 \$million
Customer accounts	251,244	234,008
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 10)	5,502	4,583
	256,746	238,591

21. Debt securities in issue

	2009			2008		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	10,611	18,661	29,272	13,284	10,163	23,447
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 10)	865	3,122	3,987	460	3,162	3,622
	11,476	21,783	33,259	13,744	13,325	27,069

Standard Chartered PLC – Notes continued

22. Other liabilities

	2009 \$million	2008 \$million
Financial liabilities held at amortised cost (note 10)		
Notes in circulation	3,414	3,097
Acceptances and endorsements	2,963	2,539
Cash collateral	2,136	3,765
	8,513	9,401
Non-financial liabilities		
Cash-settled share based payments	104	31
Other liabilities	7,522	7,931
	7,626	7,962
	16,139	17,363

Hong Kong currency notes in circulation of \$3,414million (2008: \$3,097million) which are secured by Hong Kong SAR Government certificates of indebtedness of the same amount included in other assets (note 18)

23. Retirement benefit obligations

Retirement benefit obligations comprise:

	2009 \$million	2008 \$million
Total market value of assets	2,009	1,721
Present value of the schemes' liabilities	(2,507)	(2,154)
Defined benefit schemes obligation	(498)	(433)
Defined contribution schemes obligation	(8)	(14)
Net book amount	(506)	(447)

Retirement benefit charge comprises:

	2009 \$million	2008 \$million
Defined benefit schemes	30	45
Defined contribution schemes	108	127
Charge against profit	138	172

The pension cost for defined benefit schemes was:

	2009 \$million	2008 \$million
Current service cost	86	88
Past service (benefit)/cost	(54)	5
Gain on settlements and curtailments	(11)	(54)
Expected return on pension scheme assets	(112)	(140)
Interest on pension scheme liabilities	121	146
Total charge to profit before deduction of tax	30	45
(Gain)/Loss on assets below expected return	(114)	333
Experience loss/(gain) on liabilities	264	(104)
Total loss recognised directly in statement of comprehensive income before tax	150	229
Deferred taxation	(37)	(60)
Total loss after tax	113	169

Standard Chartered PLC – Notes continued

24. Subordinated liabilities and other borrowed funds

	2009 \$million	2008 \$million
Subordinated liabilities and other borrowed funds	16,730	16,986

All subordinated liabilities described above are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.

Of the total subordinated liabilities and other borrowings, \$11,564 million is at fixed interest rates (2008: \$11,865 million).

On 21 April 2009, Standard Chartered First Bank Korea Limited (SCFB) issued KRW300 billion Lower Tier 2 Notes with a coupon of 7.05 per cent maturing due 2019, callable 2014.

During 2009, Standard Chartered Bank (SCB) repurchased a total of \$193 million of its 8 per cent subordinated notes due May 2031.

On 27 April 2009, £281 million fixed to floating step up subordinated notes callable 14 July 2020 issued by SCB were exchanged for £198 million senior notes due 2014 issued by Standard Chartered PLC.

On 15 June 2009, SCB issued \$1.5 billion 9.5 per cent Step up Perpetual Preferred Securities, callable 2014.

On 17 June 2009, PT Bank Permata Tbk issued \$100 million subordinated notes with a coupon of 9.75 per cent maturing June 2021, callable June 2016. The Group subscribed for \$50 million of these notes. As PT Bank Permata Tbk is a joint venture of the Group, on a proportionately consolidated basis, \$22 million is treated as a liability for the Group.

On 28 October 2009, Standard Chartered Bank (Taiwan) Limited issued TWD10 billion subordinated notes with a fixed coupon rate of 2.9 per cent for the first five years, 3.4 per cent for the remaining 5 years, maturing 2019, callable 2014.

On 4 December 2009, Standard Chartered Bank (Hong Kong) Limited exercised the call option on its \$350 million 4.375 percent subordinated notes due December 2014; HKD 500 million 3.5 per cent subordinated notes due December 2014 and HKD 670 million floating rate notes due December 2014.

During 2009, £30 million floating rate notes, €600 million 5.375 per cent notes, £300 million 6.75 per cent notes and KRW205 billion subordinated debt matured.

