

STANDARD CHARTERED PLC - NOTES

1. Basis of preparation

The Group condensed interim financial statements consolidate those of 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.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 August 2006.

Except as noted below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

On 1 January 2006 the Group retrospectively adopted:

- Amendments to IAS 39 and IFRS 4 – Financial Guarantee Contracts; and
- IFRIC Interpretation 4, 'Determining whether an arrangement contains a lease'

neither of which had a material impact on the Group's consolidated financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2005.

The balance sheet as at 30 June 2005 has been restated as explained in note 29, to reflect the revised fair values of assets and liabilities acquired on the acquisition of SCFB and the representation of balances to conform with that used as at 31 December 2005.

2. Segmental Information

The Group is organised on a worldwide basis into two main business segments: Wholesale Banking and Consumer Banking. The types of products and services within these segments are set out in the Financial Review. The Group's secondary reporting format comprises geographical segments.

By Class of Business

	30.06.06				30.06.05			
	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	Total \$million
Internal income	(12)	12	–	–	(7)	7	–	–
Net interest income	1,665	845	–	2,510	1,256	716	–	1,972
Other income	542	1,060	–	1,602	474	790	–	1,264
Operating income	2,195	1,917	–	4,112	1,723	1,513	–	3,236
Operating expenses	(1,210)	(1,015)	–	(2,225)	(888)	(820)	–	(1,708)
Operating profit before impairment losses	985	902	–	1,887	835	693	–	1,528
Impairment (losses)/releases on loans and advances	(405)	56	–	(349)	(193)	(1)	–	(194)
Other impairment	–	(8)	–	(8)	–	(1)	–	(1)
Loss from associates	–	–	(3)	(3)	–	–	–	–
Operating profit before taxation	580	950	(3)	1,527	642	691	–	1,333
Total assets employed	73,008	164,648	*492	238,148	68,361	135,890	*392	204,643
Total liabilities employed	88,214	135,674	*410	224,298	66,660	125,174	*275	192,109
Total risk weighted assets and contingents	55,037	80,061	–	135,098	51,726	69,805	–	121,531
Other segment items:								
Capital Expenditure	120	47	–	167	43	41	–	84
Depreciation	45	15	–	60	32	27	–	59
Amortisation of intangible assets	25	34	–	59	29	32	–	61

* As required by IAS 14, tax balances are not allocated.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

	31.12.05			
	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	Total \$million
Internal income [#]	(27)	27	–	–
Net interest income	1,660	703	–	2,363
Other income	446	816	–	1,262
Operating income	2,079	1,546	–	3,625
Operating expenses	(1,213)	(890)	–	(2,103)
Operating profit before impairment losses	866	656	–	1,522
Impairment (losses)/releases on loans and advances	(232)	107	–	(125)
Other impairment	(3)	(10)	(36)	(49)
Operating profit before taxation	631	753	(36)	1,348
Total assets employed	74,134	140,464	*498	215,096
Total liabilities employed	79,008	123,472	*283	202,763
Total risk weighted assets and contingents	52,054	73,870	–	125,924
Other segment items:				
Capital Expenditure	71	68	–	139
Depreciation	36	30	–	66
Amortisation of intangible assets	45	52	–	97

* As required by IAS 14, tax balances are not allocated.

Internal income by geographies has been restated as the Group has refined its method for charging and allocating expense for capital in 2006. The restatement has no effect on total income. See note 29.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

By geographic segment

The Group manages its business segments on a global basis. The operations are based in nine main geographical areas. The UK is the home country of the parent. Following the acquisition of SCFB on 15 April 2005, Korea has been identified as a separately reportable geographic segment. In the first half of 2005, the existing Korean business was included in Other Asia Pacific. Accordingly, this segment has been restated to present Korea separately. The UAE segment has been included with Middle East and Other South Asia.

	30.06.06									
	Asia Pacific								Americas UK & Group Head Office	Total
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million		\$million
Internal income	(13)	1	1	26	5	(4)	(2)	(7)	(7)	–
Net interest income	542	164	122	522	354	210	287	196	113	2,510
Fees and commissions income, net	198	78	23	68	130	101	141	77	78	894
Net trading income	57	32	33	51	83	59	53	47	116	531
Other operating income	10	15	9	67	10	14	3	2	47	177
Operating income	794	290	188	734	582	380	482	315	347	4,112
Operating expenses	(344)	(137)	(79)	(460)	(336)	(160)	(225)	(201)	(283)	(2,225)
Operating profit before impairment losses	450	153	109	274	246	220	257	114	64	1,887
Impairment (losses)/releases on loans and advances	8	(19)	(12)	(40)	(277)	(7)	(14)	(17)	29	(349)
Other impairment	–	–	–	–	–	–	–	(6)	(2)	(8)
Loss from associates	–	–	–	–	(3)	–	–	–	–	(3)
Operating profit before taxation	458	134	97	234	(34)	213	243	91	91	1,527
Loans and advances to customers – average	22,925	12,434	8,389	38,616	11,898	5,647	8,237	2,319	9,881	120,346
Net interest margins (%)	2.3	1.2	2.2	1.8	2.8	3.6	3.5	6.6	0.4	2.5
Loans and advances to customers – period end	22,188	13,169	9,007	38,724	11,704	5,695	8,143	2,256	9,259	120,145
Loans and advances to banks – period end	3,131	1,155	153	1,835	3,433	285	1,501	563	5,586	17,642
Total assets employed*	45,103	27,546	11,690	65,927	28,425	13,227	14,406	6,957	63,432	276,713
Total risk weighted assets and contingents	21,938	13,912	5,503	34,610	16,386	7,549	11,782	2,955	23,328	137,963
Capital expenditure	72	23	1	8	11	7	13	4	28	167

* Total assets employed includes intra-group items of \$39,057 million and excludes deferred tax assets of \$492 million.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

