Standard Chartered

Annual Report 2010

Leading the way

in Asia, Africa and the Middle East

Here for good

Standard Chartered has continued to deliver consistent, diverse and sustained growth while investing to underpin future momentum and building balance sheet resilience

Financial highlights

Operating income
$16,062m
2009: $15,184m | 2008: $13,968m

Normalised return on equity[1]
14.1%
2009: 14.3% | 2008: 15.2%

Normalised earnings per share[1]
197.0cents
2009: 173.2cents[3] | 2008: 168.5cents[3]

Total assets
$517bn
2009: $437bn | 2008: $435bn

Profit before taxation
$6,122m
2009: $5,151m | 2008: $4,568m

Dividend per share[2]
69.15cents
2009: 63.61cents[3] | 2008: 59.36cents[3]

Non-financial highlights

Employees
85,231
2009: 78,494[4] | 2008: 80,557

Nationalities
129
2009: 125 | 2008: 125

Markets
71
2009: 71 | 2008: 75

Operational highlights

- Record income and operating profit for the eighth successive year, despite ongoing margin compression and the return of competition in many markets
- Broad based and diversified sources of income growth in both Consumer and Wholesale Banking
- Conscious decision to invest to underpin future growth in both businesses
- Disciplined and proactive approach to risk management with loan impairment falling sharply in both Consumer and Wholesale Banking
- The Group's strong capital position further strengthened through a combination of strong organic equity generation and a successful rights issue which raised over $5 billion
- Reinforced an already diverse, liquid and conservative balance sheet and attracted an incremental $60 billion of customer deposits during 2010
- Market share gains in multiple products and multiple geographies driven by strong volume and activity levels
- Successful listing of Indian Depository Receipts on the Bombay and National stock exchanges in India
- Upgrades to credit ratings by Moody's and Fitch to A1 and AA- respectively
- Separated the Audit and Risk Committee, established a Governance Committee and enhanced the remit of the Brand and Values Committee
- Launch of new brand promise, Here for good: Here for people, Here for progress and Here for the long run

[1] Standard Chartered uses non-GAAP measures, where these are not defined under IFRS or they have been adjusted. See note 14 to the financial statements

[2] Represents the recommended final dividend per share for the respective years together with the interim dividend declared and paid in those years. Further details are set out in note 13 to the financial statements

[3] Prior period earnings per share amounts and interim and final dividend per share amounts declared and paid prior to the rights issue in October 2010, (including 2010 interim dividend per share), have been restated as explained in note 47 to the financial statements. Further details of the impact of the rights issue on the prior period dividend per share amounts are set out in note 13 to the financial statements

[4] See note 8 to the financial statements

About Standard Chartered

Consumer Banking

Helps meet the evolving financial needs of Private, Small and Medium-sized Enterprises (SMEs), Priority, Preferred and Personal banking customers across our franchise. Our customer-focused and service approach enables our staff to offer solutions from an innovative range of products and services to build stronger relationships with our customers.

Operating income

$6,079m

2009: $5,629m | 2008: $5,952m

Total assets

$126bn

2009: $104bn | 2008: $86bn

Wholesale Banking

Helps corporate and institutional clients facilitate trade and finance across the world's fastest-growing markets, leveraging our solutions and a delivery footprint spanning our network. We are at the heart of international trade flows, offering the knowledge of a local bank with the capabilities of an international financial institution.

Operating income

$9,979m

2009: $9,291m | 2008: $7,489m

Total assets

$389bn

2009: $331bn | 2008: $346bn

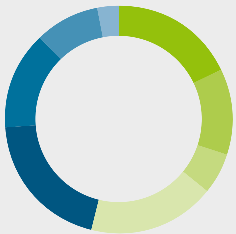
The Group

We are headquartered in London and have operated for over 150 years in some of the world's most dynamic markets, leading the way in Asia, Africa and the Middle East.

Our income and profit streams are highly diversified with 15 of our markets now delivering over $100 million in profit.

Profit before taxation by region

(% of $0,000m) 2010: $6,122m | 2009: $5,151m



- 18% Hong Kong
- 12% Singapore
- 6% Korea
- 18% Other Asia Pacific
- 20% India
- 14% Middle East and Other South Asia
- 9% Africa
- 3% Americas, UK and Europe

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

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

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.

Chairman's statement
Poised for further growth

"2010 was another year of great performance. We have demonstrated we have the right strategy, the right culture and the right geographical footprint to deliver consistent and sustained value for our shareholders."

Normalised earnings per share

197.0cents

2009: 173.2cents[1]

Dividend per share

69.15cents

2009: 63.61cents[1]

I am delighted to report that 2010 was the eighth consecutive year of record income and profits. Against an uncertain global recovery and despite the return of competition in many markets, Standard Chartered continued to perform strongly. Our performance in 2010 once again demonstrates our ability to deliver substantial, sustained value for our shareholders.

- Income increased 6 per cent to $16.1 billion
- Profit before taxation rose 19 per cent to $6.12 billion
- Normalised earnings per share were up 14 per cent to 197.0 cents

The Board is recommending a final dividend of 46.65 cents per share, making a total annual dividend, on a post rights issue basis, of 69.15 cents per share, up 9 per cent. For the many shareholders who participated in our rights issue last October, the total dividend received is up 15 per cent on the 2009 dividend payment.

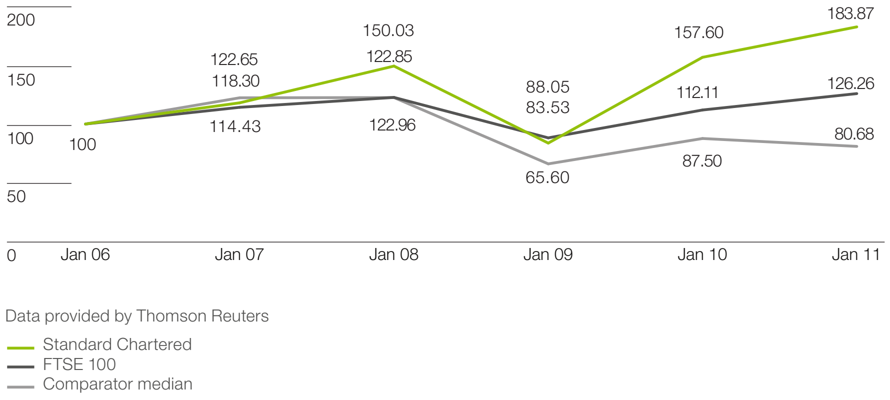
We are proud of our long track record in creating shareholder value. Over recent years, we have simultaneously increased our income, earnings per share, capital ratio and total dividends paid out.

Our investors helped us raise over $5 billion in our October rights issue. Earlier in 2010 we successfully listed our Indian Depository Receipts on the Bombay and National stock exchanges in India. I would like to thank our investors for their continued support throughout the year, and for the confidence they have shown in our future. This has given us excellent balance sheet strength as a foundation for further growth.

Standard Chartered is positioned in some of the fastest-growing markets of the world, and has the strong capital base, liquidity and customer relationships required to make the most of this opportunity.

[1] Restated as explained in note 47 to the financial statements

Total shareholder return
Percentage change over five-year period



We have broad based, diversified sources of income growth in both Consumer and Wholesale Banking, and are committed to investing for long-term growth in both businesses. Most importantly, we have a cohesive, global culture with a consistent strategy focused on the basics of banking.

During recent times, this distinctive culture has emerged as a key differentiator between us and other banks. Here for good, our brand promise, powerfully captures who we are and what makes us different.

Our performance in 2010 reflects the continued success of our business model. Once again, we have demonstrated our determination to stand by our customers and clients, using our capital and liquidity strength to support them in good times and bad. Our total lending to customers and clients increased by nearly $45 billion, over 22 per cent. We continued to lend more to key sectors of the economy across Asia, Africa and the Middle East, including home owners and small and medium-sized enterprises (SMEs). Our mortgage lending increased by 23 per cent to $71 billion, with SME lending at nearly $18 billion, up 32 per cent on 2009.

While we continue to see a wealth of growth opportunities for Standard Chartered, we also see challenges, chief among them regulatory risk. Inconsistent global regulatory reform remains a concern. We continue to seek more global co-ordination on regulatory changes.

At Standard Chartered we reward our staff for performance, not failure. Given our strong performance in 2010, the Board believes that annual performance awards to those employees who have performed well is appropriate. Against a profit increase of 19 per cent and a 9 per cent rise in headcount, our bonus pool costs have increased modestly on the 2009 levels.

We remain satisfied that our remuneration policies encourage long-term performance, rather than short-term risk taking. We will continue to meet the significantly enhanced remuneration codes of the Financial Services Authority and the Financial Stability Board, while ensuring that our rewards remain competitive.

Strong management and governance are key components of our business model. This year, we strengthened our Board by appointing three non-executive directors: Dr Han Seung-Soo, KBE, former Prime Minister of the Republic of Korea; Richard Delbridge, who draws on extensive financial experience from a broad banking career; and Simon Lowth, currently executive director and chief financial officer of AstraZeneca PLC. Our Asia CEO, Jaspal Bindra, who has wide-ranging international experience, was appointed to the Board as Group Executive Director.

In the last two years, following an extensive review, we have changed our board committee structure to reinforce the highest standards of governance. These changes take into account the governance trends arising from the Walker and the UK Financial Reporting Council reviews. In 2010, we created separate Audit and Risk Committees to emphasise our focus on risk management. We also established a Governance Committee and enhanced the remit of the Brand and Values Committee.

In summary, 2010 was another year of great performance. We have demonstrated we have the right strategy, the right culture and the right geographical footprint to deliver consistent and sustained value for our shareholders. We enter 2011 in excellent shape and with strong growth momentum.

John Peace
Chairman
2 March 2011

Group Chief Executive's review
Consistent and long-term growth

"I have no doubt that the clarity and consistency of our strategy, our discipline in sticking to it, and unwavering commitment to our distinctive culture and values have been crucial to our continued success."

These results represent our eighth consecutive year of record income and profits. This is not a bounce-back, or recovery story, but one of consistent delivery and of diverse and sustained growth. Twenty-three of our markets now deliver over $100 million of income, 15 over $100 million in profit. We are well placed in the world's most attractive markets, winning market share, growing income and profits, and creating value for our shareholders.

A consistent strategy

Much of what drives the Standard Chartered story remains constant. Our strategy remains unchanged, and our aspiration remains the same – we want to be the world's best international bank, leading the way in Asia, Africa and the Middle East. We are putting even greater focus on our clients and customers, on building deep and long-standing relationships, on improving the quality of our service and solutions. We continue to be obsessed with the basics of banking – balancing the pursuit of growth with disciplined management of costs and risks, keeping a firm grip on liquidity and capital. We're continuing to focus on culture and values, on the way we work together across multiple geographies, products and segments, combining deep local knowledge with global capability. These fundamentals underscore everything the Bank does, and everything we as a bank stand for.

I have no doubt that the clarity and consistency of our strategy, our discipline in sticking to it, and unwavering commitment to our distinctive culture and values have been crucial to our continued success. But it would be a mistake to think this means we haven't changed. Standard Chartered today is very different from the organisation I joined in early 2002. We entered that year having made a little over $1 billion in pre-tax profits the year before, with a share-price of GBP6.92, and some 28,000 staff. We were constantly under threat of takeover.


Here for good
Here for good illustrates the Bank's commitment to being a positive force in its markets. It underlines our distinctive approach to international banking and creating a strong platform for continued growth

For further information you can visit www.standardchartered.com

Fast-forward to 2010, and we have two individual markets, India and Hong Kong, delivering a similar amount of profit to the entire Group in 2001. We have over 85,000 staff, and our shareholders have seen a Total Shareholder Return of over 230 per cent from the end of 2001, until the end of last year.

Here for good

While our story remains consistent, the Group continued to evolve rapidly during 2010. One of the most visible changes in 2010 was the launch of Here for good, our brand promise, which captures the essence of who we are. We are a bank that sticks by its clients and customers, through good times and bad; a bank that always tries to do the right thing. We are committed to having a positive impact on the broader economy and on the communities in which we live and work. Here for good resonates with staff, clients and customers and other stakeholders because it's true, because it's simple and because it's powerful. It's a benchmark that people will hold us to, but that is the point.

One example of meeting our aim of delivering for our shareholders, while making a positive impact on the broader economy and society, is in how the Bank has supported our customers in times of stress. We continued to increase our lending to small and medium-sized enterprises (SMEs) throughout the crisis: by 14 per cent in 2009, and by 32 per cent, or just over $4 billion in 2010. Mortgage lending also rose by 23 per cent last year. In fact, the Group has increased total lending to clients and customers by over $90 billion since the start of the crisis in mid-2007, an increase of 60 per cent.

To give you a sense of how we're changing the Bank, without altering the fundamentals, I want to talk a bit about what we've been doing in some of our key markets, and what we see ahead.

The outlook for our markets

Most of our markets across Asia, Africa and the Middle East have quickly returned to a trajectory of strong economic growth. The rebalancing of the global economy towards Asia continues apace. Last year, emerging markets accounted for one-third of global GDP, but two-thirds of the world's growth. Indeed, we see a fundamentally different world emerging by 2030, as we discussed in our research piece The Super-Cycle Report[1] published at the end of last year. By 2030, we envisage that the world's five largest economies will be those of China, the US, India, Brazil and Indonesia. While the US and the West will see improved GDP growth, it will hover around 2.5 per cent over the longer term. Contrast this with India, at almost 10 per cent and China at 7 per cent. We anticipate the majority of our markets growing at between 5 and 8 per cent over this period. But it is also the nature of the growth across Asia that is changing. Asian countries' economic growth is increasingly being driven by domestic demand, as well as trading with each other, rather than the traditional reliance on exporting to meet the demands of consumers in the West. Intra-Asia trade and investment flows are growing quickly – from just over 10 per cent of world trade in 2000, to just under 20 per cent last year – and with a projected share of over a third of all global trade by 2030. This growth is underpinned by Asian policymakers' determined approach towards implementing free trade agreements, reducing tariffs and dismantling other regulatory barriers.

This is not to say that there are no challenges facing our markets. There are clearly some difficult issues facing policymakers, particularly as surplus liquidity floods into the region, driving asset price inflation. But while there may be bumps along the way, these will not derail the long-term growth picture.

[1] http://www.standardchartered.com/media-centre/press-releases/2010/documents/20101115/The_Super-cycle_Report.pdf

India

India became our largest market by profits last year for the first time, a great achievement. Before we acquired the Grindlays business in 2000, our profits in India were $45 million. With Grindlays, the total was $110 million. By investing to drive organic growth we have increased profits to $1.2 billion in 2010, a compounded annual growth rate of 27 per cent. Last year income in India was over $2 billion for the first time, up 12 per cent on 2009.

We can't expect India to continue to grow at quite the pace it has in recent years, given the sheer scale of the business, but it will still be one of the Group's big growth engines. We are continuing to invest in new product capabilities, such as equities, new segments, such as private banking and expanded infrastructure, such as our express banking centres.

The launch of our Indian Depository Receipts, or IDR, in Mumbai was the first listing by an international company in India and a powerful statement of our commitment to India. It also proved a very effective way to build the brand; brand awareness among our target segments sharply increased during 2010.

Looking forward, the Indian economy continues to grow at pace, and we continue to see huge opportunities. Extending our distribution reach beyond our current total of 94 branches is a key priority, particularly for Consumer Banking.

Greater China

Whilst mainland China, Hong Kong and Taiwan are very different as markets, given distinct regulatory systems and very different competitive dynamics, the links between these economies are developing extraordinarily rapidly and this is having a profound impact on trade and capital flows. In response we are positioning to ensure we don't just seize the opportunities the

"Listing the first-ever Indian Depository Receipts in India was a bold, strategic move that helped reinforce our market visibility, enhance our brand perception and boost further growth in our businesses. We are also pleased to be contributing in a small way to the ongoing development of India's financial markets and Mumbai's development as a global financial centre."

individual markets present, but grasp the Greater China opportunity, helping companies and individuals across the region to trade and invest, to find partners and do deals.

One fact illustrates the pace of these developments. Direct flights between the mainland and Taiwan commenced in July 2008 and today there are nearly 400 direct flights per week, and over a million Taiwanese are estimated to now live in China. In 2010, cross-Straits trade increased nearly 40 per cent to more than $140 billion.

The Greater China dynamic is also having a powerful impact on Hong Kong. Far from being a mature slow growth economy, Hong Kong continues to offer significant growth opportunities as it develops its role as China's international financial centre. Take for example what's happening with the internationalisation of the renmimbi (RMB). In 2009, some $530 million of China's trade was settled in RMB; in 2010, this was over $75 billion. Much of this activity is centred in Hong Kong.

Settling trade transactions in RMB is generating offshore RMB deposits, which grew five times in Hong Kong during 2010, to around CNY315 billion, or $48 billion, and this in turn is enabling the creation of an offshore RMB bond market – the so-called 'dim sum' market, which in turn is fuelling RMB foreign exchange trading volumes.

We anticipated these developments, and have been investing in the infrastructure and capabilities to support them. We were the first bank to facilitate a domestic RMB trade settlement, the first to launch a RMB denominated bond for a foreign corporate and the first to offer retail RMB structured products. Our RMB deposits in Hong Kong grew ten-fold in 2010.

RMB internationalisation is just one example of how China is impacting Hong Kong. Every aspect of the business, including

Consumer Banking, is feeling the effects of China's transformation. The performance of the Hong Kong business accelerated in the second half of 2010, with income up 13 per cent on the first half and a record fourth quarter.

Singapore
Singapore is another market that is sometimes seen as mature, but where we see significant growth opportunities, as it successfully builds its role as an international financial centre. With a business-friendly environment, great infrastructure, a strong regulatory framework and an efficient tax regime, Singapore is an attractive place to do business. We run our Consumer and Wholesale Banking businesses from Singapore, and many of our key functions, such as technology and operations are centred there. This January we opened our new office in the Marina Bay Financial Centre development, and were the first company to move in. The building accommodates around 4,500 people and houses a trading floor with 790 positions across 65,000 square feet – which we believe is the largest trading floor in Asia.

Singapore is also the main hub of our Private Banking business. From its inception in 2006, and with the benefit of the American Express Bank acquisition in 2008, Private Banking now has $46 billion of assets under management, up 31 per cent on 2009. From a standing start less than five years ago, we're already the sixth-largest private bank in Asia.

Singapore is also good example of a market where the Group has engaged in select capability acquisitions to boost product capability. Last year we acquired a small factoring business to support our SME clients, and earlier this year we acquired an auto-financing portfolio to enhance our product offering for customers.

Just next door to Singapore is a market whose potential is often underestimated – Indonesia.

Indonesia
Indonesia is the largest economy in South East Asia, the fourth-largest population in the world, a country rich in resources, underpinned by a stable political environment, good fiscal policy and a strong currency. We regard Indonesia as one of the fast-growth '7 per cent club' countries over the next 20 years and likely to become the fifth-largest global economy by 2030. It is a country undergoing profound change, with political reform opening the country up to investment.

We are in a strong position to take advantage of Indonesia's potential, both through our own business, and via our 45 per cent stake in Permata Bank. Standard Chartered in Indonesia has 26 branches; Permata has 280. With different strengths, and distinct target segments, these complementary franchises enable us to seize the multiple growth opportunities. Indonesia contributed just under $200 million to Group pre-tax profits in 2010 and we believe our Indonesian business has significant potential for further growth over the medium term.

Africa
We have a strong franchise in sub-Saharan Africa, across 14 countries. While it's always difficult to talk about these diverse cultures and countries in one breath, it's clear that Africa is playing a stronger role in the global economy, driven in part by increasing global demand for commodities. This will benefit many parts of Africa, and underpins the explosive growth in Africa-Asia trade and investment.

We added to our franchise last year, by opening in Angola, now Africa's third-largest economy, based on its oil exports. We have achieved strong double-digit income growth across most of our African markets. In Nigeria, our largest business in Africa, where we have 26 branches, we achieved over $200 million of income for the first time.

It is regions like Africa that demonstrate the ability of universal banks such as Standard Chartered to be socially useful – not as a one-off or charitable activity, but on an ongoing commercial basis; doing what we do best: driving trade and investment, creating jobs and financing infrastructure. For us, it is all about finding where we can contribute to the wider economy, whilst also making money for our shareholders. Ghana offers a good example. We play a key role in financing exports and supporting large-scale infrastructure projects, such as the development of the Jubilee oilfields. We support SMEs and local corporates as they grow and trade. We were the first bank in the country to offer clients commodity, interest rate and currency hedging. In helping our clients manage the risks of investment and trade in an increasingly volatile global economy, these derivative products have real economic and social value.

Africa is a region with many challenges, as the current difficulties in Cote d'Ivoire illustrate, but it is also a region full of promise and positive change.

Middle East and South Asia
Our business in the Middle East more than doubled profits in 2010, largely due to the sharp improvement in loan impairment. In the UAE, our biggest business in the Middle East, we are seeing the benefits of a gradually improving economy and some good progress in tackling over-leverage in the property market.

Whilst some parts of the region are facing significant political and economic challenges, we remain convinced that these markets offer significant opportunities for growth and are investing in both businesses to realise this potential.