On 30 December 2009, SCB announced the intention to redeem in full the €500 million 8.16 per cent non-cumulative trust preferred securities on the first call date of 23 March 2010.

Standard Chartered PLC – Notes continued

25. Share capital, reserves and own shares

Share capital

Group and Company

	Number of ordinary shares (millions)	Ordinary share capital \$million	Preference share capital \$million	Total \$million
At 1 January 2008	1,410	705	-	705
Capitalised on scrip dividend	11	6	-	6
Shares issued	475	237	-	237
At 31 December 2008	1,896	948	-	948
Capitalised on scrip dividend	41	21	-	21
Shares issued	88	44	-	44
At 31 December 2009	2,025	1,013	-	1,013

2009

On 15 May 2009 the Company issued 32,270,731 new ordinary shares instead of the 2008 final dividend. On 8 October 2009 the Company issued 9,157,053 new ordinary shares instead of the 2009 interim dividend.

During 2009, 12,594,749 ordinary shares were issued under the employee share plans at prices between nil and 1088 pence.

On 4 August 2009 the Company announced an issue of 75,000,000 ordinary shares by way of an accelerated book build. The shares were issued at a price of 1360 pence through which the Company raised \$1.7 billion net of expenses. The middle market price on 4 August 2009 was 1328 pence. The proceeds will be used in the ordinary course of business by the Group. The share issue used a cash box structure involving a Jersey subsidiary (JerseyCo) which was 89 per cent owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11 per cent of the ordinary shares it did not own. Under this structure merger relief applies under Section 612 of the Companies Act 2006 which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

2008

On 16 May 2008, the Company issued 8,142,490 new ordinary shares instead of the 2007 final dividend. On 9 October 2008, the Company issued 2,940,049 new ordinary shares instead of the 2008 interim dividend.

On 24 November 2008, the Company announced the issue of 470,014,830 new ordinary shares by way of rights to qualifying shareholders at 390 pence per new ordinary share. The issue was on the basis of 30 ordinary shares for every 91 ordinary shares held on 24 November 2008. The rights issue raised \$2.7 billion in additional capital for the Company. The rights issue used the same cash box structure as described above.

The middle market price on 17 December 2008 was 766 pence. The proceeds of the issue of ordinary shares was used in the ordinary course of business.

During 2008, 5,410,537 ordinary shares were issued under the Company's employee share plans at prices between nil and 1243 pence.

Transaction costs relating to share issues deducted from reserves account total \$22 million (2008: \$84 million).

Shares of the Group held for the beneficiaries of the Group's share based payment schemes

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 of 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 the trust, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

Standard Chartered PLC – Notes continued

25. Share capital, reserves and own shares continued

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the year. Details of the shares purchased and held by the trusts are set out below.

Number of shares	1995 Trust		2004 Trust		Total	
	2009	2008	2009	2008	2009	2008
Shares purchased:						
– 9 March 2009	-	-	357,909	-	357,909	-
– 25 June 2009	4,025,000	-	-	-	4,025,000	-
– 13 November 2009	560,000	-	-	-	560,000	-
– 17 December 2009	203,000	-	-	-	203,000	-
Total	4,788,000	-	357,909	-	5,145,909	-
Shares purchased:						
– 6 March 2008	-	-	-	307,849	-	307,849
– 9 March 2008	-	1,650,000	-	-	-	1,650,000
– 9 October 2008	-	375,000	-	-	-	375,000
– 18 December 2008 (rights issue)	-	731,296	-	119,049	-	850,345
Total	-	2,756,296	-	426,898	-	3,183,194
Market price of shares purchased (\$ million)	99	66	4	10	103	76
Shares held at the end of the year	7,589,615	2,949,563	498,127	480,166	8,087,742	3,429,729
Maximum number of shares held during year	7,589,615		499,865		8,089,480	

26. Minority interests

	\$300m 7.267% Hybrid Tier 1 Securities \$million	Other minority interests \$million	Total \$million
At 1 January 2008	330	271	601
Expenses in equity attributable to minority interests	-	(106)	(106)
Other profits attributable to minority interests	19	84	103
Recognised income and expense	19	(22)	(3)
Distributions	(22)	(125)	(147)
Other increases ¹	-	104	104
At 31 December 2008	327	228	555
Income in equity attributable to minority interests	-	14	14
Other profits attributable to minority interests	19	78	97
Recognised income and expense	19	92	111
Distributions	(22)	(65)	(87)
Other increases	-	1	1
At 31 December 2009	324	256	580

¹ Other increases primarily relate to the consolidation of a private equity investment.