	30.06.05									
	Asia Pacific								Americas UK & Group Head Office	
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	\$million	Total \$million
Internal income*	25	2	1	(3)	6	(5)	–	(8)	(18)	–
Net interest income	447	137	106	238	317	161	225	188	153	1,972
Fees and commissions income, net	171	63	30	29	108	73	112	76	65	727
Net trading income	81	54	17	34	83	41	46	(2)	55	409
Other operating income	26	5	2	11	10	32	4	1	37	128
Operating income*	750	261	156	309	524	302	387	255	292	3,236
Operating expenses	(317)	(123)	(73)	(167)	(296)	(143)	(158)	(195)	(236)	(1,708)
Operating profit before impairment losses	433	138	83	142	228	159	229	60	56	1,528
Impairment/(losses) releases on loans and advances	(69)	(34)	(14)	(34)	11	(23)	(15)	(30)	14	(194)
Other impairment	(1)	–	–	–	–	1	–	–	(1)	(1)
Operating profit before taxation	363	104	69	108	239	137	214	30	69	1,333
Loans and advances to customers – average	22,363	12,012	6,245	14,684	9,172	5,060	7,600	2,038	9,109	88,283
Net interest margins (%)	2.2	1.2	2.3	1.9	3.2	3.3	3.3	7.3	0.6	2.6
Loans and advances to customers – period end	22,102	12,064	6,451	33,007	10,142	5,138	7,706	2,014	8,757	107,381
Loans and advances to banks – period end	3,667	2,956	474	2,804	1,596	195	1,166	199	7,898	20,955
Total assets employed**	54,971	23,885	9,345	52,240	23,619	10,806	15,410	6,225	57,857	254,358
Total risk weighted assets and contingents	20,820	13,289	4,773	28,510	14,883	6,276	8,959	2,410	24,025	123,945
Capital expenditure	14	15	2	16	13	7	4	5	8	84

* Internal income by geographies has been restated as the Group has refined its method for charging and allocating expense for capital in 2006. The restatement has no effect on total income. See note 29.

** Total assets employed includes intra-group items of \$50,107 million and excludes deferred tax assets of \$392 million.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

	31.12.05									
	Asia Pacific								Americas UK & Group Head Office	Total
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	\$million	\$million
Internal income*	(4)	5	5	2	7	(2)	5	(6)	(12)	–
Net interest income	488	133	108	588	309	176	253	192	116	2,363
Fees and commissions income, net	181	76	30	16	117	78	122	75	73	768
Net trading income	20	30	27	29	82	31	43	33	65	360
Other operating income	49	9	9	13	18	8	2	4	22	134
Operating income*	734	253	179	648	533	291	425	298	264	3,625
Operating expenses	(332)	(123)	(77)	(465)	(314)	(163)	(181)	(204)	(244)	(2,103)
Operating profit before impairment losses	402	130	102	183	219	128	244	94	20	1,522
Impairment (losses)/releases on loans and advances	(48)	(9)	(16)	(27)	(60)	(27)	24	(13)	51	(125)
Other impairment	–	–	–	–	–	–	–	(47)	(2)	(49)
Operating profit before taxation	354	121	86	156	159	101	268	34	69	1,348
Loans and advances to customers – average	22,148	11,966	6,521	23,315	9,971	5,107	7,917	2,088	9,819	98,852
Net interest margins (%)	2.1	1.1	2.2	2.1	2.8	3.4	3.3	7.5	0.4	2.5
Loans and advances to customers – period end	21,584	12,541	7,613	36,037	11,210	5,017	7,348	2,251	8,576	112,177
Loans and advances to banks – period end	5,688	2,431	173	3,222	2,213	238	1,255	313	7,426	22,959
Total assets employed**	49,943	23,602	10,409	59,929	24,141	10,943	12,902	5,606	37,083	234,558
Total risk weighted assets and contingents	21,281	11,770	5,224	31,850	15,140	6,369	9,304	2,732	24,256	127,926
Capital expenditure	22	28	4	26	21	11	7	8	12	139

* Internal income by geographies has been restated as the Group has refined its method for charging and allocating expense for capital in 2006. The restatement has no effect on total income. See note 29.

** Total assets employed includes intra-group items of \$19,960 million and excludes deferred tax assets of \$498 million.

Apart from SCFB, Group central expenses have been distributed between segments in proportion to their direct costs and the benefit of the Group's capital has been distributed between segments in proportion to their average risk weighted assets. In SCFB, expense allocations have been based on an estimate of the cost incurred supporting the integration as a transitional measure.

Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

Total risk weighted assets and contingents include \$2,865 million (30 June 2005: \$2,414 million 31 December 2005: \$2,002 million) of balances which are netted in calculating capital ratios.

In 2005 other impairment includes a provision made in respect of exposures in Zimbabwe.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

The following tables set out the structure of the Group's deposits by principal geographic region and business where it operates at 30 June 2006, 30 June 2005 and 31 December 2005.

By geographic segment

	30.06.06									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Group Head Office \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non interest bearing current and demand accounts	2,804	796	1,277	191	2,718	1,689	3,394	1,602	445	14,916
Interest bearing current and demand accounts	14,056	3,531	195	15,762	4,109	19	1,224	1,275	5,322	45,493
Savings deposits	8	1,617	493	13	2,991	1,334	1,433	389	–	8,278
Time deposits	19,633	9,881	5,026	16,632	9,267	3,780	5,588	1,517	11,361	82,685
Other deposits	31	78	829	691	788	464	366	51	937	4,235
Total	36,532	15,903	7,820	33,289	19,873	7,286	12,005	4,834	18,065	155,607
Deposits by banks	669	1,796	861	6,257	4,807	1,281	1,676	362	6,015	23,724
Customer accounts	35,863	14,107	6,959	27,032	15,066	6,005	10,329	4,472	12,050	131,883
	36,532	15,903	7,820	33,289	19,873	7,286	12,005	4,834	18,065	155,607
Debt securities in issue	585	1,395	918	20,151	721	802	–	127	2,487	27,186
Total	37,117	17,298	8,738	53,440	20,594	8,088	12,005	4,961	20,552	182,793