Technology and Innovation

Banking technology is also evolving rapidly, and we are making full use of new innovations to change the way we run the business, drive cost efficiencies and improve our service. We have fundamentally transformed the infrastructure of the Bank over the last few years, giving us far greater scalability and resilience and providing a much stronger platform for innovation.

By standardising platforms, re-engineering processes and hubbing activity into our principal shared service centres in Chennai, Kuala Lumpur, and Tianjin, we have been able to drive down technology and operating running costs as a percentage of income from just over 12 per cent six years ago, to less than 8 per cent today, even during a period of substantial volume growth. We are continuously reducing unit transaction costs and have markedly reduced service failures, down by 70 per cent in three years. Our objective here is to relentlessly improve efficiency, so that we have more headroom for investment, while simultaneously enhancing control and resilience.

Technology also creates opportunities for us to be much more innovative in how we interact with our customers and clients. In Singapore and Malaysia, we launched Breeze, an innovative iPhone banking app that enables customers to pay bills, transfer money, and find ATMs in an intuitive and easy way. We're also very much at the forefront of developing mobile banking services, particularly in Africa, where mobiles are used to transfer cash, purchase goods, and pay utility bills.

Banking is intrinsically digital and, like other digital industries, can be transformed through technological innovation. We can empower our clients and customers by putting tools and information into their hands. We can achieve radical improvements in processing times and costs. This is an increasingly important part of our strategy, and an area in which we invested in 2010 to build our capabilities further.

Challenges and priorities for 2011

As we look forward, it is essential that we stay focused on our strategy and on the key priorities for 2011: maintaining our track record of delivery, sustaining the momentum in Wholesale Banking, and completing the transformation of Consumer Banking. We need to continue to deepen our relationships with our customers and clients, and ensure we continue our focus on the basics of banking – liquidity, capital, risk and cost discipline. It is also vitally important that we continue to reinforce, and differentiate, our brand.

As a Board, we must focus on executing these priorities, and on striking the right balance between ensuring we keep delivering in the near term whilst also grasping the many growth opportunities our markets offer. This means we need to manage our cost base very tightly, prioritising investment and delivering continuous improvements in productivity.

The biggest external challenge we face is regulation. Whilst we are broadly supportive of much of the regulatory reform agenda, the sheer scale of actual and potential changes, when applied across all the markets we operate in, represents a very considerable challenge and there is the real risk of unintended consequences. Rather than seeing increasing global co-ordination and consistency of regulation, we are seeing increased fragmentation and unilateral action. For example, the UK's recent announcement that the bank levy will be implemented in full during 2011 means that the levy will cost us around $180 million post-tax this year.

We also face challenges in some markets from political turmoil, most obviously in the Middle East and Africa. Thus far, the challenges here are more about protecting our staff and customers, rather than primarily financial, given that our businesses in the most affected countries tend to be rather small. And while rapid political change can be disruptive to business activity in the short term, it can also create opportunities.

Perhaps more fundamentally, we remain relatively cautious about the outlook for the world economy this year. We're certainly in a global recovery, but it's a very polarised recovery, and vulnerable to shocks. Our markets, and particularly Asia, are growing strongly, and we're very positive about the longer-term outlook. However, the West still faces a deleveraging challenge. There has been limited progress on tackling global imbalances. And the spectre of inflation is very real, in Asia, and in the West. Asia is no longer dependent on the West to drive economic growth, but neither is it decoupled. Currencies, capital flows and trade mean there are powerful interdependencies.

We're running the Bank confident that we are in the right places in the world, but far from complacent. We're alert to inflationary pressures in assets and commodities, always trying to anticipate the unintended consequences of policies and regulatory change.

Finally, I should mention competition. After a couple of years in which many of our competitors were in some disarray, we are seeing more competition across our markets, both from increasingly capable local banks and from international banks returning to the fray. This has had an impact on margins in some markets. But overall we're still winning market share in many markets, products and segments.

In fact, the aspect of competition that most concerns me is the war for talent. There's intense competition for the best people in many of our markets. We need to be competitive in the way we reward and recognise people. We need to be able to provide them with opportunities to grow and develop. That's where our values and culture are a powerful source of competitive advantage, where Here for good sets us apart.

Outlook

Delivering eight years of record income and growth, sustaining our momentum throughout the crisis, has taken a lot of hard work, professionalism and discipline. I would like to take this opportunity to thank all of our staff, for once again showing what we can achieve as a team.

I would also like to thank you, our shareholders, for your support. We were delighted by the way you backed us with the rights issue last October, with 98.5 per cent taking up your rights. We now have capital to absorb the new regulatory requirements and to continue to grow at pace. Indeed, the strength of our capital position, combined with the depth of our liquidity and the diversity of our assets, gives us a balance sheet that is a powerful source of competitive advantage.

We start 2011 strongly with the balance sheet in excellent shape, with good momentum and with volume growth in both businesses. We have had a record January, both in terms of income and profit.

In Wholesale Banking, client income remains strong, ahead of last January and in line with the general trend of client income contributing around three-quarters of total income. Our deal pipelines remain very good.

In Consumer Banking, the balance sheet has good velocity and we have invested for growth. We have seen continued steady income progress in the first month and start 2011 without the significant drag of liability margin pressure.

Our forward looking risk indicators remain benign as the global economic environment continues to improve, albeit somewhat unevenly. However we are watchful of asset and consumer price inflation and the policy implications this may trigger. Regulatory change will continue to be the biggest external risk to our performance.

So what can you expect from us in 2011?

- Given the markets we operate in, and the momentum of our businesses, we believe we can continue to deliver double-digit growth in income in 2011 and beyond
- Excluding the impact of the UK bank levy, for the Group in total we are managing the business to bring income and cost growth in line for the full year in 2011
- Earnings and Return on Equity will reflect the momentum of the businesses. However, there are two factors that will impact these metrics in 2011: the full year dilutive effect of the rights issue and the UK bank levy

The Bank enters 2011 in great shape. We have a clear strategy, which we will stick to. We have an increasingly powerful brand. We have an exceptionally strong balance sheet. Both our businesses have good momentum and began the year well.

Peter Sands
Group Chief Executive
2 March 2011

Our organisation
A One Bank culture

Standard Chartered – Here for good

Group

At Group level we:

- set overall corporate strategy
- provide strong governance
- manage our financial performance
- manage our capital
- build the corporate brand
- ensure we are true to our values
- continue our commitment to a sustainable business
- deliver to all our key stakeholders including governments, regulators, shareholders and communities

For further details see page 20

Consumer Banking

Our objective is to:

- provide friendly, fast and accurate service
- provide solutions to financial needs
- provide recognition and reward the overall banking relationship
- become the bank that customers recommend to their friends, family and colleagues

For further details see page 26

Wholesale Banking

Our objective is to:

- become the core bank to more of our clients, deepening and broadening relationships in our key markets
- build scale in our major local markets and increase cross-border opportunities across our network
- maintain our strong balance sheet to support our existing clients

For further details see page 32

Our markets

Operating in growth markets with a focus on Asia, Africa and the Middle East, we have:

- deep local knowledge
- a history of commitment
- strong local governance
- strong cross-border capabilities

For further details see page 18

Our approach
A strategy for sustainable performance

Our strategic intent

To be the world's best international bank

A healthy global economy needs international banks to:

- facilitate trade across markets
- enable multinational clients to conduct complex business transactions
- service the needs of an increasingly international consumer base

Our brand promise

Here for good

Here for good represents our commitment to three core pillars:

- people – our long-standing relationships and focus on customers and clients
- progress – the way we conduct ourselves
- long run – our footprint and heritage

How we deliver: our strategic pillars

Clear geographic focus on Asia, Africa and the Middle East

We have an unequivocal focus on these fast growing economies in which we have, or can achieve, a clear competitive advantage supported by superior insight and deep local relationships

Scale positions in significant local markets

We believe in combining global capabilities with local scale. This is becoming an ever-stronger competitive imperative in our markets. We want to be considered important to the banking system in our key geographies

One Bank with two strong businesses actively reinforcing each other

We operate as One Bank with two major businesses, Wholesale Banking and Consumer Banking, working effectively together

Client relationship, rather than a product driven approach

We focus our capabilities around client needs, rather than seeking a rapid return on products or building product silos

Distinctive culture and values

Our unique culture and values are a source of significant advantage. They reassure clients in a market where trust and ethics have re-emerged as critical, underpinning our One Bank approach, attracting talent to the Bank, and strengthening our relationships with stakeholders, such as regulators and governments

Conservative and disciplined on risk, capital and liquidity

We regard balance sheet quality as a cornerstone of our business model and strategy and are prepared to sacrifice income to achieve and protect this

Organic growth the primary driver for our strategy and value creation

We believe that organic growth drives the greatest value creation for our shareholders. Where we cannot grow organically, or cannot do so within a reasonable time frame, we will explore acquisitions that reinforce our core strategy

Supported by our ways of working

As One Bank, leveraging the synergies between our businesses and geographies

With an ongoing commitment to sustainable business practices, upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity

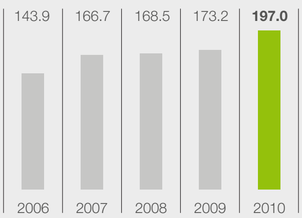
For further details see page 42

Key performance indicators
Consistent delivery and sustained growth

To be the world's best international bank

Normalised earnings per share*

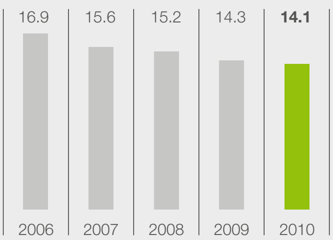
197.0cents



Aim To deliver consistent year on year growth in earnings per share.
Analysis During 2010, normalised earnings per share grew 14 per cent.

Normalised return on shareholders' equity

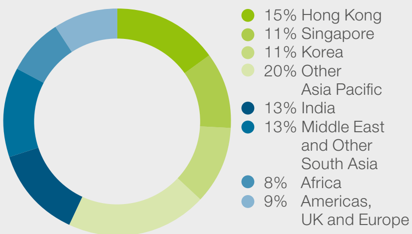
14.1%



Aim To deliver mid-teen returns whilst balancing the long-term objective of having strong yet efficient levels of capital.
Analysis The normalised return on shareholders' equity was 14.1 per cent, down from 14.3 per cent, reflecting the further strengthening of our capital position.

Focusing on Asia, Africa and the Middle East

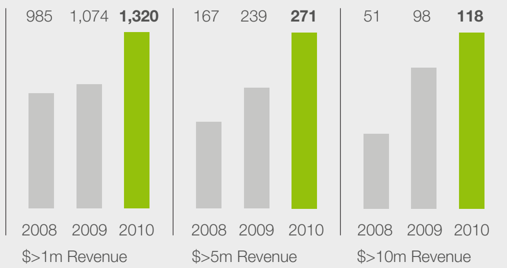
Operating income by region 2010



Aim To deliver diversified income growth.
Analysis Our income stream is highly diversified with five of our individual markets delivering over $1 billion of income.

Building long-term, deep relationships with our clients and customers

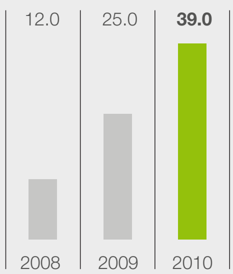
Wholesale Banking clients



Aim To grow the total number of client relationships that deliver revenues in excess of $1 million, $5 million and $10 million.
Analysis We have consistently grown the number of leading clients that generate revenues in excess of $1 million per year, demonstrating our strong and consistent progress against our Wholesale Banking strategy of becoming the core bank to more clients.

Consumer Banking Net Promoter Score (NPS)[1] Index

39.0



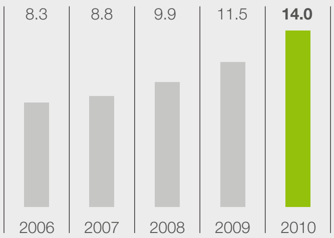
Aim To increase customer satisfaction with our products and services and to become the bank that customers recommend.
Analysis Our global NPS is up 56 per cent to 39. Twelve of our markets received NPS scores that placed us as the best international bank, and in eight of these markets we were placed as the best bank.

[1] 'Net Promoter Score' and 'NPS' are trademarks of Satmetrix Systems Inc., Bain & Company, and Fred Reichheld

Continuing to run our balance sheet conservatively

Tier 1 capital ratio

14.0%

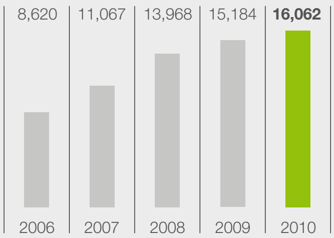


Aim To maintain a strong capital base, targeting a Tier 1 capital ratio in a range of 7 to 9 per cent.
Analysis In 2010, our Tier 1 ratio was 14.0 per cent, well above our stated target range. This reflects a strong capital position, further strengthened in 2010 by strong organic equity and a rights issue. This positions us well for future changes in an uncertain economic and regulatory environment and we continue to consider it appropriate to remain above our target range.

Focusing on organic growth as the primary driver of value creation

Operating income

$16,062m

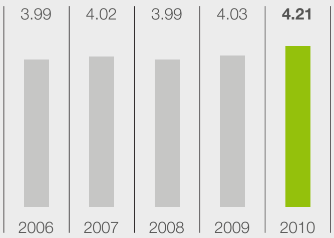


Aim To sustain organic momentum, with growing revenue.
Analysis Operating income grew by 6 per cent, or $878 million, compared with 2009, from diverse streams across products and geographies.

Continuing to nurture and reinforce our distinctive culture

Q[12] Grand Mean

4.21 out of 5



Aim To foster a culture of high employee engagement as we continue to grow and change.
Analysis During a year of increasing competition for talent, our employee engagement score, the Q[12] Grand Mean, increased significantly to 4.21 on a scale of 1 to 5 where 5 is 'strongly agree' or the highest score. Additionally, our Q[12] staff engagement ratio increased to 7.381.

Further information

Normalised earnings per share
This key performance indicator (KPI) is calculated as profit attributable to ordinary shareholders of the Group as normalised for certain one-off or irregular items, divided by the weighted average of the shares in issue during the year.

* Following the rights issue in 2010, historic earnings per share amounts have been restated as explained in note 47 to the financial statements.

Source This measure is reported in note 14 of the Group's audited financial statements.

Normalised return on shareholders' equity
Normalised return on shareholders' equity is calculated as the normalised profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

Source This measure is derived from information within the Group's audited financial statements, being normalised earnings (note 14) as a percentage of average shareholders' equity (excluding preference shares).

Operating income by region
Source This information is discussed in note 2 to the financial statements.

Wholesale Banking clients
The metric charts our progress towards becoming the core bank to more clients by measuring the number of client relationships where total global revenues exceed the threshold amount. The bar chart displays solid growth and the deepening of client relationships year on year.

Source Standard Chartered client revenues. Numbers for 2008 and 2009 have been restated based on the Single Customer Identifier indicator as at 31 December 2010.

Consumer Banking Net Promoter Score (NPS) Index
NPS gauges customer support for the Consumer Banking products and services we provide. Customers are asked how likely they would be to recommend us to their friends and colleagues. NPS is the difference between the percentage of promoters (those who are highly likely to recommend) and percentage of detractors (those who are unlikely to recommend). It operates on a scale from -100 (all detractors) to +100 (all promoters).

NPS is recognised as the ultimate measure of customer advocacy across many industry sectors including banking. By recognising the positive impact of advocates and the cost of poor service (detractors deducted from advocates), it can provide a good indication of future business outcomes in terms of market growth.

Source Market Probe Customer Satisfaction Survey (20 markets on average each year). The survey uses interviews completed in the second half of 2010.

Tier 1 capital ratio
Tier 1 capital, the components of which are summarised on page 80, is measured by the ratio of Tier 1 capital to risk weighted assets.

Source This measure is reported in the Capital section on page 80.

Operating income
Operating income is calculated as the sum of net interest income, net fees and commission income, net trading income, and other operating income.

Source This measure is reported in the Group's audited financial statements.

Q[12] Grand Mean
The Q[12] Grand Mean is the average of all responses by employees to the annual employee engagement survey carried out by The Gallup Organisation, a well-known survey of 12 highly researched items that predict employee and workgroup performance. It replaces the Q[12] staff engagement ratio as the KPI for our people and culture. This aligns with the internal measure used by leadership teams to track this area of performance.

The Q[12] staff engagement ratio identifies the proportion of our staff who responded positively to the survey items.

Source The Gallup Organisation, Q[12] Employee Engagement Survey.

Business environment
A tale of two worlds

GDP growth in key markets

Real GDP growth rate in %

	2010	2011f
China	10.3	8.5
India *	8.5	8.1
South Korea	6.1	4.0
Hong Kong	6.5	5.0
Taiwan	10.5	4.6
Singapore	14.5	4.6
Indonesia	6.1	6.5
Malaysia	6.8	5.1
Thailand	7.9	4.4
Vietnam	6.8	7.2
Bangladesh *	5.5	6.0
US	2.9	2.9
Euro area	1.8	1.7
Japan	3.9	1.9

	2010	2011f
UAE	3.0	4.0
Qatar	8.0	5.0
Bahrain	3.0	4.0
Saudi Arabia	3.0	4.0
Pakistan *	4.1	2.5
Nigeria	6.6	8.5
South Africa	3.0	3.6
Ghana	6.5	12.3
Kenya	5.2	5.8
Tanzania	6.5	6.7
Uganda	6.4	6.8
Zambia	6.6	5.8
Botswana	7.9	4.9

* India's fiscal year starts in April while the fiscal years of Bangladesh and Pakistan start in July

2010 was a year of recovery for the global economy. The recession following the 2008 financial crisis came to an end after global policy makers acted in concert to revive their economies. But the recovery was a tale of two worlds: a buoyant East, led by Standard Chartered's markets in Asia, Africa and the Middle East, contrasting with a more sluggish West. The emerging economies, which account for one-third of global GDP, provided two-thirds of its growth last year, taking the size of the world economy back to pre-recession levels.

Some of our largest markets were among the world's fastest growing economies in 2010. China led the global recovery, growing by 10.3 per cent in 2010, and was closely followed by India, which is estimated to have grown by 8.5 per cent.

In North East Asia, South Korea expanded 6.1 per cent, Taiwan grew by 10.5 per cent, while Hong Kong grew by 6.5 per cent. In South East Asia, Singapore's economy surged 14.5 per cent, while Indonesia, Malaysia, Thailand, the Philippines and Vietnam all expanded by more than 6.0 per cent.

In Africa, some of Standard Chartered's largest markets – Nigeria, Ghana, Botswana, Tanzania, Uganda and Zambia – grew in excess of 6.0 per cent. In the Middle East, growth in the UAE, our largest market, increased to 3.0 per cent.

In contrast, growth was relatively feeble in the developed world, with the US economy growing 2.9 per cent and the euro-zone expanding 1.8 per cent.

Business environment in 2011

2011 is likely to see a continuation of this two-speed recovery, with many of Standard Chartered's markets once again expected to lead global growth. After expanding 3.9 per cent in 2010, we see the world economy growing 3.5 per cent to a nominal $65.1 trillion in 2011.

The key issues that are likely to determine the strength of the recovery include the ability of the private sector in the West to drive growth as governments tighten budgets, as well as the resilience of the emerging economies in the face of rising commodity prices and as consumers and governments in the West deleverage. A further drag will come from the peripheral economies in Europe, some of which face deep recessions.

2010 GDP growth[1]

China	**Hong Kong**
10.3%	6.5%
2009: 9.2%	2009: -2.8%
India[2]	**Indonesia**
8.5%	6.1%
2009: 8.0%	2009: 4.5%
Korea	**Singapore**
6.1%	14.5%
2009: 0.2%	2009: -1.3%

1 Standard Chartered Economics Weekly, 17 February 2011

2 India's fiscal year starts on 1 April

Asian Consumption

In Asia, domestic demand is driving growth in most of our markets as the employment outlook remains strong and income and asset prices trend upwards. Although food and commodity prices are on the rise and authorities are taking measures to curb rising asset prices, the combination of jobs, wages and asset prices is likely to be positive for consumption across the region.

China, India and Indonesia are all examples of our markets that are being increasingly powered by domestic demand. Our longer-term forecasts, detailed in our Super-Cycle Report published in November 2010, predict that China will emerge as the world's largest economy by 2020 and India and Indonesia will become the third- and fifth-largest economies respectively by 2030 – all driven by rising incomes, urbanisation, a young population and large-scale spending on infrastructure development.

In the near term, we expect China to grow in excess of 8.0 per cent in 2011 and 2012, powered by government spending in the early years of the twelfth five-year plan.

India, meanwhile, is likely to see acceleration in growth in the coming years, driven by private consumption and infrastructure spending. We expect India's GDP to expand 8.1 per cent in the financial year starting in April 2011. Many of its largest companies are likely to leverage on local growth and their strong domestic base to expand internationally. This is likely to create further demand for value-added financial services, such as capital-raising and mergers and acquisitions advice, which Standard Chartered offers in India.

Middle East and Africa

In the Middle East, economies are being buoyed by high oil prices, easy monetary policies tied to low US interest rates and large spending on infrastructure aimed at diversifying away from oil-based industries as governments seek to create more jobs for their growing populations. However, Dubai, like a number of economies in the West, faces a long transition back to sustainable growth as it deleverages following its property boom. Meanwhile, political change in Egypt, Tunisia and Libya is still evolving and the ultimate regional impact has yet to be determined.