Standard Chartered PLC – Notes continued

27. Cash flow statement

Adjustment for non-cash items and other accounts

	2009 \$million	2008 \$million
Depreciation and amortisation	520	425
Gain on disposal of property, plant and equipment	(40)	(10)
Gain on disposal of investment securities and loan and receivable financial assets	(592)	(322)
Gain arising on repurchase of subordinated-liabilities	(264)	(384)
Gain arising on initial recognition and partial sale of Visa Inc. shares	-	(17)
Writedowns relating to asset backed securities	4	49
Movement in fair value hedges on available-for-sale assets	6	26
Amortisation of discounts and premiums of investment securities	(762)	(390)
Pension costs for defined benefit schemes	30	45
Impairment losses on loans and advances and other credit risk provisions	2,000	1,321
Other impairment	102	469
Profit from associates	(21)	-
Loss/(gain) on sale of businesses	2	(146)
Recoveries of acquisition fair values and discount unwind	(101)	(120)
Interest expense on subordinated liabilities	501	1,049
Total	1,385	1,995

Change in operating assets

	2009 \$million	2008 \$million
Decrease/(increase) in derivative financial instruments	32,293	(47,138)
Net (increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(6,331)	7,590
Net increase in loans and advances to banks and customers	(21,801)	(39,160)
Decrease in pre-payments and accrued income	286	213
Increase in other assets	(1,485)	(9,608)
Total	2,962	(88,103)

Change in operating liabilities

	2009 \$million	2008 \$million
(Decrease)/increase in derivative financial instruments	(31,941)	44,943
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	21,398	59,798
(Decrease)/increase in accruals and deferred income	(121)	1,025
Increase in other liabilities	(555)	147
Total	(11,219)	105,913

28. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition. Restricted balances comprise minimum balances required to be held at central banks.

	2009 \$million	2008 \$million
Cash and balances at central banks	18,131	24,161
Less restricted balances	(4,971)	(4,615)
Treasury bills and other eligible bills	7,748	9,303
Loans and advances to banks	37,127	33,913
Trading securities	10,038	10,937
Total	68,073	73,699

Standard Chartered PLC – Notes continued

29. Net interest margin and net yield

	2009	2008
	%	%
Net interest margin	2.3	2.5
Net yield	2.1	2.2
Average interest earning assets	328,688	299,239
Average interest bearing liabilities	298,365	275,996

30. Remuneration

The Group employed 77,326 staff at 31 December 2009 (2008: 80,557)¹.

Within the authority delegated by the board of directors, the Board Remuneration Committee is involved in determining the remuneration policy of the Group and 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; and
- Maintain competitive reward that reflects the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

The Committee reviews the reward policy on a regular basis against significant regulatory developments, market practice and shareholder expectations. A 'One Bank' philosophy is central to the Group's remuneration policy and means that the approach to reward and performance management is consistent across all employees. We reward not only 'what' is achieved but 'how' it is achieved. Our distinctive culture and the importance we place on our values both play an important role in compensation decision-making, and in our robust 'pay for sustained performance' culture. Effective risk management is central to how we perform and the risk profile of various businesses is also taken into account in compensation decisions. Our approach to performance and reward is designed to drive sustainable performance, ensuring that remuneration policies support our business strategy.

The success of the Group depends upon the performance and commitment of talented employees. Individual reward and incentives therefore relate directly to an individual employee's performance (including adherence to the Group's values), to the business unit in which they operate and also to the Group's overall performance. Target total compensation is benchmarked to the relevant market in which each individual is employed, while the potential total compensation is set at upper quartile or higher for excellent individual and business performance.

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain share plans including the Performance Share Plan where awards are only exercisable upon the achievement of tough performance criteria. There is also a Group-wide deferral framework, under which a portion of annual performance awards might be delivered in restricted shares over a three year period.

¹ The period end number of employees for 2008 has been restated to primarily reflect the inclusion of fixed-term contract workers as employees in line with the definition under the Companies Act 2006.

