Half Year Report 2009

Leading the way in Asia, Africa and the Middle East

Standard Chartered

Standard Chartered PLC – Financial highlights

For six months ended 30 June 2009

Reported results

Operating income
$7,960m
+14%
H1 2008: **$6,987m** / H2 2008: **$6,981m**

Operating profit
$2,838m
+10%
H1 2008: **$2,586m** / H2 2008: **$1,982m**

Total assets
$411bn
+3.5%
H1 2008: **$397bn** / H2 2008: **$435bn**

Profit before taxation
$2,838m
+10%
H1 2008: **$2,586m** / H2 2008: **$2,215m**

Profit attributable to ordinary shareholders[1]
$1,883m
+5.5%
H1 2008: **$1,785m** / H2 2008: **$1,513m**

Performance metrics[2]

Normalised earnings per share
95.0 cents
-9.9%
H1 2008: **105.4[3] cents** / H2 2008: **69.8 cents**

Interim dividend per share
21.23 cents
+10%
H1 2008: **19.30 cents[4]** / H2 2008: **42.32 cents**

Normalised return on ordinary shareholders' equity
17.0%
H1 2008: **17.8%** / H2 2008: **12.4%**

Normalised cost income ratio
49.6%
H1 2008: **56.4%** / H2 2008: **55.7%**

Core tier 1 capital ratio
7.6%
H1 2008: **6.1%[5]** / H2 2008: **7.5%[5]**

Total capital ratio (Basel II basis)
15.8%
H1 2008: **15.1%[5]** / H2 2008: **15.6%**

Significant achievements

- Achieved record operating profit of $2,838 million, an increase of 10 per cent on H1 2008, and up 43 per cent on H2 2008
- Grew operating income by 14 per cent on H1 2008
- Demonstrated focus and discipline on costs
- Maintained high levels of liquidity and a conservative funding profile
- Remained disciplined and focused on the basics of good banking
- In Consumer Banking, continued to transform the business model, positioning the franchise for an economic upturn
- In Wholesale Banking, continued to deepen customer relationships, driving growth through multiple revenue sources

1 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 9 on page 56).
2 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 57.
3 Earnings per share has been restated for the impact of the rights issue as explained in note 10 on page 57.
4 Dividend per share has been restated for the impact of the rights issue as explained in note 9 on page 56.
5 Restated as explained on page 39.

Standard Chartered PLC – Summary of results

For six months ended 30 June 2009

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Results			
Operating income	**7,960**	6,987	6,981
Impairment losses on loans and advances and other credit risk provisions	**(1,088)**	(465)	(856)
Other impairment	**(15)**	(26)	(443)
Operating profit	**2,838**	2,586	1,982[1]
Profit before taxation	**2,838**	2,586	2,215
Profit attributable to parent company shareholders	**1,933**	1,844	1,564
Profit attributable to ordinary shareholders[2]	**1,883**	1,785	1,513
Balance sheet			
Total assets	**411,220**	396,820[3]	435,068
Total equity	**23,890**	20,905	22,695
Total capital base	**32,324**	30,271[7]	29,442
Information per ordinary share	Cents	Cents	Cents
Earnings per share – normalised basis (post-rights)[4]	**95.0**	105.4[5]	69.8
– basic (post-rights)	**98.8**	110.6[5]	91.8
Dividend per share (post-rights)	**21.23**	19.30[6]	42.32
Net asset value per share	**1,133.1**	1,325.7	1,091.1
Ratios	%	%	%
Return on ordinary shareholders' equity – normalised basis[4]	**17.0**	17.8	12.4
Cost income ratio – normalised basis[4]	**49.6**	56.4	55.7
Capital ratios (Basel II basis):			
Core Tier 1 capital	**7.6**	6.1[7]	7.5[7]
Tier 1 capital	**10.5**	8.5[7]	9.9[7]
Total capital	**15.8**	15.1[7]	15.6

1 Operating profit represents profit before taxation excluding the gain of $233 million on the rights issue option (see note 7 on page 55).

2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 9 on page 56).

3 Restated as explained in note 37 on page 79.

4 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 57.

5 Earnings per share has been restated for the impact of the rights issue as explained in note 10 on page 57.

6 Dividend per share has been restated for the impact of the rights issue as explained in note 9 on page 56.

7 Restated as explained on page 39.

Contents

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.

Standard Chartered PLC is headquartered in London where it is regulated by the UK's Financial Services Authority. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock code: 02888.

Note: 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.

Sustained good performance

"We have achieved record results through our disciplined management approach and the diversity of our business and markets in Asia, Africa and the Middle East. Our strong levels of capital and liquidity have given us a competitive advantage."

John Peace, Chairman

In the first six months of 2009 Standard Chartered has again achieved very good results:

- Profit before taxation rose 10 per cent to $2.84 billion
- Income rose 14 per cent to $7.96 billion
- Normalised cost-income ratio improved 6.8 per cent to less than 50 per cent

The Board has declared an interim dividend of 21.23 cents per share.

These remain testing times for banks and we remain cautious about the near term global economic outlook. However, we have achieved record results through our disciplined management approach and the diversity of our business and markets in Asia, Africa and the Middle East.

Wholesale Banking has had a very strong first half, as we drive to become the core bank for more of our clients, deepening relationships and providing them with a broader range of value-added products and services.

We have also made good progress in Consumer Banking in the first half, despite unhelpful head winds, repositioning the business to service customers in well-defined segments, whilst at the same time improving operational and service efficiency.

I believe that the Bank has a very clear and focused strategy and we have no intention of deviating from this. Our strong levels of capital and liquidity have given us a competitive advantage and our decision to raise further capital today will reinforce this and support our future growth.

We recognise the need to rebuild trust in banking and believe that international banks are an essential part of any successful economy. Whether it is facilitating the resurgence of trade across our markets, enabling our multinational clients to conduct complex business transactions or servicing the needs of an increasingly international class of consumer, global recovery will not happen without international banks such as Standard Chartered.

I joined the Bank's board two years ago in August 2007 as Deputy Chairman and more recently became Chairman. During that time, I have travelled to many of the countries in which we operate and have experienced at first hand our deep local heritage. This year we are celebrating the Bank's 150-year anniversary both in Hong Kong and Singapore. These are very important milestones which serve to remind us all just how we are part of the fabric of our markets.

Our people have an extraordinary set of shared values, including a firm belief that building a sustainable business means that long-term economic profit is dependent on the sustainability of the communities of which we are an important part. This governs how we go about our business every day.

These are powerful reasons to want to be involved with Standard Chartered and why I am delighted to have been chosen as Chairman of the Bank.

Standard Chartered today has a strong Board and talented management team with a great diversity of experience and, over the coming months, we will be seeking to further strengthen our Board of Directors.

I am very pleased that Mike Rees, will be joining the Board as Group executive director with immediate effect. Over the last six years Mike has done an exceptional job in transforming Wholesale Banking and he will be a great addition to the Board.

I would like to take this opportunity to thank Sunil Mittal for the valuable contribution he has made to the Board over the past two years. With the increasing demands placed on his time, we agreed it was difficult for him to spend as much time as he considered appropriate on Standard Chartered business and he decided to step down last month.

So, in summary, we have had a very good start to the year. We have sustained our good performance despite the difficult external environment.

John Peace
Chairman
4 August 2009

Our strategy remains unchanged

"Whilst I do not underestimate the challenges, we do see this crisis as a strategic opportunity to deepen our relationships with clients, to win market share and to transform our competitive position."

Peter Sands, Group chief executive

In the first half of 2009, Standard Chartered delivered record profits on the back of record income. I would like to give a bit more colour on our performance over the last six months, set out the strategic priorities for both businesses and the Group as a whole and, in that context, explain the logic of the equity placing announced today.

In looking at the strength of our performance over the last six months, I would not want you to think it is simply because we somehow escaped the storm, that our markets, our businesses were in some way immune to the crisis. In fact, in the first half of 2009 the full force of the global economic crisis hit Asia, Africa and the Middle East. Exports and GDP fell dramatically. Unemployment and business failures surged. Despite such turbulence, we continued to deliver.

Against this backdrop I could spend a lot of time talking about our achievements. And there is much to be proud of. Markets like Singapore and Africa put in outstanding performances. Businesses like Foreign Exchange and Rates did superbly well. But rather than do that, I have deliberately chosen to focus on some of the more challenging markets and businesses, where we have faced real headwinds.

Korea

First of all, Korea. Obviously a 61 per cent drop in profits is not a great outcome. The extent of this fall was exaggerated by the depreciation in the Korean won, but even adjusting for this, profits were down sharply.

Income fell 19 per cent, largely due to falling demand for Wealth Management products as well as the impact of de-risking the Small and Medium Enterprise (SME) book. Costs were also reduced, falling 23 per cent. But loan impairment almost doubled to $185 million.

But beneath these rather disappointing numbers, we are making good progress in transforming our business in Korea. In Consumer Banking we have great traction in current and savings accounts (CASA). Our share of new deposit inflows is up over 50 per cent to 8.9 per cent. And we are also winning market share in mortgages, with new business at significantly higher margins.

New and relocated branches, numbering 25 in the first half, outperform existing branches across a range of metrics. For example, revenue per customer is three times higher and asset booking eight times higher.

In Wholesale Banking, which now constitutes 40 per cent of total income, we are deepening client relationships and expanding product capabilities. Onshore income grew eight per cent: income from Korean clients booked elsewhere in the network increased by 150 per cent to $75 million.

In June we became the first foreign institution to gain approval to form a financial holding company. This will allow us to cross-sell products to our client base and enhance efficiency through sharing resources.

So despite these first half results, I am confident about the prospects for our business in Korea. We still have much to do, but we have big aspirations for this business. Indeed I will not be satisfied until we are making at least $1 billion in profits in Korea.

Middle East & Other South Asia region

Middle East & Other South Asia (MESA) is another region where we have faced challenges, with a sharp reduction in profits, down 43 per cent year-on-year.

The MESA region includes Pakistan and the Middle East itself. In Pakistan a challenging political and security environment, a depreciating currency and the impact of the global crisis resulted in income falling 21 per cent and profits down 75 per cent on a year-on-year basis.

We have taken action to de-risk the book and reduce costs and we will continue to run our business in Pakistan defensively. While we do not anticipate a strong return to growth in the near term, neither do we see much further downside.

The Middle East is being affected quite severely by the crisis and this has had a negative impact on both our businesses.

In the first half we achieved strong income growth, up 29 per cent, driven by Wholesale Banking. But we have also seen a sharp and significant increase in loan impairment in both businesses. Consumer Banking loan impairment increased by 88 per cent to $143 million. Wholesale Banking took significant provisions relating to certain local corporates in the region; loan impairment increased from only $4 million in the first half of 2008 to $317 million in this first half.

In response to the deteriorating environment, we have acted decisively to de-risk our portfolios in both businesses and to contain costs. However, despite the immediate challenges, the Middle East has extraordinary wealth and huge potential for growth. So although we will continue to be quite defensive in our risk stance, we are still very much open for business, still investing to grow.

Wealth Management and Deposits

From a business perspective, Wealth Management and Deposits in Consumer Banking has been one of the most severely affected. In the first six months of 2008, Wealth Management and Deposits contributed $1.5 billion, 47 per cent of total Consumer Banking income.

Following the failure of Lehman, demand for investment products collapsed, while reductions in interest rates cut deposit margins. Wealth Management and Deposit income fell to $1.3 billion in the second half of 2008 and to $1.1 billion in the first six months of 2009, a $400 million reduction year-on-year.

Wealth Management accounted for most of this decline, as individual investors fled from unit trusts, equity-linked products and anything highly structured. But there are now indications that investor appetite for risk is beginning to reappear.

In Hong Kong, for example, average daily fee income in June was more than double the rate for the fourth quarter of 2008 and around 60 per cent of the level this time last year. It is still early days, but with the second quarter Wealth Management income seven per cent up on the first quarter this year, the signs are encouraging.

Deposit income also fell by about $100 million year-on-year, with margin compression more than offsetting the 12 per cent increase in deposit balances as we continued to benefit from a flight to quality.

Both Wealth Management and Deposits are geared to the upswing. When investor confidence returns and interest rates begin to rise, income will surge; and this will have a powerful effect on the bottom line of Consumer Banking.

But we are not anticipating it will be like it was. We are fundamentally reconfiguring our Wealth Management business, shifting the balance from product sales to client needs, focusing more on portfolio management and sourcing more of our investment products internally. And the emphasis is on CASA deposits not time deposits and on winning primary bank relationships through payroll and other innovative propositions tailored to the needs of specific segments.

Korea, MESA and Wealth Management are examples of some of the challenges we have faced in navigating the crisis. We have not come through unscathed. Nor did we expect to. But the strength and diversity of our business and the way we have tackled problems have enabled us to continue to deliver record profits.

Consumer Banking

In Consumer Banking, faced with a sharp reduction in income and a rapidly deteriorating credit environment, Steve Bertamini and his team responded swiftly, cutting costs, and de-risking the lending book. But we have not stopped at tactical actions. We have also begun a comprehensive transformation of the business.

What we are doing in Consumer Banking now has many parallels with what we did in Wholesale Banking several years ago; a shift in emphasis from products to customers, significant investment in global re-engineering projects and rolling out standardised platforms and a more disciplined market participation model.

Central to this transformation is the shift away from product sales towards much greater focus on deep, multi-product customer relationships. This is not just marketing buzz. We are changing the way we manage performance, incentivise staff, make risk decisions and design products. This is a big, complex change programme.

Priority Banking – our service for premium customers – is a tangible example of what we are doing. We have completely redesigned the proposition to make it truly distinctive. We launched this new proposition two weeks ago in Hong Kong, last week in Singapore and will roll it out across eight key markets over the next two months. We have increased the number of Priority Banking Relationship Managers by 110 in the last six months and plan to take it to around 1,650 by the end of the year.

Consumer Banking has had a tough twelve months, but I am confident we are through the worst of it. First quarter income was up on the fourth quarter of last year. The second quarter this year was up on the first. Loan impairment has stabilised and costs are under tight control.

We are making very good progress in reshaping Consumer Banking and I am confident that we can and will turn this business into a powerful engine of sustainable profit growth.

Most of this growth will be organic. But we will also look to make acquisitions where they complement our organic investments. For example, we are in discussions to buy some small businesses in India and China, which may or may not result in a transaction. If they do, the consideration is likely to be in the low hundreds of millions of dollars.

However, as we have said many times before, looking – or even discussing – and actually doing, are by no means the same thing. We have to be convinced of the strategic logic, the cultural and business fit and, above all, it has to make financial sense.

Wholesale Banking

Wholesale Banking continues to have strong momentum, with profits up 36 per cent on the back of income up 37 per cent.

We have stuck to our client-led strategy. At heart, we are a classic commercial bank, focusing on lending, trade, cash management and associated interest rate and foreign exchange hedging. The majority of Wholesale Banking client revenue comes from these core activities.

Transaction banking relationships are the bedrock of our client franchise. They provide the platform from which we can provide 'value-added' and 'strategic' services, such as debt capital markets and corporate finance.

Our focus is on building deep, long relationships. In fact we have not sought to add many new clients during the crisis. Instead, we have deployed our capital and liquidity primarily in support of existing clients; and in doing so have further deepened these relationships. Income from our top 50 clients is up over 40 per cent and the number of clients from whom we earn annualised income of over $10 million is up 67 per cent.

Underpinning this deepening of relationships is a steady development of our capabilities. Corporate Finance is one example. In 2002, we had a very small Corporate Finance business making a few tens of millions of dollars. In the first six months of 2009 the 450 staff in Corporate Finance generated over $600 million.

This is an example of adding capabilities to meet the needs of our clients. It is important to emphasise it is that way round: we look at our clients and work out what we can provide in a competitively advantaged way. We do not start by building product capability and then find clients to sell to. That is what we mean by a client-focused strategy.

I am frequently asked about the sustainability of own account income. We look at own account in three broad segments: ALM, Principal Finance and the flow trading component of our Financial Markets business. In the first half, flow trading in Financial Markets has been the big driver.

Substantial increases in client trading volumes and wider bid-offer spreads as a result of volatility drove our flow trading income, which is essentially the income that results from being a market-maker to clients. It is not proprietary trading. We have no proprietary trading desks, nor do we intend to.

Looking ahead to the second half of the year, we do anticipate some negative pressures. ALM income is likely to be lower given the shape of the yield curve and the Bank's positioning and flow trading will probably be affected by the narrowing of bid-offer spreads and the seasonal effects on trading volumes. Principal Finance realisations, by their nature, are lumpy and hard to predict. However, our general expectation is that, over time, own account will tend to grow broadly in line with client income.

Our priorities

So our two businesses have somewhat different priorities. In Consumer Banking it is about dealing with the headwinds whilst simultaneously transforming the business model. In Wholesale Banking it is about disciplined, sustainable growth, striking the balance between grasping the opportunities, while not overreaching. Mike Rees has done a tremendous job as Chief executive of Wholesale Banking, consistently striking the right balance between boldness and caution. I am delighted to welcome him to the Board.

The overall strategy of the Group remains unchanged.

We have taken the time to step back and review our strategy in the light of the crisis and the fundamental changes happening in the world of banking. Put simply, our main conclusion was that our strategy appears even more compelling than it was before.

- We will remain focused on Asia, Africa and the Middle East markets that offer growth and which we know intimately.
- We will remain focused on building long-term deep relationships with our clients. In fact, the shift to a more customer focused model in Consumer Banking reinforces this.
- We will continue to run our balance sheet conservatively. Our liquidity and capital strength have proved a real competitive advantage.
- We will continue to run ourselves as One Bank, leveraging the synergies between the businesses and geographies, stamping on any silos.
- We will continue to focus on organic growth as the primary driver of value creation, with acquisitions playing an important, but secondary role.
- We will continue to nurture and reinforce our distinctive culture. Standard Chartered is a rather different sort of Bank and I want to keep it like that.

Equity placing

This morning we announced we would raise about £1 billion or $1.6 billion via an accelerated book build. Why are we doing this, when we are delivering record profits and when we are already strongly capitalised?

At its most simple, the answer is that we are strong and with more capital we will be even stronger.

We have learned the power of playing from strength. Our distinctively strong capital and liquidity position have proved a powerful competitive advantage. Our balance sheet strength reassures stakeholders and attracts customers, which in turn reinforces the balance sheet.

More capital will also enable us to take full advantage of the opportunities emerging from the crisis. Asia will emerge faster than the rest of the world. Our clients are moving to grasp the opportunities. Our deal pipelines are strong. We are winning market share in both businesses, in many products, in many of our markets. We want to be there to support our customers as they turn the crisis to their competitive advantage.

We also see merit in having a substantial capital buffer, well above what we strictly need, at a time of almost unprecedented uncertainty. Whilst the economic environment has undoubtedly got somewhat better, particularly in our markets, we are far from out of the woods. And regulatory expectations about capital requirements have, if anything, got more confused and confusing, with new numbers and arguments appearing by the week. In this context, it makes sense to have the margin to stand above the fray.

It is also important to make clear what are not the reasons for making this placing:

- It is not about filling some black hole in our balance sheet. While we have experienced increased loan impairment, the strength of our overall performance means we have been able to take this in our stride.
- It is not because we are intensely gloomy about the outlook. There are challenges but, on the whole, our parts of the world are looking better.
- And it is not about funding an acquisition spree. We may find some opportunities, but we will be extremely selective.

We are raising capital not because we need to, not because anyone has told us to, but because we want to reinforce our competitive edge and support our clients and to take advantage of the opportunities in our markets.

Outlook

The Bank is in great shape – we have finished the first half with good momentum and we have begun the second half strongly. We are in the right parts of the world and we have got the right strategy.

But whilst I am very positive about the Bank – our strategy, our momentum, the shape of the business – I do not underestimate the scale of what is going on around us. The aftershocks of the crisis, the rebalancing of the world economy, the rewriting of the rules for banking – these are far from over.

Summary

Standard Chartered has a long history. Last year we celebrated 150 years of history in China and India. This year we are celebrating our 150th anniversaries in Hong Kong and Singapore. We have experienced a lot of ups and downs along the way. But this is a Bank that rises to a challenge, that works together as one team. Indeed I would like to take this opportunity to thank the people of Standard Chartered for their professionalism, commitment and teamwork.

By sticking to our strategy, staying focused on the basics of banking and staying true to our values and culture, we have shown resilience throughout the crisis, consistently delivering record profits. I am confident we will continue to deliver for the rest of the year and beyond.

But simply weathering the storm is not enough. Whilst I do not underestimate the challenges, we do see this crisis as a strategic opportunity to deepen our relationships with clients, to win market share and to transform our competitive position. That is our goal.

Peter Sands
Group chief executive
4 August 2009

Group summary

The Group has delivered another record profit for the six months ended 30 June 2009. Operating profit rose 10 per cent to $2,838 million, with operating income increasing 14 per cent to $7,960 million. Normalised earnings per share decreased by 9.9 per cent to 95.0 cents, as a result of the impact of the rights issue. Further details of basic and diluted earnings per share are provided in note 10 on page 57.

The Group has achieved strong positive jaws of 11 per cent for the first half of 2009, reflecting excellent income momentum in Wholesale Banking and minimal cost growth across the Group. The normalised cost to income ratio was 49.6 per cent compared to 56.4 per cent in the first half of 2008.

The Group has continued to focus on the foundations of good banking with particular attention on liquidity and capital. The Group continues to maintain a highly liquid balance sheet, with an advances-to-deposit ratio of 78.4 per cent, at similar levels to 2008 year end. The Group continues to be a significant net lender into the interbank market and has further strengthened its Tier 1 and total capital ratios to 10.5 per cent and 15.8 per cent respectively.

The overall quality of the Group's asset portfolios has remained stable compared to the end of 2008. In a difficult economic environment, some of our markets have experienced higher levels of impairment in the second quarter of the year. There has been no significant impairment of private equity or strategic investments so far in 2009, due in part to improved equity market conditions.

The Group has continued to manage expenses tightly in the face of continued economic uncertainty. Group headcount has fallen on a monthly basis since the third quarter of 2008, and is now at levels last seen 18 months ago, before American Express Bank (AEB) was acquired. The Group has disciplined in its approval of investment expenditure and discretionary spend, both of which have been at lower levels relative to the first half of 2008.

Operating income and profit

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million	H1 2009 v H1 2008 Better/(worse) %	H1 2009 v H2 2008 Better/(worse) %
Net interest income	**3,700**	3,710	3,677	–	1
Fees and commission income, net	**1,685**	1,681	1,260	–	34
Net trading income	**1,740**	1,151	1,254	51	39
Other operating income	**835**	445	790	88	6
Non-interest income	**4,260**	3,277	3,304	30	29
Operating income	**7,960**	6,987	6,981	14	14
Operating expenses	**(4,027)**	(3,900)	(3,711)	(3)	(9)
Operating profit before impairment losses and taxation	**3,933**	3,087	3,270	27	20
Impairment losses on loans and advances and other credit risk provisions	**(1,088)**	(465)	(856)	(134)	(27)
Other impairment	**(15)**	(26)	(443)	42	97
Profit/(loss) from associates	**8**	(10)	11	180	(27)
Operating profit	**2,838**	2,586	1,982	10	43

Operating income grew by $973 million, or 14 per cent, to $7,960 million. On a constant currency basis, operating income grew $1,578 million or 25 per cent. Consumer Banking income declined 15 per cent, as a result of margin compression and muted Wealth Management product sales. Wholesale Banking income grew 37 per cent, underpinned by disciplined execution of its strategy, market share gains and increased margins.

Interest income was flat with overall net interest margins broadly stable. In Consumer Banking, net interest income fell 13 per cent, due to margin compression from the low interest rate environment across most markets. Net interest income in Wholesale Banking increased 17 per cent, from higher asset pricing, which more than offset lower volumes particularly in Trade.

Non-interest income grew $983 million, or 30 per cent, to $4,260 million.

Net fees and commissions income was flat to 2008 at $1,685 million. The volatility seen across stock markets and exchanges dampened investor sentiment and reduced demand for Wealth Management offerings such as unit trusts, insurance and structured investment products. Fee income in Wholesale Banking increased due to higher Trade finance commission income, primarily benefiting from higher fee margins which offset the impact of declining volumes.

Net trading income increased $589 million, or 51 per cent. Income growth was driven by a mix of increased customer demand for securities and own account trading, with significant gains in trading securities, interest rate and credit and other derivatives partly offset by a decline in foreign exchange income.

Other operating income increased $390 million, to $835 million. Other operating income benefited from $248 million gains on the buy back of Upper Tier 2 debt. Other operating income also benefited from $18 million of recoveries in respect of assets that had been fair valued at acquisition in Taiwan, Korea and Pakistan, down $29 million, from the first half of 2008.