In Africa, economies with better fundamentals and more prudent economic management are expected to outperform. Higher commodity prices will also help. But Africa is not just a commodity story. Well-diversified economies, for instance our markets in East Africa, are growing strongly. We expect more investment inflows into Africa in coming years, especially from China, given the continent's resource potential and the expectation of high returns.

Trade, infrastructure spending

Growing intra-Asian trade and trade between emerging markets – between Asia, Africa, the Middle East and Latin America – are becoming a key engine of growth in Standard Chartered's markets. The increased flows of goods, commodities, people, remittances, investments and portfolio flows across these markets are likely to continue.

Infrastructure will also remain one of the big themes in 2011. In particular, Asia, Africa and the Middle East all have huge infrastructure needs over the next decade. Funding these projects, primarily through unlocking domestic savings, is a challenge and an opportunity for the financial services sector. There is an urgent need to deepen and broaden capital markets for the region to put its own financial resources to productive use and to attract foreign capital flows. Standard Chartered is playing a leading role in developing the financial services sector in these markets.

Inflation and other risks

Inflation is emerging as a potential risk in many of our markets. This is in contrast to the West where, other than price pressures driven by commodities, many economies face deflationary pressures and most central banks are unlikely to tighten monetary policy significantly in the coming year.

This will present big challenges for policy makers in many of our markets. External price pressures caused by high commodity prices can be countered by letting the region's currencies strengthen by allowing greater flexibility. China has already taken measures to encourage the use of its currency (CNY) in Hong Kong and Standard Chartered is actively involved in this. This is likely to gather pace in 2011, although gradualism is likely to still dictate regional currency policy and the pace of appreciation is likely to be limited.

Some of our markets, mainly in China, Singapore and Hong Kong, are also facing property price inflation, partly caused by a surge in capital inflows from the West. All this suggests further monetary tightening and the use of other macro-prudential measures and selective capital controls across the region.

Other risks include a sharp slowdown or another debt crisis in the West, triggered by higher oil prices, a policy mistake through premature tightening or regulatory overkill, trade protectionism or by geopolitical conflicts. There may also be further developments in the Middle East and North Africa.

Conclusion

While the near-term challenges should not be ignored, the underlying message remains positive. The world economy is growing. 2011 is likely to present some roadblocks and prove that business cycles do exist. But they should be seen in the underlying context of the ongoing shift in the balance of economic and financial power from the West to our markets in the East, driven by improving fundamentals, policies and increasing confidence.

Our performance in our markets
Delivering strong broad-based growth in dynamic markets

Our strategy

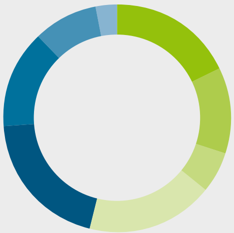
Focus on Asia, Africa and the Middle East. These markets offer growth and we know them intimately.

Our performance

- **Our income stream is highly diversified, with five of our markets delivering over $1 billion in income**
- **All geographies, with the exception of Americas, UK and Europe, delivered positive income growth with Africa, India and Other Asia Pacific delivering double-digit income growth**
- **Wholesale Banking revenues in Singapore crossed $1 billion for the first time**
- **Two geographies now generate over $1 billion in profit, and India became our most profitable market with profits of $1.2 billion**

Key highlights

Profit before taxation by region 2010



Our markets

	Operating income $million	Operating income growth %
Hong Kong	2,500	5
Singapore	1,738	9
Korea	1,698	9
Other Asia Pacific	3,165	10
India	2,028	12
Middle East and Other South Asia	2,167	4
Africa	1,246	14
Americas, UK and Europe	1,520	(16)
Total	16,062	6

In 2010, for the first time, India became our largest geography by profits

We are headquartered in London and have operated for over 150 years in some of the world's most dynamic markets, leading the way in Asia, Africa and the Middle East. We offer the knowledge of a local bank with the capabilities of an international institution.

Our income stream is highly diversified with five of our individual markets delivering over $1 billion of income.

Hong Kong

With a network of 77 branches and 240 ATMs, Hong Kong continues to be one of our largest geographies in terms of operating income and profits, which rose 4 per cent to $1.1 billion. As Hong Kong is our most liquid market, the low interest rate environment in 2010 has been challenging. Income streams continue to be diversified across both businesses and income in the second half was significantly higher than the first half of 2010. Consumer Banking experienced strong balance sheet growth across multiple products and we gained market share in mortgages and cards with a strong recovery in Wealth Management. Wholesale Banking continued to build on its strong client base, with client income up 19 per cent. During the year, we became the first ever bank to launch a RMB corporate bond for a foreign multinational corporate in Hong Kong.

Singapore

Singapore is the headquarters of our global Wholesale Banking and Consumer Banking businesses and has 8 per cent of our headcount. During the year, we continued to invest in new property and opened the largest trading floor in Asia in the Marina Bay Financial Centre. 2010 saw record income for Consumer Banking, supported by double-digit increases in income in a number of products, in particular Wealth Management. Wholesale Banking revenues crossed $1 billion for the first time, as it continued to build on its people and product capabilities and deepening customer relationships.

Korea

Korea houses one of our largest distribution networks, with 418 branches and 1,667 ATMs. We continue to enhance and reshape our distribution infrastructure through a series of branch relocation and refurbishments. The margin environment remained difficult on both sides of the balance sheet throughout the year. However, robust volume growth and market share gains in a number of products has seen materially higher second-half profits and profits for the full year, on a dollar basis, rose by 20 per cent. On a constant currency basis, the increase was 10 per cent.

Other Asia Pacific

Our presence in this region spreads across 11 markets, including China, Indonesia, Malaysia and Taiwan. Income is diversified across both businesses, with all major markets delivering positive income momentum in Consumer Banking. Across the region we continue to maintain a strong distribution network, particularly in China (61 outlets and 124 ATMs) and Taiwan (89 outlets and 412 ATMs) and in Indonesia through our joint venture investment in Permata Bank (over 270 branches). Wholesale Banking revenues performed well as we benefited from the geopolitical importance of the region and leveraged on the mainland China-Taiwan trade flows, with Taiwan being a significant contributor to profits. During 2010, we also established a strategic partnership with Agricultural Bank of China (ABC), underpinned by becoming a cornerstone investor in its IPO, which enables both ABC and the Group to leverage their complementary strengths across different markets and businesses.

India

India, where we have had a presence for over 150 years, had a very good year joining Hong Kong as the second market to deliver over $2 billion of income. India became the largest individual geography by profits, generating $1.2 billion in 2010, with both businesses showing strong performance. During the year, the Group also became the first international company to list on the Bombay and National stock exchanges, raising over $500 million with an issue of Indian Depository Receipts. We were also involved in a number of landmark corporate finance deals during the year, which contributed to the strong income growth in Wholesale Banking. Across India, we also have a distribution network of 94 branches and 317 ATMs. Between banking operations and Scope, our shared service centre in Chennai, accounts for over a quarter of our headcount.

MESA

Although the UAE remains our largest market within this region, Oman and Bangladesh in particular have seen strong income growth over the year, as Wholesale Banking volumes increased reflecting more competitive pricing. Within this region, Islamic Banking continues to be an area of significant focus with revenues up strongly across both businesses, with Consumer Banking following a 'Saddiq First' strategy and Wholesale Banking delivering a number of significant corporate finance sukuk transactions. All markets benefited from the improved economic outlook and de-risking of the Consumer Banking portfolios, with loan impairment reduced significantly across both businesses.

Africa

The Group is present in 14 sub-Saharan markets and is a highly respected, well established household name, with deep-rooted local knowledge and experience. During the year, we acquired the African custody business from Barclays Bank PLC, which enables us to now offer custody products across all of our footprint countries. Although Nigeria continues to be our largest market in the region, the strong growth in income and profits has been spread over a number of key markets, including Kenya, Ghana and Zambia. Both businesses across the region delivered double-digit profit growth.

Americas, UK and Europe

The Group is headquartered in London in close proximity to our lead regulator, the Financial Services Authority. This region continues to be strategically important for the Group, both from a corporate governance and business generation perspective. Wholesale Banking activities dominate this region, which originates cross-border business with clients into our broad international network. Following the acquisition of American Express Bank in 2008, Private Banking is also an important business across the region and continued to be impacted by challenging conditions. Profit in 2009 included gains from the buyback of subordinated debt; excluding these, profits increased by $122 million in 2010 as impairments reduced.

The Group in 2010
Continuing growth and record profits

Our highlights and achievements in 2010

- Consistent delivery as evidenced by eight successive years of record income and profit
- Record income and profits delivered despite continuing pressure on margins and increased regulatory and compliance costs
- Both businesses continued to see good momentum and diverse income growth driven by strong volume growth and market share gain across multiple geographies and products
- Continued investment in both businesses and key markets will underpin future income momentum
- A robust risk management process has resulted in good credit quality in both businesses with loan impairment falling sharply year on year
- Strong organic equity generation supplemented by the rights issue has further strengthened the capital ratios
- Balance sheet continued to be managed proactively with a highly liquid and stable mix of deposits and an advances-to-deposits ratio of 77.9 per cent. Funding structure remains conservative with limited refinancing required over the next few years

Key performance

Operating income

$16,062m

2009: $15,184m

Profit before taxation

$6,122m

2009: $5,151m

Our priorities in 2011

- We will remain disciplined in the execution of our strategy, continuing to be well placed in markets that have strong growth prospects
- Both businesses will continue their focus on being more important for our customers and clients. Costs will be managed to ensure alignment with income momentum and to create further investment capacity
- We will continue with our focus on proactive balance sheet management
- We will remain committed to capital and liquidity strength

"The Group has continued to perform consistently, delivering another record performance in 2010. We continue to focus on diversified sources of income growth and a strong capital and liquidity base to enable us to position for continued growth in 2011."

Richard Meddings
Group Finance Director

Focus on the basics of banking. We have never lost sight of these key disciplines:

1. Liquidity

We have continued with our conservative approach to liquidity management and further enhanced liquidity driven by very good levels of deposit growth

For further details see page 74

2. Capital

We continue to proactively manage capital, raising capital as necessary to position us well to support business growth and deal with regulatory changes

For further details see page 78

3. Risk

Risk management continues to be proactive and focused

For further details see page 48

4. Costs

We continue to pace investments to drive future income momentum

A record performance and continued growth despite economic uncertainty and significant regulatory change across our markets. With diverse income streams, falling impairment and selective investments to underpin growth, together with a strong and liquid balance sheet, the Group is well positioned in markets that have excellent growth prospects.

Group summary

The Group has delivered another record performance for the eighth year in succession. Operating income increased by $878 million, or 6 per cent, to $16,062 million. Operating profit rose 19 per cent to $6,122 million. On a constant currency basis, operating income rose 3 per cent and operating profit rose 16 per cent.

The normalised cost to income ratio was 55.9 per cent, compared with 51.3 per cent in 2009 and reflects the conscious decision to continue investing in both businesses to underpin the Group's future growth. Investments in 2010 include opening new branches, investing in new business lines, hiring front office relationship staff, improving systems and investing in the brand. Additionally, increased regulatory and compliance costs as well as pressure on talent retention as competition returns strongly to our key markets has led to a cost growth of 13 per cent.

Normalised earnings per share (EPS) increased by 14 per cent to 197.0 cents. Further details of basic and diluted earnings per share are provided in note 14 on page 164. Our disciplined approach to risk has resulted in credit quality improvement in both businesses. Consumer Banking experienced lower impairment in 2010; its lowest average loss rate for 10 years. Wholesale Banking early alert indicators improved steadily throughout 2010 and do not show any particular concentration in terms of industry or geography. Overall, the Group's asset quality is good and the level of impairment is significantly below the levels seen in 2009.

The Group continues to adopt a conservative stance to balance sheet management with a continued emphasis on liquidity and capital management. The liquidity position continues to strengthen with very good levels of deposit growth in both businesses, especially in current accounts and saving accounts. This, coupled with selective asset growth and a continuing rigour around key liquidity metrics at a country level, has resulted in an advances-to-deposits ratio of the Group at 77.9 per cent, compared with 78.6 per cent in the previous year. The asset book remains high quality with a short tenor profile in Wholesale Banking and with a strong bias to secured lending in Consumer Banking. The funding structure remains conservative with very limited levels of refinancing required over the next few years.

The Group generated good levels of organic equity and further strengthened its capital position with a $5.2 billion rights issue in November 2010. Our Core Tier 1 ratio of 11.8 per cent is significantly up from 8.9 per cent at the end of 2009.

We have continued to perform consistently and delivered another record performance in 2010 built on strong foundations and diversified income streams. We have continued to invest in both businesses and 2011 has started well. We are well prepared to capture the growth opportunities provided by our markets.

Operating income and profit

	2010 $million	2009 $million	2010 vs 2009 Better/(worse) %
Net interest income	**8,470**	7,623	11
Fees and commissions income, net	**4,238**	3.370	26
Net trading income	**2,577**	2,890	(11)
Other operating income	**777**	1,301	(40)
	7,592	7,561	-
Operating income	**16,062**	15,184	6
Operating expenses	**(9,023)**	(7,952)	(13)
Operating profit before impairment losses and taxation	**7,039**	7,232	(3)
Impairment losses on loans and advances and other credit risk provisions	**(883)**	(2,000)	(56)
Other impairment	**(76)**	(102)	(25)
Profit from associates	**42**	21	100
Profit before taxation	**6,122**	5,151	19

Group performance

Operating income grew by $878 million, or 6 per cent, to $16,062 million. Consumer Banking continued to make good progress in transitioning towards a customer-focused business model. Income was 8 per cent higher at $6,079 million. Consumer Banking has continued to be impacted by low margins but balance sheet growth coupled with improved Wealth Management income on the back of improving investor sentiment has led to positive income growth. Wholesale Banking continued to strengthen relationships with existing clients. Client income has grown 17 per cent. However, a fall in own account income from the exceptional levels seen in early 2009 has restricted our income growth in Wholesale Banking to 7 per cent, at $9,979 million.

The Group's income streams continue to be highly diversified with all eight geographic segments continuing to deliver over a billion dollars of income in 2010. This is reflective of the emphasis on client and customer annuity flows in both businesses. With the exception of Americas, UK and Europe, all geographic segments delivered positive income growth. Income grew in a range of high single-digit to low-teen growth in all geographies except MESA, which was impacted by the aftermath of the market developments in the UAE in late 2009, and Hong Kong, our largest market, which was impacted by margin compression.

Whilst interest rates continued to be low and impacted liability margins in particular, both businesses benefited from balance sheet momentum. Net interest income grew by $847 million, or 11 per cent. The Consumer Banking business has selectively increased focus on unsecured lending in selected markets with higher margins. Consumer Banking interest income grew $223 million, or 6 per cent. Wholesale Banking net interest income increased $624 million, or 16 per cent, as new mandates and higher balances across the Transaction Banking and Lending businesses helped offset lower margins. On average, the year on year fall in margins was 37 basis points (bps) and 15 bps, for Trade and Cash respectively.

Asset and Liability Management was also adversely impacted as maturing investments were re-invested at lower yields in the early part of 2010. Accrual income was lower, primarily as a result of flatter money market yields, especially in markets such as the United States and Hong Kong.

The Group net interest margin at 2.2 per cent was marginally down from 2.3 per cent in 2009, reflecting the continuing low margins on liability products and also some pressure on asset margins in the latter half of 2010 as competition intensified.

Non-interest income grew marginally by $31 million to $7,592 million but experienced a significant shift in mix. Net fees and commissions income increased by $868 million, or 26 per cent, to $4,238 million but was offset by lower trading income and the absence of any debt buy-back transactions, which in 2009 had contributed gains of $264 million. The increase in fee income was in both businesses. In Wholesale Banking, it was primarily through Corporate Finance, Trade and Capital Markets fees. In Consumer Banking, it was driven by an improved investor sentiment to Wealth Management products.

Net trading income fell $313 million, or 11 per cent, to $2,577 million as a result of lower own account income, reflecting in part the exceptional performance in the first half of 2009 when the market was more volatile and competition distracted. 2010 saw a more normalised and range bound movement in interest rates and yields. The return of competition further narrowed spreads. We have however, continued to build scale through a strong pipeline of client driven business focusing on strategic and transactional opportunities and leveraging on our local corporate franchise in key geographies.

Other operating income primarily comprises gains arising on sales from the available-for-sale (AFS) portfolio, aircraft lease income and dividend income. In 2009, it also included gains arising from buy-back of Tier 2 notes but this was not repeated in 2010. Other operating income fell by $524 million, or 40 per cent, to $777 million driven by lower gains arising from the sale of AFS assets. This was partially offset by higher income from aircraft leasing as we grew the portfolio. Other operating income also included $29 million of recoveries in respect of assets that had been fair valued at acquisition in Taiwan, Korea and Pakistan, down 33 per cent from 2009.

Operating expenses increased $1,071 million, or 13 per cent, to $9,023 million. At constant exchange rates, the increase was 10 per cent. This increase was primarily driven by staff expenses, which grew 17 per cent, or $853 million, to $5,765 million. In the aftermath of the crisis in 2008, both businesses had controlled expenditure very tightly in 2009 with Consumer Banking in particular taking steps to reduce headcount. As the external environment improved in the latter half of 2009 and revenue momentum trended positively, both businesses increased investment. This has continued in 2010 with investment in specialist and front line staff and infrastructure spend by way of new branches and enhancement of distribution channels. The change in the external environment has also resulted in greater competition for talent necessitating appropriate retention measures in our key markets. Expenses in 2010 include some $150 million relating to increased direct regulatory and compliance costs with investments in upgrading capabilities, systems infrastructure to support surveillance and new regulatory requirements and on specific reviews related primarily to historical sanctions compliance across various geographies. This was partially offset by a $54 million reduction in retirement obligations in the UK consequent to a change in the measure for applying increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). In addition, we have recently announced a settlement relating to Lehman's structured notes amounting to $192 million. This has an impact of $95 million on 2010 costs. Expense in 2009 included the cost of the buy-back of structured notes in Taiwan of $170 million, the UK bonus tax of $58 million and the reduction of retirement benefits in Taiwan of $59 million.

Operating profit before impairment losses and taxation (also referred to as Working Profit) was lower by $193 million, or 3 per cent, at $7,039 million. On a constant currency basis, the decrease was 5 per cent.

The charge for loan impairment fell by $1,117 million, or 56 per cent, to $883 million. This was a result of improving economic conditions in most of our markets as well as our consistently robust risk management processes and underwriting standards. Consumer Banking also benefited from a largely secured lending portfolio. The Wholesale Banking impairment charge, which was driven by a small number of specific provisions, has fallen following an improvement in early alerts and a lower rate of credit migration.

Other impairment charges were lower at $76 million, down from $102 million in 2009. These include impairments related to our asset backed portfolio. The previous year also included impairment of certain strategic investments.

Operating profit was up $971 million, or 19 per cent, to $6,122 million. India joined Hong Kong as the second market to deliver over $2 billion of income this year and became the largest geography by profit in 2010.

The Group's effective tax rate (ETR) was 27.9 per cent, down from 32.5 per cent in 2009. The 2009 ETR was higher than the Group's normal underlying tax rate due to the effects of a voluntary exercise with Her Majesty's Revenue and Customs (HMRC) which finalised prior year UK tax computations from 1990 to 2006 and resulted in a onetime charge of $190 million.

Acquisitions

On 12 April 2010, the Group acquired 100 per cent of the consumer finance business of GE Capital (Hong Kong) Limited, a Hong Kong (restricted licence) banking company.

On 2 August 2010, the Group acquired 100 per cent of the consumer finance business of GE Commercial Financing (Singapore) Limited.

On 1 October 2010, the Company purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets (STCI). By virtue of this transaction, STCI became a subsidiary of the Group.

Between 31 October 2010 and 5 December 2010, the Group acquired the custody business of Barclays Bank plc across various locations in Africa.

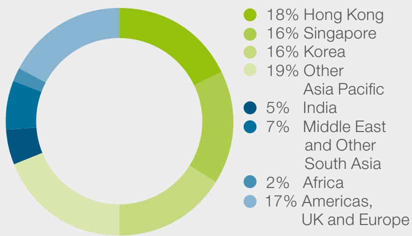
The effects of the above acquisitions were not material to the Group's 2010 performance.