Standard Chartered PLC – Notes continued

31. Contingent liabilities and commitments

The table below shows the contract or underlying principal 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 risk weighted amounts have been calculated in accordance with the FSA guidelines implementing the Basel Accord on capital adequacy, after taking account of collateral and guarantees received.

	2009 \$million	2008 \$million
Contingent liabilities¹		
Guarantees and irrevocable letters of credit	28,731	28,051
Other contingent liabilities	9,927	11,494
	38,658	39,545
Commitments¹		
Documentary credits and short term trade-related transactions	6,695	5,270
Forward asset purchases and forward deposits placed	874	40
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	20,616	14,450
Less than one year	20,729	14,903
Unconditionally cancellable	45,344	42,388
	94,258	77,051
Risk weighted amount:		
Contingent liabilities	13,422	12,827 ²
Commitments	8,856	6,967 ²

¹ Includes amounts relating to the Group's share of its joint ventures.

² Amounts have been adjusted to present consistently with 2009 as a result of continuing refinement in Basel II. This has not had an impact on the Group's total risk weighted assets.

Standard Chartered PLC – Notes continued

32. Liquidity risk

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date, on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

The Risk review on pages 22 to 42 explains the Group's risk management with respect to asset and liability management.

	2009				Total \$million
	Three months or less \$million	Between three months and one year \$million	Between one year and five years \$million	More than five years \$million	
Assets					
Cash and balances at central banks	13,160	-	-	4,971	18,131
Derivative financial instruments	9,891	7,508	16,207	4,587	38,193
Loans and advances to banks ¹	37,127	14,182	1,289	335	52,933
Loans and advances to customers ¹	63,162	34,939	44,406	59,296	201,803
Investment securities ¹	18,939	30,185	32,967	10,524	92,615
Other assets	5,755	710	49	26,464	32,978
Total assets	148,034	87,524	94,918	106,177	436,653
Liabilities					
Deposits by banks ¹	34,721	2,967	1,140	115	38,943
Customer accounts ¹	230,332	22,198	3,971	245	256,746
Derivative financial instruments	8,644	7,969	15,757	4,214	36,584
Debt securities in issue ¹	11,390	9,134	11,059	1,676	33,259
Other liabilities	13,182	1,089	178	12,022	26,471
Subordinated liabilities and other borrowed funds	723	-	562	15,445	16,730
Total liabilities	298,992	43,357	32,667	33,717	408,733
Net liquidity gap	(150,958)	44,167	62,251	72,460	27,920

¹ Amounts include financial instruments held at fair value through profit or loss (see note 10).

	2008				Total \$million
	Three months or less \$million	Between three months and one year \$million	Between one year and five years \$million	More than five years \$million	
Assets					
Cash and balances at central banks	19,546	-	-	4,615	24,161
Derivative financial instruments	13,791	18,743	27,821	9,302	69,657
Loans and advances to banks ²	33,913	11,749	2,132	152	47,946
Loans and advances to customers ²	63,829	27,541	38,044	49,098	178,512
Investment securities ²	20,736	28,137	21,758	8,439	79,070
Other assets	12,791	1,231	27	21,673	35,722
Total assets	164,606	87,401	89,782	93,279	435,068
Liabilities					
Deposits by banks ²	31,168	3,382	1,359	77	35,986
Customer accounts ²	210,449	21,674	4,824	1,644	238,591
Derivative financial instruments	15,004	18,207	25,430	9,134	67,775
Debt securities in issue ²	12,568	5,801	5,695	3,005	27,069
Other liabilities	12,163	1,707	503	11,593	25,966
Subordinated liabilities and other borrowed funds	845	1,304	2,189	12,648	16,986
Total liabilities	282,197	52,075	40,000	38,101	412,373
Net liquidity gap	(117,591)	35,326	49,782	55,178	22,695

² Amounts include financial instruments held at fair value through profit or loss (see note 10).

Standard Chartered PLC – Notes continued

33. Restatement of prior periods

None of the following restatements impacted the Group balance sheet as at 1 January 2008 and accordingly no balance sheet has been presented for that period.