	30.06.05									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Group Head Office \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non interest bearing current and demand accounts*	1,471	713	983	175	1,532	1,796	2,341	1,168	1,004	11,183
Interest bearing current and demand accounts*	14,024	3,687	120	8,584	2,537	3	1,076	1,472	3,542	35,045
Savings deposits	6	849	435	19	2,881	1,263	1,411	379	–	7,243
Time deposits	17,152	10,970	3,839	11,176	7,237	3,411	5,270	771	11,938	71,764
Other deposits	28	42	787	1,480	1,239	8	497	75	1,032	5,188
Total	32,681	16,261	6,164	21,434	15,426	6,481	10,595	3,865	17,516	130,423
Deposits by banks	1,544	3,654	1,374	1,960	4,023	1,045	2,016	122	5,915	21,653
Customer accounts	31,137	12,607	4,790	19,474	11,403	5,436	8,579	3,743	11,601	108,770
	32,681	16,261	6,164	21,434	15,426	6,481	10,595	3,865	17,516	130,423
Debt securities in issue	963	790	727	19,906	660	758	–	79	4,072	27,955
Total	33,644	17,051	6,891	41,340	16,086	7,239	10,595	3,944	21,588	158,378

* Restated to present on a consistent basis.

STANDARD CHARTERED PLC – NOTES continued

2. Segmental Information continued

	31.12.05									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Group Head Office \$million	Total \$million
Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Non interest bearing current and demand accounts*	2,998	709	1,120	216	1,343	1,928	2,855	1,359	473	13,001
Interest bearing current and demand accounts*	12,753	3,355	148	13,554	3,612	3	1,110	1,264	4,534	40,333
Savings deposits	6	1,383	459	12	2,478	1,286	1,369	368	–	7,361
Time deposits	17,893	11,324	4,046	14,542	8,397	3,164	5,179	872	10,675	76,092
Other deposits	20	49	1,120	1,322	748	11	432	97	626	4,425
Total	33,670	16,820	6,893	29,646	16,578	6,392	10,945	3,960	16,308	141,212
Deposits by banks	627	3,641	652	4,742	3,517	676	1,893	98	4,427	20,273
Customer accounts	33,043	13,179	6,241	24,904	13,061	5,716	9,052	3,862	11,881	120,939
	33,670	16,820	6,893	29,646	16,578	6,392	10,945	3,960	16,308	141,212
Debt securities in issue	840	1,111	619	19,815	741	655	–	85	3,548	27,414
Total	34,510	17,931	7,512	49,461	17,319	7,047	10,945	4,045	19,856	168,626

* Restated to present on a consistent basis.

3. Net Trading Income

	6 months ended 30.06.06 \$million	6 months ended 30.06.05 \$million	6 months ended 31.12.05 \$million
Gains less losses on foreign currency	311	302	311
Gains less losses on trading securities	19	(18)	(1)
Other trading profits	201	125	50
	531	409	360

4. Other Operating Income

	6 months ended 30.06.06 \$million	6 months ended 30.06.05 \$million	6 months ended 31.12.05 \$million
Other operating income includes:			
Gains less losses on disposal of available-for-sale financial assets	52	74	33
Dividend income	33	9	53

STANDARD CHARTERED PLC – NOTES continued

5. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.06 \$million	6 months ended 30.06.05 \$million	6 months ended 31.12.05 \$million
The charge for taxation based upon the profits for the period comprises:			
United Kingdom corporation tax at 30% (30 June 2005, 31 December 2005: 30%):			
Current tax on income for the period	93	158	168
Adjustments in respect of prior periods	(114)	–	4
Double taxation relief	(88)	(150)	(158)
Foreign tax:			
Current tax on income for the period	505	314	357
Adjustments in respect of prior periods	41	(8)	(10)
Total current tax	437	314	361
Deferred tax:			
Origination/reversal of temporary differences	(42)	53	(18)
Tax on profits on ordinary activities	395	367	343
Effective tax rate	25.9%	27.5%	25.5%

Overseas taxation includes taxation on Hong Kong profits of \$115 million (30 June 2005: \$78 million, 31 December 2005: \$131 million) provided at a rate of 17.5 per cent (30 June 2005: 17.5 per cent, 31 December 2005: 17.5 per cent) on the profits assessable in Hong Kong.

6. Dividends

Ordinary equity shares

Dividends are recorded in the period in which they are declared. The 2005 interim dividend of 18.94 cents per ordinary was paid to eligible shareholders on 14 October 2005 and the final dividend of 45.06 cents per ordinary share was paid to eligible shareholders on 12 May 2006.

The 2006 interim dividend of 20.83 cents per share will be paid in either sterling, Hong Kong dollars or US dollars on 11 October 2006 to shareholders on the UK register of members at the close of business on 18 August 2006 and to

shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 18 August 2006.

It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the interim cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 1 September 2006.

Preference Shares

	6 months ended 30.06.06 \$million	6 months ended 30.06.05 \$million	6 months ended 31.12.05 \$million
Non-cumulative irredeemable preference shares:			
7 ³ / ₈ per cent preference shares of £1 each*	7	7	7
8 ¹ / ₄ per cent preference shares of £1 each*	7	7	8
Non-cumulative redeemable preference shares:			
8.9 per cent preference shares of \$5 each	15	15	14

* Instruments classified as liabilities with dividends recorded as interest expense

STANDARD CHARTERED PLC – NOTES continued

7. Earnings Per Ordinary Share

	30.06.06			30.06.05			31.12.05		
	Profit \$million	Weighted average number of shares ('000)	Per share amount cents	Profit \$million	Weighted average number of shares ('000)	Per share amount cents	Profit \$million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	1,088	1,314,467	82.8	956	1,279,432	74.7	961	1,297,821	74.0
Effect of dilutive potential ordinary shares:									
Convertible bonds	-	-		7	20,578		-	-	
Options	-	9,666		-	15,366		-	9,418	
Diluted earnings per share	1,088	1,324,133	82.2	963	1,315,376	73.2	961	1,307,239	73.5

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.