Operating income and profit continued

Operating expenses were up 3 per cent, to $4,027 million. On a constant currency basis, operating expenses increased $465 million or 13 per cent. Headcount has been reduced through natural attrition and selective redundancy programs. Consumer Banking expenses decreased by $181 million or 9 per cent, from reducing headcount and disciplined discretionary spend. Wholesale Banking expenses increased $308 million, or 16 per cent, driven by higher variable compensation, flow through costs from investments made in prior years and continued headcount growth.

Operating profit before impairment losses and taxation (also referred to as 'working profit') increased $846 million, or 27 per cent, to $3,933 million. On a constant currency basis, working profit grew 39 per cent.

The charge for loan impairment more than doubled, to $1,088 million. The challenging credit environment in the second half of 2008, continued into the first half of 2009, with significant provisions booked in Wholesale Banking, particularly in Korea and Middle East and Other South Asia (MESA). Consumer Banking loan impairment increased, mainly in Korea, India and UAE, predominantly in the unsecured portfolios.

Other impairment decreased, driven by relatively lower new impairment and recovery of impairment on disposal of equity investments.

Operating profit was up $252 million, or 10 per cent, to $2,838 million.

The results of the Group have been materially impacted by local currency depreciation against the US dollar. In three geographic areas, Korea, India and Africa, the effect of currency translation materially distorts the view of underlying business performance.

In Korea, the Korean won average exchange rate depreciated approximately 37 per cent against the US dollar. On a reported basis, income and expenses fell 19 per cent, and 23 per cent, respectively. However, on a constant currency basis, income and expenses grew 10 per cent, and 5 per cent respectively. In India, the Indian rupee average exchange rate depreciated 21 per cent against the US dollar. On a reported basis, income and expenses fell 7 per cent, and 11 per cent, respectively. However, on a constant currency basis, both income and expenses grew 8 per cent and 7 per cent respectively. In Africa, the basket of currencies across the region depreciated over 20 per cent, against the US dollar. On a reported basis income grew 29 per cent, while expenses fell 2 per cent. However, on a constant currency basis, income and expenses grew 60 per cent, and 19 per cent, respectively.

Acquisitions

On 30 January 2009, the Group completed the acquisition of Cazenove Asia Limited in Hong Kong.

On 30 June 2009, the Group 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 the Group's results for the six months ended 30 June 2009.

The amalgamation of AEB is now complete. AEB has performed in line with expectations and at 30 June 2009 remains on track to deliver on the performance targets set out at acquisition.

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 significantly complete.

Geographical areas

Malaysia, which was previously reported as a separate geographical area, is now reported in 'Other Asia Pacific' reflecting the way the Group reviews the performance of its business.

Consumer Banking

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

	6 months ended 30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	**545**	**302**	**423**	**612**	**213**	**337**	**168**	**85**	**2,685**
Operating expenses	**(265)**	**(140)**	**(318)**	**(557)**	**(115)**	**(196)**	**(105)**	**(84)**	**(1,780)**
Loan impairment	**(58)**	**(19)**	**(116)**	**(120)**	**(77)**	**(143)**	**(18)**	**(12)**	**(563)**
Other impairment	**5**	**–**	**–**	**–**	**3**	**–**	**–**	**(2)**	**6**
Operating profit/(loss)	**227**	**143**	**(11)**	**(65)**	**24**	**(2)**	**45**	**(13)**	**348**

* Other Asia Pacific (Other APR) includes Malaysia: operating income $121 million; operating expenses $(61) million; loan impairment $(27) million; other impairment $nil million; operating profit $33 million.

	6 months ended 30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	628	298	605	744	249	355	172	126	3,177
Operating expenses	(275)	(134)	(437)	(500)	(157)	(215)	(119)	(124)	(1,961)
Loan impairment	(30)	(2)	(81)	(167)	(43)	(76)	(7)	(6)	(412)
Other impairment	–	–	–	–	–	–	–	(2)	(2)
Operating profit/(loss)	323	162	87	77	49	64	46	(6)	802

* Other APR includes Malaysia: operating income $133 million; operating expenses $(61) million; loan impairment $(22) million; other impairment $nil million; operating profit $50 million.

	6 months ended 31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	535	320	412	649	235	345	172	107	2,775
Operating expenses	(312)	(155)	(289)	(507)	(160)	(195)	(131)	(133)	(1,882)
Loan impairment	(76)	(18)	(80)	(144)	(46)	(102)	(12)	(47)	(525)
Other impairment	(25)	–	–	(2)	(7)	–	–	(20)	(54)
Operating profit/(loss)	122	147	43	(4)	22	48	29	(93)	314

* Other APR includes Malaysia: operating income $132 million; operating expenses $(67) million; loan impairment $(26) million; other impairment $nil million; operating profit $39 million.

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

	6 months ended 30.06.09	6 months ended 30.06.08	6 months ended 31.12.08
Operating income by product	**$million**	$million	$million
Cards, Personal Loans and Unsecured Lending	**954**	1,089	1,017
Wealth Management and Deposits	**1,100**	1,500	1,289
Mortgages and Auto Finance	**540**	515	413
Other	**91**	73	56
Total operating income	**2,685**	3,177	2,775

Operating income for the six months ended 30 June 2009 decreased $492 million, or 15 per cent, to $2,685 million. Net interest income fell $276 million, or 13 per cent, reflecting the combined effect of lower interest rates, strong deposit growth and a shift towards a more secured asset portfolio. The Consumer Banking transformation initiative to build customer centric business models, is progressing well.

With the Group firmly focused on balance sheet strength, Consumer Banking has continued its drive to gather deposits.

Consumer Banking continued

Total deposit balances registered good growth of 13 per cent, driven by current and savings accounts (CASA) deposits, which now constitute 49 per cent of total deposits, up from 40 per cent at the end of 2008. Consumer Banking now creates some $46 billion of surplus liquidity for the Group. However, with falling interest rates globally, the increased volume has not been sufficient to offset compressed liability margins. In addition, demand for investment products within Wealth Management remained weak. Overall, asset growth was modest, but the portfolio has been reshaped with a shift from unsecured to secured loans. Secured loans now form over 80 per cent of the portfolio. Asset margins were generally flat compared to the first half of 2008. Margin gains in secured lending were offset by lower asset volumes in unsecured products, as the Group de-emphasised the sale of unsecured products.

Non-interest income fell $214 million, or 21 per cent, due to continued weakness in Wealth Management product sales as consumer demand remained low. In recent months, geographies such as Hong Kong and Taiwan have seen increased daily sales volumes of Wealth Management products. However, it is too early to tell whether this improvement will be sustained.

Cards, Personal Loans and Unsecured Lending operating income fell $135 million, or 12 per cent, to $954 million. Actions taken by Consumer Banking to move towards more secured asset portfolios has reduced income from credit cards in Korea, Taiwan and Pakistan. Personal loan balances and income also declined in India and UAE. The overall impact on unsecured product margins was mixed as personal loan margins compressed by over 100 basis points, partly offset by a slight improvement in credit card margins.

Wealth Management and Deposits operating income fell $400 million, or 27 per cent, to $1,100 million. Strong deposit growth was registered in most markets, on the back of successful savings product campaigns. Deposits grew 29 per cent, 27 per cent and 22 per cent, in the key markets of Hong Kong, Singapore and Korea respectively. However, income declined primarily due to margin compression following falling interbank rates. Demand for investment products remained subdued and has shown no sustained improvement since the end of 2008.

Mortgages and Auto Finance operating income increased $25 million, or 5 per cent, to $540 million, driven by good volume growth, primarily in Hong Kong, Singapore and Taiwan. Improved net interest margins on account of re-pricing initiatives in Hong Kong, Taiwan and India also contributed to the growth in mortgage income.

Operating expenses decreased $181 million, or 9 per cent, to $1,780 million. Expenses include a $170 million charge for the buy back of structured notes issued by PEM Group in Taiwan. Excluding this, expenses were down 18 per cent. These notes were sold by Hsinchu International Bank (HIB) in Taiwan prior to its acquisition by Standard Chartered. The Group has agreed to repurchase the notes at face value less interest, in aggregate $192 million. Expenses were lower as headcount reduced from selective redundancy programs and staff attrition across the network. In Taiwan, some post retirement benefits were restructured leading to a reduction in obligations of $52 million. Through aggressive cost management, Consumer Banking has generated capacity to invest in additional outlets, product capability and other customer centric initiatives.

With its focus on liability growth, booking quality assets and maintaining cost discipline, Consumer Banking is well positioned for a market recovery.

Working profit decreased $311 million, or 26 per cent, to $905 million.

Loan impairment increased $151 million, or 37 per cent, to $563 million. The asset books are diverse and now over 80 per cent secured by collateral. The portfolio is dominated by secured products, mainly mortgages, which constitute approximately 60 per cent of the portfolio. Following a sharp correction in property prices since the fourth quarter of 2008, the second quarter of 2009 saw some increase in property prices in Asia. The mortgage portfolio has been broadly stable, though the UAE property market remains an area of concern. In the SME segment, unsecured lending has been de-emphasised with more focus placed on government guarantee schemes for new loans and the secured product range. The unsecured portfolio has experienced increased delinquencies and number of overdue accounts. Unemployment and personal bankruptcies in key markets has also affected the performance of the unsecured portfolio. Loan impairment increased in the second quarter of 2009 relative to the first quarter of the year, due to deterioration in credit conditions in Korea, India and the UAE. Loan impairment remained below levels seen in the last quarter of 2008.

Operating profit fell $454 million, or 57 per cent, to $348 million.

Geographic performance

Hong Kong

In Hong Kong, income was down $83 million, or 13 per cent, to $545 million. Wealth Management income continued to be adversely impacted by weak consumer sentiment with sluggish demand for unit trusts, structured notes and other investment products. This was party offset by strong growth in premium deposits and securities revenue, up 62 per cent and 79 per cent respectively. However, income from deposits was down due to compressed margins. Market share in new mortgage sales grew to 19 per cent, from 13 per cent in the first half of 2008, and margins improved, pushing up mortgage volumes. Operating expenses reduced by $10 million, or 4 per cent, to $265 million. This was mainly due to lower investments together with continued management of discretionary costs. Loan impairment almost doubled to $58 million, driven primarily by unsecured lending products as personal bankruptcies increased in the first quarter of the year. Robust management action helped reduce the impact in later months. Operating profit was down $96 million, or 30 per cent, to $227 million.

Singapore

In Singapore, income was broadly flat. Wealth Management income fell 5 per cent and was adversely impacted by a sharp fall in the sale of unit trusts and equity linked notes, and liability margin compression. SME income fell 13 per cent as trade flows slowed and margins compressed following the introduction of a government guarantee schemes. Mortgage income increased on the back of good volume growth with market share gains. Operating expenses grew 4 per cent to $140 million, as the business invested in branch optimisation. Loan impairment was up $17 million, over the first half of 2008, mainly from the SME segment. The SME portfolio continues to be de-risked as the proportion of the portfolio that is secured increased. There is strong participation in SME government schemes. Operating profit was down $19 million, or 12 per cent, to $143 million.

Consumer Banking continued

Korea

In Korea, income was down $182 million, or 30 per cent, to $423 million. On a constant currency basis income declined 5 per cent, driven by lower Wealth Management income, resulting from a sharp fall in the sale of investment services products. Strong deposit growth of over 22 per cent, 52 per cent on a constant currency basis, was driven by the successful campaign of the Do-Dream savings account. Mortgage volumes increased by 17 per cent in local currency, while margins remained broadly flat. SME income was impacted by actions taken to reduce risk in the portfolio by increasing the proportion of secured loans. Income benefited from recoveries of $2 million on assets that had been fair valued at acquisition, down $10 million from 2008. Operating expenses were down $119 million, or 27 per cent, to $318 million. On a constant currency basis expenses were flat. Expenses were tightly controlled with reductions in staff costs and discretionary spend such as travel. This created capacity for investment in a net eight new branches. Loan impairment was up by $35 million, or 43 per cent, to $116 million. The loan impairment increase was mainly due to a spike in new filings for bankruptcy in the government sponsored Personal Debtor Rehabilitation System. New filings trebled in quarter one 2009 as compared with quarter three 2008, but have stabilised. The operating loss of $11 million compared to an operating profit of $87 million in the first half of 2008.

Other Asia Pacific

In Other Asia Pacific, income was down $132 million, or 18 per cent, to $612 million. In China, income at $77 million, was flat on first half 2008, as increased volumes offset margin compression. In Malaysia, income was down 9 per cent to $121 million, mainly from a decline in Wealth Management income reflecting a lack of consumer confidence in equity markets. Income in Taiwan benefited from recoveries of $11 million on assets that had been fair valued at acquisition, down $10 million from 2008. Operating expenses in Other Asia Pacific were up $57 million, or 11 per cent, to $557 million. Expenses were distorted by the PEM Group charge of $170 million and a reduction in retirement benefits obligation of $52 million in Taiwan. Excluding these, expenses were down $61 million or 12 per cent. In China, expenses at $114 million, were flat on first half of last year, as management exerted tight control on costs. This created capacity to invest in 3 new outlets, taking the total number of outlets to 54. Strong cost discipline has been exercised in all the countries. Loan impairment in Other Asia Pacific decreased $47 million, or 28 per cent, to $120 million, following improved delinquency rates in Taiwan, Thailand and China, offset by slightly higher impairment in Malaysia. Other Asia Pacific delivered an operating loss of $65 million, compared to an operating profit of $77 million, for the first half of last year. China recorded an operating loss of $36 million, compared to an operating loss of $46 million for the first half of last year. Operating profit in Malaysia was down $17 million, or 34 per cent, to $33 million.

India

In India, income was down $36 million, or 14 per cent, to $213 million. On a constant currency basis income grew 2 per cent. This is primarily due to strong volume growth in SME and mortgages. Income from deposit growth was partly offset by lower margins in a low interest rate environment. Cards and personal loan income fell as volumes were reduced as management actively de-risked the books. Operating expenses decreased $42 million, or 27 per cent, to $115 million. On a constant currency basis, operating expenses decreased 12 per cent. Loan impairment was up $34 million, or 79 per cent, to $77 million, primarily from increased delinquencies in the unsecured portfolio. Operating profit was down $25 million, or 51 per cent, to $24 million.

MESA

In MESA, income was down $18 million, or 5 per cent, to $337 million. In UAE, income at $144 million, was flat on the first half of last year, with good growth in SME offset by lower revenues from unsecured products as the impact of the economic downturn and actions taken by management to de-risk the portfolio, resulted in declining volumes for unsecured products. In Pakistan income was impacted by lower asset volumes resulting from difficult trading conditions and actions taken to de-risk the portfolio. Operating expenses in MESA were down $19 million, or 9 per cent, to $196 million. In UAE effective cost control and headcount reduction from restructuring resulted in a 4 per cent decline in expenses. Expenses in Pakistan were driven down from headcount reduction and good cost control. Loan impairment in MESA was up $67 million, or 88 per cent, to $143 million. The principal increase was in UAE where deteriorating economic conditions have put the quality of the loan book under stress across all products, increasing loan impairment by $53 million. Operating loss for MESA was $2 million, compared to an operating profit of $64 million in the first half of last year.

Africa

In Africa, income at $168 million was broadly flat on the first half of last year. On a constant currency basis, income was up 23 per cent, driven by strong growth in SME and deposits, especially in Nigeria, Ghana, Kenya and Uganda. Liability growth was achieved through deposit campaigns and new product launches. Operating expenses in Africa fell $14 million, or 12 per cent, to $105 million. On a constant currency basis, operating expenses were up 9 per cent, reflecting investment in new channels primarily in Nigeria, Kenya and Zambia. Good cost control was achieved in all markets. Loan impairment increased from $7 million, in the first half of 2008, to $18 million in the first half of 2009, primarily as a result of the impact of retrenchment in the mining sector in Botswana and Zambia. Operating profit in Africa of $45 million was broadly flat on the first half of last year.

Americas, UK and Europe

In Americas, UK and Europe, income was down $41 million, or 33 per cent, to $85 million. Income was driven lower by compression in liability margins, and subdued demand for Wealth Management products. This was partly offset by good deposits growth and increased customer AUM. Operating expenses were down $40 million, or 32 per cent, to $84 million, resulting from effective cost control and reduction in AEB integration expenses as compared to the first half of last year. Loan impairment increased to $12 million, driven by increased provision for client exposures. Operating loss in Americas, UK and Europe was $13 million compared to a loss of $6 million in the first half of 2008.

Wholesale Banking

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

	6 months ended 30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Wholesale Banking Total $million
Operating income	678	581	282	902	691	806	390	697	5,027
Operating expenses	(302)	(290)	(121)	(375)	(172)	(267)	(164)	(556)	(2,247)
Loan impairment	(30)	(4)	(69)	(71)	(20)	(317)	(6)	(8)	(525)
Other impairment	5	–	–	14	3	–	–	(28)	(6)
Operating profit	351	287	92	470	502	222	220	105	2,249

* Other APR includes Malaysia: operating income $149 million; operating expenses $(43) million; loan impairment $(1) million; other impairment $nil million; operating profit $105 million.

	6 months ended 30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Wholesale Banking Total $million
Operating income	591	348	262	789	580	533	262	299	3,664
Operating expenses	(223)	(190)	(131)	(328)	(165)	(207)	(155)	(540)	(1,939)
Loan impairment	(25)	(3)	(9)	(16)	(4)	(4)	5	3	(53)
Other impairment	–	–	–	(18)	–	–	(1)	(5)	(24)
Operating profit/(loss)	343	155	122	427	411	322	111	(243)	1,648

* Other APR includes Malaysia: operating income $145 million; operating expenses $(43) million; loan impairment $nil million; other impairment $nil million; operating profit $102 million.

	6 months ended 31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Wholesale Banking Total $million
Operating income	513	460	297	771	536	501	303	444	3,825
Operating expenses	(207)	(158)	(98)	(386)	(164)	(196)	(159)	(461)	(1,829)
Loan impairment	(52)	8	(93)	(109)	(40)	(3)	(19)	(23)	(331)
Other impairment	(27)	(30)	–	(82)	(17)	–	1	(157)	(312)
Operating profit/(loss)	227	280	106	194	315	302	126	(197)	1,353

* Other APR includes Malaysia: operating income $105 million; operating expenses $(41) million; loan impairment release $1 million; other impairment $(21) million; operating profit $44 million.

Wholesale Banking continued

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

Operating income by product	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Lending and Portfolio Management	**412**	246	305
Transaction Banking	**1,272**	1,249	1,414
Global Markets*			
Financial Markets	**2,036**	1,213	1,152
Asset and Liability Management (ALM)	**557**	514	398
Corporate Finance	**615**	365	380
Principal Finance	**135**	77	176
Total Global Markets	**3,343**	2,169	2,106
Total operating income	**5,027**	3,664	3,825

* Global Markets comprises the following businesses: Financial Markets (foreign exchange, interest rate and other derivatives, debt capital markets and 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 income by desk	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Foreign Exchange	**831**	716	478
Rates	**573**	334	414
Commodities and Equities	**236**	48	93
Capital Markets	**226**	118	116
Credit and Other	**170**	(3)	51
Total Financial Markets operating income	**2,036**	1,213	1,152

Wholesale Banking delivered a record financial performance with operating profit for the first half of 2009 almost equalling operating profit for the full year 2007. Wholesale Banking benefited from the market dislocation and volatility leading to market share gains and increased asset margins; whilst own account income registered excellent growth. Sustained strong income growth has been underpinned by focused execution of its strategy, which has resulted in the deepening of client relationships and continued client income momentum.

Operating income grew $1,363 million, or 37 per cent, to $5,027 million. Net interest income was up $266 million, or 17 per cent, to $1,798 million, while non-interest income grew $1,095 million, or 52 per cent, to $3,196 million. Client income represented 69 per cent of total income and increased 24 per cent over the first half of 2008.

Lending and Portfolio Management income increased by $166 million, or 67 per cent, to $412 million. Lending income benefitted from re-pricing initiatives and one-off fees from several significant transactions, particularly in the first quarter.

Transaction Banking income of $1,272 million was broadly flat, due to Cash margin compression, partially offset by healthy liability growth. Trade income benefitted from re-pricing and market share gains, which compensated for trade volume contraction in key markets.

Global Markets income increased by $1,174 million, or 54 per cent, to $3,343 million.

Financial Markets, which is primarily driven by client income, grew income $823 million, or 68 per cent, to $2,036 million. Financial Markets delivered record income growth across all products through the delivery of innovative solutions and deepening client relationships. Income growth was supplemented by strong trading income on the back of strong client flows.

Asset and Liability Management income grew 8 per cent from $514 million to $557 million, benefitting from strong accrual income as a result of strategic positioning in late 2008, steepening yield curves and gains from the sale of securities.

Corporate Finance income grew $250 million, or 68 per cent, to $615 million, reflecting the closure of a number of large deals. Equity capabilities were strengthened by the acquisition of Cazenove Asia.

Principal Finance income was up $58 million, or 75 per cent, to $135 million, as realised divestment gains for the period were partly offset by a decline in the estimated market value of some of our investments. Uplift in Asian equity markets and strong growth in alternative investments also contributed to income growth.

Operating expenses grew $308 million, or 16 per cent, to $2,247 million. Expense growth was mainly driven by higher variable compensation in line with risk adjusted revenue growth, flow through costs from investments made in prior years and continued headcount growth. A moderate increase in business as usual costs was achieved through effective cost control. New investment was directed at expanding client coverage through key senior hires especially in Financial Markets and Corporate Finance, and with focus on key growth markets, such as China.

Working profit increased $1,055 million, or 61 per cent, to $2,780 million.

Loan impairment increased $472 million to $525 million, primarily due to certain large exposures in the Middle East and increased provision for foreign exchange derivative related transactions in Korea. Other impairment decreased by $18 million, to $6 million, and primarily related to impairment charges for asset backed securities (ABS).

Operating profit increased $601 million, or 36 per cent, to $2,249 million.

Wholesale Banking continued

Geographic performance

Hong Kong

In Hong Kong, income was up $87 million, or 15 per cent, to $678 million. Client income was broadly flat due to margin compression on cash and corporate time deposits. Trade income was up 12 per cent from re-pricing and increased market share. Custody revenues fell 42 per cent, reflecting margin compression. Lending income was up by 59 per cent resulting from growth in average balances and re-pricing. Own account income was up 94 per cent primarily due to ALM. Operating expenses grew $79 million, or 35 per cent, to $302 million. Expenses were driven higher by increased variable compensation for Global Markets staff in line with risk adjusted revenue growth. Investment expenditure also increased on account of integration costs in connection with Cazenove Asia. Loan impairment grew 20 per cent to $30 million, reflecting the deterioration in the local credit environment, which has stabilised in the second quarter. Operating profit was up $8 million, or 2 per cent, to $351 million.

Singapore

In Singapore, income grew $233 million, or 67 per cent, to $581 million. Client revenue growth of over 40 per cent was primarily driven by strong growth in Corporate Finance, Trade and Fixed Income. All client segments had positive growth except Local Corporates which was most impacted by the recession in the local market. Operating expenses grew $100 million, or 53 per cent, to $290 million. The main driver of the increase was staff expenses relating to variable compensation in line with revenue growth and headcount growth especially in Global Markets. Loan impairment was flat as compared to the first half of 2008 and reflects strong risk management processes. Operating profit was up $132 million, or 85 per cent, to $287 million.

Korea

In Korea, income was up $20 million, or 8 per cent, to $282 million. On a constant currency basis income rose 45 per cent. Client income grew 51 per cent, with good growth across all product lines, particularly in Transaction Banking, Lending and Financial Markets where income grew 18 per cent, 98 per cent and 99 per cent respectively. Own account income was adversely impacted by lower ALM accrual income as a result of the declining interest rate environment. Operating expenses fell 8 per cent to $121 million. On a constant currency basis, expenses increased by 24 per cent, reflecting good cost control offset by continued investment in product capabilities. Loan impairment was up $60 million, to $69 million. Operating profit was down 25 per cent to $92 million on a headline basis, but grew 2 per cent on a constant currency basis.