At 31 December 2009 the Group has early adopted the amendment to IAS 32: Financial Instruments in advance of its effective date as explained in note 1. The impact of this change has been to reclassify the \$233 million gain and associated tax of \$66 million in respect of the rights issue option recognised in advance of its effective date in the income statement in the 2008 Annual Report into equity in these financial statements. Details of the restatement are set out below:

	As reported at 2008	Adjustment	Restated at 2008
	\$million	\$million	\$million
Income statement			
Profit before taxation	4,801	(233)	4,568
Taxation	1,290	(66)	1,224
Profit attributable to parent company shareholders	3,408	(167)	3,241
Profit attributable to ordinary shareholders	3,298	(167)	3,131
Basic earnings per share (cents)	202.4	(10.3)	192.1
Diluted earnings per share (cents)	201.3	(10.2)	191.1
Statement of changes in equity			
Merger reserve	5,450	167	5,617
Retained earnings	12,853	(167)	12,686
Cash flow statement			
Profit before taxation	4,801	(233)	4,568
Non-cash items in income statement	1,762	233	1,995

Cash flow statement

Following an amendment to IAS 7: Cash flow statements, cash paid to acquire assets leased to customers is required to be presented as part of cash flow from operating activities and not cash flows from investing activities. In addition, the contribution to defined benefit schemes has been presented separately. Details of the representation are set out below:

	As reported at 2008	Adjustment	Restated at 2008
	\$million	\$million	\$million
Change in operating assets	(87,251)	(852)	(88,103)
Purchase of property, plant and equipment	(1,431)	852	(579)
Change in operating liabilities	105,810	103	105,913
Contributions to defined benefit schemes	8	(103)	(95)

Entity-wide information

By Geography

In 2009 the Group has re-aligned its geographic reporting with underlying organizational changes to better reflect asset and income distribution and management. In order to facilitate a more meaningful comparison, the 2008 numbers in the geography segmental information have been restated so as to be on a consistent basis with 2009.

The Group has a Global Booking Unit (GBU) within its Wholesale Banking business which comprises the private equity portfolio, portfolio management and some Financial Markets (FM) products. In 2008 income and expenses related to the private equity portfolio were reported in the geography of the underlying investment and the remainder of the GBU was reported within Americas, UK & Europe. In 2009, the income and expenses on both the private equity portfolio and FM products in the GBU have been allocated, the latter to geographies where dealers are based. Portfolio management continues to be reported within Americas, UK & Europe.

In addition, the Group has changed the basis of reporting total assets employed. In 2008, the 'total assets employed' included both the balances between the entities within the same geography (intra-geography) as well as those across geographies (inter-geography). In 2009, the intra-geography balances have been eliminated. The 2008 total assets employed have therefore been restated to be consistent. As a result of the change the distribution of assets held centrally to geographies also changed. The 2008 margins have been restated utilising the revised assets employed.

Standard Chartered PLC – Notes continued

33. Restatement of prior periods continued

Entity-wide information continued

Reported at 31 December 2008									
	Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million				
Net trading income	369	468	191	694	350	258	166	(91)	2,405
Other income	1,898	958	1,385	2,259	1,396	1,476	743	1,448	11,563
Operating income	2,267	1,426	1,576	2,953	1,746	1,734	909	1,357	13,968
Operating expense	(1,017)	(637)	(955)	(1,721)	(646)	(813)	(564)	(1,258)	(7,611)
Operating profit/(loss) before impairment losses and taxation	1,250	789	621	1,232	1,100	921	345	99	6,357
Impairment losses and share of profits from associates	(236)	(45)	(263)	(534)	(157)	(185)	(33)	(336)	(1,789)
Profit/(loss) before taxation	1,014	744	358	698	943	736	312	(237)	4,568
Net interest margin (%)	2.1	0.8	2.5	2.4	3.4	3.0	4.4	0.4	2.5
Total assets employed	76,162	57,422	70,438	82,667	31,362	38,194	12,154	147,934	516,333