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Profit attributable to ordinary shareholders	1,088	956	961
Amortisation of intangible assets arising on business combinations	20	5	27
Other impairment	-	1	41
Premium and costs paid on repurchase of subordinated debt	4	-	-
Tax on normalised items	(7)	-	(7)
Normalised earnings	1,105	962	1,022
Normalised earnings per ordinary share (cents)	84.1	75.2	78.7

No ordinary shares were issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculations had they been issued prior to the end of the balance sheet period.

STANDARD CHARTERED PLC – NOTES continued

8. Financial Instruments Classification Summary

Financial instruments are classified between four recognition principles: at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity and loans and receivables. The face of the balance sheet combines financial instruments that are held at their fair value

through profit or loss and subdivided between those assets and liabilities held for trading purposes and those that the Group has elected to hold at fair value.

The Group's classification of its principal financial assets and liabilities (excluding derivatives) is summarised below:

	Trading \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Total \$million
Loans and advances to banks	892	–	99	16,651	–	17,642
Loans and advances to customers	435	160	129	119,421	–	120,145
Treasury bills and other eligible bills	2,861	637	11,966	–	–	15,464
Debt securities	7,626	315	31,010	1,788	164	40,903
Equity shares	74	82	1,109	–	–	1,265
Total assets at 30 June 2006	11,888	1,194	44,313	137,860	164	195,419
Total assets at 30 June 2005	8,264	195	37,285	126,818	615	173,177
Total assets at 31 December 2005	9,441	892	36,519	134,621	215	181,688

	Trading \$million	Designated at fair value \$million	Total held at fair value \$million	Amortised cost \$million	Total \$million
Deposits by banks	1,473	257	1,730	21,994	23,724
Customer accounts	593	1,114	1,707	130,176	131,883
Debt securities in issue	1,623	610	2,233	24,953	27,186
Short positions	2,750	–	2,750	–	2,750
Total liabilities at 30 June 2006	6,439	1,981	8,420	177,123	185,543
Total liabilities at 30 June 2005	4,905	915	5,820	154,775	160,595
Total liabilities at 31 December 2005	4,909	1,384	6,293	164,678	170,971

STANDARD CHARTERED PLC – NOTES continued

9. Financial Assets Held at Fair Value through Profit or Loss

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Loans and advances to banks	892	1,081	1,258
Loans and advances to customers	595	871	386
Treasury bills and other eligible bills	3,498	1,905	2,715
Debt securities	7,941	4,590	5,856
Equity shares	156	12	118
	13,082	8,459	10,333
Debt securities			
	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Issued by public bodies:			
Government securities	2,326	1,769	1,632
Other public sector securities	–	7	–
	2,326	1,776	1,632
Issued by banks:			
Certificates of deposit	605	626	811
Other debt securities	1,992	764	1,028
	2,597	1,390	1,839
Issued by corporate entities and other issuers:			
Other debt securities	3,018	1,424	2,385
Total debt securities	7,941	4,590	5,856
Of which:			
Listed on a recognised UK exchange	1,241	249	537
Listed elsewhere	2,284	950	1,526
Unlisted	4,416	3,391	3,793
	7,941	4,590	5,856
Equity securities			
Unlisted	136	–	118
Listed	20	12	–
	156	12	118

STANDARD CHARTERED PLC – NOTES continued

11. Loans and Advances

	30.06.06		30.06.05		31.12.05	
	Loans to banks \$million	Loans to customers \$million	Loans to banks \$million	Loans to customers \$million	Loans to banks \$million	Loans to customers \$million
Loans and advances	17,654	121,894	21,003	109,378	22,982	113,908
Individual impairment provision	(11)	(1,295)	(48)	(1,683)	(22)	(1,364)
Portfolio impairment provision	(1)	(454)	–	(314)	(1)	(367)
	17,642	120,145	20,955	107,381	22,959	112,177
Of which: loans and advances held at fair value through profit or loss	(892)	(595)	(1,081)	(871)	(1,258)	(386)
	16,750	119,550	19,874	106,510	21,701	111,791

The Group's exposure to credit risk is concentrated in Hong Kong, Korea and the Asia Pacific region. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty, and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding mortgage loans to Hong Kong residents of approximately \$11.3 billion (30 June 2005: \$12.6 billion, 31 December 2005: \$12.1 billion), and Korea residents of approximately \$23.2 billion (30 June 2005: \$18.8 billion, 31 December 2005: \$22.5 billion).

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Provisions held at beginning of period	1,754	1,782	2,045
Exchange translation differences	49	(28)	3
Acquisitions	–	407	–
Amounts written off	(436)	(352)	(519)
Recoveries of amounts previously written off	65	65	88
Discount unwinding	(25)	(23)	(25)
Other	(5)	–	24
New provisions	597	438	477
Recoveries/provisions no longer required	(238)	(244)	(339)
Net charge against profit*	359	194	138
Provisions held at end of period	1,761	2,045	1,754

* The net charge of \$359 million (30 June 2005: \$194 million, 31 December 2005: \$138 million) comprises \$273 million (30 June 2005: \$164 million, 31 December 2005: \$91 million) individual impairment charge and \$86 million (30 June 2005: \$30 million, 31 December 2005: \$47 million) portfolio impairment charge. The charge excludes provision releases for credit commitments of \$10 million for six months ended 30 June 2006 (30 June 2005: \$nil, 31 December 2005: \$13 million). The total impairment charge on loans and advances and other credit risks is \$349 million (30 June 2005: \$194 million, 31 December 2005: \$125 million).

The provision of \$1,761 million (30 June 2005: \$2,045 million, 31 December 2005: \$1,754 million) held at 30 June 2006 comprises \$1,306 million (30 June 2005: \$1,731 million, 31 December 2005: \$1,386 million) individual impairment provision and \$455 million (30 June 2005: \$314 million, 31 December 2005: \$368 million) portfolio impairment provision.