Other Asia Pacific

In Other Asia Pacific, income grew $113 million, or 14 per cent, to $902 million. In China, income was up 29 per cent, to $295 million, driven by increased private equity realisations. Excluding private equity realisations, income in China was broadly flat. Income in Malaysia at $149 million, was also broadly flat. Across the Asia Pacific region, income was impacted by margin compression, lower transaction volumes in trade and intensified competition from local banks. Operating expenses in Other Asia Pacific were up $47 million, or 14 per cent, to $375 million. Expenses in the region were driven higher by staff and premises costs and investments. In China operating expenses were up 22 per cent, to $131 million. In Malaysia, operating expenses were flat at $43 million. Loan impairment in Other Asia Pacific increased by $55 million, to $71 million, arising from higher provisions in Japan and Indonesia. In China, loan impairment was up $4 million to $6 million. Loan impairment was down in Taiwan and stable in all other locations across the region. Operating profit in Other Asia Pacific was up 10 per cent, to $470 million, of which $172 million and $105 million came from China and Malaysia respectively.

India

In India, income was up $111 million, or 19 per cent, to $691 million. On a constant currency basis, income was up 43 per cent. Client revenues drove income growth, as deepening of client relationships led to increased large Corporate Finance deals booked in the period. Trade and lending benefitted from re-pricing with higher income growth, more than offsetting liabilities margin compression. Operating expenses were broadly flat. Loan impairment was up $16 million, to $20 million. The increase in loan impairment was largely restricted to Middle Market segment. Operating profit was up $91 million, or 22 per cent, to $502 million. On a constant currency basis, operating profit was up 47 per cent.

MESA

In MESA, income was up $273 million, or 51 per cent, to $806 million. Client revenues increased by 37 per cent and own account revenues also grew strongly, up 114 per cent on first half last year. UAE led income growth in MESA with an overall increase of 79 per cent, mainly from Financial Markets, Corporate Advisory, Lending and Project and Structured Trade Finance. In Pakistan and South Asia, income was impacted by falling interest rates and lower trade volumes from lower prices of commodities and raw materials. Operating expenses in MESA were up $60 million, or 29 per cent, to $267 million driven by increased variable compensation, headcount growth and investment in product capabilities. Loan impairment was up significantly by $313 million, to $317 million, driven by certain local corporate exposures in the Middle East. Operating profit in MESA was down 31 per cent to $222 million.

Africa

In Africa, income was up $128 million, or 49 per cent, to $390 million. Operating income growth was client led, up 48 per cent on first half last year. On a constant currency basis, income was up 85 per cent, with strong growth in South Africa and Zambia, driven by exceptional Corporate Finance and Capital Markets performance. Commercial Banking products and ALM contributed well. Operating expenses in Africa were up 6 per cent, to $164 million. On a constant currency basis, expenses grew 26 per cent, primarily driven by higher variable compensation in line with risk adjusted revenue growth, increased headcount and investment in product capabilities. Loan impairment was up $11 million, from a net recovery of $5 million in the first half of 2008, to a net charge of $6 million. Operating profit almost doubled, to $220 million.

Americas, UK and Europe

In Americas, UK and Europe, income more than doubled to $697 million, from $299 million in the first half of 2008. Income growth was primarily driven by significant increase in trading income across all products. Client income also grew strongly led by Trade, Lending and Financial Markets. Operating expenses were broadly flat. Loan impairment increased $11 million, from a net recovery of $3 million in the first half of last year, to a net charge of $8 million. Other impairment increased $23 million, primarily relating to the ABS portfolio. Operating profit increased by $348 million, to $105 million, from a loss of $243 million in the first half of 2008.

Risk

Risk overview

The pace of macroeconomic deterioration has slowed significantly over the first half of 2009 and there have been tentative signs of improving economic conditions in some of our markets. Nevertheless, the overall macroeconomic environment remains weak and it is unclear when a sustained recovery will begin or how robust it will be. In spite of the uncertainty, the Group's balance sheet and liquidity position remain strong and Standard Chartered is prepared to deal with the challenges arising from global recessionary conditions.

Throughout 2008, the Group took pre-emptive action to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing. The Group has maintained its cautious stance in the first half of 2009, selectively adjusting its position in line with local market conditions. These actions do not immunise the Group from the effects of a cyclical downturn in its core markets, but should continue to mitigate their impact.

The Group's position at the end of June 2009 is marked by several key factors. The Group continues to have low exposure to higher-risk asset classes, and has maintained vigilance and discipline in responding to the challenging environment. It also has a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior team.

As a result of its focused strategy, Standard Chartered has low exposure to asset classes and segments outside of its core markets and target customer base. The Group has no mass market business in the US, UK and Europe. Exposure to securitised assets, leveraged loans, commercial real estate and hedge funds is low.

Standard Chartered has been disciplined in its management of risk. The Group has increased its focus on the inter-relationships between risk types and, where deemed appropriate, underwriting standards have been tightened. It has also conducted periodic reviews of risk exposure limits and risk control disciplines in anticipation of a global economic downturn. In the face of continued financial market turbulence, exposures to financial institutions have been subject to close and continuous review. To ensure the Group is prepared for a higher level of market volatility and economic uncertainty the Group regularly subjects its exposures to a range of stress tests across a wide range of products and customer segments at country, business and Group level. The stress testing exercises address different types of risk and cover the impact of specific shocks as well as a downturn in macroeconomic factors.

The Group's lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. The Group operates in over 70 countries and there is no single country which accounts for more than 20 per cent of loans and advances to customers or to operating income.

The Group continues to have a strong advances-to-deposit ratio. Liquidity will continue to be deployed to support growth opportunities in Standard Chartered's chosen markets. The Group manages its liquidity prudently in all geographical locations and for all currencies and continues to be a net provider of liquidity to the interbank money markets.

The Group benefits from a well established risk governance structure and an experienced senior team. Senior level membership of risk committees ensures that risk oversight is a critical focus for all of the Group's directors, while substantial common membership between risk committees helps the Group to address the inter-relationships between risk types.

The Group invested considerable effort preparing for the introduction of the Basel II capital adequacy framework by refining analytical tools, ensuring data quality, improving data infrastructure and strengthening processes. These enhanced capabilities and the resultant management information are being leveraged to inform further the Group's business, risk and capital management decisions.

Risk performance review

The Group's portfolio has continued to perform well given underlying economic conditions. Some of our customers are experiencing increased financial pressure owing to the deterioration in the economic environment, and this has translated into higher levels of impairment. However, given the growth in the size of the portfolio, the impairment levels are considerably lower than those experienced by the Group during the Asian crisis in 1998-99.

In Consumer Banking there has been a moderate increase in loan impairment relative to the second half of 2008, as trends that became evident during the fourth quarter of 2008 continued into 2009. This was primarily driven by rising unemployment and the impact of slower economic growth on order volumes for SME businesses. The unsecured portfolios in Korea, India and UAE have been most affected due respectively to an increase in the number of bankruptcy and debt restructuring programme filings, particularly high levels of consumer leverage and a dramatic fall in property values. The Consumer Banking portfolio continues to benefit from a proactive approach to risk, a focus on secured assets and conservative Loan to Value ratios in the mortgage book.

In Wholesale Banking there has been an increase in loan impairment since the second half of 2008. This has arisen primarily in the Local Corporates portfolio, where the effects of the deteriorating economic environment have been most acutely felt. A large proportion of Wholesale Banking impairment in the first half of 2009 is concentrated on a small number of accounts. Elsewhere, the portfolio has remained resilient with only moderate signs of stress.

There have been minimal levels of impairment on the ABS portfolio during the first half of 2009. The carrying value of the ABS portfolio has reduced, primarily as a result of redemptions, and the overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. The net exposure to ABS represents less than one per cent of total Group assets and has had limited impact on the Group's performance. Due to improved equity market conditions, there has also been no significant impairment of private equity or strategic investments in the first half of 2009.

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. Average total VaR increased in the first half of 2009 compared to 2008. This is due to the increase in the Banking book VaR, which reflects sharp increases in the volatility of credit spreads that were characteristic of the market following the collapse of Lehman Brothers in September 2008. Average trading book VaR has slightly declined in the first half of 2009, on account of reductions in interest rate and foreign exchange VaR, which were only partially offset by increases in commodity and equity VaR driven by continued expansion of these businesses.

Risk performance review continued

The integration of American Express Bank into the Group's risk control frameworks and processes is now complete.

Since 1 January 2008, for the purposes of reporting to the Financial Services Authority (FSA), the Group has been using the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital for the vast majority of its assets globally. Although the FSA's approval covers the Group's global operations, in several jurisdictions the Group is required to apply separately to adopt advanced IRB approaches for local reporting. Wherever the Group has chosen to do this to date (most recently in Korea) the application has been successful.

Principal risks and uncertainties

Standard Chartered is in the business of taking risk and the Group seeks to contain and mitigate those risks to ensure they remain within the Group's risk appetite and are adequately compensated. However, risks are by their nature uncertain and the management of risk relies on judgements and predictions about the future.

The key risks and uncertainties faced by the Group 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 the Group may experience.

Macroeconomic conditions in footprint countries

The Group's principal risks and uncertainties arise from slower economic growth in the major countries in its footprint and the various uncertainties surrounding global financial markets in 2009. The Group operates in many countries and is affected by the prevailing economic conditions in each.

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 the Group. All these factors may impact the performance of the Group.

One of the principal uncertainties is the extent to which the Group's major Asian and Middle-Eastern markets will continue to be affected by the global economic downturn. The linkages between economic activity in different markets are complex and depend not only on factors such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to address macroeconomic conditions.

The Group monitors economic trends in its markets very closely and continuously reviews the suitability of its risk policies and controls.

Changes in government and regulatory policy

A key uncertainty for the Group relates to the way in which governments and regulators will adjust their economic policies, laws and regulations in response to macroeconomic and other systemic conditions. Such changes may be wide-ranging and influence the volatility and liquidity of financial markets, as well as the ability and willingness of customers to repay their loans.

These effects may directly or indirectly impact the Group's financial performance. For example, history has shown that changes in bankruptcy laws may affect customers' willingness to repay. Standard Chartered plays an active role, through its participation in industry forums, in the development of relevant laws and regulatory policies in its key markets.

Financial markets dislocation

Continued volatility and dislocation affecting financial markets and asset classes may also affect the Group's performance over the coming months. These factors may have an impact on the mark-to-market valuations of assets in the Group's available-for-sale and trading portfolios; while any further deterioration in the performance of the assets underlying the Group's ABS portfolio could lead to additional impairment. The continued market volatility may also negatively impact certain customers exposed to derivative contracts. While the Group has a robust customer suitability and appropriateness process in place, the potential losses incurred by certain customers as a result of derivative contracts could lead to an increase in customer disputes and corporate defaults.

Instability in the financial services industry

The availability of liquidity and capital to financial institutions represents a material counterparty risk. Availability depends on the underlying strength and performance of each institution and, just as importantly, on the market perception of that institution at any given point in time. It remains possible that some institutions will experience tighter liquidity conditions.

Government action has reduced the systemic risk, and market liquidity conditions have improved over the first half of 2009, but the impact on the financial services industry of ongoing uncertainty in the broader economic environment means that the risk nevertheless remains. The Group continues to monitor closely the performance of its financial institutions customers and counterparties, taking action to mitigate risks as appropriate.

Reduced access to funding

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access funding only at excessive cost. Exceptional market events can impact the Group adversely, thereby affecting the Group's ability to fulfil its 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. The Group manages its liquidity prudently in all geographical locations and for all currencies. Standard Chartered has a customer deposit base diversified both by type and maturity, and a low dependence on wholesale funding. It also holds a portfolio of liquid assets which can be realised if a liquidity stress event occurs.

Exchange rates

Changes in exchange rates affect, among other things, the value of the Group's assets and liabilities denominated in foreign currencies, as well as the earnings reported by the Group's non-US dollar denominated branches and subsidiaries. The effect of exchange rate movements on the capital adequacy ratio is mitigated by corresponding movements in risk weighted assets. Under certain circumstances, the Group may take the decision to hedge its foreign exchange exposures in order to protect the Group's capital ratios from the effects of changes in exchange rates.

There have been significant movements in currency exchange rates in some of the Group's key markets over the past periods and Standard Chartered expects to continue to be exposed to such fluctuations in the coming year. The following table sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for the six months ended 30 June 2009, 31 December 2008 and 30 June 2008.

Exchange rates continued

	Six months ended 30.06.09	Six months ended 30.06.08	Six months ended 31.12.08
Indian rupee			
Average	**49.22**	40.71	46.23
Period end	**47.89**	42.98	48.65
Korean won			
Average	**1,352.04**	986.65	1,215.10
Period end	**1,274.09**	1,045.96	1,259.91
Singapore dollar			
Average	**1.49**	1.39	1.44
Period end	**1.45**	1.36	1.44

As a result of its normal business operations, Standard Chartered is exposed to a broader range of risks than those principal risks mentioned above. The Group's 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 the Group incurs arises from extending credit to customers through its trading and lending operations. Beyond credit risk, it is also exposed to a range of other risk types such as country, market, liquidity, operational, regulatory, pension and reputational risks which are inherent to Standard Chartered's 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 its risk management framework the Group manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within its risk appetite.

As part of this framework, the Group uses a set of principles that describe the risk management culture the Group wishes to sustain:

- Balancing risk and reward: risk is taken in support of the requirements of the Group's stakeholders, in line with the Group's strategy and within its risk appetite;
- Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Group takes account of its 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: the Group looks to anticipate future risks and maximise awareness of all risks; and
- Competitive advantage: the Group seeks competitive advantage through efficient and effective risk management and control.

Risk governance

Ultimate responsibility for setting the Group's 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 delegated to the Standard Chartered Bank court (the court) which comprises the Group executive directors and other directors of Standard Chartered Bank.

The Group Asset and Liability Committee (GALCO), through its authority delegated by the court, is responsible for the management of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management, including management of the Group's liquidity, capital adequacy and structural foreign exchange rate risk.

The Group Pensions Executive Committee, through its authority delegated by the court, is responsible for the management of pension risk.

The Group Risk Committee (GRC), through its authority delegated by the court, is responsible for the management of all other risks, including the establishment of, and compliance with, policies relating to credit risk, country risk, market risk, operational risk, regulatory risk and reputational risk. The GRC is also responsible for defining the Group's overall risk management framework.

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.

Acting within an authority delegated by the board, the Audit and Risk Committee (ARC), whose members are all non executive directors of the Company, reviews specific risk areas and monitors the activities of the GRC and GALCO. The ARC receives regular reports on risk management, including the Group's 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.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down through the organisation 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 through the country, business and functional committees up to the Group-level committees.

Risk limits and risk exposure approval authority frameworks are set by the GRC in respect of credit risk, country 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.

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; and
- developing and maintaining appropriate risk management infrastructure and systems to facilitate compliance with risk policies.

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

Risk governance continued

The Risk function performs the following core activities:

- informs and challenges business strategy in order to encourage rigour, quality, optimisation and transparency in relation to the deployment of risk capital;
- controls risk management processes separately from the businesses and seeks to ensure discipline and consistency with risk standards, policy and appetite;
- advises on risk management frameworks, the structuring of products and transactions and on the assessment and measurement of risk;
- facilitates and manages risk processes and seeks to ensure operational efficiency, effectiveness and best practice; and
- communicates with stakeholders to demonstrate compliance with requirements in relation to risk management.

The Group's Risk Management Framework (RMF) identifies the risk types to which the Group is exposed, each of which is controlled by a designated risk type owner (RTO). The major risk types are described individually in the sections below. 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 officer. 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

Risk appetite is an expression of the amount of risk the Group is willing to take in pursuit of its strategic objectives. Risk appetite reflects the Group's capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Group defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios.

The Group's risk profile is assessed through a 'bottom-up' analytical approach covering all of the Group's 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 the Group's 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 the Group to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors.

The Group has a stress testing framework designed to:

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

A stress testing forum is led by the Risk function with participation from the businesses, Group Finance and Group Treasury. Its primary objective is to ensure that the Group understands the earnings and capital implications of specific stress scenarios.

The stress testing forum generates and considers pertinent and plausible scenarios that have the potential to affect the Group adversely.

In view of recent market turbulence, stress testing activity has been 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.

Business stress testing themes such as high inflation, low inflation or declines in asset values are co-ordinated by the stress testing forum to ensure consistency of impacts on different risk types or countries. Specific 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 the counterparty to a financial transaction will fail to discharge an obligation, resulting in financial loss to the Group. Credit exposures may arise from both the banking book and the trading book.

Credit risk is managed through a framework which 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 GRC, which also oversees the delegation of credit approval and loan impairment provisioning authorities.

Policies and procedures that are specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with the 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 target for sustained investment and senior management attention.

A standard alphanumeric credit risk-grading system is used in both Wholesale and Consumer Banking. The grading is based on the Group's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and each grade is sub-classified A, B or C.

Lower credit grades are indicative of a lower probability 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.

Credit rating and measurement continued

There is no direct relationship between the Group's internal credit grades and those used by external rating agencies. The Group's credit grades are not intended to replicate external credit grades although, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically also rated in the lower rank of the Group's internal credit grades.

Credit grades for the majority of consumer accounts are based on a probability of default calculated using advanced IRB models. These models are based on application and behavioural scorecards which make use of credit bureau information as well as the Group's own data. For Consumer Banking portfolios where IRB models have not yet been developed, the probability of default is calculated by the Risk function using historical portfolio delinquency flow rates and judgement, where applicable.

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

Risk measurement models are approved by the responsible business 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 review at least annually. Such reviews are also triggered if the performance of a model deteriorates materially.

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 on their judgement and experience, and are based on 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, 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 GCC.

Credit monitoring

The Group regularly monitors credit exposures 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 migration across credit grades.

In Wholesale Banking, accounts or portfolios are placed on Early Alert 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), the 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, exit of 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 a specialist recovery team. In some countries, aspects of collections and recovery functions are outsourced. Medium Enterprise and Private Banking past due accounts are managed by GSAM.

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.

Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, 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 enforceability, market value and counterparty risk of the guarantor.

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. The Group also enters into collateralised reverse repurchase agreements. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by 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.

Certain credit exposures are mitigated using credit default insurance.

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, the Group limits its 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 as in the ordinary course of business they are not intended to be settled net.

In addition, the Group enters 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 the Group 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. The business 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 for the underwriting of new corporate security issues. Where an underwritten security is held for a period longer than the target sell-down period, decision making authority on the sale price moves to the Risk function.

Loan portfolio

Loans and advances to customers have grown by $7.7 billion since June 2008 and $6.4 billion since December 2008 to $185 billion as at 30 June 2009.

Consumer Banking assets have remained flat since June 2008 at $84.5 billion but have grown by 5 per cent since December 2008. There has been significant growth since June 2008 in both Hong Kong, driven largely by mortgages, and Singapore, driven by mortgages and other loans to individuals. Consumer Banking balances in Korea have decreased by $3.3 billion since June 2008, driven by the depreciation in the Korean won, but have increased by $0.5 billion since December 2008.

Growth in the Wholesale Banking customer portfolio was $7.8 billion, or 8 per cent, since June 2008. Growth was spread across several regions, with Middle East and Other South Asia growing particularly strongly by $3.2 billion. The growth in Americas, UK & Europe is driven by an increase in credit facilities extended to customers to support the business they do elsewhere in the Group's network.

Loans and advances to banks have reduced by $7 billion since June 2008, or 13 per cent, and by $1.7 billion since December 2008.

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.

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

The following tables analyse the loan portfolio by industry and geographic area, classified by booking location:

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	13,496	6,687	17,629	9,837	1,538	994	205	145	50,531
Other	2,785	4,886	4,419	4,785	829	2,469	597	831	21,601
Small and medium enterprises	1,333	2,036	3,564	2,651	1,159	671	121	806	12,341
Consumer Banking	17,614	13,609	25,612	17,273	3,526	4,134	923	1,782	84,473
Agriculture, forestry and fishing	20	72	32	305	71	83	498	600	1,681
Construction	243	119	295	385	335	728	108	219	2,432
Commerce	2,557	3,738	692	3,040	787	4,721	703	2,258	18,496
Electricity, gas and water	444	14	52	538	34	253	66	1,373	2,774
Financing, insurance and business services	3,349	2,622	328	3,569	453	2,834	299	9,739	23,193
Governments	–	1,165	331	3,305	–	941	12	426	6,180
Mining and quarrying	–	402	12	254	123	309	279	5,095	6,474
Manufacturing	2,616	1,177	2,914	7,256	2,429	1,914	657	5,505	24,468
Commercial real estate	1,473	2,226	781	889	324	680	6	426	6,805
Transport, storage and communication	594	725	381	835	208	1,376	218	2,704	7,041
Other	357	467	198	281	5	290	17	70	1,685
Wholesale Banking	11,653	12,727	6,016	20,657	4,769	14,129	2,863	28,415	101,229
Portfolio impairment provision	(64)	(42)	(123)	(199)	(78)	(150)	(43)	(51)	(750)
Total loans and advances to customers	29,203	26,294	31,505	37,731	8,217	18,113	3,743	30,146	184,952
Total loans and advances to banks	18,288	7,115	2,665	5,830	323	1,774	637	9,644	46,276

* Other APR includes Malaysia: Consumer Banking $4,003 million; Wholesale Banking $4,620 million; Portfolio impairment provision $(33) million; Total loans and advances to customers $8,590 million; Total loans and advances to banks $183 million.

Total loans and advances to customers include $2,204 million held at fair value through profit or loss. Total loans and advances to banks include $910 million held at fair value through profit or loss account.

Loan portfolio continued

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	12,306	5,420	19,596	9,595	1,539	679	224	220	49,579
Other	2,246	1,797	4,455	4,870	1,144	2,846	659	4,215	22,232
Small and medium enterprises	1,286	1,790	4,869	2,674	1,079	750	167	3	12,618
Consumer Banking	15,838	9,007	28,920	17,139	3,762	4,275	1,050	4,438	84,429
Agriculture, forestry and fishing	28	43	26	306	63	95	345	704	1,610
Construction	138	41	271	364	298	704	47	105	1,968
Commerce	2,168	3,397	468	3,966	904	3,938	861	2,671	18,373
Electricity, gas and water	292	35	181	501	42	355	199	1,093	2,698
Financing, insurance and business services	3,311	2,522	538	3,004	801	1,856	335	7,282	19,649
Governments	1	862	–	4,129	–	262	39	516	5,809
Mining and quarrying	–	162	28	204	105	271	92	4,411	5,273
Manufacturing	2,787	1,301	3,259	8,103	2,239	1,704	421	4,706	24,520
Commercial real estate	1,244	1,196	915	1,207	384	53	6	512	5,517
Transport, storage and communication	373	293	320	917	188	899	251	2,320	5,561
Other	132	406	280	559	12	821	95	103	2,408
Wholesale Banking	10,474	10,258	6,286	23,260	5,036	10,958	2,691	24,423	93,386
Portfolio impairment provision	(45)	(44)	(90)	(223)	(60)	(73)	(19)	(41)	(595)
Total loans and advances to customers	26,267	19,221	35,116	40,176	8,738	15,160	3,722	28,820	177,220
Total loans and advances to banks	11,728	4,689	3,312	5,977	376	2,839	560	23,745	53,226

* Other APR includes Malaysia: Consumer Banking $4,251 million; Wholesale Banking $5,977 million; Portfolio impairment provision $(29) million; Total loans and advances to customers $10,199 million; Total loans and advances to banks $844 million.

Total loans and advances to customers include $2,485 million held at fair value through profit or loss. Total loans and advances to banks include $4,051 million held at fair value through profit or loss account.

Loan portfolio continued

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $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

* Other APR includes Malaysia: Consumer Banking $4,033 million; Wholesale Banking $3,952 million; Portfolio impairment provision $(30) million; 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 account.

Maturity analysis

Approximately 50 per cent of the Group's 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, 60 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 maturity of loans and advances to customers:

	30.06.09			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Consumer Banking				
Mortgages	**2,339**	**7,403**	**40,789**	**50,531**
Other	**12,448**	**6,915**	**2,238**	**21,601**
SME	**7,193**	**2,629**	**2,519**	**12,341**
Total	**21,980**	**16,947**	**45,546**	**84,473**
Wholesale Banking	**70,736**	**24,071**	**6,422**	**101,229**
Portfolio impairment provision				**(750)**
Loans and advances to customers				**184,952**

	30.06.08			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking				
Mortgages	2,948	7,609	39,022	49,579
Other	12,517	7,715	2,000	22,232
SME	7,256	3,198	2,164	12,618
Total	22,721	18,522	43,186	84,429
Wholesale Banking	73,183	15,078	5,125	93,386
Portfolio impairment provision				(595)
Loans and advances to customers				177,220

	31.12.08			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking				
Mortgages	2,357	6,883	38,327	47,567
Other	11,575	7,118	2,756	21,449
SME	6,780	2,653	2,215	11,648
Total	20,712	16,654	43,298	80,664
Wholesale Banking	71,307	21,392	5,800	98,499
Portfolio impairment provision				(651)
Loans and advances to customers				178,512

Problem credit management and provisioning

Consumer Banking

Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes, the Group follows 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.