Restatement									
	Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million				
Net trading income	(12)	(109)	(29)	7	(52)	(76)	1	270	-
Other income	-	-	-	-	-	-	-	-	-
Operating income	(12)	(109)	(29)	7	(52)	(76)	1	270	-
Operating expenses	(13)	(27)	-	-	-	(8)	-	48	-
Operating profit/(loss) before impairment losses and taxation	(25)	(136)	(29)	7	(52)	(84)	1	318	-
Impairment losses and share of profits from associates	-	-	-	-	-	-	-	-	-
Profit/(loss) before taxation	(25)	(136)	(29)	7	(52)	(84)	1	318	-
Net interest margin (%)	-	0.5	(0.2)	-	0.1	0.7	0.1	0.7	-
Total assets employed	1,465	(6,176)	(6,088)	(474)	907	(3,830)	(50)	(17,211)	(31,457)

Restated at 31 December 2008									
	Asia Pacific					Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million				
Net trading income	357	359	162	701	298	182	167	179	2,405
Other income	1,898	958	1,385	2,259	1,396	1,476	743	1,448	11,563
Operating income	2,255	1,317	1,547	2,960	1,694	1,658	910	1,627	13,968
Operating expenses	(1,030)	(664)	(955)	(1,721)	(646)	(821)	(564)	(1,210)	(7,611)
Operating profit before impairment losses and taxation	1,225	653	592	1,239	1,048	837	346	417	6,357
Impairment losses and share of profits from associates	(236)	(45)	(263)	(534)	(157)	(185)	(33)	(336)	(1,789)
Profit before taxation	989	608	329	705	891	652	313	81	4,568
Net interest margin (%)	2.1	1.3	2.3	2.4	3.5	3.7	4.5	1.1	2.5
Total assets employed	77,627	51,246	64,350	82,193	32,269	34,364	12,104	130,723	484,876

Standard Chartered PLC – Notes continued

34. Special purpose entities

The Group uses Special Purpose Entities (SPEs) in the normal course of business across a variety of activities. SPEs are established for specific limited purposes and take a number of legal forms. The main types of activities for which the Group utilises SPEs cover synthetic credit default swaps for portfolio management purposes, managed investment funds (including specialised principal finance funds) and structured finance.

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see note 14).

The total assets of unconsolidated SPEs in which the Group has an interest are set out below.

	2009		2008	
	Total assets	Maximum exposure	Total assets	Maximum exposure
	\$million	\$million	\$million	\$million
Portfolio management vehicles	1,694	339	1,694	252
Principal Finance Funds ¹	988	130	898	124
AEB Funds	-	-	2,487	4
Structured Finance	-	-	290	-
	2,682	469	5,369	380

¹ Committed capital for these funds is \$375 million (2008: \$375 million) of which \$130 million (2008: \$124 million) has been drawn down net of provisions for impairment of \$33 million.

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated Government securities, which are used to collateralise the SPE's swap obligations to the Group, and to repay the principal to investors at maturity. The SPEs reimburse the Group on actual losses incurred, through the realisation of the collateral security. Correspondingly, the SPEs write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All the funding is committed for the life of these vehicles and hence the Group has no indirect exposure in respect of the vehicles' liquidity position.

Following the acquisition of AEB, the Group was also the investment manager for a number of AEB's investment funds, in which it had a limited amount of capital invested. During 2009 these funds were sold and at 31 December 2009 the Group had no capital invested in these funds.

The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the SPEs have Standard Chartered branding.

35. Related party transactions

Directors and officers

Directors' emoluments

IAS 24 'Related party disclosures' requires the following additional information for key management compensation. Key management comprises non-executive directors and members of the Group Management Committee, which includes all executive directors.

	2009	2008
	\$million	\$million
Salaries, allowances and benefits in kind	15	20
Pension contributions	6	6
Bonuses paid or receivable	-	18
Share based payments	1	25
	22	69

Transactions with directors, officers and others

At 31 December 2009, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors and officers were as follows:

	2009		2008	
	Number	\$000	Number	\$000
Directors	1	13	2	635
Officers ¹	5	7,240	3	7,898

¹ For this disclosure, the term 'Officers' means the members of the Group Management Committee, other than those who are directors of Standard Chartered PLC, and the Company secretary.

Standard Chartered PLC – Notes continued

35. Related party transactions continued

Mr Sunil Mittal, who was an independent non-executive director of Standard Chartered PLC until 31 July 2009, is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it was a related party of Standard Chartered PLC until 31 July 2009. As at 31 July 2009, the Group had loans to the Bharti Enterprises Group of \$59 million (31 December 2008: \$137 million), guarantees of \$35 million (31 December 2008: \$39 million) and foreign exchange deals with a notional value of \$102 million (31 December 2008: \$103 million).