STANDARD CHARTERED PLC – NOTES continued

12. Non-Performing Loans and Advances

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Non-performing loans and advances	2,423	3,017	2,694
Impairment provisions	(1,761)	(2,045)	(1,754)
	662	972	940

Net non-performing loans and advances comprises loans and advances to banks \$8 million (30 June 2005: \$34 million, 31 December 2005: \$24 million) and loans and advances to customers \$654 million (30 June 2005: \$938 million, 31 December 2005: \$916 million).

Impairment provisions cover 73 per cent of non-performing lending (30 June 2005: 68 per cent, 31 December 2005: 65 per cent). The impairment provisions above include portfolio provisions.

13. Investment Securities

	30.06.06					
	Debt Securities			Equity securities	Treasury bills	Total
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	164	10,237	–			
Other public sector securities	–	1,366	–			
	164	11,603	–			
Issued by banks:						
Certificates of deposit	–	7,682	1,423			
Other debt securities	–	8,467	8			
	–	16,149	1,431			
Issued by corporate entities and other issuers:						
Other debt securities	–	3,258	357			
	–	3,258	357			
Total debt securities	164	31,010	1,788			
Listed on a recognised UK exchange	–	5,702	7	21	–	5,730
Listed elsewhere	134	10,170	–	424	7,452	18,180
Unlisted	30	15,138	1,781	664	4,514	22,127
	164	31,010	1,788	1,109	11,966	46,037

STANDARD CHARTERED PLC – NOTES continued

13. Investment Securities continued

	30.06.05					
	Debt Securities			Equity securities \$million	Treasury bills \$million	Total \$million
	Held-to- maturity \$million	Available- for-sale \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	615	8,094	–			
Other public sector securities	–	1,815	–			
	615	9,909	–			
Issued by banks:						
Certificates of deposit	–	6,596	–			
Other debt securities	–	6,025	–			
	–	12,621	–			
Issued by corporate entities and other issuers:						
Other debt securities	–	2,687	455			
	–	2,687	455			
Total debt securities	615	25,217	455			
Listed on a recognised UK exchange	388	4,681	–	–	–	5,069
Listed elsewhere	5	7,003	–	504	7,112	14,624
Unlisted	222	13,533	455	429	4,002	18,641
	615	25,217	455	933	11,114	38,334

	31.12.05					
	Debt Securities			Equity securities \$million	Treasury bills \$million	Total \$million
	Held-to- maturity \$million	Available- for-sale \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	215	8,618	–			
Other public sector securities	–	1,418	–			
	215	10,036	–			
Issued by banks:						
Certificates of deposit	–	6,330	–			
Other debt securities	–	5,973	–			
	–	12,303	–			
Issued by corporate entities and other issuers:						
Other debt securities	–	2,892	1,264			
	–	2,892	1,264			
Total debt securities	215	25,231	1,264			
Listed on a recognised UK exchange	–	5,944	–	23	–	5,967
Listed elsewhere	3	6,776	–	235	7,005	14,019
Unlisted	212	12,511	1,264	696	3,194	17,877
	215	25,231	1,264	954	10,199	37,863

STANDARD CHARTERED PLC - NOTES continued

13. Investment Securities continued

The change in the carrying amount of investment securities comprised:

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Opening	37,863	31,828	38,334
Exchange translation differences	1,009	(1,048)	(131)
Acquisitions	–	8,238	–
Additions	36,781	24,575	23,181
Maturities and disposals	(29,771)	(25,217)	(23,481)
Impairments	–	1	(34)
Changes in fair value	134	12	(44)
Amortisation of discounts and premiums	21	(55)	38
Closing	46,037	38,334	37,863

At 30 June 2006, unamortised premiums on debt securities held for investment purposes amounted to \$134 million (30 June 2005: \$177 million, 31 December 2005: \$59 million) and unamortised discounts amounted to \$110 million (30 June 2005: \$64 million, 31 December 2005: \$80 million).

The valuation of listed securities and of unlisted securities is at fair value. Income from listed equity shares amounted to \$2 million (30 June 2005: \$4 million, 31 December 2005: \$28 million) and income from unlisted equity shares amounted to \$31 million (30 June 2005: \$5 million, 31 December 2004: \$25 million).

14. Deposits by Banks

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Deposits by banks	21,994	20,958	18,834
Deposits by banks included within:			
Financial liabilities at fair value through profit or loss (note 8)	1,730	695	1,439
	23,724	21,653	20,273

15. Customer Accounts

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Customer accounts	130,176	107,056	119,931
Customer accounts included within:			
Financial liabilities at fair value through profit or loss (note 8)	1,707	1,304	1,008
	131,883	108,360	120,939

16. Debt Securities in Issue

	30.06.06			30.06.05		
	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	12,522	12,431	24,953	15,356	11,405	26,761
Debt securities in issue within:						
Financial liabilities at fair value through profit or loss (note 8)	326	1,907	2,233	249	824	1,073
	12,848	14,338	27,186	15,605	12,229	27,834

STANDARD CHARTERED PLC – NOTES continued

16. Debt Securities in Issue continued

	31.12.05		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	14,179	11,734	25,913
Debt securities in issue within:			
Financial liabilities at fair value through profit or loss (note 8)	201	1,300	1,501
	14,380	13,034	27,414

17. Other Liabilities

Other liabilities include Hong Kong currency notes in circulation of \$2,558 million (30 June 2005: \$2,499 million, 31 December 2005: \$2,492 million) which are secured by Hong Kong SAR Government certificates of indebtedness of the same amount included in other assets.

18. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Total market value of assets	2,036	1,836	1,930
Present value of the schemes' liabilities	(2,493)	(2,354)	(2,395)
Defined benefit schemes obligation	(457)	(518)	(465)
Defined contribution schemes	(9)	(17)	(11)
Net book amount	(466)	(535)	(476)

Retirement benefit charge comprises:

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Defined benefit schemes	43	26	40
Defined contribution schemes	32	23	42
	75	49	82

STANDARD CHARTERED PLC - NOTES continued

18. Retirement Benefit Obligations continued

The pension cost for defined benefit schemes was:

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Current service cost	41	30	42
Past service cost	9	-	-
Gain on settlement and curtailments	(8)	-	(1)
Expected return on pension scheme assets, less interest obligation	1	(4)	(1)
Total charge to profit before deduction of tax	43	26	40
Actual less expected return on assets	25	(28)	(83)
(Gain)/loss on change of assumptions	(93)	64	197
(Gain)/loss recognised in Statement of Recognised Income and Expenses before tax	(68)	36	114
Deferred taxation	20	(11)	(34)
(Gain)/loss after tax	(48)	25	80

19. Subordinated Liabilities and Other Borrowed Funds

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Dated subordinated loan capital	7,698	5,909	7,292
Undated subordinated loan capital	2,760	2,278	2,714
Other undated borrowings	347	350	343
Total	10,805	8,537	10,349

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

Of total dated subordinated loan capital and other borrowings \$5,949 million is at fixed interest rates (30 June 2005: \$5,414 million, 31 December 2005: \$6,151 million).

In March 2006, the Group bought back \$221 million 5.75 per cent Upper Tier 2 and \$108 million 6.25 per cent Lower Tier 2

capital. In June 2006, the Group bought back an additional \$7 million 5.75 per cent Upper Tier 2 capital.

On 11 May 2006 the Group issued £300 million Undated Callable Step Up Preferred Securities Innovative Tier 1 Capital at an issue price of 116.801 per cent. Interest is payable annually at a fixed rate of 8.103 per cent.

STANDARD CHARTERED PLC - NOTES continued

20. Share Capital and Share Premium

	Number of ordinary shares (millions)	Ordinary share capital \$million	Preference share capital \$million	Share premium account \$million	Total \$million
At 1 January 2005	1,179	590	2	2,835	3,427
Capitalised on scrip dividend	3	1	–	(1)	–
Shares issued, net of expenses	129	65	–	2,122	2,187
At 30 June 2005	1,311	656	2	4,956	5,614
Capitalised on scrip dividend	1	1	–	(1)	–
Shares issued, net of expenses	4	1	–	23	24
At 31 December 2005	1,316	658	2	4,978	5,638
Capitalised on scrip dividend	10	5	–	(5)	–
Shares issued, net of expenses	4	2	–	80	82
At 30 June 2006	1,330	665	2	5,053	5,720

On 12 January 2006, the Company issued 3,401,290 new ordinary shares at a price of 1301 pence per share representing approximately 0.26 per cent of the Company's

existing issued ordinary share capital. The issue of ordinary shares was used to acquire 20 per cent of Fleming Family & Partners Limited. A further 428,962 shares were issued for the purposes of the employee share schemes.

21. Reserves and Retained Earnings

	Capital Reserve \$million	Capital Redemption Reserve \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Premises revaluation reserve \$million	Translation reserve \$million	Retained earnings \$million	Total \$million
At 1 January 2005	5	11	–	–	76	96	5,115	5,303
Effect of adopting IAS 32 and 39	–	–	73	42	–	–	36	151
At 1 January 2005 as restated	5	11	73	42	76	96	5,151	5,454
Recognised income and expenses	–	–	(54)	(29)	–	(71)	909	755
Net own shares adjustment	–	–	–	–	–	–	(167)	(167)
Share option expense and related taxation	–	–	–	–	–	–	56	56
Dividends net scrip	–	–	–	–	–	–	(489)	(489)
At 30 June 2005	5	11	19	13	76	25	5,460	5,609
Recognised income and expenses	–	–	4	(33)	–	(19)	956	908
Net own shares adjustment	–	–	–	–	–	–	94	94
Share option expense and related taxation	–	–	–	–	–	–	67	67
Dividends net scrip	–	–	–	–	–	–	(223)	(223)
Debt recognition premium	–	–	–	–	–	–	(211)	(211)
At 31 December 2005	5	11	23	(20)	76	6	6,143	6,244
Recognised income and expenses	–	–	68	38	–	364	1,145	1,615
Net own shares adjustment	–	–	–	–	–	–	96	96
Share option expense and related taxation	–	–	–	–	–	–	32	32
Dividends net scrip	–	–	–	–	–	–	(357)	(357)
At 30 June 2006	5	11	91	18	76	370	7,059	7,630

STANDARD CHARTERED PLC - NOTES continued

21. Reserves and Retained Earnings continued

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (1995 trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and the Standard Chartered 2004 Employee Benefit Trust (2004 trust) which is an employee benefit trust used in conjunction with the Group's Deferred Bonus Plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements Group companies fund, from time to time, the trusts to enable the trustee to acquire shares to satisfy these awards.

For the period ended 30 June 2006, the 1995 trust has acquired, at market value, nil (30 June 2005: 11,700,000, 31 December 2005: nil) Standard Chartered PLC shares for an aggregate price of \$nil million (30 June 2005: \$211 million, 31 December 2005: \$nil million). These shares are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Performance Share Plan and Executive Shares Option Schemes. The purchase of these shares has been fully funded by the Group. At 30 June 2006, the 1995

trust held 5,104,262 (30 June 2005: 19,503,732, 31 December 2005: 13,631,745) Standard Chartered PLC shares, of which 5,104,262 (30 June 2005: 16,793,958, 31 December 2005: 11,521,682) have vested unconditionally.

For the period ended 30 June 2006, the 2004 trust has acquired, at market value, 321,242 (30 June 2005: 422,659, 31 December 2005: nil) Standard Chartered PLC shares for an aggregate price of \$9 million (30 June 2005: \$8 million, 31 December 2005: \$nil million). These shares are held in a pool for the benefit of participants under the Group's Deferred Bonus Plan. The purchase of these shares has been fully funded by the Group. At 30 June 2006, the 2004 trust held 311,575 (30 June 2005: 429,012, 31 December 2005: 409,160) Standard Chartered PLC shares, of which nil (30 June 2005: 7,333, 31 December 2005: 7,333) have vested unconditionally.