Group summary consolidated balance sheet

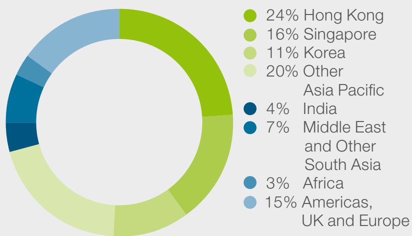
	2010 $million	2009 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Assets				
Lending and investments				
Cash and balances at central banks	**32,724**	18,131	14,593	80
Loans and advances to banks	**52,058**	50,885	1,173	2
Loans and advances to customers	**240,358**	198,292	42,066	21
Investment securities held at amortised cost	**4,829**	6,688	(1,859)	(28)
	329,969	273,996	55,973	20
Assets held at fair value				
Available-for-sale investment securities	**70,967**	69,040	1,927	3
Financial assets held at fair value through profit or loss	**27,021**	22,446	4,575	20
Derivative financial instruments	**47,859**	38,193	9,666	25
	145,847	129,679	16,168	12
Other assets	**40,726**	32,978	7,748	23
Total assets	**516,542**	436,653	79,889	18
Liabilities				
Deposits and debt securities in issue				
Deposits by banks	**28,551**	38,461	(9,910)	(26)
Customer accounts	**306,992**	251,244	55,748	22
Debt securities in issue	**31,381**	29,272	2,109	7
	366,924	318,977	47,947	15
Liabilities held at fair value				
Financial liabilities held at fair value through profit or loss	**20,288**	14,505	5,783	40
Derivative financial instruments	**47,133**	36,584	10,549	29
	67,421	51,089	16,332	32
Subordinated liabilities and other borrowed funds	**15,939**	16,730	(791)	(5)
Other liabilities	**27,393**	21,937	5,456	25
Total liabilities	**477,677**	408,733	68,944	17
Equity	**38,865**	27,920	10,945	39
Total liabilities and shareholders' funds	**516,542**	436,653	79,889	18

Key highlights

Advances to customers by region 2010



Customer deposits by region 2010



Balance sheet

The Group continues to be focused on maintaining a strong balance sheet, which remains well diversified and conservative with limited exposure to problem asset classes. We remain highly liquid, with good levels of deposit growth across both businesses during 2010, and continue to be a strong net lender to the interbank market. Our advances-to-deposits ratio remains excellent at 77.9 per cent compared with 78.6 per cent in 2009. We remain well capitalised and further strengthened the capital position through a successful rights issue. We continue to be disciplined in the management of risk weighted assets through proactive distribution of the loan book. The Group has a conservative funding structure, with limited levels of refinancing over the next few years, and continued to see good appetite for its paper when raising senior debt funding during the year.

Balance sheet footings grew by $80 billion, or 18 per cent year on year. On a constant currency basis the balance sheet grew by 16 per cent as, over the course of 2010, most of the Asian currencies appreciated against the US dollar following a period of volatility in the first half of the year. Balance sheet growth was largely driven by an increase in customer lending on the back of significant growth in customer deposits, with surplus liquidity held with central banks. Increases were also noted in derivative mark-to-market as volumes continued to grow. Our equity position further strengthened by $10.9 billion, reflecting the proceeds from the rights issue and the Indian Depository Receipts (IDR) listing in India, together with profit accretion during the year.

Around 70 per cent of the Group's financial assets continue to be held and managed on an amortised cost basis and just over 55 per cent of total assets have a residual contractual maturity of less than one year.

Advances

Loans to banks and customers, including those held at fair value, grew by $45 billion, or 18 per cent, to $300 billion.

Consumer Banking grew its book by $23 billion to $117 billion, which represents 48 per cent of the Group's customer advances. Mortgages grew across all markets except Africa, by $13 billion, or 23 per cent, reflecting a period of focused growth in secured products. With delinquency trends and flow rates improving, we also started to selectively drive growth in unsecured products driving up other lending, which includes credit cards and personal loans, by 22 per cent. As business activity levels have increased, lending to small and medium-sized enterprises (SMEs) has risen by 32 per cent and we continue to reshape the book. 85 per cent of the Consumer Banking portfolio is in secured and partially secured products.

Wholesale Banking also maintained strong momentum, increasing customer advances by $22 billion, or 20 per cent, to $130 billion, as we continued to focus on deepening existing client relationships. Lending increased across a number of sectors in 2010, with an increased focus on exposure to better rated counterparties and collateralised transactions. Growth was particularly strong in the Manufacturing (up $7 billion), Commerce (up $3.5 billion) and Transport, storage and communication (up $4 billion) sectors as manufacturing and infrastructure projects revived on the back of improvement, especially in the Asian economies.

Loans to banks remained relatively flat year on year, although in Hong Kong, our most liquid market, we redirected surplus liquidity to higher yielding assets.

Investment securities

Investment securities, including those held at fair value, grew by $3 billion, due to increased statutory requirements in some countries, higher trading positions based on expected rate movements and a $0.5 billion investment in Agricultual Bank of China. The maturity profile of our investment book is largely consistent with 2009, with around 55 per cent of the book having a residual maturity of less than 12 months.

Derivatives

Following reduced customer appetite for derivative transactions in 2009, confidence is being restored and volumes have significantly increased year on year, with a resultant increase of $10 billion in unrealised mark-to-market positions at the balance sheet date. Our risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark-to-market positions. Of the $48 billion mark-to-market positions, $27 billion is available for offset due to master netting agreements.

Deposits

The Group has continued to see good deposit growth in both businesses in 2010. Deposits by banks and customers, including those held at fair value, increased by $50 billion, with an increase of $59 billion in customer accounts offset by a decline of $9 billion in bank deposits. Customer deposits increased across all markets, with growth in term deposits contributing $39 billion of the increase following a renewed focus in 2010 in driving growth in these products as rates are expected to maintain an upward bias. However, Current Account and Savings Account (CASA) continues to grow strongly and constitutes over 50 per cent of total customer and bank deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

Subordinated debt dropped by $0.8 billion, as redemptions of $1.5 billion were only partially offset by new issues. The remainder was replaced with senior debt funding, leveraging the continuing market appetite for our paper and in line with our strategy to reduce Tier 2 capital and strengthen Tier 1 capital.

Cash and balances held at central banks

Cash balances increased $14.6 billion compared with 2009, $5.2 billion of which reflects the proceeds from the rights issue. The remaining increase represents surplus funds held with central banks pending alternate deployment, following strong deposit growth particularly in the last quarter of the year, which exceeded asset growth.

Equity

Equity increased by $10.9 billion to $38.9 billion compared with 2009, and was primarily driven by the rights issue and the IDR listing ($5.7 billion) and profit accretion, net of distributions ($3.6 billion). As currencies across our markets appreciated, $0.8 billion of net foreign exchange gains have been recognised in equity, together with an increase of $0.5 billion in unrealised gains (net of realisations) on available-for-sale investments.

Consumer Banking
On track and delivering in the most exciting markets in the world

"Consumer Banking finished 2010 in the best shape it has been in for many years, well positioned to weather current and future challenges with good headroom to grow in our markets."

Steve Bertamini
Group Executive Director and Chief Executive Consumer Banking

Our strategy

Our strategy is based on three pillars:

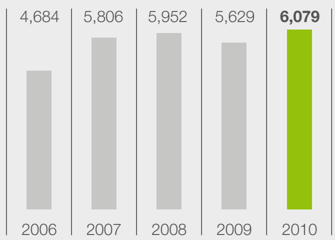
- Three differentiated country business models with a focus on high value segments
- Providing distinctive customer focused value propositions
- Maintaining back to basics focus on cost, efficiency, risk and liquidity

Our priorities in 2011

- Continue to implement and embed our customer-focused transformation designed to drive sustainable competitive advantage
- Increase mix of online channel usage and customer acquisition
- Maintain balance sheet and assets under management growth momentum
- Drive standardisation to improve service, productivity and the control environment
- Maintain disciplined risk, cost and performance management

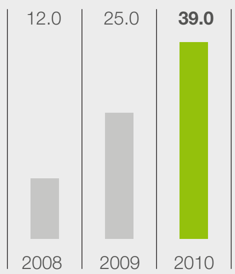
Key highlights

Operating income
($ million)



Secured lending as a % of the total book
More than
75%

Net Promoter Score (NPS) Index
39.0



Strategy working

Consumer Banking delivered strong early results as it stepped up its transition from a product-led to a customer-focused organisation in 2010. We finished the year with positive relative performance against competitors, all key elements of the Bank's new strategy in play, an excellent balance sheet and very good traction in key customer metrics.

As the year progressed we saw a rebound in growth across our markets, supported by increasing intra-regional trade and robust domestic demand, which reaffirmed our belief that we are in many of the most exciting markets in the world at the right time.

Despite increased competition and continuing margin compression, our tight focus on the foundations of good banking and customer needs enabled Consumer Banking to grow market share and gain momentum. This drove a 24 per cent year-on-year increase in loans, a 16 per cent increase in deposits and a 36 per cent increase in third-party assets under management.

While we continued to pace investments and manage costs, improving performance allowed us to invest to sharpen customer service, strengthen our distribution network, hire more front-line staff and increase spending on advertising and marketing.

Consumer Banking finished 2010 in the best shape it has been for many years, well positioned to weather current and future challenges with good headroom to grow in our markets.

Focusing on customers

In 2010 we focused on redefining our customers' experience and providing them with more value. We did this by developing distinctive customer value propositions for Private, Priority, small and medium-sized enterprises (SMEs), and Preferred customers.

Case study

Our Next Generation retail branches

In today's connected world customers don't need to come to the bank for routine transactions. Internet, mobile, ATMs and phone banking can take care of most basic banking needs and more and more consumers are using these channels for day-to-day banking requirements.

However, research shows that when it comes to doing something significant, such as getting a mortgage or choosing an investment, customers still prefer to meet face-to-face with a relationship manager at a branch.

In light of this, banks are starting to use branches more to give customer advice and provide a wider range of products, rather than as a transaction centre. To succeed in this refined role and remain relevant to customers, banks are having to think more like retailers and make their outlets more like stores than traditional branches.

In 2010 Standard Chartered started rolling out what we call our Next Generation branches in five markets, including Singapore and Korea. In these Next Generation branches there are no barriers between staff and the customer. The shop front is open, the interior sleek and brightly lit. Wi-Fi is available throughout and staff use laptops to serve customers at any desk.

Touch screens also let customers browse and email brochures to themselves. They can even use video conferencing to consult with specialists who may not be available at the branch. Meanwhile, automated check-in systems and comfortable waiting areas mean customers avoid the hassle of queuing.

These new branches have generated excellent feedback, which they should considering our customers helped us design them. We are currently piloting hand-held devices for presenting information to customers on a real time basis to further enhance customer experience.

Despite evolving technology, people still need to pay for goods and services, would like to save and invest, and want to grow their wealth.

That is why we have put in place a Customer Charter based on listening to customers' needs. The Customer Charter states our teams are committed to: 1) providing customers with friendly, fast and accurate service; 2) providing them with solutions to their financial needs; and 3) recognising them for their overall banking relationship with us.

Standard Chartered is doing this by making services available through all channels, including mobile Relationship Managers. The way we see it, banks need to work at fitting into people's lives, not making them fit into ours. Our goal is to be the bank they recommend to their friends, family and colleagues.

Case study

Launch of Preferred Banking in Hong Kong

Meeting the under-served needs of the emerging affluent

Much has been written about the rise of Asia's high net worth and affluent customer segments as Asia prepares to become the world's largest wealth region by 2013. International and local banks have stepped up competition for a share of this growing market with their private and premium banking programmes.

However, less attention has been given to the sizeable, rapidly growing and largely under-served emerging affluent segment that will help drive the next wave of wealth generation in the East.

The average emerging affluent consumer in our markets is someone who earns \$35,000 per annum and/or has accumulated investible assets of \$25,000.

There were an estimated 50 million people in this segment in Asia at the end of 2010 and this number is expected to increase to 86 million by 2013 – about two and a half times the current size of the affluent segment. Significantly, our research indicates that one in four of the emerging affluent will graduate to the affluent segment in the next three years.

This research also uncovered some of the segment's big under-served needs. First and foremost, the emerging affluent are generally not recognised by banks as a segment with distinct needs and are usually serviced as a part of a larger common group. They have a strong aspiration to be treated differently. Secondly, the emerging affluent are demanding and want to be rewarded faster and better than others. Thirdly, this is a generation on the go, looking for convenient and hassle free banking services across all channels. Finally, many of them are inherently self-directed, but still like assistance when it comes to making key financial decisions.

Armed with these insights and our commitment to be our customers' trusted financial advisor, Standard Chartered launched Preferred Banking in five markets, including Hong Kong and China, towards the end of 2010. The Preferred Banking programme will be rolled out to other markets in 2011.

Preferred Banking is a new class of banking that addresses the core needs of the emerging affluent for recognition, rewards, convenience and assistance on demand. It has three key pillars:

More Rewarding: Preferred Banking customers enjoy a total relationship reward scheme tailor-made for them. They enjoy fast reward point generation from daily banking activities as well as for holding various wealth management and lending products. Customers can redeem their points for an expanded choice of lifestyle rewards and exclusive privileges, through multiple channels.

More Convenient: Preferred Banking customers enjoy simpler and faster access with 24/7 free online and mobile banking, SMS alert services and preferrential branch queues.

More Personal: Preferred Banking customers have access to a team of Preferred Banking Relationship Managers on demand, who provide financial advice and services on their full set of financial needs. Customers also enjoy access to dedicated 24/7 Preferred Banking hotlines.

We completed the roll out of our refreshed Priority Banking offering in 21 countries and continued hiring Priority Banking Relationship Managers to support the double-digit increase in income and Priority customers.

We also launched our Preferred Banking offering in five markets, including Hong Kong and China. We will roll out this new class of banking for the emerging affluent in other markets in 2011 and plan to continue hiring Preferred Banking Relationship Managers to support our growth in this customer segment.

Our SME business serves customers in 30 countries and enjoyed double-digit growth in income, loans and deposits in 2010.

A strengthened SME offering addressing the evolving needs of customers was launched in three markets. We will continue to invest in additional SME Relationship Managers and infrastructure as we extend this offering in more markets in 2011.

During the year our Private Bank was one of the fastest growing players in the industry and strengthened its position as one of Asia's top ten private banks.

We continued to hire Relationship Managers as the business grew at a double-digit rate in Asia and globally, on the back of strong client confidence and wealth growth across our footprint.

In the first quarter we launched our Customer Charter (the Charter), which is central to achieving our aspiration of becoming the bank customers recommend to friends, family and colleagues. More than 1,500 workshops have been held to embed the Charter and its focus on giving customers superior service, solving their financial needs, and rewarding their relationship with us.

This was followed by the launch of Standard Chartered Bank Way (SCB Way), our new standardised sales and relationship management model that brings the Charter to life and enables sales staff to build and deepen customer relationships.

We rolled out SCB Way in 19 countries, and held training and coaching sessions for more than 6,000 staff in 490 branches. By the end of 2011 we expect to have trained 12,000 staff based in more than 1,000 branches.

Across the bank our first call resolution rate improved, customer complaints fell by more than a third, and we increased the number of products sold per customer. We also materially improved turnaround time for account opening and loan products.

Significantly, our global Net Promoter Score (NPS) – an internationally recognised measure of customer service – jumped 56 per cent from 25 to 39. Twelve of our markets received NPS scores that placed them as the best international bank in their market, and in eight we were placed as best bank.

Investing for sustainable growth

As we gained momentum, we released additional investment to strengthen key areas and accelerate the pace of our transformation. We continued to improve our distribution network, opening, refurbishing or relocating 140 branches and adding or upgrading 800 ATMs.

We launched 80 new Express Banking Centres, which have fully automated customer services and are roughly a third the size of our normal branches. We also rolled out our Next Generation branch design in five markets. These innovative, high-tech and customer-friendly branches contain a host of new features, including video conferencing facilities, Internet kiosks, Wi-Fi access and digital merchandising.

We invested heavily in training to improve customer service levels and ensure we are meeting customer needs. Consumer Banking Training Academies were increased 40 per cent to 14, delivering a total of 6.39 training days per staff member, an increase of 38 per cent compared with 2009. Our Internet and mobile banking offering was further strengthened and we were named Best Consumer Internet Bank for Asia Pacific at the Global Finance Awards in New York, and won a host of other online banking and social marketing awards.

In the second quarter of 2010 we successfully launched Breeze, our first iPhone banking application in Singapore and Malaysia. Due to its rapid acceptance and strong customer feedback, Breeze has now been extended to iPads and is being rolled out across other markets.

As well as innovating with new segment-led offerings, we continued to extend our product range and developed the 360º Rewards Scheme, which will be rolled out fully in 2011. This programme, which is a first in our markets, rewards customers for all aspects of their banking relationship and is designed to further deepen their relationships with us.

Consumer Banking

The following table provides an analysis of operating profit by geography for Consumer Banking:

	2010								
	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	**1,116**	**728**	**1,058**	**1,478**	**493**	**691**	**381**	**134**	**6,079**
Operating expenses	**(721)**	**(384)**	**(797)**	**(1,085)**	**(336)**	**(458)**	**(254)**	**(141)**	**(4,176)**
Loan impairment	**(45)**	**(33)**	**(139)**	**(122)**	**(56)**	**(159)**	**(19)**	**(5)**	**(578)**
Other impairment	**–**	**–**	**(4)**	**(1)**	**–**	**–**	**(5)**	**(2)**	**(12)**
Operating profit/(loss)	**350**	**311**	**118**	**270**	**101**	**74**	**103**	**(14)**	**1,313**

	2009								
	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	1,082	635	995	1,283	444	678	351	161	5,629
Operating expenses	(604)	(297)	(701)	(1,046)	(248)	(395)	(229)	(189)	(3,709)
Loan impairment	(104)	(34)	(185)	(240)	(147)	(285)	(28)	(29)	(1,052)
Other impairment	5	–	(1)	(2)	5	–	–	(8)	(1)
Operating profit/(loss)	379	304	108	(5)	54	(2)	94	(65)	867

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

Operating income by product	**2010 $million**	2009 $million	2010 vs 2009 Better/(worse) %
Cards, Personal Loans and Unsecured Lending	**2,044**	1,992	3
Wealth Management	**1,138**	921	24
Deposits	**1,202**	1,311	(8)
Mortgages and Auto Finance	**1,513**	1,244	22
Other	**182**	161	13
Total operating income	**6,079**	5,629	8

Performance in 2010

Consumer Banking operating income grew $450 million, or 8 per cent, to $6,079 million. On a constant currency basis, income grew 4 per cent. Net interest income grew $223 million, or 6 per cent, to $4,038 million. Asset and liability balances increased and helped offset lower liability margins, which fell 16 bps from the previous year. Non-interest income at $2,041 million was $227 million, or 13 per cent, higher compared with $1,814 million in the previous year, driven by higher Wealth Management as consumer demand improved due to rebounding equity markets. The business continued to focus on liquidity and managing and improving its deposits mix. Current Account and Savings Account (CASA) balances constitute just under 60 per cent of Consumer Banking deposits, largely similar to levels seen at the previous year end.

Income grew in all geographic segments except Americas, UK and Europe.

Expenses were up $467 million, or 13 per cent, to $4,176 million. On a constant currency basis, expenses were up 8 per cent. Costs rose primarily as a result of an increase in front-line staff as well as investment targeted at expansion of the distribution network, system enhancements and increased marketing spend.

Loan impairment fell by $474 million, or 45 per cent, to $578 million. Delinquency rates have continued to improve through the year due to an easing of the economic environment, and this coupled with the proactive credit actions and de-risking of the portfolio has helped reduce impairment levels.

Operating profit grew $446 million, or 51 per cent, to $1,313 million. On a constant currency basis, the increase was 47 per cent. The second-half operating profit was 4 per cent higher than the first half.

Product performance

Income from Cards, Personal Loans and Unsecured Lending grew $52 million, or 3 per cent, to $2,044 million, predominantly in Hong Kong, Singapore and Other Asia Pacific (Other APR), especially in Malaysia, Indonesia and China. Excluding the $68 million gains arising from the sale of BC Cards in 2009, income grew 6 per cent.

Wealth Management was adversely impacted by subdued investment sentiment in 2009. Market sentiment and investor appetite gradually improved through 2010 resulting in an increase in income of $217 million, or 24 per cent, to $1,138 million, led by funds and treasury products. We continued our focus on selected markets in Asia, where investor sentiment was better on the back of improving economic and market indicators. Deposits continued to be impacted by margin compression, which further intensified in key markets due to competitive pricing. Deposit gathering initiatives driven by product innovation including bundling of products and a focus on collaborating with Wholesale Banking to source payroll accounts continued. Deposits grew 15 per cent and helped offset the margin compression of 16 bps.

Mortgages and Auto Finance performed well delivering positive income growth of $269 million, or 22 per cent, to $1,513 million. Margins on retail mortgages fell 13 bps but were offset by advances growth on the back of improving property markets in many of our geographies although regulatory focus and curbs introduced in certain markets remain a challenge.

The ‘Other’ classification primarily includes SME related trade and transactional income and has grown 13 per cent on a relatively low base.

Geographic performance

Hong Kong

Income was up $34 million, or 3 per cent, to $1,116 million. Hong Kong is our most liquid market and income was therefore impacted by the low interest rate environment. Liability margin compression was countered by strong growth in balance sheet footings with both advances and deposits growing. Advances growth was across multiple products and we gained market share in Mortgages and Cards. The SME segment grew, benefiting from higher trade loans. Wealth Management income has shown significant improvement driven through higher unit trust sales and securities brokerage services. Income in the second half of 2010 was significantly higher than the first half. Operating expenses were up $117 million, or 19 per cent, due to regulatory settlements related to structured notes and investments in front office staff coupled with increased marketing spend. Working profit was down $83 million, or 17 per cent, to $395 million. Loan impairment was considerably lower at $45 million. Personal bankruptcies, which were high in early 2009, reduced considerably over the period. This, coupled with the focus earlier in 2010 on secured lending, has helped reduce impairment levels. Operating profit fell $29 million, or 8 per cent, to $350 million.