The process used for raising individual impairment provisions (IIP) is dependent on the product. For unsecured products and loans secured by automobiles, individual provisions are raised for the entire outstanding amount at 150 days past due. For mortgages, IIP are generally raised at 150 days past due based on the difference between the outstanding amount of the loan, and the present value of the estimated future cash flows which includes the realisation of collateral. For other secured loans (excluding those secured by mortgage and automobiles), IIP are raised at 90 days past due based on the forced sale value of the collateral without further discounting, as the collateral value is typically realised in less than 12 months. For all products there are certain situations where the individual impairment provisioning process is accelerated, such as in cases involving bankruptcy, fraud and death.

A portfolio impairment provision (PIP) is held to cover the inherent risk of losses which, although not specifically identified, are known through experience to be present in the loan portfolio. PIP is set using expected loss rates, based on past experience, supplemented by an assessment of specific factors affecting the portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as credit grade migration, delinquency trends, flow rates and early alert trends.

The procedures for managing problem credit in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking, described on page 26.

For unsecured loans to small businesses within the SME segment, the problem credit management process is similar to that of other unsecured products in Consumer Banking.

Non-performing loans are loans past due by more than 90 days or that are otherwise individually impaired. The cover ratio reflects the extent to which the gross non-performing loans are covered by the individual and portfolio impairment provisions.

The tables below set out the total non-performing loans in Consumer Banking.

30.06.09

	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances Gross non-performing	**90**	**59**	**315**	**589**	**65**	**225**	**39**	**171**	**1,553**
Individual impairment provision	**(56)**	**(21)**	**(70)**	**(243)**	**(13)**	**(92)**	**(14)**	**(104)**	**(613)**
Non-performing loans net of individual impairment provision	**34**	**38**	**245**	**346**	**52**	**133**	**25**	**67**	**940**
Portfolio impairment provision									**(500)**
Net non-performing loans and advances									**440**
Cover ratio									**72%**

* Other APR includes Malaysia: loans and advances gross non-performing $164 million; individual impairment provision $(43) million; non-performing loans net of individual impairment provision $121 million.

30.06.08

	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances Gross non-performing	63	58	309	644	56	145	41	5	1,321
Individual impairment provision	(25)	(22)	(95)	(333)	(18)	(74)	(12)	–	(579)
Non-performing loans net of individual impairment provision	38	36	214	311	38	71	29	5	742
Portfolio impairment provision									(449)
Net non-performing loans and advances									293
Cover ratio									78%

* Other APR includes Malaysia: loans and advances gross non-performing $169 million; individual impairment provision $(41) million; non-performing loans net of individual impairment provision $128 million.

***Consumer Banking** continued*

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $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%

* Other APR includes Malaysia: loans and advances gross non-performing $164 million; individual impairment provision $(41) million; non-performing loans net of individual impairment provision $123 million.

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

	30.06.09								
	Asia Pacific								
	Hong Kong $million	**Singapore $million**	**Korea $million**	**Other Asia Pacific* $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Europe $million**	**Total $million**
Gross impairment charge	**76**	**35**	**102**	**223**	**77**	**115**	**15**	**14**	**657**
Recoveries/provisions no longer required	**(16)**	**(10)**	**(8)**	**(70)**	**(11)**	**(20)**	**(5)**	**(2)**	**(142)**
Net impairment charge	**60**	**25**	**94**	**153**	**66**	**95**	**10**	**12**	**515**
Portfolio impairment provision charge									**48**
Net impairment charge									**563**

* Other APR includes Malaysia: gross impairment charge $45 million; recoveries/provisions no longer required $(21) million; net individual impairment charge $24 million.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	54	15	83	229	57	98	13	11	560
Recoveries/provisions no longer required	(20)	(13)	(5)	(66)	(13)	(16)	(8)	(3)	(144)
Net impairment charge	34	2	78	163	44	82	5	8	416
Portfolio impairment provision release									(4)
Net impairment charge									412

* Other APR includes Malaysia: gross impairment charge $44 million; recoveries/provisions no longer required $(24) million; net individual impairment charge $20 million.

***Consumer Banking** continued*

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	81	24	82	213	53	99	14	53	619
Recoveries/provisions no longer required	(17)	(13)	(11)	(64)	(15)	(9)	(3)	(5)	(137)
Net impairment charge	64	11	71	149	38	90	11	48	482
Portfolio impairment provision charge									43
Net impairment charge									525

* Other APR includes Malaysia: gross impairment charge $41 million; recoveries/provisions no longer required $(19) million; net individual impairment charge $22 million.

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 GSAM, which is separate from the main businesses of the Group. Where any amount is considered irrecoverable, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows.

Future cash flows are estimated by taking into account the individual circumstances of each customer and can arise from operations, sales of assets or subsidiaries, realisation of collateral, or payments under guarantees. Cash flows from all available sources are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering an element of an exposure against which an impairment provision has been raised, then that amount will be written off.

As with Consumer Banking, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, the PIP is set with reference to past experience using loss rates, and judgemental factors such as the economic environment and the trends in key portfolio indicators.

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio is impacted by a number of large downgrades where 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 provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

The following tables set out the total non-performing portfolio in Wholesale Banking.

***Wholesale Banking** continued*

	30.06.09								
	Asia Pacific								
	Hong Kong $million	**Singapore $million**	**Korea $million**	**Other Asia Pacific* $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Europe $million**	**Total $million**
Loans and advances Gross non-performing	**248**	**22**	**348**	**723**	**112**	**756**	**124**	**202**	**2,535**
Individual impairment provision	**(133)**	**(5)**	**(141)**	**(385)**	**(50)**	**(389)**	**(44)**	**(99)**	**(1,246)**
Non-performing loans net of individual impairment provision	**115**	**17**	**207**	**338**	**62**	**367**	**80**	**103**	**1,289**
Portfolio impairment provision									**(255)**
Net non-performing loans and advances									**1,034**
Cover ratio									**59%**

* Other APR includes Malaysia: loans and advances gross non-performing $25 million; individual impairment provision $(15) million; non-performing loans net of individual impairment provision $10 million.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances Gross non-performing	110	12	27	347	23	148	92	210	969
Individual impairment provision	(78)	(10)	(12)	(284)	(20)	(106)	(51)	(91)	(652)
Non-performing loans net of individual impairment provision	32	2	15	63	3	42	41	119	317
Portfolio impairment provision									(164)
Net non-performing loans and advances									153
Cover ratio									84%

* Other APR includes Malaysia: loans and advances gross non-performing $22 million; individual impairment provision $(20) million; non-performing loans net of individual impairment provision $2 million.

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $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%

* Other APR includes Malaysia: loans and advances gross non-performing $16 million; individual impairment provision $(16) million; non-performing loans net of individual impairment provision $nil million.

***Wholesale Banking** continued*

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

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	**31**	**1**	**62**	**75**	**22**	**298**	**2**	**7**	**498**
Recoveries/provisions no longer required	**(3)**	**–**	**–**	**(6)**	**(2)**	**(2)**	**(1)**	**(5)**	**(19)**
Net impairment charge	**28**	**1**	**62**	**69**	**20**	**296**	**1**	**2**	**479**
Portfolio impairment provision charge									**46**
Net impairment charge									**525**

* Other APR includes Malaysia: gross impairment charge $2 million; recoveries/provisions no longer required $(2) million; net individual impairment charge $nil million.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	26	–	7	17	3	4	2	3	62
Recoveries/provisions no longer required	(1)	(2)	–	(6)	(4)	(3)	(3)	(13)	(32)
Net impairment charge/(credit)	25	(2)	7	11	(1)	1	(1)	(10)	30
Portfolio impairment provision charge									22
Net impairment charge									52

* Other APR includes Malaysia: gross impairment charge $nil million; recoveries/provisions no longer required $(1) million; net individual impairment (credit) $(1) million.

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	68	–	82	101	32	2	6	41	332
Recoveries/provisions no longer required	(19)	(1)	–	(10)	(1)	(4)	(6)	(16)	(57)
Net impairment charge/(credit)	49	(1)	82	91	31	(2)	–	25	275
Portfolio impairment provision charge									57
Net impairment charge									332

* Other APR includes Malaysia: gross impairment charge $nil million; recoveries/provisions no longer required $(1) million; net individual impairment (credit) $(1) million.

Movement in Group individual impairment provision

The following tables set out the movements in the Group's total individual impairment provisions against loans and advances:

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Provisions held at 1 January 2009	164	20	154	605	44	170	54	113	1,324
Exchange translation differences	–	–	2	5	1	–	2	10	20
Amounts written off	(74)	(26)	(88)	(222)	(76)	(87)	(10)	(7)	(590)
Recoveries of acquisition fair values	–	–	(2)	(11)	–	(1)	–	–	(14)
Recoveries of amounts previously written off	14	7	(2)	44	9	11	1	1	85
Discount unwind	(3)	(1)	(6)	(14)	(1)	–	–	(5)	(30)
Other	–	–	(3)	–	–	(1)	–	77	73
New provisions	107	36	164	297	99	411	17	21	1,152
Recoveries/provisions no longer required	(19)	(10)	(8)	(76)	(13)	(22)	(6)	(7)	(161)
Net charge against profit	88	26	156	221	86	389	11	14	991
Provisions held at 30 June 2009	189	26	211	628	63	481	58	203	1,859

* Other APR includes Malaysia: provisions held at 1 January 2009 $57 million; new provisions $47 million; recoveries/provisions no longer required $(23) million; net charge to profit $24 million; provisions held at 30 June 2009 $58 million.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Provisions held at 1 January 2008	74	44	137	623	44	197	66	88	1,273
Exchange translation differences	–	2	(14)	31	(4)	(12)	(3)	–	–
Amounts written off	(43)	(20)	(94)	(205)	(55)	(96)	(4)	(11)	(528)
Acquisitions	–	–	8	–	–	–	–	14	22
Recoveries of acquisition fair values	–	–	(13)	(32)	–	(2)	–	–	(47)
Recoveries of amounts previously written off	17	7	2	41	11	13	–	1	92
Discount unwind	(2)	(1)	(4)	(14)	–	(1)	(1)	(1)	(24)
Other	–	–	1	–	(1)	(1)	–	–	(1)
New provisions	78	15	89	246	60	101	15	14	618
Recoveries/provisions no longer required	(21)	(15)	(5)	(72)	(17)	(19)	(10)	(15)	(174)
Net charge against/(credit to) profit	57	–	84	174	43	82	5	(1)	444
Provisions held at 30 June 2008	103	32	107	618	38	180	63	90	1,231

* Other APR includes Malaysia: provisions held at 1 January 2008 $59 million; new provisions $44 million; recoveries/provisions no longer required $(25) million; net charge against/(credit) to profit $19 million; provisions held at 30 June 2008 $61 million.

Movement in Group individual impairment provision continued

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $ million	Americas UK & Europe $million	Total $million
Provisions held at 1 July 2008	103	32	107	618	38	180	63	90	1,231
Exchange translation differences	1	(2)	(29)	(55)	(6)	(16)	(6)	(3)	(116)
Amounts written off	(51)	(28)	(62)	(245)	(59)	(82)	(13)	(51)	(591)
Acquisitions	–	–	(5)	28	–	–	–	1	24
Recoveries of acquisition fair values	–	–	(6)	(23)	–	(2)	–	–	(31)
Recoveries of amounts previously written off	14	8	–	47	12	(1)	–	8	88
Discount unwind	(1)	–	(5)	(10)	(1)	–	–	1	(16)
Other	–	–	9	5	–	2	–	(5)	11
New provisions	135	24	156	314	76	102	18	95	920
Recoveries/provisions no longer required	(37)	(14)	(11)	(74)	(16)	(13)	(8)	(23)	(196)
Net charge against profit	98	10	145	240	60	89	10	72	724
Provisions held at 31 December 2008	164	20	154	605	44	170	54	113	1,324

* Other APR includes Malaysia: provisions held at 1 July 2008 $61 million; new provisions $41 million; recoveries/provisions no longer required $(20) million; net charge to profit $21 million; provisions held at 31 December 2008 $57 million.

Total exposures to asset backed securities

The Group had the following exposures to asset backed securities:

	30.06.09 Percentage of notional value of Portfolio	30.06.09 Notional $million	30.06.09 Carrying values $million	30.06.09 Fair value* $million	30.06.08 Percentage of notional value of Portfolio	30.06.08 Notional $million	30.06.08 Carrying/ fair values $million
Residential Mortgage Backed Securities (RMBS)							
– US Alt-A	**2%**	**79**	**49**	**25**	2%	89	59
– US Prime	**–**	**1**	**1**	**1**	–	2	2
– Other	**23%**	**823**	**758**	**607**	28%	1,562	1,499
Collateralised Debt Obligations (CDOs)							
– Asset Backed Securities	**4%**	**159**	**20**	**17**	5%	264	79
– Other CDOs	**10%**	**367**	**292**	**233**	7%	394	335
Commercial Mortgage Backed Securities (CMBS)							
– US CMBS	**4%**	**142**	**125**	**84**	3%	150	132
– Other	**19%**	**686**	**485**	**339**	16%	904	796
Other Asset Backed Securities (Other ABS)	**38%**	**1,388**	**1,268**	**1,185**	39%	2,221	2,059
	100%	**3,645**	**2,998**	**2,491**	100%	5,586	4,961

	31.12.08 Percentage of notional value of Portfolio	31.12.08 Notional $million	31.12.08 Carrying values $million	31.12.08 Fair value* $million
Residential Mortgage Backed Securities (RMBS)				
– US Alt-A	2%	84	57	35
– US Prime	–	2	1	–
– Other	23%	1,024	969	858
Collateralised Debt Obligations (CDOs)				
– Asset Backed Securities	5%	208	32	30
– Other CDOs	9%	379	306	225
Commercial Mortgage Backed Securities (CMBS)				
– US CMBS	3%	147	129	92
– Other	15%	671	525	466
Other Asset Backed Securities (Other ABS)	43%	1,935	1,740	1,551
	100%	4,450	3,759	3,257

* Fair value reflects the value of the entire portfolio, including those assets reclassified in 2008 to loans and receivables.

The carrying value of asset backed securities represents 0.7 per cent (30 June 2008: 1.3 per cent, 31 December 2008: 0.9 per cent) of the Group's total assets.

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities which have been subject to an impairment charge, 81 per cent of the overall portfolio is rated A, or better, and 63 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.

25 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA+. 54 per cent of the residential mortgage exposures were originated in 2005 or earlier.

14 per cent of the overall portfolio is in CDOs. This includes $159 million of exposures to Mezzanine and High Grade CDOs of ABS, of which $127 million have been impaired. The remainder of the CDOs have a weighted average credit rating of AA-.

23 per cent of the overall portfolio is in CMBS, of which $142 million is in respect of US CMBS with a weighted average credit grade of AAA. The weighted average credit rating of the Other CMBS is A+.

38 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 of its 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 11 on page 58 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in the six months to 30 June 2009.

Writedowns of asset backed securities

	Trading $million	Available-for-sale $million	Total $million
Six months to 30 June 2009:			
Charge to available-for-sale reserves	**–**	**(34)**	**(34)**
Charge to the income statement	**–**	**(23)**	**(23)**
Six months to 31 December 2008:			
Charge to available-for-sale reserves	–	(123)	(123)
Charge to the income statement	6	(40)	(34)
Six months to 30 June 2008:			
Charge to available-for-sale reserves	–	(186)	(186)
Charge to the income statement	(80)	(50)	(130)

Country risk

Country risk is the risk that the Group will be unable to obtain payment from its 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 the Group's country risk limits and delegates the setting and management of the 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, certificates of deposit and other negotiable paper and investment securities 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 India and Hong Kong has risen significantly and business continues to grow in Singapore, South Korea and UAE. This reflects the Group's focus and continued expansion in its core countries and the execution of underlying business strategies in these key markets.

Cross border exposure to the US has increased since June 2008 as overnight positions have grown in support of the Group's enhanced clearing capabilities following the acquisition of American Express Bank. Medium term exposures to China continue to grow in line with strategy, however overall exposures have decreased primarily due to a reduction in demand for short dated money market business by Chinese banks.

Cross border exposure to countries in which the Group does not have a significant presence predominantly relates to short-dated money market and some global corporate activity. This business is originated in the Group's 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, Netherlands and Australia

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

	30.06.09			30.06.08			31.12.08		
	One year or less $million	**Over one year $million**	**Total $million**	One year or less $million	Over one year $million	Total $million	One year or less $million	Over one year $million	Total $million
USA	**12,047**	**6,157**	**18,204**	11,200	5,527	16,727	12,839	5,449	18,288
India	**9,517**	**8,008**	**17,525**	10,562	4,874	15,436	8,806	6,862	15,668
South Korea	**9,032**	**6,952**	**15,984**	10,666	5,408	16,074	8,803	7,040	15,843
Hong Kong	**11,103**	**4,629**	**15,732**	9,282	4,065	13,347	9,481	4,136	13,617
Singapore	**9,824**	**3,142**	**12,966**	11,999	2,482	14,481	9,715	3,003	12,718
UAE	**5,549**	**6,808**	**12,357**	7,764	3,185	10,949	5,989	4,546	10,535
China	**4,277**	**2,937**	**7,214**	6,326	2,568	8,894	4,480	3,292	7,772
France	**3,108**	**2,333**	**5,441**	3,702	1,408	5,110	3,071	1,835	4,906
Netherlands	**2,591**	**2,241**	**4,832**	1,690	1,324	3,014	2,445	1,648	4,093
Australia	**2,755**	**1,999**	**4,754**	2,102	1,404	3,506	2,000	1,552	3,552

Market risk

Standard Chartered recognises market risk as the risk of loss resulting from changes in market prices and rates. The Group is exposed to market risk arising principally from customer-driven transactions. The objective of the Group's 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; and
- 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 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 the Group's 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 being defined as per the FSA Handbook. 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)

The Group measures 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 which 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.

The Group uses historic simulation as its VaR methodology with an observation period of one year. 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.

VaR is calculated as the Group's 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 the past year there have been only three exceptions in the regulatory back testing. 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.

GMR complements the VaR measurement by regularly stress testing market risk exposures to highlight 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.

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

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.

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.

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

Market risk changes

Average total VaR has increased in the first half of 2009 compared to 2008. This is due to the increase in the banking book VaR, which reflects sharp increases in the volatility of credit spreads that were characteristic of the market following the collapse of Lehman Brothers in September 2008. The one year historic data window applied as an input to the VaR model continues to reflect this period of particularly high credit spread volatility in to 2009. Average trading book VaR has slightly declined in the first half of 2009, on account of reductions in interest rate VaR, which was only partially offset by increases in commodity and equity VaR driven by continued expansion of these businesses.

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.

Market risk continued

Trading and non-trading (VaR at 97.5 per cent, 1 day)

Daily value at risk	**6 months to 30.06.09** Average $million	High $million	Low $million	Actual^ $million	6 months to 30.06.08 Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	**41.6**	**46.7**	**35.3**	**35.6**	23.9	33.3	16.3	28.0
Foreign exchange risk	**8.2**	**16.1**	**4.5**	**6.5**	5.6	8.4	3.3	5.0
Commodity risk	**3.2**	**5.5**	**1.3**	**4.2**	1.2	2.8	0.6	1.5
Equity risk	**1.7**	**2.8**	**1.0**	**2.1**	1.3	1.9	0.8	1.9
Total**	**42.9**	**47.9**	**36.1**	**36.8**	28.0	38.3	17.8	33.6

Daily value at risk	6 months to 31.12.08 Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	27.8	37.6	22.8	36.7
Foreign exchange risk	6.4	8.7	3.9	4.8
Commodity risk	1.4	2.4	0.9	2.1
Equity risk	1.4	2.4	0.5	0.8
Total**	34.7^	42.5^	28.3	41.7

Trading (VaR at 97.5 per cent, 1 day)

Daily value at risk	**6 months to 30.06.09** Average $million	High $million	Low $million	Actual^ $million	6 months to 30.06.08 Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	**10.9**	**14.2**	**8.7**	**10.5**	12.6	16.0	9.9	12.0
Foreign exchange risk	**8.2**	**16.1**	**4.5**	**6.5**	5.6	8.4	3.3	5.0
Commodity risk	**3.2**	**5.5**	**1.3**	**4.2**	1.2	2.8	0.6	1.5
Equity risk	**1.7**	**2.8**	**1.0**	**2.1**	1.3	1.9	0.8	1.9
Total**	**13.7**	**18.0**	**9.9**	**16.6**	14.6	20.6	10.0	12.8

Daily value at risk	6 months to 31.12.08 Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	11.5	14.2	8.5	9.3
Foreign exchange risk	6.4	8.7	3.9	4.8
Commodity risk	1.4	2.4	0.9	2.1
Equity risk	1.4	2.4	0.5	0.8
Total**	13.9	19.2	9.2	9.8

* Interest rate risk VaR includes credit spread risk.

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

^ This represents the actual one day VaR as at the period end.

The highest and lowest VaR are independent and could have occurred on different days.

The average daily income earned from market risk related activities is as follows:

	6 months to 30.06.09 $million	6 months to 30.06.08 $million	6 months to 31.12.08 $million
Interest rate risk	**7.7**	3.0	3.7
Foreign exchange risk	**6.4**	6.4	3.9
Commodity risk	**1.3**	0.3	0.9
Equity risk	**0.6**	0.1	(0.1)
Total	**16.0**	9.8	8.4

Market risk continued

Non-trading (VaR at 97.5 per cent, 1 day)

	6 months to 30.06.09				6 months to 30.06.08			
Daily value at risk	**Average $million**	**High $million**	**Low $million**	**Actual^ $million**	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk	**36.3**	**41.0**	**31.4**	**31.4**	14.2	21.9	10.6	21.9

	6 months to 31.12.08			
Daily value at risk	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	24.2	39.6	18.3	38.8

* Interest rate VaR includes credit spread risk.

^ This represents the actual one day VaR as at the period end.

The highest and lowest VaR are independent and could have occurred on different days.

The average daily income earned from non-trading market risk related activities is as follows:

	6 months to 30.06.09 $million	6 months to 30.06.08 $million	6 months to 31.12.08 $million
Interest rate risk	**5.6**	3.8	2.6

Market risk 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.

VaR and stress tests are applied to non-trading book exposures in the same way as for the trading book.

The interest rate risk on securities issued by Group Treasury is hedged to floating rate and is not included within Group VaR. The issued securities and related hedges and placements are managed separately under the Group's Capital Management Committee (CMC) by Group Treasury.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency.

Structural foreign exchange risks are not included within VaR and arise from net investments in non-US dollar currency entities. These are managed separately under the CMC by Group Treasury.

Equity risk relating to 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 share holdings are detailed in note 16.

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 30 June 2009 the Group's market risk regulatory capital requirement was $1,421.3 million (30 June 2008: $969.6 million; 31 December 2008: $735.2 million). The year-on-year regulatory capital increase to June 2009 is mainly due to commodities positions that are subject to the FSA standard rules. Despite the increase in market risk capital, market risk in the trading book as measured by our internal VaR methodology has decreased year on year.

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.

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

The Group enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in 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 17.

Hedging

The Group uses futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets to hedge risk.

The Group has investments in foreign operations (subsidiaries and branches) in currencies other than its functional currency, US dollars. Foreign exchange movements on those net investments in foreign currencies are taken to the Group's 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. The Group hedges the net investments in limited circumstances if the capital ratio is expected to be materially affected by exchange rate movements.

Hedging continued

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.

The Group 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.

Liquidity risk

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

It is the policy of the Group 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. The Group manages liquidity risk both on a short-term and medium-term basis. In the short-term, the 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.

The GALCO is the responsible governing body that approves the Group's 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 control the implementation of policies and other controls relating to the above risks.

The Group seeks to manage its liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact the Group adversely, thereby affecting the Group's ability to fulfill its 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, the Group has a customer deposit base diversified by type and maturity. In addition it has ready access to wholesale funds – if required – under normal market conditions, and has a portfolio of liquid assets which can be realised if a liquidity stress occurs.

Policies and procedures

Due to the diversified nature of Standard Chartered's business, the Group's policy is that liquidity is more effectively managed locally, in-country. Each ALCO is responsible for ensuring that the country is self-sufficient, is 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.

The Group 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 cashflows;
- the level of wholesale borrowing to ensure that the size of this funding is proportionate to the local market and the Group's 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 medium-term asset portfolio; and
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Group prescribes 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 are 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; and
- depositor concentration report to monitor reliance on large individual depositors.

The Group has 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, each country and the Group maintain a liquidity crisis management plan which is 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 in case of such an event.