None of the shares held by the 1995 trust or the 2004 trust were purchased on The Stock Exchange of Hong Kong Limited.

22. Minority Interests

	\$300m 7.267% Hybrid Tier 1 Securities \$million	Other minority interests \$million	Total \$million
At 1 January 2006	336	115	451
Additions	-	50	50
Exchange translation differences	-	(2)	(2)
Other profits attributable to minority	10	19	29
Recognised income and expense	10	17	27
Distributions	(11)	(17)	(28)
At 30 June 2006	335	165	500

23. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises of the following balances with less than three months maturity from the date of acquisition:

	30.06.06 \$million	30.06.05 \$million	31.12.05 \$million
Cash and balances with central banks	11,813	5,667	8,012
Less restricted balances	(7,194)	(2,769)	(4,269)
Treasury bills and other eligible bills	6,222	4,686	4,049
Loans and advances to banks	12,627	13,719	17,590
Trading securities	7,919	6,507	9,844
Total	31,387	27,810	35,226

24. Net Interest Margin and Interest Spread

	30.06.06 %	30.06.05 %	31.12.05 %
Net interest margin*	2.5	2.6	2.5
Interest spread**	2.0	2.4	2.0

	\$million	\$million	\$million
Average interest earning assets	203,539	151,540	189,704
Average interest bearing liabilities	179,200	138,973	163,758

* Net interest margin is net interest income expressed as an annualised percentage of average interest earning assets.

** Interest spread is the difference between the average annualised interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.

25. Remuneration

The Group employed 49,255 staff at 30 June 2006 (30 June 2005: 42,100, 31 December 2005: 43,899).

Within the authority delegated by the Board of Directors, the Board Remuneration Committee is involved in determining the remuneration policy of Standard Chartered Group but specifically for agreeing the individual remuneration packages for executive directors and other highly remunerated individuals. No executive directors are involved in deciding their own remuneration. The Group's remuneration policy is to:

- Support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, the Group as a whole and the interests of the shareholders; and
- Maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

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

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

Standard Chartered believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans, which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of specific performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 33 per cent of employees participate.

STANDARD CHARTERED PLC - NOTES continued

26. Contingent Liabilities and Commitments

The table below shows the contract or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

The credit equivalent and risk weighted amounts have been calculated in accordance with the Financial Services Authority guidelines implementing the Basel Accord on capital adequacy, after taking account of collateral and guarantees received.

	30.06.06			30.06.05		
	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million
Contingent liabilities:						
Guarantees and irrevocable letters of credit	13,561	10,320	7,641	17,002	12,434	9,327
Other contingent liabilities	12,621	8,732	6,515	3,749	2,811	1,935
	26,182	19,052	14,156	20,751	15,245	11,262
Commitments:						
Documentary credits and short term trade-related transactions	5,613	1,123	929	3,700	740	603
Forward asset purchases and forward deposits placed	42	42	8	87	87	17
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	13,091	6,545	4,081	9,837	4,918	3,708
Less than one year	17,073	–	–	17,955	–	–
Unconditionally cancellable	31,429	–	–	27,375	–	–
	67,248	7,710	5,018	58,954	5,745	4,328

	31.12.05		
	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million
Contingent liabilities			
Guarantees and irrevocable letters of credit	15,952	11,106	7,704
Other contingent liabilities	6,295	5,134	2,995
	22,247	16,240	10,699
Commitments			
Documentary credits and short term trade-related transactions	3,730	746	572
Forward asset purchases and forward deposits placed	141	141	28
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	11,128	5,564	3,956
Less than one year	18,690	–	–
Unconditionally cancellable	28,705	–	–
	62,394	6,451	4,556

STANDARD CHARTERED PLC - NOTES continued

27. Liquidity Risk

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

The risk section of the Financial Review on pages 13 and 26 explains the Group's risk management with respect to asset and liability management.

	30.06.06				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	10,249	–	–	1,564	11,813
Derivative financial instruments	12,721	–	–	–	12,721
Loans and advances to banks	12,695	2,370	2,471	106	17,642
Loans and advances to customers	37,303	22,391	26,627	33,824	120,145
Investment securities	23,861	15,914	15,533	2,324	57,632
Other assets	1,846	556	649	15,144	18,195
Total assets	98,675	41,231	45,280	52,962	238,148

Liabilities					
Deposits by banks	20,362	2,670	517	175	23,724
Customer accounts	105,380	16,014	7,814	2,675	131,883
Derivative financial instruments	13,390	–	–	–	13,390
Debt securities in issue	10,741	7,958	8,090	397	27,186
Other liabilities	6,887	504	1,252	8,667	17,310
Subordinated liabilities and other borrowed funds	–	185	2,397	8,223	10,805
Total liabilities	156,760	27,331	20,070	20,137	224,298
Net liquidity gap	(58,085)	13,900	25,210	32,825	13,850

	30.06.05				Total \$million
	Three months or less \$million	Between three months and six months \$million	Between one year and five years \$million	More than five years \$million	
Total assets	66,780	44,303	39,746	53,814	204,643
Total liabilities	131,753	31,354	11,980	17,022	192,109
Net liquidity gap	(64,973)	12,949	27,766	36,792	12,534

	31.12.05				Total \$million
	Three months or less \$million	Between three months and six months \$million	Between one year and five years \$million	More than five years \$million	
Total assets	74,959	39,159	41,210	59,768	215,096
Total liabilities	133,341	34,311	14,597	20,514	202,763
Net liquidity gap	(58,382)	4,848	26,613	39,254	12,333

STANDARD CHARTERED PLC - NOTES continued

28. Market Risk

Trading book

	6 months ended 30.06.06				6 months ended 30.06.05			
	Average \$million	High \$million	Low \$million	Actual \$million	Average \$million	High \$million	Low \$million	Actual \$million
Daily value at risk:								
Interest rate risk	3.4	4.5	2.5	4.0	4.1	5.5	3.1	3.6
Foreign exchange risk	2.7	4.1	1.4	2.9	1.6	2.8	1.0	1.4
Total	4.4	5.5	3.1	4.2	4.4	5.9	3.5	3.9

	6 months ended 31.12.05			
	Average \$million	High \$million	Low \$million	Actual \$million
Daily value at risk:				
Interest rate risk	4.0	5.1	3.1	3.9
Foreign exchange risk	1.3	1.8	1.0	1.1
Total	4.1	4.9	3.3	3.9

This note should be read in conjunction with the market risk section of the Financial Review on pages 25 and 26 which explains the Group's market risk management and is incorporated in these financial statements accordingly.