Singapore

Income was up $93 million, or 15 per cent, to $728 million. On a constant currency basis, income grew 9 per cent, especially in Mortgages and Cards, supported by customer-centric product innovation. Wealth Management, which saw reduced demand in early 2010, improved considerably through the year registering a significant growth on the back of improved investor sentiment. Deposit income continued to be challenged by low interest rates. From a customer segment perspective, the Private Banking business consolidated on prior investments and delivered strong income momentum. Operating expenses increased $87 million, or 29 per cent, to $384 million with investments in front-line staff, marketing and infrastructure to underpin future income momentum. On a constant currency basis, this was 22 per cent higher. Working profit was up $6 million, or 2 per cent, at $344 million. Despite the 29 per cent growth in customer advances, loan impairment was marginally down, by $1 million, or 3 per cent, to $33 million. Operating profit was higher by $7 million, or 2 per cent, at $311 million. On a constant currency basis, operating profit fell 1 per cent.

Korea

Income was up $63 million, or 6 per cent, to $1,058 million. On a constant currency basis and excluding the $68 million gain on sale of BC Cards in 2009, income was up 3 per cent, with growth in Mortgages and Personal Loans. The SME business saw higher advances. Wealth Management income was up strongly driven by investment sales and bancassurance. Deposit income continued to be impacted by narrowing margins. Operating expenses grew $96 million, or 14 per cent, to $797 million. On a constant currency basis, expenses were 3 per cent higher. We have continued to reshape our distribution network and related infrastructure. During 2010, we refurbished or relocated 17 existing branches and opened 12 new branches. Working profit was 11 per cent lower at $261 million. On a constant currency basis, this was 20 per cent lower. Loan impairment was down $46 million, or 25 per cent, to $139 million driven by the de-risking of the portfolio through 2009 and early 2010. Operating profit was up $10 million, or 9 per cent, to $118 million. On a constant currency basis, operating profit decreased by 1 per cent.

Other Asia Pacific (other APR)

Income was up $195 million, or 15 per cent, to $1,478 million. All major markets including China, Taiwan, Indonesia and Malaysia saw positive income momentum. Income in China was up 19 per cent to $204 million, driven by strong advances growth and improved deposit margins. This helped compensate for the fall in asset margins. Taiwan saw strong income growth in Mortgages and Wealth Management, with higher sales of mutual funds and structured notes as consumer confidence improved and equity markets rose. Income grew 13 per cent to $449 million. Income in Malaysia was up 20 per cent to $295 million, benefiting from a growth in Mortgages, SME and Personal Loans. Operating expenses in Other APR were up $39 million, or 4 per cent, to $1,085 million. Excluding the impact of the buy-back of structured notes and reduced retirement obligations in Taiwan in 2009, current year expenses were up $157 million or 17 per cent. Expenses across the region were driven by the investment focus as we grew front-line staff, opened additional branches (17 in Indonesia, 9 in China, 5 in Malaysia and 3 in Taiwan) and enhanced our delivery channels. China expenses were up 20 per cent at $274 million. Other APR working profit was up $156 million, or 66 per cent, to $393 million. Loan impairment was significantly down by $118 million, or 49 per cent, to $122 million, particularly in Taiwan and Thailand as actions taken to de-risk the portfolios coupled with enhanced collection efforts and asset sales took effect. Other APR delivered an operating profit of $270 million, compared with a loss of $5 million in 2009. Taiwan, with an operating profit of $182 million (2009: operating loss of $61 million) and Malaysia, with an operating profit of $88 million (2009: $71 million of operating profits) were significant contributors. The operating loss in China was $78 million, up from $60 million in 2009, as we continued to invest.

India

Income was up $49 million, or 11 per cent, to $493 million. On a constant currency basis, income was higher by 5 per cent driven by growth in SME, specifically Mortgages. Improved investor demand resulted in an increase in fee income from sale of unit trusts. This was largely offset by lower margins on deposits, with interest rates being impacted by change in regulations. Operating expenses were $88 million, or 35 per cent higher at $336 million. On a constant currency basis, expenses were higher by 28 per cent. 2009 included a service tax rebate, adjusting for which the increase was driven by additional front office staff and enhancement of infrastructure, including adding 79 Express Banking Centres. Working profit was down $39 million, or 20 per cent, to $157 million. On a constant currency basis, the drop in working profit was 24 per cent. Loan impairment was however significantly lower by $91 million, or 62 per cent, at $56 million and was driven by the de-risking of the portfolio in the latter half of 2009 and early part of 2010. Operating profit was consequently higher by $47 million, or 87 per cent, at $101 million. On a constant currency basis, operating profit was 83 per cent higher.

Middle East and Other South Asia (MESA)

Income was marginally up by $13 million, or 2 per cent, to $691 million driven by the increase in UAE, which helped offset the fall in Pakistan where our appetite for customer lending continued to be selective and impacted by margin compression. UAE income grew 4 per cent, helped by a stronger Wealth Management performance, which helped offset the rundown of the high-yield personal loan portfolio. Operating expenses in MESA were higher by $63 million, or 16 per cent, at $458 million. UAE expenses were up by $29 million, or 17 per cent, driven by investment in front-line staff and realignment of distribution channels. Pakistan expenses were higher by $5 million, or 5 per cent. Working profit for MESA was down $50 million, or 18 per cent, to $233 million. Loan impairment was considerably lower at $159 million, 44 per cent down on $285 million in 2009. Whilst the decrease was primarily in UAE and Pakistan, most markets benefited from the improvement in the economic outlook and the de-risking of the portfolios. Consequently, MESA delivered an operating profit of $74 million, compared with an operating loss of $2 million in 2009.

Africa

Income was up $30 million, or 9 per cent, at $381 million with strong momentum in Personal Loans and SME. Deposit margins continued to be under pressure but were partially offset by higher customer balances. Nigeria and Kenya drove income growth, benefiting from increased balances across both deposits and advances. Operating expenses were $25 million or 11 per cent higher, at $254 million, driven by higher staff costs and investments to strengthen the distribution network. Working profit in Africa was higher by $5 million, or 4 per cent, at $127 million. Loan impairment was down $9 million, or 32 per cent, to $19 million. Operating profit was up $9 million, or 10 per cent, to $103 million.

Americas, UK and Europe

Income fell $27 million, or 17 per cent, from $161 million to $134 million. The business in this region is primarily Private Banking and liability driven. It continued to be adversely impacted by low investor confidence, and low interest rates continued to impact liability margins. Operating expenses fell $48 million, or 25 per cent, through continued focus on cost management and the transformation of the Miami branch to an advisory centre. Impairment was considerably lower by $24 million, or 83 per cent. The operating loss consequently reduced from $65 million to $14 million.

Wholesale Banking
Clients – at the centre of everything we do

"Our clients trust us to help them achieve their growth ambitions. Our consistent strategy and unwavering focus on supporting our clients has enabled us to sustain our strong performance and enhance shareholder value."

Mike Rees
Group Executive Director and Chief Executive Wholesale Banking

Our strategy

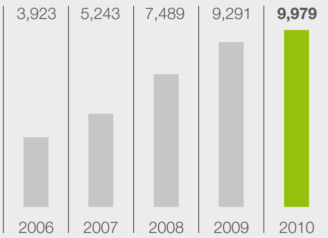
- Become the core bank to more of our clients
- Build scale in local markets and increase cross-border capabilities to better support our clients in achieving their ambitions
- Maintain our strong balance sheet to support our existing clients

Our priorities in 2011

- Deepen our client relationships by increasing our offering of client solutions for our key client segments and geographies
- Continue to focus investment and growth in our clients' key markets
- Manage our costs, capital, risk and balance sheet to maximise our ability to support our clients
- Leverage our brand, people and culture to continue serving our clients and outperforming the competition

Key highlights

Operating income
($ million)

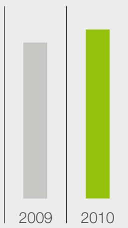


Client income as % of total income

80%

2009: 74%

Income from top 50 clients



18%

increase

Consistent strategy drives growth

Wholesale Banking's ongoing strong performance has been underpinned by the consistency of our strategy. Our discipline around the strategy and execution over the past eight years has enabled us to grow our business, doubling profit every three years and enhancing long-term shareholder value.

Despite a challenging external environment, we continued to earn the trust and confidence of our clients, which has enabled us to sustain our performance and deepen our long-term relationships.

In 2010, operating profit rose 17 per cent to $4.8 billion and total income grew to $10 billion. Income from our clients continues to be the key driver of our business performance, accounting for 80 per cent of total Wholesale Banking income.

Commercial Banking foundation

While Commercial Banking – Lending, Transaction Banking and related Foreign Exchange – remains the bedrock of our client franchise, our ongoing focus on client-driven solutions continues to provide us with new and additional sources of income. Our existing client base looks to us for support in growing their own capabilities and businesses across segments and geographies within our footprint.

Income from our Global Corporate clients rose 21 per cent, led by demand for Corporate Finance solutions. Our Local Corporate clients also increasingly rely on us for strategic solutions offered by our Corporate Finance and Capital Markets teams, resulting in 16 per cent income growth.

We continue to make great progress in developing closer relationships with our clients. For instance, our Strategic Client Coverage Group, which focuses on the strategic needs of some of our largest clients, reported a 27 per cent income growth. Overall, income from our top 10 clients grew 12 per cent and our top 50 clients, 18 per cent.

Broader set of solutions powering businesses

As a business committed to being a partner to our clients, Wholesale Banking continues to increase the depth and breadth of our capabilities as we anticipate and provide solutions to meet our clients' needs.

Our Corporate Finance capabilities provide a key example of this client-driven approach. The increasing demand from our clients for our expertise and support in this key area has seen our Corporate Finance team deliver $1.7 billion of income, a significant upside of 32 per cent. Our ongoing strong support to clients in South Asia has been supplemented by a growing number of large deals from other regions. One example of how we are adding capabilities to support our existing client base is by introducing our new operating lease platform for the shipping industry.

Financial Markets continued to build on its strong standing in local currency bonds and syndicated loans, which has resulted in a strong performance in industry league tables. In the face of returning competition, Financial Markets, (including Asset and Liability Management (ALM)), generated income of $4.2 billion. In particular, Commodities delivered a 54 per cent improvement over last year. To extend our ability to better support our clients, we have joined as a member of the London Metal Exchange.

In 2010, Transaction Banking delivered 9 per cent growth in income, taking advantage of economic recovery and supported by solid Cash and Trade balance growth. Securities Services captured the opportunities offered by positive markets to grow significantly, further reinforcing our capabilities through our acquisition of Barclays' African custody business. Today, Standard Chartered continues to lead as the primary and secondary transaction banker in our footprint[1].

In Principal Finance, we took advantage of market opportunities and realised a number of investments, recording valuation gains. Our client franchise will continue to be a source of attractive investment opportunity for the Group.

The client journey

Over the past eight years, our discipline around strategy and the fundamentals of banking have enabled us to overcome external challenges and outperform the competition. But at the heart of it all is our deep and long-term relationships with clients, who trust us with their growth plans and when faced with challenges, look to us for advice and solutions. We value this partnership.

Going forward, our consistent strategy – fostering deep and long-term relationships with our clients in key geographies – and continued discipline around maintaining the strength of our balance sheet and management of risk will continue to be at the centre of our business model.

1 According to East and Partners survey of 930 corporates in Asia

Case study

Renminbi – anticipating trends and leading the pack

With China's rapid growth and the internationalisation of the renminbi (RMB), Standard Chartered was quick to spot the trends and claim a leadership spot.

Reflecting our solid base in Commercial Banking and the use of our network to deliver for our clients, RMB cross-border trade settlements were a strong feature across our markets.

In February 2010, Standard Chartered First Bank Korea Limited became the first bank to facilitate a cross-border RMB trade settlement between Korea and China, with a Letter of Credit denominated in RMB.

In August, Standard Chartered supported fast food giant McDonald's Corporation in completing a RMB200 million bond, making it the first RMB bond for a foreign multinational corporate in Hong Kong. This landmark deal reinforced our leadership position as a key player in the development of the RMB business and gave Hong Kong a strong boost as an RMB offshore centre.

Continuing to lead the way, we provided Rivoli Group LLC, a luxury brand leader in the Middle East, with a RMB-denominated account with full transactional capabilities, enabling it to increase sales volumes to China. In the same month, Standard Chartered also became the first bank to offer RMB nostro services to an Islamic bank.

Our leadership and support for our clients has been recognised and earned us numerous accolades. Among them were: top RMB clearing bank offering nostro services among foreign banks in China, leader in trading RMB spot and forward contracts in the new foreign exchange interbank market in Hong Kong, first to offer RMB bond services to wholesale clients in Hong Kong, and first to launch a RMB corporate bond with global multinationals.

For further information you can visit
www.standardchartered.com

Performance in 2010

Wholesale Banking has had another strong year, continuing to strengthen relationships with existing clients and diversifying income growth using our network capabilities as a source of differentiation. Client income, which remains the cornerstone of our strategy at around 80 per cent of total income, was up 17 per cent on the previous year and helped offset declining own account income. Operating income grew by $688 million, or 7 per cent, to $9,979 million. Net interest income was up $624 million, or 16 per cent, to $4,432 million while non-interest income grew marginally by $64 million to $5,547 million.

As in prior years, Commercial Banking, which includes Cash, Trade, Lending and flow foreign exchange business, contributed the majority of client income. Corporate Finance had another excellent year, delivering a 32 per cent increase in income with a continuing stream of deals across Asia and Africa. Our Capital Markets business also grew strongly, with income growth of 32 per cent. This helped offset the steep fall in own account resulting in flat income growth for Financial Markets overall. The year-on-year fall in own account income was in part a consequence of the exceptional performance witnessed in the first half of 2009. Market conditions in 2010 were less favourable, with reduced volatility and increased competition resulting in narrower spreads. ALM also re-invested its maturing positions at lower yields.

Operating expenses grew by $655 million, or 16 per cent, to $4,840 million. The increase in expenses was primarily on account of staff costs as a consequence of increased hires in the second half of 2009. In addition to flow-through impact, the business continued to invest in new businesses such as equities. The moderation in own account income in the current year magnifies the negative jaws of 9 per cent. Expense growth over a two-year period is exceeded by income growth by 2 per cent as the volatility in own account income is normalised.

Loan impairment fell significantly by $643 million to $305 million as economic conditions continued to improve. Whilst a significant portion of the impairment in 2009 arose in MESA, other markets such as Korea, India and Other Asia Pacific (APR) were also impacted. Current year provisioning was largely concentrated in a few specific problem accounts. The portfolio continues to be well diversified and well collateralised.

Other impairment was lower by $18 million, or 22 per cent, at $64 million. This primarily represents impairment on our ABS and private equity portfolio. As markets improved, it enabled realisation of profits on disposal.

Operating profit increased by $694 million, or 17 per cent, to $4,770 million.

Product performance

Lending and Portfolio Management income increased marginally, by $19 million, or 2 per cent, to $868 million with an increase in lending balances and related fees offset by margin pressure. Whilst the first half saw improved margins through re-pricing, the latter half has seen a softening of margins with year-on-year margins down 4 bps.

Income from Trade grew 14 per cent with higher assets and contingents of 28 per cent partially offset by a 37 bps reduction in margins. Cash and Custody income also continued to be impacted by margin compression but continued success in winning new mandates and the resultant growth in average balances of 21 per cent enabled the business to end the year with a 4 per cent increase in income.

Global Markets income increased by $436 million, or 7 per cent, to $6,341 million.

Within Global Markets, the Financial Markets (FM) business, despite flat income growth, continued to be the largest contributor. The FM business primarily comprises sales and trading of exchange and interest rate products and has over the past couple of years seen diversification of income streams with higher contributions

Wholesale Banking

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

2010

	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	**1,384**	**1,010**	**640**	**1,687**	**1,531**	**1,476**	**865**	**1,386**	**9,979**
Operating expenses	**(634)**	**(602)**	**(283)**	**(885)**	**(413)**	**(537)**	**(399)**	**(1,087)**	**(4,840)**
Loan impairment	**2**	**–**	**(87)**	**(30)**	**(23)**	**(143)**	**(5)**	**(19)**	**(305)**
Other impairment	**1**	**(1)**	**–**	**(1)**	**(3)**	**(29)**	**(5)**	**(26)**	**(64)**
Operating profit	**753**	**407**	**270**	**771**	**1,092**	**767**	**456**	**254**	**4,770**

2009

	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	1,288	957	559	1,605	1,369	1,400	738	1,375	9,291
Operating expenses	(564)	(504)	(252)	(732)	(323)	(496)	(324)	(990)	(4,185)
Loan impairment	(41)	(3)	(93)	(155)	(54)	(526)	(26)	(50)	(948)
Other impairment	5	(40)	–	28	14	(10)	–	(79)	(82)
Operating profit	688	410	214	746	1,006	368	388	256	4,076

Income by product is set out below:

Operating income by product	**2010 $million**	2009 $million	2010 vs 2009 Better/(worse) %
Lending and Portfolio Management	**868**	849	2
Transaction Banking			
Trade	**1,467**	1,289	14
Cash Management and Custody	**1,303**	1,248	4
	2,770	2,537	9
Global Markets[1]			
Financial Markets	**3,303**	3,311	–
Asset and Liability Management (ALM)	**912**	963	(5)
Corporate Finance	**1,710**	1,294	32
Principal Finance	**416**	337	23
	6,341	5,905	7
Total operating income	**9,979**	9,291	7

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

Financial markets operating income by desk	**2010 $million**	2009 $million	2010 vs 2009 Better/(worse) %
Foreign Exchange	**1,200**	1,349	(11)
Rates	**837**	879	(5)
Commodities and Equities	**411**	389	6
Capital Markets	**541**	409	32
Credit and Other	**314**	285	10
Total Financial Markets operating income	**3,303**	3,311	–

from commodity, equity and credit derivatives. FM sales and trading income were adversely impacted by spread compression, increased competition and less volatile markets through most of the year.

ALM income was $51 million, or 5 per cent, lower at $912 million. Positions put on at the end of 2008 and early 2009 captured both high fixed interest rates and wide credit spreads. Re-investment of maturing positions in the early part of 2010 was at lower yields in a low interest rate environment. Accruals have continued to be lower with money market curves being flat, especially in the United States and Hong Kong.

Corporate Finance income was up $416 million, or 32 per cent, to $1,710 million with strong income growth across all products. Much of the growth was in corporate advisory driven by a number of deals originating across our key markets in Asia and Africa and supported through our global hubs in UK and Singapore.

Principal Finance income was up $79 million, or 23 per cent higher, at $416 million and benefited from investments as Asian market prices rose resulting in valuation gains and gains on disposal.

Geographic performance

Hong Kong

Income was up $96 million, or 7 per cent, to $1,384 million. This was largely driven by client income, which grew 19 per cent. Growth was broad based and seen across FM sales, Capital Markets, Lending and Trade. While Capital Markets saw good pick-up in bonds, Lending and Trade saw significant asset and volume growth that helped offset margin compression. This helped minimise the fall in ALM, which was impacted by low re-investment yield. Operating expenses grew $70 million, or 12 per cent, to $634 million on account of higher staff costs coupled with an increase in infrastructure spends. Working profit was up $26 million, or 4 per cent, to $750 million. Loan impairment was lower by $43 million compared with the previous year, reflecting our proactive risk management processes and ongoing refinement of underwriting standards. Operating profit was up $65 million, or 9 per cent, at $753 million.

Singapore

Income grew by $53 million, or 6 per cent, to $1,010 million driven by client income, which grew 17 per cent benefiting from increased trade finance, a higher number of corporate finance deals and increased cross-border business. Own account was, however, impacted by decreased market volatility and tighter margins and fell 32 per cent. Operating expenses grew by $98 million, or 19 per cent, to $602 million. Staff costs constituted the majority of the increase and were driven by the full-year impact from the previous year investment in specialist teams in areas such as commodities, options and interest rate derivatives. Much of the increase in headcount was reflective of Singapore being a regional hub for the business. Premises costs also increased as the business moved to new and larger premises to support the increased headcount and business volumes with resultant costs related to fit out and maintenance. Working profit fell $45 million, or 10 per cent, to $408 million. Other impairment of $1 million represents provisions made against private equity investments, significantly lower than the previous year's amount of $40 million. Operating profit was marginally lower by $3 million, or 1 per cent, at $407 million.

Korea

Income grew by $81 million, or 14 per cent, to $640 million. On a constant currency basis, income was 3 per cent higher primarily due to a gain on private equity disposals. Trade and Cash suffered from margin compression in a liquidity surplus environment but this was countered through higher ALM income by the proactive management of the structural gap in a more favourable interest rate environment. Excluding the private equity gain booked in the second half, own account income fell as a stable market and increasing competition drove margins down. Operating expenses were higher by $31 million, or 12 per cent, at $283 million. On a constant currency basis, expenses rose 1 per cent, driven by flow-through from previous year investments in starting infrastructure expansion and costs related to starting the securities business. Working profit was higher by $50 million, or 16 per cent, at $357 million. On a constant currency basis, working profit rose 5 per cent. Loan impairment was marginally lower at $87 million, as compared with $93 million, and primarily related to ship building exposures provided in the first half of 2010. Operating profit was higher by $56 million, or 26 per cent, at $270 million. On a constant currency basis, operating profit rose 13 per cent.