Primary sources of funding

A substantial portion of the Group's assets are 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. Country ALCO 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.

The Group maintains access to the interbank wholesale funding markets in all major financial centres and countries in which it operates. This seeks to ensure that the Group has flexibility around maturity transformation, has market intelligence, maintains stable funding lines and is a price-maker when it performs its interest rate risk management activities.

Liquidity metrics

The Group monitors 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-deposits ratio

This is defined as the ratio of loans and advances to customers relative to 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.

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Loans and advances to customers*	**184,952**	177,220	178,512
Customer accounts*	**235,972**	210,760	238,591
	%	%	%
Advances-to-deposits ratio	**78.4**	84.1	74.8

* See note 11 on page 58.

Liquid asset ratio

This is the ratio of liquid assets to total assets. The level of holdings of liquid assets in the balance sheet reflects the prudent approach of the Group's liquidity policies and practices. The following table shows the ratio of liquid assets to total assets:

	30.06.09 %	30.06.08 %	31.12.08 %
Liquid assets* to total assets ratio	**24.1**	22.8	23.1

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

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. Any of these risks could result in an adverse impact on the Group's financial condition and results of operations. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The Group Operational Risk Committee (GORC) oversees the management and assurance of operational risks across the Group. The GORC is also responsible for ensuring adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

Group Operational Risk is responsible for setting the operational risk policy and defining standards for operational risk management and measurement. An independent assurance function, separate from the business and other functions, is responsible for assuring operational risk policies and procedures.

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 & Assurance is responsible for establishing 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 the Group's Regulatory Compliance standards and monitors key regulatory risks across the Group.

Reputational risk

Reputational risk arises from the failure to act as a responsible business, and thereby failing to meet the standards of performance or behavioural standards mandated by the Group and expected by its key stakeholders. It is the Group's policy that the protection of the Group's reputation should take priority over all other activities at all times, including revenue generation.

Reputational risk may arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, legal, regulatory and operational risk, or failing to comply with social, environmental and ethical standards. Reputational risk may also occur independently of other risk types. It is a priority to ensure that responsible business practices continue to be embedded across the Group, and all staff are required to be vigilant in the day-to-day identification and management of reputational risk.

From an organisational perspective the Group manages reputational risk through the Group Reputational Risk and Responsibility Committee (GRRRC) and at country level through country management committees.

The GRRRC is responsible for ensuring a 'one bank' approach to the identification, mitigation and management of reputational risk, and to ensure that any emerging or thematic reputational risks are recognised and reported to the Group.

At country level, it is the responsibility of the country chief executive officer to protect the Group's reputation in their market. To achieve this, the country chief executive officer and country management committee must actively:

- ensure the Bank's commitment to being a responsible business is successfully entrenched in their country;
- promote awareness and application of the Group's policy and procedures regarding reputational risk;
- encourage business and functions to take account of the Group's 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; and
- promote effective, proactive stakeholder management.

Pension risk

Pension risk is the risk to the Group caused by its obligations to provide pension benefits to its employees. Pension risk exposure is not concerned with the financial performance of the Group's pension schemes themselves, rather the focus is upon the risk to the Group's financial position which arises from the Group's need to meet its pension scheme funding obligations. The risk assessment is focused on the Group's obligations towards its major pension schemes, ensuring that its funding obligations to these schemes is comfortably within the financial capacity of the Group. 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 the Group's tax position.

The Group manages tax risk through the Tax Management Committee (TMC), which receives its authority from the 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, GALCO and GORC on a quarterly basis.

Capital management

The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its 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 approved by the board. The plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support the strategy. This is integrated with the Group's annual planning process that takes into consideration business growth assumptions across products and geographies and the related impact on capital.

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; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital model is a key part of the Group's management disciplines.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Group's Board. The ARC reviews specific risk areas and reviews the issues discussed at the key capital management committees. The GALCO has set internal triggers and target ranges for capital management and oversees adherence with these.

Current compliance with Capital Adequacy Regulations

The Group's lead supervisor is the FSA. The capital that the Group is required to hold by the FSA is determined by its balance sheet, off-balance sheet and market risk positions, weighted according to the type of counterparty instrument and collateral held. Further detail on counterparty and market risk positions is included in the Risk Review on pages 33 to 35.

Capital in branches and subsidairies is maintained on the basis of host regulator's requirements. Processes are in place to ensure compliance with local regulatory ratios in all Group entities. The Group has put in place processes and controls in place to monitor and manage capital adequacy, and no breaches were reported during the period.

The table on page 39 summarises the 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 has increased by $2,053 million compared to 30 June 2008 to $32,324 million. The increase has been driven primarily by increased ordinary and preference share capital, up by $2,939 million, largely from the rights issue in December 2008, which increased ordinary share capital by $2,680 million; a net increase in Innovative Tier 1 securities of $1,187 million; lower deductions of $911 million; and a decrease in qualifying subordinated liabilities, net of amortisation and related deductions, of $2,993 million.

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':

- 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, thus reinforcing principles of internal control and other corporate governance practices; and
- 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. EU Member States were required to bring implementing provisions into force by 1 January 2007. 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 (GENPRU) and its Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

From 1 January 2008, the Group has been using the Advanced Internal Ratings Based approach for the measurement of credit risk capital. This approach builds on the Group's risk management practices and is the result of a significant investment in data warehouse and risk models.

The Group applies a VaR model for the measurement of market risk capital in accordance with the scope of the permission to use such a model granted by the FSA. Where the Group's market risk exposures are not approved for inclusion in its VaR model, capital requirements are based on standard rules provided by the regulator which are less risk sensitive.

The Group applied the Standardised Approach for determining the capital requirements for operational risk.

During the initial years of Basel II implementation, the minimum capital requirements must not be less than 90 per cent of the Basel I capital requirements in 2008 reducing to 80 per cent in 2009.

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. Although the ratios are higher than the target ranges, the Group sees advantages in being strongly capitalised in the current uncertain economic environment.

	Basel II		
	30.06.09 $million	30.06.08[1], [2] $million	31.12.08[1] $million
Tier 1 capital			
Called up ordinary share capital and preference shares	**12,556**	9,617	12,478
Eligible reserves*	**12,465**	11,792	11,062
Minority interests	**238**	264	228
Innovative Tier 1 securities	**3,579**	2,392	1,974
Less: restriction on Innovative Tier 1 securities	**(275)**	–	–
Less: excess expected losses**	**(517)**	(95)	(483)
Less: material holdings and securitisations	**(304)**	(204)	(301)
Goodwill and other intangible assets	**(6,404)**	(6,738)	(6,361)
Tax on excess expected loss*	**154**	26	130
Other regulatory adjustments	**22**	112	5
Total Tier 1 capital	**21,514**	17,166	18,732
Tier 2 capital			
Eligible revaluation reserves	**210**	275	107
Portfolio impairment provision	**262**	178	251
Less: excess expected losses**	**(517)**	(95)	(483)
Qualifying subordinated liabilities:			
Perpetual subordinated debt	**1,558**	3,397	1,823
Other eligible subordinated debt	**9,404**	11,788	10,520
Less: amortisation of qualifying subordinated liabilities	**–**	(1,230)	(1,126)
Less: material holdings and securitisations	**(304)**	(204)	(301)
Restricted Innovative Tier 1 securities	**275**	–	–
Restriction on Tier 2 capital	**–**	(1,886)	–
Total Tier 2 capital	**10,888**	12,223	10,791
Other deductions	**(78)**	(93)	(81)
Total deductions from Tier 1 and Tier 2 capital	**(78)**	(93)	(81)
Tier 3 capital			
Restricted Tier 2 capital	**–**	1,886	–
Deductions	**–**	(911)	–
Total Tier 3 capital	**–**	975	–
Total capital base	**32,324**	30,271	29,442
Risk weighted assets+			
Credit risk	**166,554**	170,531	161,276
Operational risk	**20,696**	18,340	18,340
Market risk	**17,766**	12,190	9,205
Total risk weighted assets	**205,016**	201,061	188,821

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

** Excess expected losses are shown gross.

\+ Risk weighted assets by business and geographic area is set out on page 84.

Notes

1. The capital for June 2008 and 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. As permitted by GENPRU 2.2.237 in June 2008 securitisation positions of $264 million which received a risk weight of 1250 per cent under BIPRU 9 (Securitisation) were risk weighted. In the restatement under the FSA's definition of core Tier 1 capital these have been deducted from capital and a corresponding reduction in risk weighted assets of $3.3 billion have been made. The risk weighted assets by business segment and geographic area have not been restated.

	Basel II		
	30.06.09 $million	30.06.08 $million	31.12.08 $million
Capital ratios			
Core Tier 1 capital	**7.6%**	6.1%	7.5%
Tier 1 capital	**10.5%**	8.5%	9.9%
Total capital ratio	**15.8%**	15.1%	15.6%
Core Tier 1 capital			
Total Tier 1 capital	**21,514**	17,166	18,732
Less:			
Innovative Tier 1 securities	**(3,304)**	(2,392)	(1,974)
Preference shares	**(2,699)**	(2,511)	(2,664)
Tax on excess expected losses	**(154)**	(26)	(130)
Others	**229**	72	216
Total core Tier 1	**15,586**	12,309	14,180

Condensed consolidated interim income statement
For the six months ended 30 June 2009

	Notes	**6 months ended 30.06.09 $million**	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Interest income		**6,490**	8,276	8,102
Interest expense		**(2,790)**	(4,566)	(4,425)
Net interest income		**3,700**	3,710	3,677
Fees and commission income		**1,853**	1,955	1,465
Fees and commission expense		**(168)**	(274)	(205)
Net trading income	3	**1,740**	1,151	1,254
Other operating income	4	**835**	445	790
Non-interest income		**4,260**	3,277	3,304
Operating income		**7,960**	6,987	6,981
Staff costs		**(2,618)**	(2,585)	(2,152)
Premises costs		**(314)**	(347)	(391)
General administrative expenses		**(860)**	(767)	(944)
Depreciation and amortisation	5	**(235)**	(201)	(224)
Operating expenses		**(4,027)**	(3,900)	(3,711)
Operating profit before impairment losses and taxation		**3,933**	3,087	3,270
Impairment losses on loans and advances and other credit risk provisions	14	**(1,088)**	(465)	(856)
Other impairment	6	**(15)**	(26)	(443)
Profit/(loss) from associates		**8**	(10)	11
Operating profit		**2,838**	2,586	1,982
Rights issue option	7	**–**	–	233
Profit before taxation		**2,838**	2,586	2,215
Taxation	8	**(847)**	(698)	(592)
Profit for the period		**1,991**	1,888	1,623

Profit attributable to:				
Minority interests	28	**58**	44	59
Parent company shareholders		**1,933**	1,844	1,564
Profit for the period		**1,991**	1,888	1,623
Earnings per share:				
Basic earnings per ordinary share	10	**98.8c**	110.6c+	91.8c
Diluted earnings per ordinary share	10	**98.0c**	109.5c+	91.5c
Dividends per ordinary share (cents):				
Interim dividend declared	9	**21.23**	–	–
Interim dividend paid	9	**–**	19.30++	–
Final dividend paid	9	**–**	–	42.32
Total dividend ($million):				
Total interim dividend payable		**409#**	–	–
Total interim dividend (paid 9 October 2008)		**–**	364	–
Total final dividend (paid 15 May 2009)		**–**	–	801

+ 'Earnings per share' has been restated for the impact of the rights issue as explained in note 10.

++ Dividends per share have been adjusted for the impact of the rights issue as explained in note 9.

The total interim dividend payable is based on the number of ordinary shares outstanding at the date of declaration. The actual amount paid will be higher by the extent of the shares issued in the placing announced on 4 August 2009 (see note 40).

Condensed consolidated interim statement of comprehensive income
For the six months ended 30 June 2009

	Notes	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Profit for the period		**1,991**	1,888	1,623
Other comprehensive income:				
Exchange differences on translation of foreign operations:				
Net losses taken to equity		**(38)**	(779)	(2,015)
Actuarial losses on retirement benefit obligations	25	**(127)**	(122)	(107)
Available-for-sale investments:				
Net valuation (losses)/gains taken to equity		**(30)**	(946)	208
Reclassified to income		**(380)**	(105)	(93)
Cash flow hedges:				
Net gains/(losses) taken to equity		**44**	(22)	(154)
Reclassified to income		**69**	(38)	20
Taxation relating to components of other comprehensive income		**105**	143	75
Other comprehensive income for the period, net of taxation		**(357)**	(1,869)	(2,066)
Total comprehensive income for the period		**1,634**	19	(443)

	Notes	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Total comprehensive income attributable to:				
Minority interests	28	**65**	(14)	11
Parent company shareholders		**1,569**	33	(454)
		1,634	19	(443)

Condensed consolidated interim balance sheet
As at 30 June 2009

	Notes	30.06.09 $million	30.06.08* $million	31.12.08 $million
Assets				
Cash and balances at central banks	30	**12,141**	10,471	24,161
Financial assets held at fair value through profit or loss	12	**16,450**	23,070	15,425
Derivative financial instruments	13	**45,823**	42,838	69,657
Loans and advances to banks	14	**45,366**	49,175	46,583
Loans and advances to customers	14	**182,748**	174,735	174,178
Investment securities	16	**72,616**	64,259	69,342
Other assets	18	**19,653**	15,917	20,374
Current tax assets		**649**	735	764
Prepayments and accrued income		**4,274**	4,467	3,466
Interests in associates		**487**	271	511
Goodwill and intangible assets		**6,404**	6,738	6,361
Property, plant and equipment		**3,934**	3,488	3,586
Deferred tax assets		**675**	656	660
Total assets		**411,220**	396,820	435,068
Liabilities				
Deposits by banks	19	**33,634**	38,389	31,909
Customer accounts	20	**230,147**	205,539	234,008
Financial liabilities held at fair value through profit or loss	21	**16,947**	14,650	15,478
Derivative financial instruments	13	**43,109**	42,161	67,775
Debt securities in issue	22	**20,860**	32,511	23,447
Other liabilities	23	**20,598**	18,903	17,363
Current tax liabilities		**592**	733	512
Accruals and deferred income		**3,493**	3,635	4,132
Subordinated liabilities and other borrowed funds	24	**16,922**	18,745	16,986
Deferred tax liabilities		**176**	93	176
Provisions for liabilities and charges		**310**	68	140
Retirement benefit obligations	25	**542**	488	447
Total liabilities		**387,330**	375,915	412,373
Equity				
Share capital	26	**967**	711	948
Reserves		**22,360**	19,601	21,192
Total parent company shareholders' equity		**23,327**	20,312	22,140
Minority interests	28	**563**	593	555
Total equity		**23,890**	20,905	22,695
Total equity and liabilities		**411,220**	396,820	435,068

* Amounts have been restated as explained in note 37.

Condensed consolidated interim statement of changes in equity
For the six months ended 30 June 2009

	Share capital $million	Share premium account $million	Capital reserve $million	Capital redemption reserve $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Minority interests $million	Total $million
At 1 January 2008	705	4,713	5	13	3,149	750	57	981	10,478	601	21,452
Total comprehensive income	–	–	–	–	–	(906)	(44)	(769)	1,752	(14)	19
Distributions	–	–	–	–	–	–	–	–	–	(94)	(94)
Shares issued, net of expenses	2	31	–	–	–	–	–	–	–	–	33
Net own shares adjustment	–	–	–	–	–	–	–	–	(56)	–	(56)
Share option expense and related taxation	–	–	–	–	–	–	–	–	37	–	37
Capitalised on scrip dividend	4	(4)	–	–	–	–	–	–	–	–	–
Dividends, net of scrip	–	–	–	–	–	–	–	–	(586)	–	(586)
Other increases	–	–	–	–	–	–	–	–	–	100	100
At 30 June 2008	711	4,740	5	13	3,149	(156)	13	212	11,625	593	20,905
Total comprehensive income	–	–	–	–	–	151	(96)	(1,996)	1,487	11	(443)
Distributions	–	–	–	–	–	–	–	–	–	(53)	(53)
Shares issued, net of expenses	235	5	–	–	2,468	–	–	–	–	–	2,708
Rights issue option, net of tax	–	–	–	–	(167)	–	–	–	–	–	(167)
Net own shares adjustment	–	–	–	–	–	–	–	–	(11)	–	(11)
Share option expense and related taxation	–	–	–	–	–	–	–	–	91	–	91
Capitalised on scrip dividend	2	(2)	–	–	–	–	–	–	–	–	–
Dividends, net of scrip	–	–	–	–	–	–	–	–	(339)	–	(339)
Other increases	–	–	–	–	–	–	–	–	–	4	4
At 31 December 2008	**948**	**4,743**	**5**	**13**	**5,450**	**(5)**	**(83)**	**(1,784)**	**12,853**	**555**	**22,695**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(316)**	**78**	**(38)**	**1,845**	**65**	**1,634**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54)**	**(54)**
Shares issued, net of expenses	**3**	**39**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**42**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(69)**	**–**	**(69)**
Share option expense and related taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117**	**–**	**117**
Capitalised on scrip dividend	**16**	**(16)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(472)**	**–**	**(472)**
Other decreases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
At 30 June 2009	**967**	**4,766**	**5**	**13**	**5,450**	**(321)**	**(5)**	**(1,822)**	**14,274**	**563**	**23,890**

Condensed consolidated interim cash flow statement
For the six months ended 30 June 2009

	Notes	**6 months ended 30.06.09 $million**	6 months ended 30.06.08* $million	6 months ended 31.12.08* $million
Cash flows from operating activities				
Profit before taxation		**2,838**	2,586	2,215
Adjustments for:				
Non-cash items included within income statement	29	**413**	1,195	567
Change in operating assets	29	**10,923**	(37,083)	(51,020)
Change in operating liabilities	29	**(24,872)**	50,931	54,982
Contributions to defined benefit schemes		**(21)**	(21)	(74)
UK and overseas taxes paid, net of refunds		**(567)**	(735)	(665)
Net cash (used in)/from operating activities		**(11,286)**	16,873	6,005
Net cash flows from investing activities				
Purchase of property, plant and equipment		**(85)**	(185)	(394)
Disposal of property, plant and equipment		**52**	14	59
Acquisition of investment in subsidiaries, net of cash acquired		**(45)**	6,131	78
Disposal of investment in subsidiaries		**–**	159	–
Purchase of investment securities		**(58,501)**	(53,974)	(55,964)
Disposal and maturity of investment securities		**56,331**	45,423	52,333
Net cash used in investing activities		**(2,248)**	(2,432)	(3,888)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses		**42**	33	2,720
Purchase of own shares		**(82)**	(64)	(12)
Exercise of share options through employee share plans		**13**	8	1
Interest paid on subordinated liabilities		**(274)**	(348)	(370)
Gross proceeds from issue of subordinated liabilities		**1,742**	3,421	246
Repayment of subordinated liabilities		**(1,757)**	(348)	(1,088)
Dividends paid to minority interests and preference shareholders		**(104)**	(153)	(104)
Dividends paid to ordinary shareholders		**(422)**	(526)	(289)
Net cash (used in)/from financing activities		**(842)**	2,023	1,104
Net (decrease)/increase in cash and cash equivalents		**(14,376)**	16,464	3,221
Cash and cash equivalents at beginning of the period		**73,699**	55,338	72,051
Effect of exchange rate movements on cash and cash equivalents		**(113)**	249	(1,573)
Cash and cash equivalents at end of the period	30	**59,210**	72,051	73,699

* Amounts have been restated as explained in note 37.

1. Basis of preparation

The Group condensed consolidated interim financial statements (interim 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.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the FSA and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (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 2008, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the EU.

These interim financial statements were approved by the Board of Directors on 4 August 2009.

Except as noted below, the accounting policies applied by the Group in these 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 2008.

From 1 January 2009 the Group retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007) and a consequential amendment to IAS 34. As a result, in the Group's interim 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 interim financial statements.

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', amendment to IAS 27 'Consolidated and Separate Financial Statements', IAS 23 (revised) 'Borrowing Costs' and amendment to IAS 32 'Financial Instruments: Presentation', none of which had a material impact on the Group's interim financial statements.

On 1 January 2009 the Group prospectively adopted amendments to IFRS 7 'Financial Instruments: Disclosures', and the required disclosures will be presented in the Group's 2009 Annual Report.

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 interim 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 37.

In July 2009, the IASB proposed issuing an exposure draft amending IAS 32 to permit rights issues denominated in a foreign currency to be accounted for within equity, rather than creating a derivative liability. This exposure draft is expected to permit retrospective application and to be finalised in late September 2009. Subject to EU endorsement, this would enable the $233 million rights issue option recognised in the income statement in 2008 (see note 7) to be restated and reclassified into equity in the Group's 2009 Annual Report.

The condensed consolidated balance sheet at 30 June 2008 has also been restated to reflect the re-presentation of deferred tax balances as explained in note 37.

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 applied to the consolidated financial statements as at and for the year ended 31 December 2008.

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

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 Group evaluates segmental performance on the basis of profit or loss before taxation, excluding corporate items not allocated. The types of products and services within these segments are set out in the table below. Corporate items not allocated are not aggregated into products because of the one-off nature of these items. The details of a substantial proportion of items included within this segment is provided in note 4. The Group's entity-wide disclosure comprises geographic areas, classified by the location of the customer.

By class of business

	30.06.09					30.06.08				
	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	(33)	33	–	–	–	(31)	31	–	–	–
Net interest income	1,902	1,798	3,700	–	3,700	2,178	1,532	3,710	–	3,710
Non-interest income	816	3,196	4,012	248	4,260	1,030	2,101	3,131	146	3,277
Operating income	2,685	5,027	7,712	248	7,960	3,177	3,664	6,841	146	6,987
Operating expenses	(1,780)	(2,247)	(4,027)	–	(4,027)	(1,961)	(1,939)	(3,900)	–	(3,900)
Operating profit before impairment losses and taxation	905	2,780	3,685	248	3,933	1,216	1,725	2,941	146	3,087
Impairment losses on loans and advances and other credit risk provisions	(563)	(525)	(1,088)	–	(1,088)	(412)	(53)	(465)	–	(465)
Other impairment	6	(6)	–	(15)	(15)	(2)	(24)	(26)	–	(26)
Profit/(loss) from associates	–	–	–	8	8	–	–	–	(10)	(10)
Profit before taxation	348	2,249	2,597	241	2,838	802	1,648	2,450	136	2,586
Total assets employed*,**	93,094	316,315	409,409	1,811	411,220	91,380	303,778	395,158	1,662	396,820
Total liabilities employed*	138,974	247,588	386,562	768	387,330	122,827	252,262	375,089	826	375,915
Other segment items:										
Capital expenditure+	78	559	637	–	637	157	742	899	–	899
Depreciation	86	62	148	–	148	74	36	110	–	110
Investments in associates	–	–	–	487	487	–	–	–	271	271
Amortisation of intangible assets	40	47	87	–	87	36	55	91	–	91

* Amounts have been restated as explained in note 37.

** Interests in associates for 30 June 2008 amounting $271 million previously allocated by business has now been included in 'Corporate items not allocated.'

\+ Includes capital expenditure in Wholesale Banking of $464 million in respect of operating lease assets (30 June 2008: $605 million).

2. Segmental information continued

	31.12.08				
	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	(47)	47	–	–	–
Net interest income	2,046	1,631	3,677	–	3,677
Non-interest income	776	2,147	2,923	381	3,304
Operating income	2,775	3,825	6,600	381	6,981
Operating expenses	(1,882)	(1,829)	(3,711)	–	(3,711)
Operating profit before impairment losses and taxation	893	1,996	2,889	381	3,270
Impairment losses on loans and advances and other credit risk provisions	(525)	(331)	(856)	–	(856)
Other impairment	(54)	(312)	(366)	(77)	(443)
Profit from associates	–	–	–	11	11
Operating profit	314	1,353	1,667	315	1,982
Rights issue option	–	–	–	233	233
Profit before taxation	314	1,353	1,667	548	2,215
Total assets employed*	86,402	346,731	433,133	1,935	435,068
Total liabilities employed	129,029	282,656	411,685	688	412,373
Other segment items:					
Capital expenditure+	218	465	683	–	683
Depreciation	83	57	140	–	140
Investments in associates	–	–	–	511	511
Amortisation of intangible assets	57	27	84	–	84

* interests in associates for 31 December 2008 amounting $511 million previously allocated by business has now been included in 'Corporate items not allocated.'

\+ Includes capital expenditure in Wholesale Banking of $247 million in respect of operating lease assets.