The Group measures the risk of losses arising from future potential adverse movements in interest and exchange rates, prices and volatilities using a VaR methodology. The Group uses historic simulation as its VaR methodology.

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

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

The historic simulation method is used with an observation period of one year and 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.

The Group recognises that there are limitations to the VaR methodology. These limitations include the fact that the historical data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

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

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

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. To manage the risk arising from events, which the VaR methodology does not capture, the Group regularly stress tests its main market risk exposures. Stress testing involves valuing portfolios at prices, which assume extreme changes in risk factors beyond the range of normal experience. Positions that would give rise to potentially significant losses under a low probability stress event are reviewed by the GRC.

STANDARD CHARTERED PLC - NOTES continued

29. Restatement of Prior Periods

Acquisition of SCFB

The fair values of assets and liabilities acquired on the acquisition of SCFB and presented in the 30 June 2005 interim report were provisional. The fair values were revised in the 2005 annual report and accounts as at 31 December 2005, as required under IFRS 3 Business Combinations. The effect of the reassessed fair values was to increase goodwill by \$126 million. This, together with reclassifications, has been included in the 30 June 2005 balance sheet. The effect of the restatement is set out in the table below.

Re-presentation of financial assets and liabilities held at fair value

As at 30 June 2005 financial assets and liabilities held at fair value were presented in separate balance sheet lines. In the 2005 annual report and accounts as at 31 December 2005, these financial assets and liabilities were re-presented in separate financial asset and liability lines. Treasury bill, debt securities and equity securities were aggregated into a single line called investment securities (after reclassifying those held at fair value). The effect of this re-presentation is set out in the table below.

	As reported at 30.06.05 \$million	Re-presentation \$million	Adjustment to SCFB \$million	Restated at 30.06.05 \$million
Cash and balances at central banks	5,667	–	–	5,667
Financial assets held at fair value through profit or loss	–	8,459	–	8,459
Treasury bills and other eligible bills	13,011	(13,011)	–	–
Derivative financial instruments	10,704	–	–	10,704
Loans and advances to banks	20,955	(1,081)	–	19,874
Loans and advances to customers	107,929	(871)	(548)	106,510
Debt securities	30,877	(30,877)	–	–
Equity shares	945	(945)	–	–
Investment securities	–	38,326	8	38,334
Goodwill and intangible assets	4,233	–	126	4,359
Property, plant and equipment	1,614	–	1	1,615
Deferred tax assets	320	–	72	392
Other assets	5,763	1,060	(3)	6,820
Prepayments and accrued income	1,909	–	–	1,909
Total assets	203,927	1,060	(344)	204,643
Deposits by banks	21,653	(695)	–	20,958
Customer accounts	108,770	(1,304)	(410)	107,056
Financial liabilities held at fair value through profit or loss	–	5,699	121	5,820
Derivative financial instruments	10,388	–	–	10,388
Debt securities in issue	27,955	(1,073)	(121)	26,761
Current tax liabilities	275	–	–	275
Other liabilities	11,222	(1,607)	229	9,844
Accruals and deferred income	1,854	–	–	1,854
Provisions for liabilities and charges	81	–	–	81
Retirement benefit obligations	397	–	138	535
Subordinated liabilities and other borrowed funds	8,838	–	(301)	8,537
Total liabilities	191,433	1,020	(344)	192,109
Total equity	12,494	40	–	12,534
Total equity and liabilities	203,927	1,060	(344)	204,643

STANDARD CHARTERED PLC - NOTES continued

29. Restatement of Prior Periods continued

Segmental analysis

The Group has refined its method of charging for and allocating capital and as a consequence the segmental results for the periods ended 30 June 2005 and 31 December 2005 have been restated. There has been no effect on the Group's total reported numbers but the effect on the business and geographic segments is set out below.

	31.12.05			Total \$million
	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	
Operating income as previously reported	2,084	1,541	–	3,625
Restatement	(5)	5	–	–
Operating income as restated	2,079	1,546	–	3,625

	30.06.05									
	Asia Pacific						India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Group Head Office \$million
Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income as previously reported	747	261	157	308	524	302	388	255	294	3,236
Restatement	3	–	(1)	1	–	–	(1)	–	(2)	–
Operating income as restated	750	261	156	309	524	302	387	255	292	3,236

	31.12.05									
	Asia Pacific						India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Group Head Office \$million
Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income as previously reported	765	249	176	646	530	288	420	296	255	3,625
Restatement	(31)	4	3	2	3	3	5	2	9	–
Operating income as restated	734	253	179	648	533	291	425	298	264	3,625

30. Related Party Transactions

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$6 million at 30 June 2006 (30 June 2005: \$5 million, 31 December 2005: \$28 million).

Associates

On 15 August 2005, the Group contributed \$128 million to China Bohai Bank Limited for its 19.99 per cent investment.

On 12 January 2006 the Company issued 3,401,290 ordinary shares to acquire 20 per cent of Fleming Family & Partners Limited.

31. Proposed Redemption of Preference Shares

The outstanding 328,388 8.9 per cent non-cumulative

preference shares will be redeemed during the second half of 2006.

32. Statutory Accounts

The information in this interim statement is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. This document was approved by the Board on 8 August 2006. The comparative figures for the financial year end 31 December 2005 are not the Company's statutory accounts for that financial period.

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

33. Corporate Governance

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

directors also confirm that the announcement of these results has been reviewed by the Company's Audit and Risk Committee.