Other Asia Pacific (other APR)

Income was up $82 million, or 5 per cent, at $1,687 million and was primarily driven by an increase in client income and growth in FM sales. Income from Lending and Trade helped offset the fall in own account income. Income in China fell 11 per cent to $503 million as client income growth of 52 per cent was more than offset by a decline in own account income and the non-recurrence of private equity gains seen in 2009. Income in Taiwan fell 13 per cent to $118 million despite client income growth of 5 per cent, which was more than offset by a fall in own account income. Trade performed particularly well as we leveraged on the Mainland China-Taiwan trade flows. Malaysia income was up 12 per cent to $272 million as business sentiment improved and client income benefited through higher balances in Lending and Trade. Indonesia and the Philippines delivered healthy income growth driven by Corporate Finance. Operating expenses in Other APR were up $153 million, or 21 per cent, to $885 million. Expenses were driven higher by staff and premises expenses and flow-through from prior year investments. China operating expenses were up 33 per cent to $335 million. Working profit in Other APR was lower by 8 per cent at $802 million. Loan impairment was significantly lower by $125 million from $155 million in 2009, driven by an improving economic environment. Other impairment is negligible in the current year and had recoveries amounting to $28 million in 2009 related to private equity sales. Operating profit was $25 million, or 3 per cent, higher at $771 million. China delivered an operating profit of $165 million and Taiwan contributed $56 million. Indonesia and Malaysia were the other key profit contributors in this region.

India

Income grew $162 million, or 12 per cent, to $1,531 million led by Capital Markets and Cash Management, the latter benefiting from significant average balance growth that more than offset margin compression. Corporate Advisory continued to perform well by leveraging cross-border financing and deal structuring capabilities. Operating expenses were up $90 million, or 28 per cent, at $413 million. On a constant currency basis, expenses were higher by 20 per cent largely driven by staff and premises related costs, inflationary pressures and investments, which related to the setup of the equities business. Working profit was up $72 million, or 7 per cent, at $1,118 million. Loan impairment decreased $31 million, or 57 per cent, at $23 million as the economic environment improved. Operating profit was up $86 million, or 9 per cent, to $1,092 million.

Middle East and Other South Asia (MESA)

Income was up $76 million, or 5 per cent, to $1,476 million with an increase in client income helping to offset a fall in own account income. Client income growth was broad based with Lending, Trade and Corporate Advisory reflecting increased balances and steady margins and Islamic banking continuing to be a focus area. UAE led income growth with an overall increase of 11 per cent. Oman and Bangladesh grew income by 58 and 26 per cent, respectively, driven by lending growth and re-pricing. Bahrain saw a drop in income as credit appetite in the region reduced. Islamic banking, however, continues to be a significant source of income. Despite business sentiment continuing to be impacted by political and economic uncertainty, Pakistan registered 12 per cent growth. MESA operating expenses were up

$41 million, or 8 per cent, to $537 million reflecting staff and investment expenditure. MESA working profit was up $35 million, or 4 per cent, to $939 million. Loan impairment was driven by a small number of specific provisions. The current year charge ended at $143 million, down 73 per cent. We continue to hold additional portfolio provision coverage against uncertainties in the region. Operating profit more than doubled to end at $767 million.

Africa
Income was up $127 million, or 17 per cent, to $865 million, driven by strong Corporate Finance performance. Trade and Lending income increased on higher balances benefiting from Asia trade flows coupled with re-pricing. This increase helped offset a drop in Cash income where average balances could only partially make up for margin compression. Corporate Finance benefited from landmark deals as we continued to deepen client relationships. Ghana and Zambia led the way with strong contributions from Trade, ALM and Rates trading. Nigeria, Kenya and Uganda grew on the back of higher Lending and Trade balances partly offset by the decline in Cash due to margin compression. Operating expenses were up $75 million, or 23 per cent, to $399 million, reflecting investments in people and infrastructure. Working profit was up $52 million, or 13 per cent, to $466 million. Loan impairment remained low at $5 million. Operating profit was up $68 million, or 18 per cent, to $456 million.

Americas, UK and Europe
This region continued to originate and support our clients' cross-border business within our footprint countries. Income was marginally higher with a 31 per cent growth in client income helping offset a fall in own account income. Lending, Trade and Cash saw balance increases, countering margin compression in Cash income. The fixed income business was impacted by narrowing spreads and increased competition. ALM accruals were adversely impacted by redeployment of maturities in a low interest rate environment. Operating expenses were higher by $97 million, driven by increases in staff and regulatory costs. Working profit fell $86 million, or 22 per cent. Impairment was lower by $31 million or 62 per cent. Other impairment was lower by $53 million, or 67 per cent, at $26 million. Operating profit remained stable at $254 million.

Case study

Growing solutions for our clients

Aviation and shipping are among the fastest-growing industries in our footprint. With the rising demand for financial solutions in these industries, Standard Chartered continues to support its clients by expanding our Structured Finance offering.

Structured Finance is a leading provider of lease-based and asset-based financing solutions to our key airline and shipping clients.

In 2007, the Bank acquired Pembroke Capital, further broadening our product solutions to include aviation based operating lease solutions. Today, we count Singapore Airlines, Air China, Cathay Pacific, and Korean Air among our clientele. With a full set of capabilities, we have also deepened our relationship with clients, such as Tiger Airways, with which we are working closely to help fund its rapid fleet growth.

Throughout the recent shipping crisis, Standard Chartered remained fully committed to our shipping clients and continued to finance their requirements. As we continue furthering our support and establishing deeper relationships with key shipping clients, we extended our services to include operating lease solutions for shipping assets in 2010.

The Bank's key shipping clients include the world's leading container lines and shipping companies, as well as commodity traders and end-users. The new platform complements the existing strong set of financing solutions for our clients, including asset-backed debt financing, finance leases and Islamic financing, and enables the Bank to offer solutions across our clients' capital structures.

For further information you can visit
www.standardchartered.com

People

Focusing on our culture and values to drive engagement

In 2010, our people strategy remained consistent and focused on sustainable high performance

Our highlights in 2010

- Increased the engagement of our employees, moving from 4.03 to 4.21 on a scale of 1 to 5 in our annual Gallup Q[12] Employee Engagement Survey
- Maintained an impressive retention record for leaders and high-performing individuals, with an average attrition rate of less than 1.5 per cent
- Implemented a new, transparent online system for managing individual performance
- Doubled our investment in learning and development to over $50 million

Our priorities for 2011

- Increase our focus on attracting and retaining talented employees in our key strategic markets, such as Greater China, Korea and Africa, by offering more opportunities for training and development
- Enhance our distinctive culture by giving our employees practical guidance on how to live our values and establishing an even closer link between values and reward
- Embed our Here for good brand promise into the tools we use for recruiting new staff and helping them adapt to our ways of working
- Build on our efforts to ensure that we offer our employees competitive rewards, while complying with evolving regulation and maintaining control of cost and risk

Training leaders in finance
Standard Chartered puts significant effort into developing leadership capabilities across our markets

Employees

85,231

Number of nationalities represented globally

129

Proportion of new leaders recruited internally

64%

Female representation globally

45%

Our approach

We employ over 85,000 people, representing 129 nationalities, working across 71 markets. We pride ourselves on being a truly diverse organisation, combining an international footprint with in-depth local understanding. Our pervasive sense of shared values helps us feel and behave as one team across our different markets and business functions. Wherever we are, our ambition remains one and the same: to work in partnership with our clients to provide solutions that meet their needs. This unique culture is a strong competitive advantage for the Bank.

Focusing on our culture and values

Our distinctive culture is the reason why clients and customers choose to bank with us. It is why employees want to join us and stay with us. Our five core values are at the heart of our culture. At all times we aspire to be:

- **Courageous** – standing up for what we believe is right
- **Responsive** – delivering thoughtful, timely solutions
- **International** – valuing diversity and collaborating as a team
- **Creative** – continuously improving the way we work
- **Trustworthy** – being reliable, open and honest

Our brand promise, Here for good, reaches out to all our stakeholders, including our employees, through a simple and compelling promise. It says who we are, what we stand for and what makes us different.

Here for good captures our genuine commitment to our customers and clients, our staff and the communities where we operate; our focus on consistently doing the right thing and acting responsibly; and our aim to continually lead the way across Asia, Africa and the Middle East. It has raised the bar on how we demonstrate our values through our everyday business activity.

This year, we have stepped up by embedding our values further into our processes for managing individual performance. For example, we have established a clearer link between performance and reward and how our people live our values. Using our new online performance management system, all our employees are asked to assess their own performance against our values. This assessment is then reviewed by their line manager as part of the basis for determining their annual reward.

Our Consumer Banking Customer Charter reflects Here for good, our brand promise. In 2010, to support the roll-out of the charter and help our employees live up to the brand promise, we facilitated over 1,500 one-day workshops, reaching 92 per cent of our Consumer Banking staff globally.

In our Wholesale Banking business, we conducted interviews with over 50 internal leaders and major clients, and held focus groups for more than 220 employees in nine markets, to find out how we can deepen the understanding of our unique approach to business. We also held team discussions, talking about how we bring to life our culture in the choices we make.

In both businesses, we are integrating our values further into the materials we use to attract people to the Bank. Our orientation material for new staff incorporates case studies that explore how we live the values. This ensures we attract people who have an affinity for our culture, and help them understand what our values mean to the way we work every day.

Building our leadership capabilities

In the last two years, our leadership population has grown over 40 per cent, with almost two-thirds (64 per cent) of new leaders coming from inside the Bank. This indicates the level of effort we put into developing our leadership capabilities across the business.

We aim to have possible successors in place for all of our leaders. Succession plans for our top executives are reviewed on behalf of the Board by our Nomination Committee twice during the year, and this process is replicated through all senior management levels. This helps us to ensure that our high-performing employees are fully prepared for opportunities as they become available.

All our leaders receive one-on-one coaching and team support, provided by in-house leadership coaches. In 2010, we supported over 160 leaders and 30 senior teams and provided targeted coaching for newly-hired senior leaders during their first 100 days with us.

In addition, we have a special development programme for our most senior leaders, Leading the Journey. The programme provides a forum for senior leaders to come together across markets and functions to discuss issues affecting our business. This helps our most senior leaders work together as a cohesive group and demonstrate Group-wide leadership going beyond their individual functions.

Growing our employee engagement

The commitment of our employees is fundamental to our business success. We track our employee engagement annually, using the Gallup Organisation's Q[12] Employee Engagement Survey. In 2010, based on a response rate of 96 per cent, this showed a significant increase from 4.03 to 4.21 on a scale of 1 to 5. All of our major markets, including Hong Kong, India, Taiwan, China and Singapore, saw increases in their scores.

The increase in our employee engagement score was due in part to a planned and concerted effort to strengthen our management culture. Country and business leaders encouraged line managers to place more emphasis on staff development, both formally through our performance management process, and informally in everyday conversations. Teams were also encouraged to integrate their action plans for increasing employee engagement into their overall business strategies.

Supporting our business growth

Our business functions, such as Finance and Risk, play a vital role in supporting our growth and ensuring that we demonstrate good governance and comply with current legislation. In 2010, we undertook a thorough evaluation of these functions to assess whether they have the necessary structures, processes, systems and people capabilities in place to support our long-term objectives. The evaluation concluded that our functions are well positioned to meet both the current and future needs of the businesses. However, it also identified opportunities for further improvement, such as ways in which to adapt certain functions so that they may expand more seamlessly as the business grows. In 2011, we will focus on implementing these recommendations.

Enabling Diversity and Inclusion

Diversity and Inclusion (D&I) is embedded in our values and forms an inherent part of our brand and culture. We strive to offer all our people an inclusive and supportive environment in which they feel valued and appreciated for who they are and what they bring to the Bank. This year, in our annual employee engagement survey, we achieved an increase in our inclusiveness score from 4.13 to 4.28 on a scale of 1 to 5.

We strongly encourage gender diversity, with women representing 45 per cent of our staff in 2010. During the year we continued to develop our female leadership talent. For example, we expanded our signature Women in Leadership Programme for high-performing women in middle management into nine markets across Asia, Europe and the Americas. When surveying participants after the programme, we found a 21 per cent increase in those feeling able to articulate their ambitions and a 24 per cent increase in those who said they were clear on the steps required to achieve their aspirations. 97 per cent of participants said they aspired to become senior managers.

In 2010, we also introduced special employee networks for D&I. Launched in numerous markets, including China, Korea and the UAE, these networks provide an important additional source of social support and guidance for our employees. Through online discussions and targeted events, employees learn from each other by talking about their experiences. To date, four kinds of employee networks have been formed, including networks for female employees, for people working internationally, for parents and carers, and for spouses and partners.

Performance and reward

Our performance and reward policies are designed to drive our business strategy and reinforce our values. The Group is committed to an extremely high level of governance and is supportive of the Financial Stability Board's principles on sound remuneration practices. During 2010 we enhanced our existing reward policies and processes in a number of ways.

We introduced a new global online system for managing individual performance, which is more disciplined and transparent than our previous paper-based system. Using the new system, 98 per cent of our employees in 2010 had clear and approved objectives to guide their performance.

Encouraging gender diversity
In 2010, we launched Diversity and Inclusion networks in China, Korea and the UAE

Creating long-term value for our shareholders is our core business objective. We recognise the importance of long-term performance and have structured our performance and reward packages accordingly. In 2010, we increased the deferred proportion of the variable compensation that we awarded to our staff. This followed an ongoing review of our deferral policy.

During the year, in addition to the deferral policy review, we assessed the reward structures in other specific areas of the business. As a result, some employees in Wholesale Banking saw their packages rebalanced from variable to fixed pay. The aim of this rebalancing – which was in line with advice from the Financial Stability Board – was to ensure that our compensation structure guards against excessive risk-taking, while remaining competitive.

We have also enhanced our claw-back policy, which specifies that, in certain circumstances, deferred awards will not vest. From 2010 these circumstances relate not only to the restatement of our financial results, but could also apply where an employee has caused a material loss as a result of inappropriate behaviour. For further information on our remuneration policy, please refer to our Directors' remuneration report on pages 106 to 125.

Strengthening our employer brand

We rely on our employees to keep our brand promise to be Here for good in their interactions with each other, with customers, with clients and with communities. In 2010, to support the launch of Here for good, we articulated clearly what the brand promise means for our employees, by outlining both what we offer our people and what we expect in return. Our annual employee engagement survey showed a high degree of understanding of what our brand stands for and what makes it different from our competitors. Our score in this area was 4.40 on a scale of 1 to 5.

In 2011, to strengthen our employer brand even further, we will be reviewing our people processes, starting with how we attract and select new employees. We will refresh our recruitment websites and update our selection tools, including how we interview for senior roles.

Our sound performance during the financial crisis significantly strengthened our attractiveness as a prospective employer. Between 2004 and 2010, we more than doubled the number of people we employ to over 85,000.

We actively encourage international mobility, for example through our International Graduate Programme and targeted talent programmes across regions. These programmes support our growth in some of the world's fastest growing markets, while helping to develop our junior talent by giving them international experience early on in their careers.

Summary

In 2010, our people strategy remained consistent and focused on sustainable high performance. We delivered on our objectives, by further increasing our employee engagement, by strengthening our leadership capabilities and by rewarding our employees not only for what they deliver, but also for how they deliver it. Supported by the launch of our brand promise, Here for good, we renewed our focus on culture and values, enhancing our distinct competitive advantage.

Sustainability
Our social and economic impact

We believe that by doing things the right way, banks can be a powerful force for good

The last few years have been testament to Standard Chartered's unwavering commitment to sustainability. Through the financial crisis and changing political and regulatory environments we have stood firm in our commitment to building a sustainable business as a bank, delivering value to our customers and shareholders whilst contributing to the communities in which we live and work.

In 2010 we lent more, making a vital contribution to economic growth; we continued to place our sustainability agenda at the core of the way we do business; we stepped up our efforts to measure our impact on markets where we operate; and we invested more in our communities.

We passionately believe that by doing things the right way banks can be powerful contributors to economic progress in societies. We aim to have a positive impact in three ways: by contributing to the real economy; by promoting sustainable finance; and by leading the way in our communities.

We're proud of what we have achieved in 2010, proud of where we're going. We have a clear and consistent strategy to be the best international bank, leading the way in Asia, Africa and the Middle East; we have a distinctive culture with strong, shared values; and we remain committed to building a sustainable business, creating long-term value for our shareholders, working in partnership with our clients and customers, and having a positive social and economic impact in the communities we live and work.

Peter Sands
Group Chief Executive

Seeing is Believing
Through our global programme to tackle avoidable blindness, we have restored sight for thousands of people, including young Farouk from Nigeria

Small and medium-sized enterprises
SMEs are key drivers of growth and employment across our markets

Our approach

We believe that a bank can be about more than the profits it makes. As an international financial institution, by doing things the right way, we can have a positive social and economic impact on the markets where we operate. We remain committed to building a sustainable business, simultaneously creating value for our shareholders, supporting our clients and customers and contributing to the communities where we live and work.

Our sustainable business priorities

Our priorities in 2011

- Build on our work to measure our social and economic impact
- Continue to widen access to finance along the agricultural supply chain, supporting economic growth and food security
- Increase our employee volunteering days to 57,000, including targeted skills-based volunteering
- Arrange for all existing and new Consumer Banking employees to complete eLearning on our Customer Charter
- Roll out sustainable finance training to Wholesale Banking employees
- Sustain momentum in employee engagement, focusing on our culture and values
- Reduce annual paper consumption per full-time employee from 30kg to 25kg
- Continue to reduce our energy and water consumption in line with our long-term targets

Sustainable finance is fundamental to our aim of creating long-term value for our shareholders while having a positive impact on communities.

Key highlights

14
lending position statements implemented

129
nationalities represented across our business

315%
increase in paid volunteering leave taken by our employees

$4.98bn
mobilised towards the renewable energy market

4.8 million
lives impacted by our microfinance business

20 million
beneficiaries of essential eye care through Seeing is Believing

1.6 million
people educated on HIV/AIDS

300,000
small-scale farmers benefiting from agricultural finance deal in Zambia

65,698
employees completed anti-money laundering eLearning

36%
of Consumer Banking statements delivered electronically, saving 10,800 trees

Carbon emissions tonnes/CO_2/full time employee

Decrease 18%
(2008-2010)

Responsible selling and marketing
Video conferencing allows customers to consult with specialists who may not be available at the branch

Access to finance
With appropriate access to finance, the agriculture sector can make a significant contribution to global food security

Contributing to the real economy
We believe that by doing things the right way, banks can be a powerful force for good in society. Our aim is to promote sustainable growth in the real economy, through our core business of banking.

Millions of people across our footprint are either unbanked or severely under-served by financial institutions, restricting their economic activity. Widening the access to finance is a core part of our strategy to have a positive impact on communities. We focus on offering relevant products and services that we understand fully to clients and customers with whom we have deep relationships.

Financial crime can erode the positive contribution of banking to the real economy and affect our business performance. We have a long-standing commitment to preventing our products and services from being used for criminal financing activity.

Access to finance
We continue to support small and medium-sized enterprises (SMEs), which are key drivers of growth and employment across our markets. Again this year we increased our SME lending substantially. We also launched new products and services, tailored specifically to meet the needs of these vital companies.

Microfinance is key to our aim of extending basic banking services to more people. In 2010 we provided $180 million to microfinance institutions. Since 2005, we have provided a total of more than $720 million to 70 microfinance institutions, impacting the lives of around 4.8 million people.

In Africa we developed innovative solutions that helped widen the access to finance for agriculture. We provided a structured finance warehouse deal in Zambia, benefiting around 300,000 small-scale farmers by enabling them to receive a fair price for their crop.

Our performance

Our core objective in building a sustainable business is to create long-term shareholder value. We have an ongoing engagement programme with socially responsible investors and researchers. Our sustainability performance is also evaluated by rating agencies and indices specialised in the socially responsible investment market, including:

Dow Jones Sustainability Indexes

In 2010 we were included in the Dow Jones Sustainability World Index (DJSI World). The DJSI evaluators noted our strong performance in stakeholder engagement, human capital development, risk and crisis management, financial inclusion and climate change governance.

FTSE4Good

We are listed in the FTSE4Good index, which has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards.

CARBON DISCLOSURE PROJECT

Our success in managing our environmental impact has been recognised by the Carbon Disclosure Project (CDP), which promotes awareness of business implications of climate change. Our work in 2010 placed us in the FTSE 350 CDP Leadership Index and FTSE 350 CDP Strategy Index.

Providing solutions to populations with very specific finance needs is a key part of our agenda. Standard Chartered Saadiq, our Islamic banking brand, was voted Best Islamic Investment Bank by Global Finance this year. Since 2005, we have arranged more than $34 billion of Islamic financing for our clients.

We also continue to reach more people through new distribution channels, such as mobile banking. In Africa, for example, we partner with telecommunication providers in several markets to enable people to use their mobile phones for payments and transfers, whether or not they hold a bank account.

Responsible selling and marketing
We focus on clients and customers, not products. Our determination to treat clients and customers fairly and respond to their real needs is firmly embedded in our responsible selling and marketing practices.