The following table details entity-wide operating income by product:

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Consumer Banking			
Cards, Personal Loans and unsecured Lending	**954**	1,089	1,017
Wealth Management and Deposits	**1,100**	1,500	1,289
Mortgages and Auto Finance	**540**	515	413
Other	**91**	73	56
Total operating income by product	**2,685**	3,177	2,775
Wholesale Banking			
Lending and Portfolio Management	**412**	246	305
Transaction Banking	**1,272**	1,249	1,414
Global Markets			
Financial Markets	**2,036**	1,213	1,152
Asset and Liability Management (ALM)	**557**	514	398
Corporate Finance	**615**	365	380
Principal Finance	**135**	77	176
Total Global Markets	**3,343**	2,169	2,106
Total operating income by product	**5,027**	3,664	3,825

2. Segmental information continued

Entity-wide information by geographical area

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

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe** $million	Total $million
Internal income	8	(30)	(37)	42	82	13	30	(108)	–
Net interest income	695	341	431	731	344	537	232	389	3,700
Fees and commission income, net	225	180	98	213	337	264	165	203	1,685
Net trading income	252	240	154	281	110	234	112	357	1,740
Other operating income	43	152	59	247	31	95	19	189	835
Operating income	1,223	883	705	1,514	904	1,143	558	1,030	7,960
Operating expenses	(567)	(430)	(439)	(932)	(287)	(463)	(269)	(640)	(4,027)
Operating profit before impairment losses and taxation	656	453	266	582	617	680	289	390	3,933
Impairment losses on loans and advances and other credit risk provisions	(88)	(23)	(185)	(191)	(97)	(460)	(24)	(20)	(1,088)
Other impairment	10	–	–	14	6	–	–	(45)	(15)
(Loss)/profit from associates	(2)	–	–	11	–	–	–	(1)	8
Profit before taxation	576	430	81	416	526	220	265	324	2,838
Loans and advances to customers – average	28,113	23,538	30,809	37,285	8,285	17,561	3,380	26,699	175,670
Net interest margins (%)	1.8	1.3	1.6	2.1	3.3	3.1	4.7	0.4	2.4
Loans and advances to customers – period end	29,203	26,294	31,505	37,731	8,217	18,113	3,743	30,146	184,952
Loans and advances to banks – period end	18,288	7,115	2,665	5,830	323	1,774	637	9,644	46,276
Total assets employed+	88,112	65,855	68,440	78,293	29,656	49,258	13,817	101,373	494,804
Capital expenditure++	23	63	16	12	15	8	17	483	637

* Other APR includes Malaysia: operating income of $270 million; operating expenses of $(104) million, impairment losses on loans and advances and other credit risk provisions of $(28) million and profit before taxation of $138 million; Total assets employed $13,864 million.

** Americas UK & Europe includes operating income of $584 million and total assets employed of $69,519 million in respect of the UK, the Company's country of domicile.

\+ Total assets employed includes intra-group items of $84,908 million and excludes tax assets of $1,324 million.

++ Includes capital expenditure in Americas, UK & Europe of $464 million in respect of operating lease assets.

2. Segmental information continued

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe** $million	Total $million
Internal income	8	55	(54)	9	6	9	–	(33)	–
Net interest income	642	179	690	797	370	488	247	297	3,710
Fees and commission income, net	297	135	114	284	276	251	108	216	1,681
Net trading income	230	133	93	387	163	139	78	(72)	1,151
Other operating income	42	144	24	56	160	1	1	17	445
Operating income	1,219	646	867	1,533	975	888	434	425	6,987
Operating expenses	(498)	(324)	(568)	(828)	(322)	(422)	(274)	(664)	(3,900)
Operating profit before impairment losses and taxation	721	322	299	705	653	466	160	(239)	3,087
Impairment losses on loans and advances and other credit risk provisions	(55)	(5)	(90)	(183)	(47)	(80)	(2)	(3)	(465)
Other impairment	–	–	–	(18)	–	–	(1)	(7)	(26)
(Loss)/profit from associates	(10)	–	–	1	–	–	–	(1)	(10)
Profit/(loss) before taxation	656	317	209	505	606	386	157	(250)	2,586
Loans and advances to customers – average	25,344	18,997	37,973	39,484	8,711	14,938	2,475	28,998	176,920
Net interest margins (%)	2.3	1.6	2.3	2.4	3.9	3.3	4.8	0.1	2.5
Loans and advances to customers – period end	26,267	19,221	35,116	40,176	8,738	15,160	3,722	28,820	177,220
Loans and advances to banks – period end	11,728	4,689	3,312	5,977	376	2,839	560	23,745	53,226
Total assets employed+,#	62,720	51,626	73,258	80,995	32,080	37,943	12,504	124,877	476,003
Capital expenditure++	13	59	11	104	19	23	19	651	899

* Other APR includes Malaysia: operating income of $278 million; operating expenses of $(104) million, impairment losses on loans and advances and other credit risk provisions of $(22) million and profit before taxation of $152 million. Total assets employed $16,320 million.

** Americas UK & Europe includes operating income of $37 million and total assets employed of $92,092 million in respect of the UK, the Company's country of domicile.

\+ Total assets employed includes intra-group items of $80,574 million and excludes tax assets of $1,391 million.

++ Includes capital expenditure in Americas, UK & Europe of $605 million in respect of operating lease assets.

\# Amounts have been restated as explained in note 37.

2. Segmental information continued

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe** $million	Total $million
Internal income	(7)	50	(55)	16	6	7	2	(19)	–
Net interest income	654	185	544	778	354	503	256	403	3,677
Fees and commission income, net	210	111	69	217	174	201	119	159	1,260
Net trading income	139	335	98	307	187	119	88	(19)	1,254
Other operating income	52	99	53	102	50	16	10	408	790
Operating income	1,048	780	709	1,420	771	846	475	932	6,981
Operating expenses	(519)	(313)	(387)	(893)	(324)	(391)	(290)	(594)	(3,711)
Operating profit before impairment losses and taxation	529	467	322	527	447	455	185	338	3,270
Impairment losses on loans and advances and other credit risk provisions	(128)	(10)	(173)	(253)	(86)	(105)	(31)	(70)	(856)
Other impairment	(52)	(30)	–	(84)	(24)	–	1	(254)	(443)
(Loss)/profit from associates	9	–	–	3	–	–	–	(1)	11
Operating profit/(loss)	358	427	149	193	337	350	155	13	1,982
Rights issue option	–	–	–	–	–	–	–	233	233
Profit/(loss) before taxation	358	427	149	193	337	350	155	246	2,215
Loans and advances to customers – average	27,862	20,216	31,795	40,741	8,514	17,132	3,700	30,931	180,891
Net interest margins (%)	2.0	0.6	2.6	2.4	3.0	2.8	4.2	0.7	2.4
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 employed+	76,162	57,422	70,438	82,667	31,362	38,194	12,154	147,934	516,333
Capital expenditure++	12	81	48	66	159	17	12	288	683

* Other APR includes Malaysia: operating income of $237 million; operating expenses of $(108) million, impairment losses on loans and advances and other credit risk provisions of $(46) million and profit before taxation of $83 million. Total assets employed $13,935 million.

** Americas UK & Europe includes operating income of $517 million and total assets employed of $110,211 million in respect of the UK, the Company's country of domicile.

\+ Total assets employed includes intra-group items of $82,689 million and excludes tax assets of $1,424 million.

++ Includes capital expenditure in Americas, UK & Europe of $247 million in respect of operating lease assets.

Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between reportable segments and geographic areas in proportion to their direct costs, and the benefit of the Group's capital has been distributed between reportable segments and geographic areas 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 an estimate of central management costs associated with the acquisition.

For the six months ended 30 June 2009, corporate items not allocated to the businesses relates to the gain on buy back of subordinated debt, impairment of associates and profit from associates.

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

Capital expenditure comprises additions to property and equipment, and software related intangibles, including any post-acquisition additions made by acquired entities.

2. Segmental information continued

The following tables set out the structure of the Group's deposits by principal geographic areas as at 30 June 2009, 30 June 2008 and 31 December 2008.

By geographic area

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Non interest bearing current and demand accounts	**4,433**	**3,837**	**69**	**3,382**	**2,204**	**5,874**	**1,867**	**2,575**	**24,241**
Interest bearing current accounts and savings deposits	**37,148**	**13,139**	**15,796**	**23,890**	**1,798**	**3,092**	**3,688**	**12,425**	**110,976**
Time deposits	**25,365**	**20,064**	**13,283**	**27,865**	**5,827**	**10,260**	**1,727**	**25,335**	**129,726**
Other deposits	**51**	**108**	**517**	**1,178**	**165**	**604**	**139**	**2,233**	**4,995**
Total	**66,997**	**37,148**	**29,665**	**56,315**	**9,994**	**19,830**	**7,421**	**42,568**	**269,938**
Deposits by banks	**1,961**	**1,755**	**8,591**	**4,532**	**84**	**1,000**	**523**	**15,520**	**33,966**
Customer accounts	**65,036**	**35,393**	**21,074**	**51,783**	**9,910**	**18,830**	**6,898**	**27,048**	**235,972**
	66,997	**37,148**	**29,665**	**56,315**	**9,994**	**19,830**	**7,421**	**42,568**	**269,938**
Debt securities in issue	**252**	**1,546**	**11,406**	**1,987**	**543**	**114**	**257**	**8,557**	**24,662**
Total	**67,249**	**38,694**	**41,071**	**58,302**	**10,537**	**19,944**	**7,678**	**51,125**	**294,600**

* Other APR includes Malaysia: deposits by banks $590 million; customer accounts $8,406 million; debt securities in issue $395 million.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Non interest bearing current and demand accounts	4,059	3,137	121	2,939	2,729	5,631	2,154	3,267	24,037
Interest bearing current accounts and savings deposits	20,704	9,415	11,860	19,880	1,945	3,820	2,867	18,671	89,162
Time deposits	23,743	14,821	13,971	31,576	4,482	11,310	1,425	29,971	131,299
Other deposits	30	92	673	667	519	771	415	3,567	6,734
Total	48,536	27,465	26,625	55,062	9,675	21,532	6,861	55,476	251,232
Deposits by banks	838	5,367	7,266	8,848	182	2,348	598	15,025	40,472
Customer accounts	47,698	22,098	19,359	46,214	9,493	19,184	6,263	40,451	210,760
	48,536	27,465	26,625	55,062	9,675	21,532	6,861	55,476	251,232
Debt securities in issue	120	1,698	18,749	3,181	1,357	27	65	11,166	36,363
Total	48,656	29,163	45,374	58,243	11,032	21,559	6,926	66,642	287,595

* Other APR includes Malaysia: deposits by banks $924 million; customer accounts $9,220 million; debt securities in issue $1,257 million.

2. Segmental information continued

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $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

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

3. Net trading income

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Gains less losses on instruments held for trading:			
Foreign currency	**916**	1,076	1,520
Trading securities	**224**	(10)	248
Interest rate derivatives	**361**	61	(463)
Credit and other derivatives	**253**	72	(102)
	1,754	1,199	1,203
Gains less losses from fair value hedging:			
Gains less losses from fair value hedged items	**511**	397	(1,536)
Gains less losses from fair value hedging instruments	**(542)**	(413)	1,558
	(31)	(16)	22
Gains less losses on instruments designated at fair value:			
Financial assets designated at fair value through profit or loss	**(56)**	14	136
Financial liabilities designated at fair value through profit or loss	**42**	(52)	(66)
Derivatives managed with financial instruments designated at fair value through profit or loss	**31**	6	(41)
	17	(32)	29
	1,740	1,151	1,254

4. Other operating income

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Other operating income includes:			
Gains less losses on available-for-sale financial assets:			
On disposal	**391**	154	168
Writedowns on asset backed securities	**–**	(49)	–
Dividend income	**85**	85	118
Gains arising on repurchase of subordinated liabilities	**248**	–	384
Gains arising on assets fair valued at acquisition	**18**	47	33
Initial recognition of Visa Inc. shares	**–**	17	–
Rental income from operating lease assets	**67**	16	51
(Loss)/profit on sale of businesses	**(2)**	146	–

Profit on sale of businesses in the six months ended 30 June 2008 represents the gain on sale of the Group's Indian asset management business.

5. Depreciation and amortisation

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Premises	**57**	44	54
Equipment	**91**	66	86
Intangibles:			
Software	**53**	50	44
Acquired on business combinations	**34**	41	40
	235	201	224

6. Other impairment

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Impairment losses on available-for-sale financial assets	**30**	19	398
Impairment of investment in associates	**15**	–	46
Other	**2**	7	(1)
	47	26	443
Recovery of impairment on disposal of equity investments	**(32)**	–	–
	15	26	443

Impairment losses on available-for-sale financial assets includes $7 million (30 June 2008: $18 million and 31 December 2008: $297 million) in relation to impairment of equity investments, $23 million (30 June 2008: $1 million and 31 December 2008: $40 million) impairment of asset backed securities, and $nil million (30 June 2008: $nil million and 31 December 2008: $61 million) on other debt securities. Recoveries of impairments of $32 million at 30 June 2009 are in respect of private and strategic equity investments sold during the six months to 30 June 2009 which had impairment provisions raised against them during 2008.

7. Rights issue option

On 26 November 2008, the Company invited shareholders to participate in a 30 for 91 rights issue of 470,014,830 shares at 390 pence each. The Company's functional currency is denominated in US dollars, whilst the capital raised through the rights issue was Sterling based. The Company was not therefore able to assert that it was delivering a fixed number of shares for a fixed amount of US dollar proceeds. As such, under IAS 32, the rights issue was an option, which was classified as a financial liability and not as a component of equity.

As the option was out-of-the-money at inception, an initial liability was established based on the difference between the share price when the documents were posted (as this created the legal obligation on the Company) and the rights price, with a corresponding charge to equity.

The option was fair valued through the income statement from this date until the rights issue closed for registration on 17 December 2008. This generated a gain of $233 million.

The net liability on settlement was credited to equity following its realisation by issuing shares of the Company. As a result, there was no overall impact on the Group or Company's shareholders' equity or the Company's distributable reserves.

As detailed in note 1, the IASB has proposed issuing an exposure draft amending IAS 32 in respect of the accounting for rights issues denominated in a foreign currency.

8. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
The charge for taxation based upon the profits for the period comprises:			
Current tax:			
United Kingdom corporation tax at 28 per cent (30 June 2008 and 31 December 2008: 28.5 per cent):			
Current tax on income for the period	**510**	240	534
Adjustments in respect of prior periods (including double taxation relief)	**34**	(81)	(54)
Double taxation relief	**(344)**	(240)	(362)
Foreign tax:			
Current tax on income for the period	**694**	720	501
Adjustments in respect of prior periods	**14**	(117)	–
	908	522	619
Deferred tax:			
(Reversal)/origination of temporary differences	**(50)**	57	32
Adjustments in respect of prior periods	**(11)**	119	(59)
	(61)	176	(27)
Tax on profits on ordinary activities	**847**	698	592
Effective tax rate	**29.8%**	27.0%	26.7%

Foreign tax includes taxation on Hong Kong profits of $83 million (30 June 2008: $104 million, 31 December 2008: $52 million) provided at a rate of 16.5 per cent (30 June 2008: 16.5 per cent, 31 December 2008: 16.5 per cent) on the profits assessable in Hong Kong. From 1 April 2008, the United Kingdom corporation tax rate was reduced from 30 per cent to 28 per cent, which gave a blended 28.5 per cent tax rate for 2008.

9. Dividends

Ordinary equity shares	6 months ended 30.06.09 Post-rights issue cents per share	6 months ended 30.06.09 $million	6 months ended 30.06.08 Post-rights issue cents per share*	6 months ended 30.06.08 Pre-rights issue cents per share	6 months ended 30.06.08 $million
Final dividend declared and paid during the period	**42.32**	**801**	42.27	56.23	793

Ordinary equity shares	6 months ended 31.12.08 Post-rights issue cents per share*	6 months ended 31.12.08 Pre-rights issue cents per share	6 months ended 31.12.08 $million
Interim dividend declared and paid during the period	19.30	25.67	364

* On a post-rights basis, the dividend has been adjusted by the ratio of shares outstanding immediately before the rights issue to the number of shares outstanding immediately following the rights issue.

Preference shares	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Non-cumulative irredeemable preference shares:			
7 3/8 per cent preference shares of £1 each*	**6**	7	8
8 1/4 per cent preference shares of £1 each*	**7**	8	8
Non-cumulative redeemable preference shares:			
8.125 per cent preference shares of $5 each*	**38**	5	27
7.014 per cent preference shares of $5 each	**26**	35	27
6.409 per cent preference shares of $5 each	**24**	24	24

* Instruments classified as liabilities with dividends recorded as interest expense and accrued accordingly.

Dividends on ordinary equity and redeemable preference shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. The 2008 interim dividend of 19.30 cents per ordinary share was paid to eligible shareholders on 9 October 2008 and the final dividend of 42.32 cents per ordinary share was paid to eligible shareholders on 15 May 2009.

The 2009 interim dividend of 21.23 cents per ordinary share will be paid in either sterling, Hong Kong dollars or US dollars on 8 October 2009 to shareholders on the UK register of members at the close of business on 14 August 2009 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 14 August 2009.

It is intended that shareholders will be able to elect to receive ordinary 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 2009.

10. Earnings per ordinary share

	6 months ended 30.06.09			6 months ended 30.06.08		
	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						
Pre-rights issue bonus earnings per ordinary share	**1,883**	**1,906,239**	**98.8**	1,785	1,413,387	126.3
Impact of rights issue bonus+	**–**	**–**	**–**	–	201,321	–
Post-rights issue bonus basic earnings per ordinary share	**1,883**	**1,906,239**	**98.8**	1,785	1,614,708	110.6
Effect of dilutive potential ordinary shares:						
Options**	**–**	**15,300**	**–**	–	15,909	–
Diluted earnings per ordinary share	**1,883**	**1,921,539**	**98.0**	1,785	1,630,617	109.5

	6 months ended 31.12.08		
	Profit* $million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share			
Pre-rights issue bonus earnings per ordinary share	1,513	1,423,531	106.3
Impact of rights issue bonus+	–	224,203	–
Post-rights issue bonus basic earnings per ordinary share	1,513	1,647,734	91.8
Effect of dilutive potential ordinary shares:			
Options**	–	5,836	–
Diluted earnings per ordinary share	1,513	1,653,570	91.5

\+ As required by IAS 33 'Earnings per Share' prior periods basic and diluted earnings per share have been re-presented to include the impact of the bonus element within the rights issue.

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 9).

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

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 calculations had they been issued prior to the end of the balance sheet period.

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.

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Profit attributable to ordinary shareholders*	**1,883**	1,785	1,513
Amortisation of intangible assets arising on business combinations	**34**	41	40
Profit on sale of property, plant and equipment	**(10)**	(2)	(8)
Gains arising on repurchase of subordinated liabilities	**(248)**	–	(384)
Loss/(profit) on sale of businesses	**2**	(146)	–
Loss on PEM Group structured notes	**170**	–	–
Pre-incorporation costs of Korean financial holding company	**5**	–	–
Day one investment loss on strategic investments	**–**	–	3
Impairment of associates and other strategic investments	**15**	–	77
Rights issue option (see note 7)	**–**	–	(233)
Tax on normalised items	**(41)**	24	140
Normalised earnings	**1,810**	1,702	1,148
Normalised earnings per ordinary share (cents) – post rights+	**95.0**	105.4	69.8
Normalised diluted earnings per share (cents) – post rights+	**94.2**	103.1	69.5

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 9).

\+ Represented to include the impact of the bonus element within the rights issue.

11. Financial instruments classification summary

Financial instruments are classified between five recognition principles; held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity and for financial liabilities, amortised cost. Instruments that are held for trading purposes and those that the Group has elected to hold at fair value 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 (excluding derivatives which are classified as trading and are disclosed in note 13) is summarised below. Cash and balances at central banks of $12,141 million (30 June 2008: $10,471 million, 31 December 2008: $24,161 million) are deemed to be held at amortised cost (equivalent to a loans and receivables classification).

Assets	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	**905**	**5**	**–**	**45,366**	**–**	**46,276**
Loans and advances to customers	**2,010**	**194**	**–**	**182,748**	**–**	**184,952**
Treasury bills and other eligible bills	**3,821**	**275**	**17,670**	**–**	**–**	**21,766**
Debt securities	**8,236**	**240**	**47,072**	**6,223**	**31**	**61,802**
Equity shares	**305**	**459**	**1,620**	**–**	**–**	**2,384**
Total at 30 June 2009	**15,277**	**1,173**	**66,362**	**234,337**	**31**	**317,180**
Loans and advances to banks	3,610	441	–	49,175	–	53,226
Loans and advances to customers	1,734	751	–	174,735	–	177,220
Treasury bills and other eligible bills	3,321	597	14,226	–	–	18,144
Debt securities	11,706	428	44,107	3,837	46	60,124
Equity shares	199	283	2,043	–	–	2,525
Total at 30 June 2008	20,570	2,500	60,376	227,747	46	311,239
Loans and advances to banks	1,351	12	–	46,583	–	47,946
Loans and advances to customers*	4,103	231	–	174,178	–	178,512
Treasury bills and other eligible bills	2,502	205	16,713	–	–	19,420
Debt securities	6,193	203	43,543	7,456	37	57,432
Equity shares	165	460	1,593	–	–	2,218
Total at 31 December 2008	14,314	1,111	61,849	228,217	37	305,528

Liabilities	Trading $million	Designated at fair value through profit or loss $million	Amortised cost $million	Total $million
Deposits by banks	**260**	**72**	**33,634**	**33,966**
Customer accounts	**487**	**5,338**	**230,147**	**235,972**
Debt securities in issue	**2,659**	**1,143**	**20,860**	**24,662**
Short positions	**6,988**	**–**	**–**	**6,988**
Total at 30 June 2009	**10,394**	**6,553**	**284,641**	**301,588**
Deposits by banks	2,000	83	38,389	40,472
Customer accounts	2,385	2,836	205,539	210,760
Debt securities in issue	2,119	1,733	32,511	36,363
Short positions	3,494	–	–	3,494
Total at 30 June 2008	9,998	4,652	276,439	291,089
Deposits by banks*	4,028	49	31,909	35,986
Customer accounts	1,207	3,376	234,008	238,591
Debt securities in issue	2,128	1,494	23,447	27,069
Short positions	3,196	–	–	3,196
Total at 31 December 2008	10,559	4,919	289,364	304,842

* Trading deposits by banks at 31 December 2008 includes $3,093 million in respect of a repo transaction which was eligible for netting under IAS 32 with balances within trading loans and advances to customers. At 30 June 2009, the net balance of $62 million has been presented within trading loans to banks.

11. Financial instruments classification summary 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 they 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 the trading and available-for-sale categories to loans and receivables as set out below. In total, assets with a notional value of $8.3 billion were reclassified. No assets have been reclassified in the six months to 30 June 2009.

The following table provides details of the remaining balance of assets reclassified during 2008 as at 30 June 2009 and 31 December 2008:

			If assets had not been reclassified, fair value loss from 1 January 2009 to 30 June 2009 which would have been recognised within			
Assets reclassified:	**Carrying amount at 30.06.09 $million**	**Fair value at 30.06.09 $million**	**Income $million**	**AFS reserve $million**	**Income recognised in income statement $million**	**Effective interest rate at date of reclassification %**
From trading to AFS	**1,127**	**1,127**	**(56)***	**–**	**51**	**6.3**
From trading to loans and receivables	**2,583**	**2,354**	**25**	**–**	**40**	**4.6**
From AFS to loans and receivables	**1,498**	**1,206**	**–**	**(34)**	**7**	**5.2**
	5,208	**4,687**	**(31)**	**(34)**	**98**	
Of which asset backed securities:						
reclassified to AFS	**133**	**133**	**(45)***	**–**	**–**	
reclassified to loans and receivables	**2,388**	**1,957**	**(61)**	**(34)**	**10**	

* 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			
Assets reclassified:	Carrying amount at 31.12.08 $million	Fair value at 31.12.08 $million	Income $million	AFS reserve $million	Income recognised in income statement $million	Effective interest rate at date of reclassification %
From trading to AFS	2,485	2,485	(83)*	–	12	6.2
From trading to loans and receivables	2,754	2,456	(298)	–	15	5.2
From AFS to loans and receivables	2,095	1,685	–	(410)	11	5.5
	7,334	6,626	(381)	(410)	38	
Of which asset backed securities:						
reclassified to AFS	171	171	(66)*	–	2	
reclassified to loans and receivables	3,044	2,532	(102)	(410)	15	

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

12. Financial assets 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.

The changes in fair value of both the underlying loans and advances and debt securities and interest rate swaps are monitored in a similar manner to trading book portfolios.