As at 31 December 2009, Standard Chartered Bank had created a charge over \$31 million (2008: \$24 million) of cash assets in favour of the independent trustees of its employer financial retirement benefit schemes.

Other than as disclosed in this Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the HK Listing Rules.

Associates

The Group has amounts due from Merchant Solutions totalling \$32 million at 31 December 2009 (2008: \$nil million). Except as disclosed, the Group did not have any amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$3 million at 31 December 2009 (2008: \$5 million), and deposits of \$16 million (2008: \$16 million). The Group has loans and advances with STCI totalling \$12 million (2008: \$12 million).

The Group has investments in sub debt issued by PT Bank Permata Tbk for \$50 million at 31 December 2009 (31 December 2008: nil million).

36. Corporate governance

The directors confirm that, throughout the year, the Company has complied with the provisions of Appendix 14 of the HK Listing Rules. The directors confirm that the announcement of these results has been reviewed by the Company's Audit and Risk Committee. 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 year.

37. Other information

The financial information included within this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the directors on 3 March 2010. These accounts will be published on 26 March 2010 after which they will be delivered to the Registrar of Companies. The report of the auditors on these accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not include a statement under section 498 of the Companies Act 2006.

38. UK and Hong Kong accounting requirements

As required by the HK Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Standard Chartered PLC – Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- (a) the consolidated financial information contained herein has been prepared in accordance with IFRSs as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) this announcement includes:
 - (i) an indication of important events that have occurred during the year ended 31 December 2009 and their impact on the consolidated financial statements, and a description of the principal risks and uncertainties; and
 - (ii) details of material related party transactions in the year ended 31 December 2009 and any material changes in the related party transactions described in the last annual report of the Group.

By order of the Board

R H Meddings
Group Finance Director
3 March 2010

Standard Chartered PLC – Additional information

Summarised consolidated income statement

	1st half 2009	2nd half 2009	2009
First and second half 2009	\$million	\$million	\$million
Interest income	6,490	6,436	12,926
Interest expense	(2,790)	(2,513)	(5,303)
Net interest income	3,700	3,923	7,623
Fees and commission income	1,853	1,971	3,824
Fees and commission expense	(168)	(286)	(454)
Net trading income	1,740	1,150	2,890
Other operating income	835	466	1,301
Total non-interest income	4,260	3,301	7,561
Operating income	7,960	7,224	15,184
Staff costs	(2,618)	(2,294)	(4,912)
Premises costs	(314)	(384)	(698)
General administrative expenses	(860)	(962)	(1,822)
Depreciation and amortisation	(235)	(285)	(520)
Operating expenses	(4,027)	(3,925)	(7,952)
Operating profit before impairment losses and taxation	3,933	3,299	7,232
Impairment losses on loans and advances and other credit	(1,088)	(912)	(2,000)
Other impairment	(15)	(87)	(102)
Profit from associates	8	13	21
Profit before taxation	2,838	2,313	5,151
Taxation	(847)	(827)	(1,674)
Profit for the year	1,991	1,486	3,477
Profit attributable to:			
Minority interests	58	39	97
Parent company shareholders	1,933	1,447	3,380
Profit for the year	1,991	1,486	3,477
Earnings per share:			
Basic earnings per ordinary share (cents)	98.8	69.9	167.9
Diluted earnings per ordinary share (cents)	98.0	69.2	165.3

Standard Chartered PLC – Glossary

Advances to deposit ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Obligation (CDOs), the reference pool may be ABS.
Alt-A	Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.
Attributable profit to ordinary shareholders	Profit for the year after minority interests and the declaration of dividends on preference shares classified as equity.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
Commercial Mortgage Backed Securities (CMBS)	Commercial Mortgage Backed Securities are securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Real Estate	Commercial real estate includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Contractual maturities	Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.
Cost-income ratio	Represents the proportion of total costs to total income.
Cover ratio	Represents the extent to which non-performing loans are covered by impairment allowances.
Commercial paper (CP)	An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.
Core Tier 1 Capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus minority interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the FSA (Financial Services Authority).
Core Tier 1 Capital ratio	Core Tier 1 capital as a percentage of risk weighted assets.
Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.
Credit risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by Central Banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans are considered to be delinquent when consecutive payments are missed.
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments
First/Second Lien	First lien: debt that places its holder first in line to collect compensation from the sale of the underlying collateral in the event of a default on the loan. Second lien: debt that is issued against the same collateral as higher lien debt but that is subordinate to it. In the case of default, compensation for this debt will only be received after the first lien has been repaid and thus represents a riskier investment than the first lien.