In 2010 we rolled out our Consumer Banking Customer Charter, our commitment to needs-based selling and service excellence. We also increased the number of complaints resolved within 48 hours by 14 per cent.

In Wholesale Banking, we maintained our focus on deepening our client relationships and investing in staff training to ensure that our employees fully understand the products we sell. We aim to be the core bank for more of our clients, providing relevant solutions for their needs, from commercial banking to strategic solutions. We demonstrated that we continue to stand by our clients when times get tough, using our capital and liquidity to support them.

To create long-term value for our shareholders, we must help address some of the critical environmental and social issues that affect the communities where we live and work.

Tackling financial crime

We are committed to combating money laundering, terrorist financing, fraud, bribery, and market abuse. To guard against the risk of financial crime within our business, we focus on training our employees, strengthening our screening systems, and ensuring that our policies and procedures are comprehensive and up-to-date.

This year we upgraded our Norkom monitoring system by adding additional detection scenarios, increasing our capability to detect and prevent money laundering. We also invested significantly in tools to identify market abuse and to tackle fraud, particularly e-crime.

The vigilance of our employees is paramount to our success in fighting financial crime in all its forms. This year we trained over 65,000 people in anti-money laundering procedures. Our internal Speaking Up programme is now supported in 14 different languages, available to staff through the Internet and by telephone.

Promoting sustainable finance

Sustainable finance is fundamental to our aim of creating long-term value for our shareholders while having a positive impact on communities. Our approach is to manage the environmental, social, and governance risks that come with our financing decisions, working with our clients to encourage progress towards international standards.

Our sustainability risk management framework was first established in 1997. This year, we focused on embedding it more deeply into our financing, while expanding it to cover more areas.

Our 14 position statements – including a new statement on water added this year – guide our approach to providing financial services to clients who operate in sensitive business sectors or face specific issues. Together with our commitment to the Equator Principles on project finance, the statements provide the bedrock of our

Case study

Our impact in Ghana

We want to have a positive social and economic impact on the communities where we operate. This year we commissioned an independent study of our impact in Ghana – the first in a series of such studies to help us understand our contribution and how we can deepen it.

In 2009, we provided Ghanaian businesses, consumers and government agencies with nearly $900 million of financing, more than any other commercial bank. But our contribution goes far beyond the provision of credit.

As an international bank, we help support Ghana's economy by using our global footprint to increase trade and investment flows; we support clients in reaching international environmental, social and governance standards; we spur innovation through the launch of new products; we improve access to finance; and we provide world-class employment opportunities and training.

Highlights of the study include:

- Contributing to the economy: our impact amounted to $400 million of value-added in 2009, equivalent to 2.6 per cent of Ghana's GDP
- Connecting Ghana to world markets: we lent $193 million as trade loans in 2009
- Supporting SME growth: we provided $17.2 million to SMEs in 2009
- Generating employment: our activities supported around 156,000 jobs in 2009, approximately 1.5 per cent of Ghana's workforce
- Delivering financial innovation: we were the first bank to provide commodity, interest rate and currency hedging
- Developing human capital: four banking CEOs in Ghana are alumni of Standard Chartered

For further information you can visit
www.standardchartered.com

Employee volunteering
Employee volunteers help out at an eye-screening programme at a local school in Shanghai

Protecting the environment
In 2010 we reduced carbon e missions by 6 per cent and water consumption by 21 per cent in our larger premises

sustainability risk management approach. To ensure that our standards are applied robustly across our markets, we have refined the tools we use to evaluate our clients' performance.

We recognise that as a responsible financier we should not confine sustainability risk management to a narrow range of products. While the industry norm is to follow the Equator Principles on project finance only, we have extended our environmental, social and governance standards to lending, debt and equity advisory and principal finance transactions.

Our determination to promote sustainable finance means we also work hard to capture the opportunities represented by the renewable energy and environmental finance sector. At the end of 2010 we had reached $4.98 billion of our commitment under the Clinton Global Initiative to mobilise $8-10 billion towards all segments of the renewable energy market. Meanwhile, we have established a specialised equity research desk, reinforcing our environmental finance capabilities.

Leading the way in communities

To create long-term value for our shareholders, we must help address some of the critical environmental and social issues that affect the communities where we live and work. Our people are crucial to this effort. We take seriously our operational impact on the environment and empower our employees to help minimise our footprint through their everyday business activity. Our community investment programmes focus on generating high social returns and strengthening the economic health of our markets. Employee volunteering is at the heart of our commitment to play an active role in tackling the challenges faced by disadvantaged populations. This year our staff donated 49,050 days of paid volunteering leave to the community, an increase of 315 per cent on 2009.

Great place to work

Our people are crucial to the delivery of our sustainable business model. In our continuous drive to make the Bank a great place to work, we focus on attracting the best talent from across our footprint and enhancing employee engagement. For us, high performance is not just about generating large profits; it is also about living our values, demonstrating the many ways that we are Here for good. Since 2001, we have measured our employee engagement through an internal annual survey, The Gallup Organisation's Q^{12} Employee Engagement Survey. This year saw a significant increase in engagement across our business, moving us from 4.03 to 4.21 on a scale of 1 to 5. We also progressed on our targets for diversity and inclusion, ensuring employees continue to feel valued and appreciated for who they are.

Protecting the environment

We operate in many countries vulnerable to environmental challenges, including the effects of climate change. Rather than simply continuing current business practices, we work to inspire and encourage our employees, clients and customers to minimise their environmental footprint. This strategy is supported by senior management on our Group Environment Committee and implemented through our network of Country Environment Co-ordinators. This year we continued our drive for more efficient use of resources in our offices. In our larger premises over 20,000 square feet – around half of our global property portfolio – we reduced carbon emissions by 6 per cent and water consumption by 21 per cent, both per full-time employee. We were proud this year to be included in the FTSE 350 Carbon Disclosure Project (CDP) Leadership Index and the FTSE 350 CDP Strategy Index. This recognises our achievements in managing our use of energy and travel.

Community investment

This year we made great strides in expanding our global community investment programmes, meeting – and in some cases exceeding – our targets. Seeing is Believing is a global collaboration to tackle avoidable blindness across our markets. Launched in 2003 as a simple staff-led initiative to raise enough money for 28,000 cataract operations, the programme has evolved rapidly. In 2008, having already raised $17 million we committed to invest a further $20 million to reach an additional 20 million people by 2014. As of 2010, thanks to the Bank matching contributions dollar for dollar, we have reached 79 per cent of that target. By 2014, we will have raised a total of $37 million since the programme's inception, impacting over 38 million people.

Living with HIV, our workplace education programme, reached its target to educate one million people globally about HIV and AIDS. Launched in 1999, our network of over 1,000 staff volunteers and partner organisations have delivered HIV education to over 1.6 million people – 970,000 this year. Pledges from partners to deliver their own education programmes now total 2.3 million.

Goal, launched in 2006, uses sport, life skills and financial education to help transform the lives of adolescent girls around the world. Reaching only 70 girls in the first year, Goal now spans four different countries, changing the lives of 12,000 girls this year alone. Operating in cities across China, India, Jordan, and Nigeria, Goal aims to reach 100,000 girls by 2013.

In 2006 we also joined forces with five other donors to launch Nets for Life and distribute one million long-lasting insecticide treated nets across 15 African countries. We committed a further $5 million in October 2008 to provide five million more nets by 2013. This year 3.7 million nets were distributed and over four million people received information on malaria prevention.

Risk review
Managing risk responsibly

Standard Chartered has a diversified portfolio. We have a robust risk governance structure and an experienced risk team. Our balance sheet and liquidity remain strong

Risk profile

Diversified portfolio
- No individual market accounts for more than 20 per cent of our loans and advances to customers or operating income
- Our exposure to asset backed securities (ABS), commercial real estate, and leveraged loans is non-material from a Group perspective, and we have low exposure to sovereigns and banks in Portugal, Italy, Ireland, Greece and Spain
- More than 75 per cent of Consumer Banking assets are secured and more than 65 per cent of Wholesale Banking loans and advances are short-term

Strong liquidity position
- We have a strong advances-to-deposits ratio
- We remain a net provider of liquidity to interbank markets
- Our customer deposit base is diversified by type and maturity
- We have a substantial portfolio of liquid assets that can be realised if a liquidity stress occurs

Robust risk governance structure and experienced senior team
- We have a clear statement of risk appetite that is approved by the Board and sets the risk parameters within which our businesses operate
- We have a very experienced senior risk team and our risk committees are staffed by the Group's most senior leaders
- We have a robust risk management framework that assigns accountability and responsibility for the management and control of risk

Principal uncertainties

- Deteriorating macroeconomic conditions in footprint countries
- Changes in regulations and laws
- Financial markets dislocation
- Geopolitical events
- Fraud
- Exchange rate movements

The following parts of the Risk Review form part of the audited financial statements: from the start of the Risk management section on page 52 to the end of the Operational risk section on page 77, with the exception of the Asset backed securities section on page 69.

Risk overview

2010 has seen an upturn in the global economy but the pace of recovery has been uneven. Growth in our footprint markets has been buoyant and although there has been a slowdown in the second half of the year, Asia, Africa and the Middle East are still strongly outperforming the West.

Our proactive approach to risk management enabled us to take steps early on in the global financial crisis of 2008-09 to reshape our portfolios and tighten underwriting standards, which helped to mitigate the impact of market turbulence on our performance. In 2010, we have maintained our cautious stance but have selectively increased our exposures in certain markets to capitalise on improved market conditions. Our balance sheet and liquidity have remained strong throughout the year, and we are well positioned for 2011.

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

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in 71 markets and there is no single market that accounts for more than 20 per cent of loans and advances to customers, or operating income. Our cross-border asset exposure is diversified and reflects our strategic focus on our core markets and customer segments. Approximately 50 per cent of our loans and advances to customers are of short maturity, and within Wholesale Banking more than 65 per cent of loans and advances have a tenor of one year or less. More than 75 per cent of Consumer Banking assets are secured.

We also have low exposure to asset classes and segments outside of our core markets and target customer base. Our exposure to Portugal, Italy, Ireland, Greece and Spain is less than 0.5 per cent of our total assets, and our exposure to sovereign debt in these countries is negligible.

Our commercial real estate exposure accounts for less than two per cent of our total assets. Our exposure to leveraged loans and to asset backed securities (ABS) each account for approximately 0.5 per cent of our total assets.

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

Our liquidity in 2010 benefited from continued good inflows of customer deposits, which helped us to maintain a strong advances-to-deposits ratio. Liquidity will continue to be deployed to support growth opportunities in our chosen markets. We manage multi-currency liquidity in each of our geographical locations, ensuring that we can meet all short-term funding requirements and that our balance sheet remains structurally sound. We are a net provider of liquidity to the interbank money markets.

We have a well-established risk governance structure and an experienced senior team. Members of our Group Management Committee sit on our principal risk committees, which ensure that risk oversight is a critical focus for all our directors, while common membership between these committees helps us address the inter-relationships between risk types.

In March 2010, the Audit and Risk Committee was split into a Board Risk Committee (BRC) and Audit Committee, to align with the recommendations of the Walker Review. Also as of March 2010, the Group Chief Risk Officer (GCRO) reports to the Group Finance Director and to the BRC.

Since 1 January 2008, Standard Chartered has used the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital. The UK's Financial Services Authority (FSA) has granted Standard Chartered CAD2 internal model approval covering the majority of interest rate and foreign exchange risk as well as market risk arising from precious and base metals, energy and agricultural trading. Positions outside the CAD2 scope are assessed according to standard FSA rules.

Risk performance review

During 2010, credit conditions continued to improve. Both businesses saw significant reductions in total impairment provisions compared with 2009 as macroeconomic conditions strengthened in our footprint countries.

In Consumer Banking the total loan impairment in 2010, as a percentage of loans and advances to customers, was less than half the 2009 charge. The improvement in impairment was also supported by a disciplined approach to risk management, pre-emptive actions taken to reduce the risk in certain parts of the portfolio and continued investment in collections infrastructure to minimise account delinquency. While there was improvement across all our markets and products, Taiwan, India and the UAE, in particular, significantly reduced their impairment provision charges.

In Wholesale Banking there was a substantial reduction in the level of provisions in 2010 after the increase experienced in 2008-2009. Portfolio indicators trended positively throughout the year in the Wholesale Banking book, reflecting the improved credit environment in our footprint. However a number of provisions were taken against corporate customers in a range of industries in the Middle East and Korea.

Total average VaR declined in 2010 compared with 2009. This decline was primarily due to lower non-trading book VaR, and reflected a decrease in the volatility of credit spreads that had increased sharply after the collapse of Lehman Brothers in September 2008.

Risk	Description	Mitigants
Deteriorating macroeconomic conditions in footprint countries	• Deteriorating macroeconomic conditions can have an impact on our performance via their influence on personal expenditure and consumption patterns; demand for business products and services; the debt service burden of consumers and businesses; the general availability of credit for retail and corporate borrowers; and the availability of capital and liquidity funding for our business	• We balance risk and return taking account of changing conditions through the economic cycle • We monitor economic trends in our markets very closely and continuously review the suitability of our risk policies and controls
Changes in regulations and laws	• The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. These changes could also affect the volatility and liquidity of financial markets, and more generally the way we conduct business and manage capital and liquidity	• We keep a close watch on key regulatory developments in order to anticipate changes and their potential impact on our performance • Both unilaterally and through our participation in industry forums, we respond to consultation papers and discussions initiated by regulators and governments. The focus of these is to develop the framework for a stable and sustainable financial sector and global economy
Financial markets dislocation	• Financial market volatility or a sudden dislocation could affect our performance, through its impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios or the availability of capital or liquidity • Financial market instability also increases the likelihood of default by our corporate customers and financial institution counterparties	• We assess carefully the performance of our financial institution counterparties, rate them internally according to their systemic importance, adjusting our exposure accordingly • We maintain robust suitability and appropriateness processes
Geopolitical events	• We face a risk that geopolitical tensions or conflict in our footprint could impact trade flows, our customers' ability to pay, and our ability to manage capital across borders	• We actively monitor the political situation in all of our principal markets, and conduct regular stress tests of the impact of such events on our portfolios, which inform assessments of risk appetite and any need to take mitigating action
Fraud	• The risk of fraud and other criminal activities is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology in society	• We have a broad range of measures in place to monitor and mitigate this risk • Controls are embedded in our policies and procedures across a wide range of the Group's activities such as origination, recruitment, physical and information security
Exchange rate movements	• Changes in exchange rates affect the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries • Sharp currency movements can also impact trade flows and the wealth of clients, both of which could have an impact on our performance	• We actively monitor exchange rate movements and adjust our exposure accordingly • Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates

Principal uncertainties

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

The key uncertainties we face in the coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that we may experience.

Deteriorating macroeconomic conditions in footprint countries

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

During 2010, the world economy continued to emerge from the crisis, but the pace of recovery diverged significantly between East and West. Accelerated fiscal retrenchment in Europe, combined with the risk aversion created by recent volatility in the Euro area, mean the possibility of a return to negative growth is still a significant risk in some economies in the West. We operate primarily in the countries that have led the global recovery in 2010, and our major markets in Asia, Africa and the Middle East appear well positioned to grow strongly, albeit at a slower pace than in 2010. Our exposure to leveraged loans and European sovereign debt is very low. However, we remain alert to the risk of secondary impacts from events in the West on financial institutions, other counterparties and global economic growth.

Commodity price-driven inflation is a growing concern in a number of our footprint markets, as are rising asset prices caused by rising capital inflows. We expect further monetary tightening and the use of other macro-prudential measures and selective capital controls, especially in Asia and Africa.

While we believe them to be less likely, other risks we are monitoring include a sharp slowdown or another debt crisis in the West, triggered by a surge in oil prices or policy mistakes such as premature tightening, regulatory over-reaction or trade protectionism.

We balance risk and return taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We also continuously review the suitability of our risk policies and controls.

Regulatory changes and compliance

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

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

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

Both unilaterally and through our participation in industry forums, we respond to consultation papers and discussions initiated by regulators and governments. We also keep a close watch on key regulatory developments in order to anticipate changes and their potential impact. A number of changes have been proposed under Basel III but significant uncertainty remains around the specific application and the combined impact of these proposals.

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

The UK government has established the Independent Commission on Banking to consider structural and non-structural reforms to the UK banking sector to promote financial stability and competition. The Commission is set to publish its final recommendations in September 2011. The Commission's conclusions may have an impact on the Group.

As reported previously, the Group is conducting a review of its historical US sanctions compliance and is discussing that review with US enforcement agencies and regulators. The Group cannot predict when this review and these discussions will be completed or what the outcome will be.

On 29 February 2008, the Group completed the acquisition of American Express Bank (AEB). Prior to the acquisition, subsidiaries of AEB located in New York and Miami had entered separately into a Written Agreement with the New York State Banking Department and a Cease and Desist Order with the Federal Reserve Bank of Atlanta to address deficiencies relating to compliance with applicable federal and state laws and regulations governing anti-money laundering. All the requirements of the Cease and Desist Order have been satisfied in the first half of 2010 and we are now in full compliance.

Financial markets dislocation

There is a risk that a sudden financial market dislocation, perhaps as a result of a sharp slowdown in economic activity or debt crisis in the West, could significantly increase general financial market volatility which could affect our performance or the availability of capital or liquidity. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain customers holding derivative contracts during periods of financial market volatility could also lead to an increase in customer disputes and corporate defaults.

At the same time, financial market instability could cause some financial institution counterparties to experience tighter liquidity conditions or even fail. Government action since the global financial crisis of 2008-2009 has reduced the systemic risk, but the impact on the financial services industry of ongoing uncertainty in the broader economic environment means that the risk nonetheless remains.

We maintain robust appropriateness and suitability processes to mitigate the risk of customer disputes. We closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary.

Geopolitical events

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

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

Fraud

The banking industry has long been a target for third parties seeking to defraud, disrupt legitimate economic activity, or facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology in society.

We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders. We have a broad range of measures in place to monitor and mitigate this risk. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security.

Exchange rate movements

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

We monitor exchange rate movements closely and adjust our exposures accordingly. Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated to the extent there are proportionate movements in risk weighted assets.

The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for the periods ending 31 December 2010 and 31 December 2009.

	2010	2009
Indian rupee		
Average	**45.72**	48.35
Period end	**44.68**	46.54
Korean won		
Average	**1,156.34**	1,276.62
Period end	**1,134.61**	1,164.47
Singapore dollar		
Average	**1.36**	1.45
Period end	**1.28**	1.40

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

Risk management

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

Risk management framework

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

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

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

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

Risk governance

Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the BRC, whose membership is comprised exclusively of non-executive directors of the Group, has responsibility for oversight and review of prudential risks including credit, market, capital and liquidity and operational. It reviews the Group's overall risk appetite and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee (GRC) and Group Asset and Liability Committee (GALCO).

The BRC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

Overall accountability for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the group executive directors and other senior executives of Standard Chartered Bank.

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

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

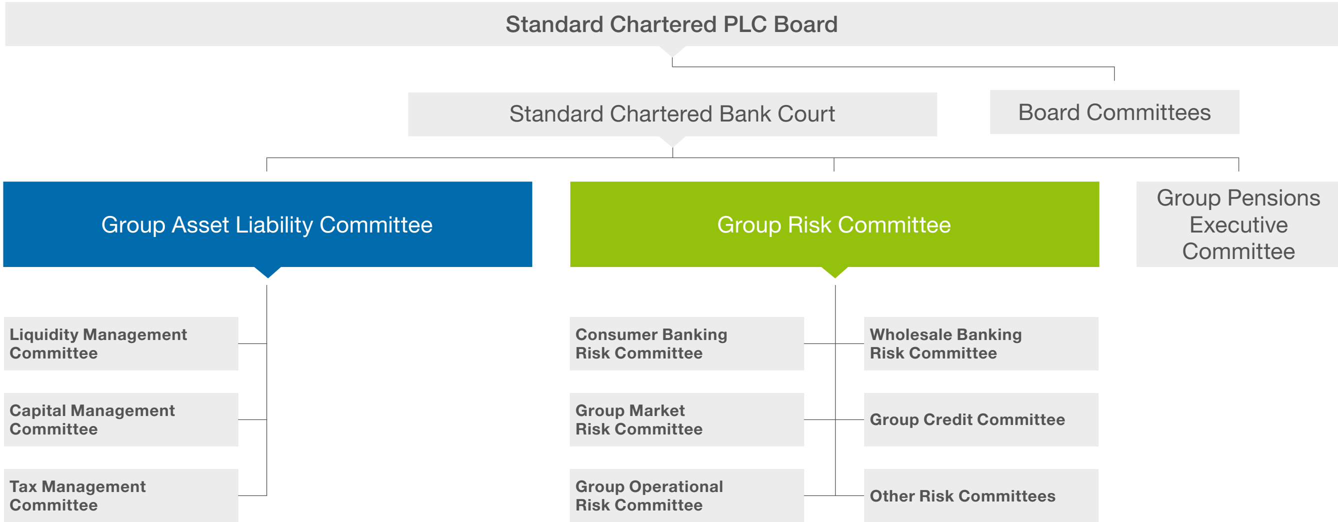
The GALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate risk.

The PEC is responsible for the management of pension risk.