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Loans and advances to banks	**910**	4,051	1,363
Loans and advances to customers	**2,204**	2,485	4,334
Treasury bills and other eligible bills	**4,096**	3,918	2,707
Debt securities	**8,476**	12,134	6,396
Equity shares	**764**	482	625
	16,450	23,070	15,425

Debt securities

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Issued by public bodies:			
Government securities	**4,124**	6,240	4,346
Other public sector securities	**136**	17	17
	4,260	6,257	4,363
Issued by banks:			
Certificates of deposit	**618**	380	33
Other debt securities	**695**	1,494	798
	1,313	1,874	831
Issued by corporate entities and other issuers:			
Other debt securities	**2,903**	4,003	1,202
Total debt securities	**8,476**	12,134	6,396
Of which:			
Listed on a recognised UK exchange	**195**	505	14
Listed elsewhere	**3,418**	4,405	2,216
Unlisted	**4,863**	7,224	4,166
	8,476	12,134	6,396

Equity securities

Listed	**320**	196	197
Unlisted	**444**	286	428
Total equity shares	**764**	482	625

13. 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 the income statement (except where cash flow hedging and net investment hedging has been achieved, in which case the effective portion of changes in fair value go through 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. At 30 June 2009, $23,684 million (30 June 2008: $25,558 million; 31 December 2008: $45,896 million) is available for offset as a result of master netting agreements which do not, however, meet the criteria under IAS 32 to enable these balances to be presented on a net basis in these accounts as in the ordinary course of business they are not intended to be settled net.

	30.06.09			30.06.08		
Total derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**802,304**	**12,422**	**10,218**	1,295,242	13,377	12,834
Currency swaps and options	**485,810**	**11,261**	**10,891**	646,226	12,514	11,544
Exchange traded futures and options	**920**	**–**	**–**	39	–	–
	1,289,034	**23,683**	**21,109**	1,941,507	25,891	24,378
Interest rate derivative contracts:						
Swaps	**1,055,433**	**15,328**	**15,507**	1,108,571	14,143	14,704
Forward rate agreements and options	**188,407**	**3,312**	**3,128**	159,802	686	851
Exchange traded futures and options	**701,075**	**519**	**592**	353,814	250	204
	1,944,915	**19,159**	**19,227**	1,622,187	15,079	15,759
Credit derivatives	**33,294**	**680**	**643**	24,764	372	700
Equity and stock index options	**1,249**	**310**	**332**	867	62	91
Commodity derivative contracts	**21,684**	**1,991**	**1,798**	15,614	1,434	1,233
Total derivatives	**3,290,176**	**45,823**	**43,109**	3,604,939	42,838	42,161

	31.12.08		
Total derivatives	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	832,915	23,096	21,017
Currency swaps and options	528,215	18,760	19,253
Exchange traded futures and options	742	–	–
	1,361,872	41,856	40,270
Interest rate derivative contracts:			
Swaps	1,089,407	21,992	21,451
Forward rate agreements and options	170,700	1,076	1,451
Exchange traded futures and options	242,694	557	429
	1,502,801	23,625	23,331
Credit derivatives	29,033	926	961
Equity and stock index options	1,075	219	233
Commodity derivative contracts	16,200	3,031	2,980
Total derivatives	2,910,981	69,657	67,775

13. Derivative financial instruments continued

The Group uses derivatives primarily to mitigate interest rate and foreign exchange risk. Hedge accounting is applied to derivatives designated as hedging instruments 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.

	30.06.09			30.06.08		
Derivatives used for hedging	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Swaps	**26,139**	**1,313**	**210**	19,218	345	534
	26,139	**1,313**	**210**	19,218	345	534
Derivatives designated as cash flow hedges:						
Swaps	**11,662**	**52**	**20**	6,516	25	53
Forward foreign exchange contracts	**1,603**	**5**	**91**	1,905	34	22
Options	**888**	**35**	**–**	–	–	–
	14,153	**92**	**111**	8,421	59	75
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**1,891**	**1**	**126**	–	–	–
Total derivatives held for hedging	**42,183**	**1,406**	**447**	27,639	404	609

	31.12.08		
Derivatives used for hedging	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:			
Swaps	18,376	1,393	251
	18,376	1,393	251
Derivatives designated as cash flow hedges:			
Swaps	4,514	92	13
Forward foreign exchange contracts	1,015	6	210
Options	–	–	–
	5,529	98	223
Derivatives designated as net investment hedges:			
Forward foreign exchange contracts	600	–	89
Total derivatives held for hedging	24,505	1,491	563

14. Loans and advances

	30.06.09 Loans to banks $million	30.06.09 Loans to customers $million	30.06.08 Loans to banks $million	30.06.08 Loans to customers $million	31.12.08 Loans to banks $million	31.12.08 Loans to customers $million
Loans and advances	**46,297**	**187,545**	53,246	179,044	47,969	180,470
Individual impairment provision	**(16)**	**(1,843)**	(2)	(1,229)	(17)	(1,307)
Portfolio impairment provision	**(5)**	**(750)**	(18)	(595)	(6)	(651)
	46,276	**184,952**	53,226	177,220	47,946	178,512
Of which: loans and advances held at fair value through profit or loss	**(910)**	**(2,204)**	(4,051)	(2,485)	(1,363)	(4,334)
	45,366	**182,748**	49,175	174,735	46,583	174,178

The Group's exposure to credit risk is concentrated in Hong Kong, Korea, Singapore, Other Asia Pacific region and the Americas, UK and Europe. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers.

The Group has outstanding residential mortgage loans to Korea residents of $17.6 billion (30 June 2008: $19.6 billion, 31 December 2008: $17.1 billion) and Hong Kong residents of approximately $13.5 billion (30 June 2008: $12.3 billion, 31 December 2008: $13.0 billion).

Loans and advances to customers include $48 million (30 June 2008: $nil million, 31 December 2008: $nil million) of loans sold subject to sale and repurchase transactions.

The following table shows the movement in impairment provisions for 2009 and 2008:

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Provisions held at beginning of period	**1,981**	1,809	1,844
Exchange translation differences	**22**	(10)	(169)
Acquisitions	**–**	89	20
Amounts written off	**(590)**	(528)	(591)
Recoveries of acquisition fair values	**(14)**	(47)	(31)
Recoveries of amounts previously written off	**85**	92	88
Discount unwind	**(30)**	(24)	(16)
Other	**75**	1	12
New provisions	**1,397**	691	1,105
Recoveries/provisions no longer required	**(312)**	(229)	(281)
Net charge against profit	**1,085**	462	824
Provisions held at end of period	**2,614**	1,844	1,981

Of which:	30.06.09 $million	30.06.08 $million	31.12.08 $million
Individual impairment provision	**1,859**	1,231	1,324
Portfolio impairment provision	**755**	613	657
Provisions held at end of period	**2,614**	1,844	1,981

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Net charge against profit:			
Individual impairment charge	**991**	444	724
Portfolio impairment charge	**94**	18	100
	1,085	462	824
Provisions related to credit commitments	**3**	4	23
Impairment (releases)/charges relating to debt securities classified as loans	**–**	(1)	9
Total impairment charge and other credit risk provisions	**1,088**	465	856

15. Non-performing loans and advances

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Non-performing loans and advances	**4,088**	2,290	3,007
Impairment provisions	**(2,614)**	(1,844)	(1,981)
	1,474	446	1,026

Net non-performing loans and advances comprises loans and advances to banks $78 million (30 June 2008: $7 million, 31 December 2008: $21 million) and loans and advances to customers $1,396 million (30 June 2008: $439 million, 31 December 2008: $1,005 million).

Impairment provisions cover 65 per cent of non-performing lending to customers (30 June 2008: 81 per cent, 31 December 2008: 66 per cent). The impairment provisions above include $755 million (30 June 2008: $613 million, 31 December 2008: $657 million) of portfolio impairment provisions.

16. Investment securities

	30.06.09					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	31	15,080	396			
Other public sector securities	–	1,892	–			
	31	16,972	396			
Issued by banks:						
Certificates of deposit	–	8,182	1,137			
Other debt securities	–	15,835	740			
	–	24,017	1,877			
Issued by corporate entities and other issuers:						
Other debt securities	–	6,083	3,950			
Total debt securities	31	47,072	6,223			
Listed on a recognised UK exchange	–	5,599	807	70	–	6,476
Listed elsewhere	29	15,753	2,434	469	5,375	24,060
Unlisted	2	25,720	2,982	1,081	12,295	42,080
	31	47,072	6,223	1,620	17,670	72,616
Market value of listed securities	29	21,352	3,148	539	5,375	30,443

16. Investment securities continued

	30.06.08					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	46	13,963	–			
Other public sector securities	–	1,079	–			
	46	15,042	–			
Issued by banks:						
Certificates of deposit	–	8,175	2,998			
Other debt securities	–	14,785	411			
	–	22,960	3,409			
Issued by corporate entities and other issuers:						
Other debt securities	–	6,105	428			
Total debt securities	46	44,107	3,837			
Listed on a recognised UK exchange	–	2,613	–	41	–	2,654
Listed elsewhere	44	18,494	82	1,071	5,185	24,876
Unlisted	2	23,000	3,755	931	9,041	36,729
	46	44,107	3,837	2,043	14,226	64,259
Market value of listed securities	44	21,107	82	1,112	5,185	27,530

	31.12.08					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $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

16. Investment securities continued

The change in the carrying amount of investment securities comprised:

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Balances held at beginning of period	**69,342**	55,274	64,259
Exchange translation differences	**657**	(1,113)	(4,473)
Acquisitions	**1**	2,721	237
Additions	**58,501**	53,974	55,964
Reclassifications	**–**	–	5,211
Disposals on sale of business	**–**	–	(9)
Maturities and disposals	**(56,331)**	(45,423)	(52,333)
Impairments, net of recoveries on disposal (see note 6)	**2**	(19)	(406)
Changes in fair value (including the effect of fair value hedging)	**(39)**	(1,016)	363
Amortisation of discounts and premiums	**483**	(139)	529
Balances held at end of period	**72,616**	64,259	69,342

Treasury bills and other eligible bills include $948 million (30 June 2008: $747 million, 31 December 2008: $1,445 million) of bills sold subject to sale and repurchase transactions. Debt securities include $734 million (30 June 2008: $1,948 million, 31 December 2008: $1,855 million) of securities sold subject to sale and repurchase transactions.

At 30 June 2009, unamortised (discount)/premiums on debt securities held for investment purposes amounted to $517 million (30 June 2008: $40 million, 31 December 2008: $271 million) and unamortised discounts amounted to $(713) million (30 June 2008: $344 million, 31 December 2008: $743 million).

Income from listed equity shares amounted to $6 million (30 June 2008: $12 million, 31 December 2008: $8 million) and income from unlisted equity shares amounted to $79 million (30 June 2008: $73 million, 31 December 2008: $90 million).

The Group had taken advantage of the Term Auction Facility (TAF) introduced by the Federal Reserve Bank of New York, by borrowing $nil million (30 June 2008: $nil million, 31 December 2008: $2,850 million). Under the TAF, no single security is earmarked as collateral for the borrowing. The value of securities that was considered to be encumbered in relation to this borrowing is $nil million (30 June 2008: $nil million, 31 December 2008: $3,197 million) and the borrowing was included as a sale and repurchase transaction within customer accounts.

17. Business combinations

2009 acquisitions

On 30 January 2009, the Group acquired 100 per cent of the share capital of Cazenove Asia 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.

If the acquisition had occurred on 1 January 2009 the operating income of the Group would have been approximately $7,960 million and profit before taxation would have been approximately $2,834 million.

The assets and liabilities arising from the acquisition of Cazenove Asia Limited 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	
– direct costs relating to the acquisition	–	
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 30.06.09:		
Operating income	12	
Loss before taxation	(5)	

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date. Goodwill arising on the acquisitions are attributable to the synergies expected to arise from their integration with the Group.

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, 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 $4,809 million.

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

The assets and liabilities arising from the acquisitions were 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*	1,041	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)	

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

17. Business combinations continued

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.

18. Other assets

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Hong Kong SAR Government certificates of indebtedness	**3,206**	2,918	3,097
Acceptances and endorsements	**2,712**	3,397	2,574
Cash collateral	**5,369**	3,318	9,102
Other	**8,366**	6,284	5,601
	19,653	15,917	20,374

19. Deposits by banks

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Deposits by banks	**33,634**	38,389	31,909
Deposits by banks included within:			
Financial liabilities held at fair value through profit or loss (note 21)	**332**	2,083	4,077
	33,966	40,472	35,986

20. Customer accounts

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Customer accounts	**230,147**	205,539	234,008
Customer accounts included within:			
Financial liabilities held at fair value through profit or loss (note 21)	**5,825**	5,221	4,583
	235,972	210,760	238,591

21. Financial liabilities held at fair value through profit or loss

	30.06.09			30.06.08		
	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	**260**	**72**	**332**	2,000	83	2,083
Customer accounts	**487**	**5,338**	**5,825**	2,385	2,836	5,221
Debt securities in issue	**2,659**	**1,143**	**3,802**	2,119	1,733	3,852
Short positions	**6,988**	**–**	**6,988**	3,494	–	3,494
	10,394	**6,553**	**16,947**	9,998	4,652	14,650

	31.12.08		
	Trading $million	Designated at fair value through profit or loss $million	Total $million
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

22. Debt securities in issue

	30.06.09			30.06.08		
	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	6,400	14,460	20,860	17,505	15,006	32,511
Debt securities in issue within:						
Financial liabilities held at fair value through profit or loss (note 21)	348	3,454	3,802	507	3,345	3,852
	6,748	17,914	24,662	18,012	18,351	36,363

	31.12.08		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	13,284	10,163	23,447
Debt securities in issue within:			
Financial liabilities held at fair value through profit or loss (note 21)	460	3,162	3,622
	13,744	13,325	27,069

23. Other liabilities

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Notes in circulation	3,206	2,918	3,097
Acceptances and endorsements	2,700	3,321	2,539
Cash collateral	2,684	1,512	3,765
Cash-settled share based payments	37	95	31
Other liabilities	11,971	11,057	7,931
	20,598	18,903	17,363

Hong Kong currency notes in circulation of $3,206 million (30 June 2008: $2,918 million, 31 December 2008: $3,097 million) which are secured by the government of Hong Kong certificates of indebtedness of the same amount included in other assets (note 18).

24. Subordinated liabilities and other borrowed funds

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Subordinated liabilities and other borrowed funds	**16,922**	18,745	16,986

All subordinated liabilities 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 total subordinated liabilities and other borrowings, $10,243 million is at fixed interest rates (30 June 2008: $12,489 million, 31 December 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.

On 22 April 2009, Standard Chartered Bank (SCB) bought back $151 million 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 perpetual $1,500 million Tier 1 Notes with a coupon of 9.5 per cent step-up after five years.

On 17 June 2009, PT Bank Permata Tbk issued IDR510 trillion Tier 2 Notes with a coupon of 9.75 per cent maturing June 2021, of which the Group's share is IDR283 trillion.

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 were matured.

25. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Total market value of assets	**1,916**	2,424	1,721
Present value of the schemes' liabilities	**(2,445)**	(2,905)	(2,154)
Defined benefit schemes obligation	**(529)**	(481)	(433)
Defined contribution schemes	**(13)**	(7)	(14)
Net book amount	**(542)**	(488)	(447)

Retirement benefit charge/(credit) comprises:

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Defined benefit schemes	**(12)**	53	(8)
Defined contribution schemes	**48**	55	72
	36	108	64

The pension cost for defined benefit schemes was:

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Current service cost	**41**	48	40
Past service (benefit)/cost	**(32)**	–	5
Gain on settlement and curtailments	**(23)**	–	(54)
Expected return on pension scheme assets	**(51)**	(70)	(70)
Interest on pension scheme liabilities	**53**	75	71
Total (credit)/charge to profit before deduction of taxation	**(12)**	53	(8)
Actual less expected return on assets	**(13)**	122	211
Experience loss/(credit) on liabilities	**140**	–	(104)
Loss recognised in statement of comprehensive income, before taxation	**127**	122	107
Deferred taxation	**(38)**	(33)	(27)
Loss after taxation	**89**	89	80

26. Share capital

	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	8	4	–	4
Shares issued, net of expenses	4	2	–	2
At 30 June 2008	1,422	711	–	711
Capitalised on scrip dividend	3	2	–	2
Shares issued, net of expenses	471	235	–	235
At 31 December 2008	**1,896**	**948**	**–**	**948**
Capitalised on scrip dividend	**32**	**16**	**–**	**16**
Shares issued, net of expenses	**6**	**3**	**–**	**3**
At 30 June 2009	**1,934**	**967**	**–**	**967**

On 15 May 2009, the Company issued 32,270,731 new ordinary shares instead of the 2008 final dividend.

During the period, 6,352,118 ordinary shares were issued under the employee share plans at prices between nil and 1088 pence.

As at 30 June 2009, 477,500 $5 non-cumulative redeemable preference shares were in issue, of which 462,500 are classified within subordinated liabilities and other borrowed funds. The £150 million irredeemable preference shares of £1 each are also classified as other borrowed funds as required by IAS 32.

27. Own shares

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 fully fund the trust, from time to time, to enable the trustee to acquire shares of the Company to satisfy these awards. All shares have been acquired through the London Stock Exchange. 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 period ended 30 June 2009. Details of the shares purchased and held by the trusts are set out below:

	1995 trust			2004 trust			Total		
Number of shares	**30.06.09**	30.06.08	31.12.08	**30.06.09**	30.06.08	31.12.08	**30.06.09**	30.06.08	31.12.08
Shares purchased:									
– 9 March 2009	**–**	–	–	**357,909**	–	–	**357,909**	–	–
– 25 June 2009	**4,025,000**	–	–	**–**	–	–	**4,025,000**	–	–
Total	**4,025,000**	–	–	**357,909**	–	–	**4,382,909**	–	–
– 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	**–**	1,650,000	1,106,296	**–**	307,849	119,049	**–**	1,957,849	1,225,345
Market price of shares purchased ($million)	**78**	54	12	**4**	10	10	**82**	64	22
Shares held at the end of the period	**6,962,766**	1,846,267	2,949,563	**498,127**	361,859	480,166	**7,460,893**	2,208,126	3,429,729
Maximum number of shares held during period	**–**	–	–	**–**	–	–	**7,463,776**	2,575,901	3,429,729

28. Minority interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other minority interests $million	Total $million
At 1 January 2008	330	271	601
Income/expenses in equity attributable to minority interests	–	(58)	(58)
Other profits attributable to minority interests	9	35	44
Comprehensive income	9	(23)	(14)
Distributions	(10)	(84)	(94)
Other increases*	–	100	100
At 30 June 2008	329	264	593
Income/expenses in equity attributable to minority interests	–	(48)	(48)
Other profits attributable to minority interests	10	49	59
Comprehensive income	10	1	11
Distributions	(12)	(41)	(53)
Other increases	–	4	4
At 31 December 2008	**327**	**228**	**555**
Income/expenses in equity attributable to minority interests	**–**	**7**	**7**
Other profits attributable to minority interests	**10**	**48**	**58**
Comprehensive income	**10**	**55**	**65**
Distributions	**(12)**	**(42)**	**(54)**
Other decreases	**–**	**(3)**	**(3)**
At 30 June 2009	**325**	**238**	**563**

* Other increases at 30 June 2008 primarily relates to the consolidation of a private equity investment

29. Cash flow statement
Adjustment for non-cash items and other accounts

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Depreciation and amortisation	**235**	201	224
Gain on disposal of property, plant and equipment	**(10)**	(2)	(8)
Gain on disposal of investment securities and loans and receivable financial assets	**(391)**	(154)	(168)
Gain arising on repurchase of subordinated liabilities	**(248)**	–	(384)
Rights issue option	**–**	–	(233)
Gain arising on initial recognition and partial redemption of Visa Inc. shares	**–**	(17)	–
Writedowns relating to asset backed securities	**–**	49	–
Movement in fair value hedges on available-for-sale assets	**4**	65	(39)
Amortisation of discounts and premiums of investment securities	**(483)**	139	(529)
Pension costs for defined benefit schemes	**(12)**	53	(8)
Impairment losses on loans and advances and other credit risk provisions	**1,088**	465	856
Other impairment	**15**	26	443
Loss/(profit) on sale of businesses	**2**	(146)	–
Recoveries of acquisition fair values and discount unwind	**(48)**	(71)	(49)
Interest expense on subordinated liabilities	**261**	587	462
Total	**413**	1,195	567

29. Cash flow statement continued

Change in operating assets

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Net decrease/(increase) in derivative financial instruments	**23,438**	(17,347)	(29,791)
Net (increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	**(4,096)**	1,352	6,238
Net (increase) in loans and advances to banks and customers	**(8,127)**	(21,237)	(17,923)
(Increase)/decrease in prepayments and accrued income	**(755)**	(646)	859
Net decrease/(increase) in other assets	**463**	795	(10,403)
Total	**10,923**	(37,083)	(51,020)

Change in operating liabilities

	6 months ended 30.06.09 $million	6 months ended 30.06.08 $million	6 months ended 31.12.08 $million
Net (decrease)/increase in derivative financial instruments	**(24,262)**	16,551	28,392
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue and short positions	**(3,267)**	33,520	26,278
(Decrease)/increase in accruals and deferred income	**(632)**	195	830
Net increase/(decrease) in other liabilities	**3,289**	665	(518)
Total	**(24,872)**	50,931	54,982

30. Cash and cash equivalents

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

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Cash and balances with central banks	**12,141**	10,471	24,161
Less restricted balances	**(4,847)**	(6,064)	(4,615)
Treasury bills and other eligible bills	**9,389**	9,273	9,303
Loans and advances to banks	**31,425**	43,665	33,913
Trading securities	**11,102**	14,706	10,937
Total	**59,210**	72,051	73,699

31. Net interest margin and interest spread

	6 months ended 30.06.09 %	6 months ended 30.06.08 %	6 months ended 31.12.08 %
Net interest margin	**2.4**	2.5	2.4
Interest spread	**2.3**	2.2	2.2

	$million	$million	$million
Average interest earning assets	**312,358**	297,126	301,329
Average interest bearing liabilities	**294,741**	270,998	280,940

32. Remuneration

The Group employed 70,521 staff at 30 June 2009 made up of 40,112 in Consumer Banking; 15,814 in Wholesale Banking; 14,595 in Support Services (30 June 2008: 74,565 made up of 44,317 in Consumer Banking; 13,600 in Wholesale Banking; 16,648 in Support Services, 31 December 2008: 73,802 made up of 42,691 in Consumer Banking; 14,914 in Wholesale Banking; 16,197 in Support Services).

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 rewards 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 on the basis of Group and individual performance and also an individual's adherence to the Group's values.

The Group 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 pre-determined performance criteria. In addition, the Group operates three all-employee sharesave schemes in which 33 per cent (30 June 2008: 37 per cent, 31 December 2008: 37 per cent) of employees participate.

33. 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.

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Contingent liabilities*:			
Guarantees and irrevocable letters of credit	**28,373**	29,471	28,051
Other contingent liabilities	**9,247**	11,727	11,494
	37,620	41,198	39,545
Commitments*:			
Documentary credits and short term trade-related transactions	**6,152**	10,204	5,270
Forward asset purchases and forward deposits placed	**251**	1,769	40
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	**16,569**	16,014	14,450
Less than one year	**14,245**	16,656	14,903
Unconditionally cancellable	**41,497**	38,038	42,388
	78,714	82,681	77,051
Risk weighted amount:			
Contingent liabilities	**16,281**	18,443	19,625
Commitments	**8,109**	10,288	7,258

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

34. Repurchase and reverse repurchase agreements

The Group enters into collateralised reverse repurchase and repurchase agreements and securities borrowing and lending transactions. It also receives securities as collateral for commercial lending.

Balance sheet assets

	30.06.09 Reverse repurchase agreements $million	30.06.08 Reverse repurchase agreements $million	31.12.08 Reverse repurchase agreements $million
Banks	**1,083**	178	1,578
Customers	**2,492**	963	4,833
	3,575	1,141	6,411

Under these reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	30.06.09 $million	30.06.08 $million	31.12.08 $million
Securities and collateral which can be repledged or sold (at fair value)	**2,731**	1,112	5,707
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	**493**	160	4,030

Balance sheet liabilities

	30.06.09 Repurchase agreements $million	30.06.08 Repurchase agreements $million	31.12.08 Repurchase agreements $million
Banks	**1,273**	2,378	5,053
Customers	**561**	1,886	5,177
	1,834	4,264	10,230

Collateral pledged against these liabilities is disclosed in the table above and in notes 14 and 16. The terms and conditions relating to the collateral pledged typically permits the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

35. 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 section explains the Group's risk management with respect to asset and liability management.