Standard Chartered PLC – Glossary continued

Funded/unfunded exposures	Exposures where the notional amount of the transaction is funded. Represents exposures where there is a commitment to provide future funding is made but funds are not released.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
Home Loan	A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.
Impaired loans	'Impaired loans' comprise loans where individual identified impairment allowance has been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual or collective.
Individually/Collectively Assessed	Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. Typically assets within the Wholesale Banking business of the Group are assessed individually whereas assets within the Consumer Banking business are assessed on a portfolio basis.
Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Leveraged Finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquidity and Credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a Home loan
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium Term Notes (MTN)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to number of shares outstanding.
Net interest income	The difference between interest received on assets and interest paid on liabilities. Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short term interest rate movements on equity and customer balances that do not re-price with market rates.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.
Net principal exposure	Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.
Normalised earnings	Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period
Prime	Prime mortgages have a higher credit quality and would be expected to satisfy the criteria for inclusion into Government programs

Standard Chartered PLC – Glossary continued

Private equity investments	Equity securities in operating companies <i>generally</i> not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.
Profit attributable to ordinary shareholders'	Profit for the year after minority interests and dividends declared in respect of preference shares classified as equity.
Renegotiated loans	Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Retail Loans	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.
Return on equity	Represents the ratio of the current year's profit available for distribution to the weighted average shareholders equity over the period under review.
Risk weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Residential Mortgages Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to an SPE (special purpose entity) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.
Special Purpose Entities (SPEs)	SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities. Transactions with SPEs take a number of forms, including: – The provision of financing to fund asset purchases, or commitments to provide finance for future purchases. – Derivative transactions to provide investors in the SPE with a specified exposure. – The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties. – Direct investment in the notes issued by SPEs.
Structured finance /notes	A Structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.
Student loan related assets	Assets which are referenced to underlying student loans.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Sub-Prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.
Tier 1 capital	Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.
VaR	Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.
Write Downs	The depreciation or lowering of the value of an asset in the books to reflect a decline in their value, or expected cash flows

Standard Chartered PLC – Additional information

Financial Calendar

Ex-dividend date	10 March 2010
Record date	12 March 2010
Expected posting to shareholders of 2009 Report and Accounts	26 March 2010
Annual General Meeting	7 May 2010
Payment date – final dividend on ordinary shares	13 May 2010

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or from our website on <http://investors.standardchartered.com>

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The following information will be available on our website

Full year results video with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director

Full year results presentation in pdf format

A live webcast of the annual results analyst presentation

The archived podcast, webcast and Q/A session of analyst presentation in London

Images of Standard Chartered are available for the media at http://www.standardchartered.com/global/mc/plib/directors_p01.html

Information regarding the Group's commitment to Sustainability is available at <http://www.standardchartered.com/sustainability>

The 2009 Annual Report will be made available on the website of the Stock Exchange of Hong Kong and on our website <http://investors.standardchartered.com> as soon as is practicable.

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Disclaimer

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. No public offering of the Placing Shares will be made in the United States.

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As at the date of this announcement, the Board of Directors of the Company comprises:

Chairman:

Mr John Wilfred Peace

Executive Directors:

Mr Peter Alexander Sands, Mr Stefano Paolo Bertamini, Mr Jaspal Singh Bindra, Mr Gareth Richard Bullock, Mr Richard Henry Meddings and Mr Alun Michael Guest Rees

Independent Non-Executive Directors:

Mr Richard Delbridge, Mr James Frederick Trevor Dundas, Ms Valerie Frances Gooding CBE, Dr Han Seung-soo KBE, Mr Rudolph Harold Peter Markham, Ms Ruth Markland, Mr John Gregor Hugh Paynter, Mr Paul David Skinner and Mr Oliver Henry James Stocken