	30.06.09				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Assets					
Cash and balances at central banks	**7,294**	**–**	**–**	**4,847**	**12,141**
Derivative financial instruments	**7,849**	**11,515**	**20,027**	**6,432**	**45,823**
Loans and advances to banks*	**31,425**	**12,492**	**2,213**	**146**	**46,276**
Loans and advances to customers*	**64,029**	**27,940**	**41,016**	**51,967**	**184,952**
Investment securities*	**20,810**	**30,677**	**24,154**	**10,311**	**85,952**
Other assets	**10,169**	**661**	**55**	**25,191**	**36,076**
Total assets	**141,576**	**83,285**	**87,465**	**98,894**	**411,220**
Liabilities					
Deposits by banks*	**28,151**	**4,945**	**780**	**90**	**33,966**
Customer accounts*	**201,518**	**29,133**	**4,240**	**1,081**	**235,972**
Derivative financial instruments	**9,371**	**9,686**	**18,480**	**5,572**	**43,109**
Debt securities in issue*	**6,152**	**7,505**	**9,901**	**1,104**	**24,662**
Other liabilities*	**17,758**	**2,533**	**734**	**11,674**	**32,699**
Subordinated liabilities and other borrowed funds	**94**	**873**	**864**	**15,091**	**16,922**
Total liabilities	**263,044**	**54,675**	**34,999**	**34,612**	**387,330**
Net liquidity gap	**(121,468)**	**28,610**	**52,466**	**64,282**	**23,890**

* Amounts include financial instruments held at fair value through profit or loss (see note 12 and note 21).

	30.06.08				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Assets					
Cash and balances at central banks	4,407	–	–	6,064	10,471
Derivative financial instruments	8,650	13,071	16,851	4,266	42,838
Loans and advances to banks*	43,665	6,596	2,703	262	53,226
Loans and advances to customers*	64,221	31,086	33,602	48,311	177,220
Investment securities*	24,752	22,601	21,060	12,380	80,793
Other assets	3,280	1,296	190	27,506	32,272
Total assets **	148,975	74,650	74,406	98,789	396,820
Liabilities					
Deposits by banks*	35,565	3,955	677	275	40,472
Customer accounts*	183,073	16,961	4,278	6,448	210,760
Derivative financial instruments	8,052	9,863	12,340	11,906	42,161
Debt securities in issue*	15,516	12,084	7,432	1,331	36,363
Other liabilities*	10,418	1,344	365	15,287	27,414
Subordinated liabilities and other borrowed funds	97	191	2,661	15,796	18,745
Total liabilities**	252,721	44,398	27,753	51,043	375,915
Net liquidity gap	(103,746)	30,252	46,653	47,746	20,905

* Amounts include financial instruments held at fair value through profit or loss (see note 12 and note 21).

** Restated as set out in note 37.

35. Liquidity risk continued

	31.12.08				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $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*	33,913	11,749	2,132	152	47,946
Loans and advances to customers*	63,829	27,541	38,044	49,098	178,512
Investment securities*	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*	31,168	3,382	1,359	77	35,986
Customer accounts*	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*	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

* Amounts include financial instruments held at fair value through profit or loss (see note 12 and note 21).

36. Fair value of financial assets and liabilities

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.

	30.06.09		30.06.08		31.12.08	
	Book amount $million	**Fair value $million**	Book amount $million	Fair value $million	Book amount $million	Fair value $million
Assets						
Cash and balances at central banks	**12,141**	**12,141**	10,471	10,471	24,161	24,161
Loans and advances to banks	**45,366**	**45,082**	49,175	48,722	46,583	45,855
Loans and advances to customers	**182,748**	**183,209**	174,735	174,483	174,178	170,410
Investment securities	**6,254**	**5,680**	3,883	3,882	7,493	6,729
Liabilities						
Deposits by banks	**33,634**	**33,407**	38,389	38,382	31,909	31,713
Customer accounts	**230,147**	**230,453**	205,539	205,277	234,008	230,558
Debt securities in issue	**20,860**	**21,543**	32,511	32,243	23,447	23,097
Subordinated liabilities and other borrowed funds	**16,922**	**15,631**	18,745	18,107	16,986	13,903

37. Restatement of prior periods

Balance sheet

A re-presentation was made within the Group's balance sheet at 30 June 2008 in respect of the deferred tax asset to show the deferred tax asset and liability separately. Details of the re-presentation are set out below:

	As reported at 30.06.08 $million	Re-presentation $million	As restated at 30.06.08 $million
Deferred tax assets	563	93	656
Total assets	396,727	93	396,820
Deferred tax liabilities	–	93	93
Total liabilities	375,822	93	375,915
Total equity and liabilities	396,727	93	396,820

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 flows from operating activities and not cash flows from investing activities. In addition, the contributions to defined benefit schemes has been presented separately. Details of the re-presentation are set out below:

	As reported 6 months ended 30.06.08 $million	Re-presentation $million	As restated 6 months ended 30.06.08 $million
Change in operating assets	(36,478)	(605)	(37,083)
Purchase of property, plant and equipment	(790)	605	(185)
Change in operating liabilities	50,904	27	50,931
Contributions to defined benefit scheme	6	(27)	(21)

For information, the impact of the above amendments on the cash flow statement for the 6 months ended 31 December 2008 is presented below:

	As reported 6 months ended 31.12.08 $million	Re-presentation $million	As restated 6 months ended 31.12.08 $million
Change in operating assets	(50,773)	(247)	(51,020)
Purchase of property, plant and equipment	(641)	247	(394)
Change in operating liabilities	54,906	76	54,982
Contributions to defined benefit scheme	2	(76)	(74)

38. 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.

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

	30.06.09		30.06.08		31.12.08	
	Total assets $million	**Maximum exposure $million**	Total assets $million	Maximum exposure $million	Total assets $million	Maximum exposure $million
Portfolio management vehicles	**1,694**	**249**	1,279	155	1,694	252
Principal Finance Funds*	**931**	**170**	300	52	898	124
Global Liquidity Fund	**–**	**–**	463	76	–	–
AEB Funds	**–**	**–**	905	41	2,487	4
Structured Finance	**–**	**–**	290	–	290	–
	2,625	**419**	3,237	324	5,369	380

* Committed capital for these funds is $375 million (30 June 2008: $300 million; 31 December 2008: $375 million), of which $170 million have been drawn down; 30 June 2008: $52 million; 31 December 2008: $124 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 collateralize 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 realization 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.

The remainder of the Group's exposure represents committed or invested capital in unleveraged investment funds. Standard Chartered Bank was the Investment Manager and Distributor of the US Dollar Liquidity Fund, the single sub fund of Standard Chartered Global Liquidity Funds p.l.c., which closed on 7 July 2008.

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 the six months to 30 June 2009, these funds were sold and at 30 June 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.

39. Related party transactions

Mr Sunil Mittal, an independent non-executive director of Standard Chartered PLC, is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it is a related party of Standard Chartered PLC. As at 30 June 2009, and in the normal course of business, the Group has loans to the Bharti Enterprises Group of $114 million (30 June 2008: $41 million, 31 December 2008: $137 million), guarantees of $38 million (30 June 2008: $44 million, 31 December 2008: $39 million), and foreign exchange deals with a notional value of $43 million (30 June 2008: $68 million, 31 December 2008: $103 million).

Other than as disclosed there has been no significant change in related party transactions of directors as previously disclosed in the Group's 2008 Annual Report and Accounts.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $12 million at 30 June 2009 (30 June 2008: $6 million, 31 December 2008: $12 million), and deposits of $22 million at 30 June 2009 (30 June 2008: $2 million, 31 December 2008: $36 million).

The Group has investments in sub debt issued by PT Bank Permata Tbk for $50 million at 30 June 2009 (30 June 2008: nil million, 31 December 2008: nil million).

The Group has loans and advances to Standard Chartered STCI Capital Markets at 30 June 2009 totalling $nil million and deposits of $13 million. (30 June 2008: loans and advances of $nil million and deposits of $13 million; 31 December 2008: loans and advances of $nil million and deposits of $12 million).

Associates

At 30 June 2009, the Group has loans to Merchant Solutions amounting to $20 million (30 June 2008: $61 million and 31 December 2008: $nil million). Except as disclosed, at 30 June 2009, 31 December 2008 and 30 June 2008 the Group did not have any amounts due to or from associate investments.

40. Post balance sheet events

On 4 August 2009, the Directors declared an interim dividend of 21.23 cents per share.

On 4 August 2009 the Company announced a placing to raise approximately £1 billion ($1.6 billion) through the issue of new ordinary shares (the Placing). The Placing will be effected by way of an accelerated book build. The number of shares to be issued will be dependant on the Placing price. This will be determined at the close of the accelerated book building period and details will be announced as soon as practicable after the close of the book building exercise. The Placing shares will be credited as fully paid and will rank pari passu in all respects with the existing ordinary shares of $0.50 each in the capital of the Company including the right to receive all dividends and other distributions declared, made or paid after the date of issue. The Placing shares will be eligible for the interim dividends declared on 4 August 2009.

41. Statutory accounts

The information in this Half Year Report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 4 August 2009. The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (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 contain a statement under section 498 of the Companies Act 2006.

42. 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 Limited (HK Listing Rules). The directors also confirm that this Half Year Report 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 period.

Standard Chartered PLC – Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union (EU) and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

(a) an indication of important events that have occurred during the first six months and their impact on the condensed Interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) material related party transactions in the first six months ended 30 June 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
4 August 2009

Independent review report by KPMG Audit Plc to Standard Chartered PLC

Introduction

We have been engaged by the Company to review the financial information set out on pages 41 to 81, which comprises the condensed consolidated interim balance sheet as at 30 June 2009 and the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the six months then ended, and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Review work performed

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material aspects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

M StJ Ashley
for and on behalf of KPMG Audit Plc
Chartered Accountants
London
4 August 2009

Risk weighted assets
Segmental information by business

	30.06.09					30.06.08				
	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Total risk weighted assets	**51,761**	**153,255**	**205,016**	**–**	**205,016**	56,552	147,809	204,361	–	204,361

	31.12.08				
	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Total risk weighted assets	52,124	136,697	188,821	–	188,821

Information by geographic area

	30.06.09								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Total risk weighted assets**	**19,293**	**19,525**	**27,577**	**43,480**	**16,144**	**27,569**	**7,675**	**50,280**	**211,543**

* Other APR includes Malaysia $7,432 million.
** Total risk weighted assets include $6,527 million of intra-group balances which are netted in calculating capital ratios.

	30.06.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Total risk weighted assets**	21,261	15,402	31,823	43,537	20,204	22,588	7,475	49,806	212,096

* Other APR includes Malaysia $7,479 million.
** Total risk weighted assets include $7,736 million of intra-group balances which are netted in calculating capital ratios.

	31.12.08								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific* $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Total risk weighted assets**	21,072	15,064	27,020	37,053	15,578	22,070	7,247	51,744	196,848

* Other APR includes Malaysia $6,314 million.
** Total risk weighted assets include $8,027 million of intra-group balances which are netted in calculating capital ratios.

Share awards

2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2009.

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009 No. of shares	2009 Weighted average exercise price
Outstanding at 1 January	7,485,925	£7.18
Lapsed	(3,487)	£8.19
Exercised	(901,275)	£6.83
Outstanding at 30 June	6,581,163	£7.22
Exercisable at 30 June	6,581,163	£7.22

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life
£6.05/£9.10	£7.22	3.6 years

The weighted average share price at the time the options were exercised during the current period was £11.64.

2001 Performance Share Plan (2001 PSP)

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009 No. of shares	2009 Weighted average exercise price
Outstanding at 1 January	8,458,895	–
Granted	4,553,738	–
Lapsed	(276,628)	–
Exercised	(1,341,121)	–
Outstanding at 30 June	11,394,884	–
Exercisable at 30 June	1,195,858	–

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life
n/a	–	8.6 years

The weighted average share price at the time the options were exercised during the current period was £10.45.

1997/2006 Restricted Share Scheme (1997/2006 RSS)

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	7,285,927	–
Granted	12,507,182	–
Lapsed	(180,558)	–
Exercised	(1,156,659)	–
Outstanding at 30 June	18,455,892	–
Exercisable at 30 June	2,472,576	–

	2009	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	6.0 years

The weighted average share price at the time the options were exercised during the current period was £9.79.

2007 Supplementary Restricted Share Scheme (2007 SRSS)

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	2,442,096	–
Granted	4,405,419	–
Lapsed	(27,846)	–
Exercised	(11,797)	–
Outstanding at 30 June	6,807,872	–
Exercisable at 30 June	2,842	–

	2009	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	6.4 years

The weighted average price when the options were exercised was £10.85.

1994/1996 UK and International Sharesave Scheme

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	162,982	£5.61
Lapsed	–	–
Exercised	(123,476)	£5.61
Outstanding at 30 June	39,506	£5.61
Exercisable at 30 June	39,506	£5.61

	2009	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
£5.61	£5.61	–

The weighted average share price at the time the options were exercised during the current period was £10.28 for 1994 UK Sharesave schemes and £10.74 for 1996 International Sharesave schemes.

2008 Irish Sharesave Scheme

The first awards under this scheme were made on 29 September 2008.

Valuation

A reconciliation of option movements over the year to 30 June 2009 is shown below:

	2009 No. of shares	2009 Weighted average exercise price
Outstanding at 1 January	14,290	£10.18
Granted	–	–
Lapsed	–	–
Exercised	–	–
Outstanding at 30 June	14,290	£10.18
Exercisable at 30 June	–	–

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life
£10.18	£10.18	3.8 years

There are no vested 2008 Irish sharesave awards as at 30 June 2009.

2004 UK and International Sharesave Schemes

A reconciliation of option movements over the period to 30 June 2009 is shown below:

	2009 No. of shares	2009 Weighted average exercise price
Outstanding at 1 January	20,229,858	£9.69
Lapsed	(1,648,128)	£10.06
Exercised	(2,829,190)	£8.61
Outstanding at 30 June	15,752,540	£9.78
Exercisable at 30 June	1,273,787	£8.72

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life
£6.51/£10.18	£9.78	1.4 years

The weighted average share price at the time the options were exercised during the current period was £11.78 for the UK Sharesave scheme and £11.34 for the International Sharesave scheme.

2004 Deferred Bonus Plan

A reconciliation of share movements over the period to 30 June 2009 is shown below:

	2009 No. of Shares
Outstanding at 1 January	352,857
Shares vested	(347,836)
Shares awarded	352,633
Shares lapsed	(7,073)
Outstanding at 30 June	350,581

Notes:

a) Market value of shares on date of awards (6 March 2009) was 698.5 pence.

b) The shares vest one year after the date of award.

Valuation of options

Details of the valuation models used in determining the fair values of options granted are detailed in the Group's 2008 Annual Report and Accounts.

Directors' interests in ordinary shares

Director	At 1 January 2009* Total interests	Personal interests	Family interests	At 30 June 2009** Total interests
J W Peace	6,648	6,648	–	6,648
P A Sands	108,237	230,486	–	230,486
S P Bertamini	40,659	42,123	–	42,123
G R Bullock	180,471	200,000	–	200,000
J F T Dundas	2,792	2,792	–	2,792
V F Gooding	2,753	2,753	–	2,753
R H P Markham	3,312	3,431	–	3,431
R Markland	2,997	3,106	–	3,106
R H Meddings	208,030	233,611	–	233,611
S B Mittal	2,000	2,000	–	2,000
J G H Paynter	2,659	2,659	–	2,659
P D Skinner	5,328	7,199	–	7,199
O H J Stocken	14,221	15,820	–	15,820
Lord Davies	33,184	33,184	–	33,184

* or at date of appointment to the Board, if later.
** or at date of resignation from the Board, if earlier.

The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.

Lord Davies resigned from the Board with effect from 14 January 2009.

No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.

No director had any corporate interests in the Company's ordinary shares.

2004 Deferred Bonus Plan

Director	Shares held in trust at 1 January 2009*	Shares awarded during the period(a)	Shares awarded in respect of notional dividend	Shares vested during the period(a)	Shares held in trust at 30 June 2009**
P A Sands	34,270	70,532	338	34,608	70,532
S P Bertamini	–	170,081	–	–	170,081
G R Bullock	17,820	28,283	175	17,995	28,283
R H Meddings	23,303	35,923	229	23,532	35,923

* or at date of appointment to the Board, if later.
** or date of resignation from Board if earlier.

Notes

(a) Market value on date of awards (9 March 2009) was 698.5 pence.

Deferred Bonus Plan

Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of all or part of the executive directors' and certain senior executives' annual performance award. The shares are held in an employee benefit trust and automatically vest one year after the date of acquisition. No exercise is necessary. A notional scrip dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.

Long term incentives – Share options

Director	Scheme	Grant date	As at 1 January 2009*	Exercise price (pence)	Exercised	Lapsed	At 30 June 2009**	Period of exercise
P A Sands	2000 ESOS	20 May 2002	234,638	754.35	–	–	234,638	2009-2012
	2000 ESOS	5 March 2003	223,357	604.41	–	–	223,357	2009-2013
	2000 ESOS	4 March 2004	109,908	818.86	–	–	109,908	2009-2014
	2000 ESOS	9 March 2005	111,772	849.94	–	–	111,772	2009-2015
	Sharesave	26 September 2007	1,543	1,088.03	–	–	1,543	2010-2011
G R Bullock	Sharesave	29 September 2008	943	1,017.12	–	–	943	2011-2012
R H Meddings	2000 ESOS	4 March 2004	74,798	818.86	–	–	74,798	2009-2014
	Sharesave	8 September 2006	1,003	931.34	–	–	1,003	2009-2010
Lord Davies	2000 ESOS	9 March 2005	3,662	818.86	–	–	3,662	2009-2010

* or at date of appointment to the Board or date of grant, if later.
** or at date of resignation from the Board if earlier.

2000 Executive Share Option Scheme (2000 ESOS)

It is proposed that no further awards will be made under the 2000 ESOS. However, the scheme will be retained for use in exceptional circumstances or if there is a subsequent change in policy in response to future market trends. Under the 2000 ESOS, options to acquire the Company's ordinary shares are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

All Employee Sharesave (Sharesave)

Sharesave comprises all employee share schemes in which staff across the Group, including the executive directors, are eligible to participate. The Group has operated UK and International Sharesave schemes since 1984 and 1996 respectively; the latter being specifically launched to allow all non UK based employees to participate. In 2008, the Company introduced an Irish Sharesave Scheme for employees.

Under Sharesave, employees are invited to open a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company at a price which is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under all the employee Sharesave schemes.

Long term incentives – Shares

Director	Scheme	Grant date	As at 1 January 2009*	Exercised	Lapsed	As at 30 June 2009**	Period of exercise
P A Sands	PSP	9 June 2004	41,863	41,863[a]	–	–	–
	PSP	9 March 2005	111,772	111,772[b]	–	–	–
	PSP	14 March 2006	83,592	71,052[c]	12,540[d]	–	–
	PSP	11 May 2006	41,079	32,452[c]	8,627[d]	–	–
	PSP	12 March 2007	162,389	–	–	162,389	2010-2017
	PSP	11 March 2008	184,774	–	–	184,774	2011-2018
	PSP	11 March 2009	356,481	–	–	356,481	2012-2019
	RSS	11 March 2009	84,231	–	–	84,231	2011-2016
S P Bertamini	PSP	16 Sept 2008	59,337	–	–	59,337	2011-2018
	PSP	11 March 2009	159,033	–	–	159,033	2012-2019
	RSS	11 March 2009	28,437	–	–	28,437	2011-2016
G R Bullock	PSP	14 March 2006	55,728	47,368[a]	8,360[d]	–	–
	PSP	11 May 2006	20,539	16,226[c]	4,313[d]	–	–
	PSP	12 March 2007	93,102	–	–	93,102	2010-2017
	PSP	11 March 2008	108,665	–	–	108,665	2011-2018
	PSP	11 March 2009	146,604	–	–	146,604	2012-2019
	RSS	11 March 2009	31,292	–	–	31,292	2011-2016
R H Meddings	PSP	14 March 2006	68,466	58,196[a]	10,270[d]	–	–
	PSP	11 May 2006	25,235	19,935[c]	5,300[d]	–	–
	PSP	12 March 2007	100,385	–	–	100,385	2010-2017
	PSP	11 March 2008	125,646	–	–	125,646	2011-2018
	PSP	11 March 2009	220,370	–	–	220,370	2012-2019
	RSS	11 March 2009	53,514	–	–	53,514	2011-2016
Lord Davies	PSP	14 March 2006	127,379	–	–	127,379	2009-2010
	PSP	11 May 2006	93,898	–	–	93,898	2009-2010
	PSP	12 March 2007	204,708	–	–	204,708	2010

* or at date of appointment to the Board or date of grant if later.
** or at date of resignation from the Board, if earlier.

Notes

(a) Market value on date of exercise (17 March 2009) was 859.94 pence
(b) Market value on date of exercise (30 June 2009) was 1152.9 pence
(c) Market value on date of exercise (11 May 2009) was 1223.95 pence
(d) The performance conditions were partially met for those PSP awards granted in March and May 2006. Therefore the number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions.

2001 Performance Share Plan (2001 PSP)

Under the 2001 PSP awards of nil price options to acquire shares are granted to the director and will normally be exercised between three and ten years after the date of grant.

Before any award can be exercised under the 2001 PSP, certain performance conditions need to be met. The performance conditions are set at the time of the award. 50 per cent of each award is subject to the satisfaction of a relative total shareholder return performance target. The remaining 50 per cent of the award is subject to the satisfaction of an EPS performance target.

2006 Restricted Share Scheme (2006 RSS)

The RSS is used as a vehicle for deferring part of the annual performance awards for certain employees and as an incentive plan to motivate and retain high performing staff at any level of the organisation. Except where used for deferral purposes, executive directors are not generally eligible to participate in the RSS. Fifty per cent of the award vests two years after the date of grant and the remainder after three years. There are no performance conditions attached to awards under the Restricted Share Scheme.

Further details of the share schemes mentioned above, can be found in the Company's 2008 Report and Accounts, which is available on the Company's website:

http://investors.standardchartered.com

Share price information

The middle market price of an ordinary share at the close of business on 30 June 2009 was 1140 pence. The share price range during the first half of 2009 was 556 pence to 1288 pence (based on the closing middle market prices).

Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the UK.

2009 Interim dividend	
Ex dividend date	12 August 2009
Record date for dividend	14 August 2009
Dividend payment date	8 October 2009

2009 Final dividend	**(provisional only)**
Results and dividend announced	3 March 2010
Preference shares	**Next half-yearly dividend**
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2009
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2009
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2009
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2009
8.125 per cent Non-Cumulative preference shares of $5 each	27 November 2009

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Cash dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Interim 1999	15 October 1999	6.75p	860.8p
Final 1999	26 May 2000	16.10p	797.9p
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/$10.215
Final 2002	13 May 2003	32.9c/20.692p/ HK$2.566	£6.884/$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK$1.205	£8.597/$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK$2.8448	£8.905/$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.276/$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405

ShareCare
ShareCare is available to shareholders on the Company's United Kingdom register who have a United Kingdom address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at http://investors.standardchartered.com/mypage.cfm or contact the shareholder helpline on 0870 702 0138.

Donating shares to ShareGift
Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from www.sharegift.org. There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)
Dividends can be paid straight into your bank or building society account. Please register online at www.investorcentre.co.uk contact our registrar for a mandate form.

Registrars and shareholder enquiries
If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 7ZY. There is a shareholder helpline on 0870 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: www.investorcentre.co.uk

Chinese translation
If you would like a Chinese version of this Half Year Report please contact: Computershare Hong Kong Investor Services Limited at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心18 樓1806-1807 室。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Half Year Report, the English text shall prevail.

Taxation
Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

Financial calendar

Ex-dividend date	12 August 2009
Record date	14 August 2009
Expected posting to shareholders of 2009 Half Year Report	1 September 2009
Payment date – interim dividend on ordinary shares	8 October 2009

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

Interim results video interview with Peter Sands, Group chief executive and Richard Meddings, Group finance director
Interim results presentation in pdf format
A live webcast of the interim 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

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.

Standard Chartered PLC – Index

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"Our sustainability agenda must take into account the fundamental task of re-establishing confidence and trust in banks whilst continuing to maintain an unwavering focus on addressing the longer-term social and environmental challenges that the world faces."

Peter Sands, Group chief executive

Financing renewable energy

$3.2bn

renewable energy and clean technology projects financed since 2007

Providing access to financial services

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Investing in the community

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eyesights restored thanks to Seeing is Believing

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