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

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

Group risk committee structure[1]



[1] More information on Board committees can be found under Corporate governance on page 95.

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

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business, function and geographic governance heads are accountable for risk management in their respective businesses and functions and for countries where they have governance responsibilities.

The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes that relate to that Risk Type. These responsibilities cut across the Group and are not constrained by functional, business and geographic boundaries. The major risk types are described individually in following sections.

The third line of defence is the independent assurance provided by the Group Internal Audit (GIA) function. Its role is defined and overseen by the Audit Committee.

The findings from GIA's audits are reported to all relevant management and governance bodies, accountable line managers, relevant oversight function or committee and committees of the Board.

GIA provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

The Risk function

The GCRO directly manages a Risk function that is separate from the origination, trading and sales functions of the businesses. The GCRO also chairs the GRC and is a member of the Group Management Committee.

The role of the Risk function is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes
- To uphold the overall integrity of the Group's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards
- To exercise direct Risk Control Ownership for Credit, Market, Country Cross-Border, Short-term Liquidity and Operational risk types

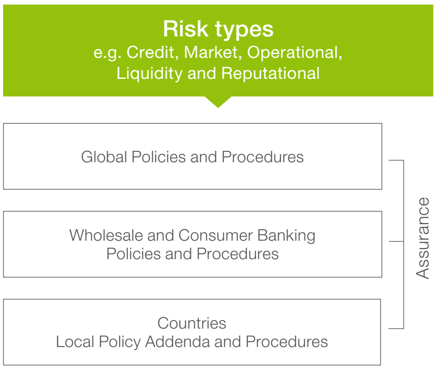
The Group appoints Chief Risk Officers (CROs) for its two business divisions and principal countries and regions. CROs at all levels of the organisation fulfil the same role as the GCRO, in respect of the business, geography or legal entity for which they are responsible. The roles of CROs are aligned at each level.

The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that the significant majority of revenues are recognised immediately while losses arising from risk positions only manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

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.

Risk policy framework



Risk appetite

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

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

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

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

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

Stress testing

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

Our stress testing framework is designed to:

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

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

Our stress testing activity in 2010 focused on specific asset classes, customer segments and the potential impact of macroeconomic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of the development of prevailing market conditions.

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

Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures may arise from both the banking and trading books.

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

Credit policies

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

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

Credit rating and measurement

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

For IRB portfolios, a standard alphanumeric credit risk grade (CG) system is used in both Wholesale and Consumer Banking.

The grading is based on our internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

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

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

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

Credit approval

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

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

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties, by country and industry in Wholesale Banking, and tracked 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

We regularly monitor credit exposures, portfolio performance and external trends that 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; and IRB portfolio metrics including credit grade migration.

The Wholesale Banking Credit Issues Forum (WBCIF) is a sub-committee of the Wholesale Banking Risk Committee, which in turn is a sub-committee of and derives its authority from the GRC. The WBCIF meets regularly to assess the impact of external events and trends on the Wholesale Banking credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Corporate 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 Early Alert Committees in each country. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management (GSAM), our specialist recovery unit.

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

The small and medium-sized enterprise (SME) business is managed within Consumer Banking in two distinct customer sub-segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. The credit processes are further refined based on exposure at risk. Larger exposures are managed through the Discretionary Lending approach, in line with Wholesale Banking procedures, and smaller exposures are managed through Programmed Lending, in line with Consumer Banking procedures. Discretionary Lending and private banking past due accounts are managed by GSAM.

Credit mitigation

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

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

Collateral is valued in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value.

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

Traded products

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

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

For derivative contracts, we limit our exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are not presented net in the financial statements. In addition, we enter into Credit Support Annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Under a variation margin process, additional collateral is called from the counterparty if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is bilateral and requires us to post collateral if the overall mark-to-market value of positions is in the counterparty's favour and exceeds an agreed threshold.

Securities

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

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

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

Maximum exposure to credit risk

The table above right; presents the Group's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 December 2010, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

The Group's exposure to credit risk is spread across our markets, in particular Hong Kong, Korea, Singapore, Other Asia Pacific region, and 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 transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of $3,072 million (2009: $3,601 million). The Group continues to be exposed to related credit and foreign exchange risk on these assets. The Group continues to recognise these assets in addition to the proceeds and related liability of $2,385 million (2009: $3,063 million) arising from the securitisations.

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $18.7 billion (2009: $15.4 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

In respect of derivative financial instruments, $26,789 million (2009: $30,539 million) is available for offset as a result of master netting agreements that do not, however, meet the criteria under IAS 32 to enable these balances to be presented on a net basis in the financial statements as in the ordinary course of business they are not intended to be settled net.

Collateral is held to mitigate the credit risk exposures primarily in respect of loans and advances, and consisting of residential, commercial and industrial properties, securities and other assets such as plant and machinery.

The Group's maximum exposure to credit risk has increased by $63.6 billion compared with 2009. Exposure to loans and advances to banks and customers has increased by $43.2 billion due to growth in the mortgage portfolio and broad-based growth across several industry sectors in Wholesale Banking. Further details of the loan portfolio are set out on page 66. Improving customer appetite for derivatives has increased the Group's exposure by $9.7 billion when compared with 2009.

	2010 $million	2009 $million
Financial assets held at fair value through profit or loss[1]	**25,267**	21,229
Derivative financial instruments	**47,859**	38,193
Loans and advances to banks and customers	**292,416**	249,177
Investment securities[1]	**73,279**	74,079
Contingent liabilities	**41,804**	38,658
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	**45,624**	41,345
	526,249	462,681

[1] Excludes equity shares

Loan portfolio
Loans and advances to customers have grown by $44.6 billion to $246.4 billion.

Consumer Banking
Compared with 2009, the Consumer Banking portfolio in 2010 has grown by $22.6 billion, or 24 per cent, mainly due to increased mortgage lending.

The proportion of mortgages in the Consumer Banking portfolio is maintained at 60 per cent. As property markets have strengthened across geographies in the Group's footprint we have been able to capture market share and grow the secured portfolio.

SME lending has grown by $4.3 billion, or 32 per cent.

Wholesale Banking
Compared with 2009, growth in the Wholesale Banking portfolio was $21.9 billion, or 20 per cent. Whilst spread across geographies and customer segments, the majority of the increase was concentrated in Americas, UK and Europe ($10.2 billion), Hong Kong ($8.2 billion) and Singapore ($3.5 billion). The increase in Americas, UK and Europe was due to growth in the syndications and commodities businesses with customers in our footprint countries booked within our offshore banking unit. The growth in Hong Kong and Singapore has been broad-based across industry segments driven mainly by strong demand in trade finance and corporate term loans.

Exposure to bank counterparties was largely flat at $53.3 billion. We remain highly liquid and a net lender to the interbank money market.

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

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

	2010								
	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 and Europe $million	Total $million
Loans to individuals									
Mortgages	18,245	10,689	23,061	14,679	2,124	1,331	194	339	70,662
Other	4,237	6,306	5,549	6,034	721	2,593	774	2,699	28,913
Small and medium-sized enterprises	2,314	2,944	4,568	4,938	2,102	575	132	2	17,575
Consumer Banking	24,796	19,939	33,178	25,651	4,947	4,499	1,100	3,040	117,150
Agriculture, forestry and fishing	320	360	36	708	186	110	879	1,278	3,877
Construction	193	119	356	389	387	764	67	179	2,454
Commerce	3,975	5,852	780	4,382	570	4,186	575	6,227	26,547
Electricity, gas and water	406	347	119	949	5	279	177	1,378	3,660
Financing, insurance and business services	4,359	3,363	385	3,611	984	3,135	174	7,479	23,490
Governments	–	1,542	3	572	2	293	70	1,971	4,453
Mining and quarrying	554	884	–	571	225	197	266	6,390	9,087
Manufacturing	4,965	1,468	3,426	8,975	2,598	2,858	1,128	6,895	32,313
Commercial real estate	2,365	2,775	1,314	967	675	819	1	472	9,388
Transport, storage and communication	1,462	2,362	409	1,063	762	763	391	5,944	13,156
Other	182	369	179	328	6	253	87	185	1,589
Wholesale Banking	18,781	19,441	7,007	22,515	6,400	13,657	3,815	38,398	130,014
Portfolio impairment provision	(61)	(41)	(114)	(199)	(54)	(207)	(39)	(45)	(760)
Total loans and advances to customers	43,516	39,339	40,071	47,967	11,293	17,949	4,876	41,393	246,404
Total loans and advances to banks	14,591	7,215	3,193	8,648	523	1,478	420	17,196	53,264

Total loans and advances to customers include $6,046 million held at fair value through profit or loss. Total loans and advances to banks include $1,206 million held at fair value through profit or loss.

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

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

Maturity analysis

Approximately half of our loans and advances to customers are short-term, having a contractual maturity of one year or less. The Wholesale Banking portfolio remains predominantly short-term, with 67 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, which is traditionally longer term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

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

	2010			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Loans to individuals				
Mortgages	**2,871**	**8,947**	**58,844**	**70,662**
Other	**18,019**	**8,303**	**2,591**	**28,913**
Small and medium-sized enterprises	**9,464**	**3,369**	**4,742**	**17,575**
Consumer Banking	**30,354**	**20,619**	**66,177**	**117,150**
Agriculture, forestry and fishing	**3,108**	**662**	**107**	**3,877**
Construction	**1,721**	**692**	**41**	**2,454**
Commerce	**22,605**	**3,667**	**275**	**26,547**
Electricity, gas and water	**1,486**	**907**	**1,267**	**3,660**
Financing, insurance and business services	**16,493**	**6,846**	**151**	**23,490**
Governments	**3,155**	**1,230**	**68**	**4,453**
Mining and quarrying	**4,610**	**2,818**	**1,659**	**9,087**
Manufacturing	**22,507**	**8,495**	**1,311**	**32,313**
Commercial real estate	**4,440**	**4,615**	**333**	**9,388**
Transport, storage and communication	**6,195**	**4,655**	**2,306**	**13,156**
Other	**1,276**	**242**	**71**	**1,589**
Wholesale Banking	**87,596**	**34,829**	**7,589**	**130,014**
Portfolio impairment provision				**(760)**
Total loans and advances to customers				**246,404**

	2009			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	2,455	7,818	47,364	57,637
Other	14,266	7,158	2,222	23,646
Small and medium-sized enterprises	7,110	3,054	3,136	13,300
Consumer Banking	23,831	18,030	52,722	94,583
Agriculture, forestry and fishing	1,515	348	78	1,941
Construction	1,921	482	120	2,523
Commerce	19,981	2,919	139	23,039
Electricity, gas and water	1,056	825	1,457	3,338
Financing, insurance and business services	15,282	6,484	45	21,811
Governments	4,754	398	65	5,217
Mining and quarrying	3,296	1,531	1,582	6,409
Manufacturing	18,979	5,286	1,307	25,572
Commercial real estate	3,325	3,523	160	7,008
Transport, storage and communication	3,665	4,312	1,469	9,446
Other	1,369	268	153	1,790
Wholesale Banking	75,143	26,376	6,575	108,094
Portfolio impairment provision				(874)
Total loans and advances to customers				201,803

Problem credit management and provisioning

Consumer Banking

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

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, and excludes:

- Loans renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected

Individually impaired loans are those loans against which individual impairment provisions have been raised. Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium-sized enterprises among SME customers and private banking customers) consist of a large number of comparatively small exposures. Mortgages are assessed for individual impairment on an account-by-account basis, but for other products it is impractical to monitor each delinquent loan individually and individual impairment is therefore assessed collectively.

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

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

Individually impaired loans for Consumer Banking will therefore not equate to those reported as non-performing on page 61, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans are impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain, which, in the Group's experience, is generally around 150 days in Consumer Banking. Up to that point the inherent impairment is captured in portfolio impairment provision (PIP).

The PIP methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

The procedures for managing problem credits for the Private Bank and the medium-sized enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 62).

Consumer Banking has seen improvements in the level of non-performing loans in 2010, particularly in Taiwan, Korea, and Hong Kong, due to strengthening macroeconomic conditions in those markets, as well as de-risking actions taken and intensified collections activities. This has been partially offset by an increase in the Middle East.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing. This metric should be considered in conjunction with other credit risk and collateral information including that contained in page 67.

The total net impairment charge in Consumer Banking in 2010 improved by $474 million, or 45 per cent, over 31 December 2009. The lower individual impairment in 2010 compared with 2009 is visible across all of our major markets, particularly in India, Hong Kong and Other Asia Pacific.

There was a portfolio impairment release of $85 million in 2010 (compared with a charge of $54 million in 2009) as a direct result of the improvement in portfolio performance indicators as macroeconomic conditions strengthened in our markets.

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

	2010								
	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 and Europe $million	Total $million
Loans and advances									
Gross non-performing	**50**	**47**	**145**	**395**	**76**	**342**	**29**	**89**	**1,173**
Individual impairment provision	**(20)**	**(20)**	**(57)**	**(160)**	**(32)**	**(141)**	**(16)**	**(60)**	**(506)**
Non-performing loans net of individual impairment provision	**30**	**27**	**88**	**235**	**44**	**201**	**13**	**29**	**667**
Portfolio impairment provision									**(451)**
Net non-performing loans and advances									**216**
Cover ratio									**82%**

	2009								
	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 and Europe $million	Total $million
Loans and advances									
Gross non-performing	80	47	190	482	65	263	28	97	1,252
Individual impairment provision	(64)	(20)	(63)	(212)	(17)	(91)	(10)	(61)	(538)
Non-performing loans net of individual impairment provision	16	27	127	270	48	172	18	36	714
Portfolio impairment provision									(519)
Net non-performing loans and advances									195
Cover ratio									84%

The tables below set out the net impairment charge by geography:

	2010								
	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 and Europe $million	Total $million
Gross impairment charge	**76**	**57**	**171**	**299**	**119**	**237**	**31**	**11**	**1,001**
Recoveries/provisions no longer required	**(29)**	**(19)**	**(29)**	**(166)**	**(33)**	**(45)**	**(12)**	**(5)**	**(338)**
Net individual impairment charge	**47**	**38**	**142**	**133**	**86**	**192**	**19**	**6**	**663**
Portfolio impairment provision credit									**(85)**
Net impairment charge									**578**

	2009								
	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 and Europe $million	Total $million
Gross impairment charge	139	64	200	424	163	256	31	33	1,310
Recoveries/provisions no longer required	(38)	(20)	(21)	(150)	(26)	(39)	(11)	(7)	(312)
Net individual impairment charge	101	44	179	274	137	217	20	26	998
Portfolio impairment provision charge									54
Net impairment charge									1,052

Wholesale Banking

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

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, we attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

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

As with Consumer Banking, a 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, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Gross non-performing loans in Wholesale Banking have increased by $698 million or 25 per cent, since December 2009. This is largely due to the downgrade of three significant accounts that are under restructuring within the MESA region. Excluding the MESA region gross non-performing loans have reduced by 8 per cent since December 2009. The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio decreased from 65 per cent as at 31 December 2009 to 50 per cent as at 31 December 2010 largely as a result of the downgrade of the three accounts referred to above. The balance uncovered by individual impairment provisions represents the value of collateral held and the Group's estimate of the net outcome of any work-out strategy.

The total net individual impairment charge of $350 million in 2010 was significantly lower than the charge in 2009 ($806 million) reflecting the improved credit environment.

The PIP balance has reduced by $46 million since December 2009. This is partly contributed by an improving portfolio quality indicators and macro-economic conditions, and partly by a better visibility around areas of concern in the MESA region, which resulted in the release of some of the additional PIP created in 2009.

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

2010

	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 and Europe $million**	**Total $million**
Loans and advances									
Gross non-performing	**111**	**21**	**305**	**817**	**272**	**1,707**	**103**	**122**	**3,458**
Individual impairment provision	**(82)**	**(5)**	**(136)**	**(347)**	**(80)**	**(641)**	**(44)**	**(76)**	**(1,411)**
Non-performing loans net of individual impairment provision	**29**	**16**	**169**	**470**	**192**	**1,066**	**59**	**46**	**2,047**
Portfolio impairment provision									**(311)**
Net non-performing loans and advances									**1,736**
Cover ratio									**50%**

2009

	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 and Europe $million	Total $million
Loans and advances									
Gross non-performing	207	10	352	780	207	855	160	189	2,760
Individual impairment provision	(117)	(7)	(204)	(408)	(74)	(469)	(53)	(115)	(1,447)
Non-performing loans net of individual impairment provision	90	3	148	372	133	386	107	74	1,313
Portfolio impairment provision									(357)
Net non-performing loans and advances									956
Cover ratio									65%

The tables below set out the net impairment charge by geography:

2010

	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 and Europe $million**	**Total $million**
Gross impairment charge	**12**	**–**	**92**	**55**	**26**	**199**	**14**	**30**	**428**
Recoveries/provisions no longer required	**(14)**	**–**	**(7)**	**(23)**	**(8)**	**(7)**	**(4)**	**(15)**	**(78)**
Net individual impairment charge	**(2)**	**–**	**85**	**32**	**18**	**192**	**10**	**15**	**350**
Portfolio impairment provision credit									**(45)**
Net impairment charge									**305**

2009

	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 and Europe $million	Total $million
Gross impairment charge	52	3	111	194	55	394	15	58	882
Recoveries/provisions no longer required	(8)	(5)	(18)	(23)	(6)	(6)	(3)	(7)	(76)
Net individual impairment charge	44	(2)	93	171	49	388	12	51	806
Portfolio impairment provision charge									142
Net impairment charge									948

Impairment provisions on loans and advances

The following table sets out impairment provision on loans and advances by each principal category of borrowers' business or industry:

	2010 $million	2009 $million
Loans to individuals		
Mortgages	**128**	107
Other	**180**	201
Small and medium-sized enterprises	**198**	230
Consumer Banking	**506**	538
Agriculture, forestry and fishing	**42**	59
Construction	**57**	36
Commerce	**467**	425
Electricity, gas and water	**7**	7
Financing, insurance and business services	**120**	130
Mining and quarrying	**1**	6
Manufacturing	**558**	590
Commercial real estate	**23**	13
Transport, storage and communication	**23**	24
Other	**20**	25
Wholesale Banking	**1,318**	1,315
Individual impairment provision against loans and advances to customers	**1,824**	1,853
Individual impairment provision against loans and advances to banks	**93**	132
Portfolio impairment provision	**762**	876
Total impairment provisions on loans and advances	**2,679**	2,861

The following table sets out the movements in individual and portfolio impairment provisions:

	2010			2009		
	Individual Impairment Provisions $million	**Portfolio Impairment Provisions $million**	**Total $million**	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million
At 1 January	**1,985**	**876**	**2,861**	1,324	657	1,981
Exchange translation differences	**36**	**16**	**52**	49	21	70
Amounts written off	**(1,252)**	**–**	**(1,252)**	(1,329)	(3)	(1,332)
Recoveries of acquisition fair values	**(27)**	**–**	**(27)**	(40)	1	(39)
Recoveries of amounts previously written off	**236**	**–**	**236**	193	(2)	191
Discount unwind	**(62)**	**–**	**(62)**	(59)	1	(58)
Other	**(1)**	**–**	**(1)**	48	5	53
New provisions	**1,418**	**110**	**1,528**	2,187	426	2,613
Recoveries/provisions no longer required	**(416)**	**(240)**	**(656)**	(388)	(230)	(618)
Net charge/(release) against profit	**1,002**	**(130)**	**872**	1,799	196	1,995
Provisions held at 31 December	**1,917**	**762**	**2,679**	1,985	876	2,861

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

2010

	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 and Europe $million**	**Total $million**
Provisions held at 1 January 2010	**181**	**27**	**267**	**620**	**91**	**560**	**63**	**176**	**1,985**
Exchange translation differences	**–**	**2**	**5**	**28**	**3**	**(4)**	**(2)**	**4**	**36**
Amounts written off	**(151)**	**(55)**	**(297)**	**(391)**	**(99)**	**(165)**	**(27)**	**(67)**	**(1,252)**
Recoveries of acquisition fair values	**–**	**–**	**(8)**	**(16)**	**–**	**(3)**	**–**	**–**	**(27)**
Recoveries of amounts previously written off	**30**	**13**	**16**	**128**	**19**	**26**	**–**	**4**	**236**
Discount unwind	**(3)**	**–**	**(13)**	**(18)**	**(7)**	**(17)**	**(1)**	**(3)**	**(62)**
Other	**–**	**–**	**–**	**(5)**	**(1)**	**1**	**–**	**4**	**(1)**
New provisions	**88**	**57**	**259**	**350**	**147**	**436**	**43**	**38**	**1,418**
Recoveries/provisions no longer required	**(43)**	**(19)**	**(36)**	**(189)**	**(41)**	**(52)**	**(16)**	**(20)**	**(416)**
Net charge against profit	**45**	**38**	**223**	**161**	**106**	**384**	**27**	**18**	**1,002**
Provisions held at 31 December 2010	**102**	**25**	**193**	**507**	**112**	**782**	**60**	**136**	**1,917**

2009

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

Analysis of the loan portfolio

The table on page 67 sets out an analysis of the loan portfolio between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

Collateral held against past due and impaired loans in Consumer Banking largely comprises residential and commercial property and in Wholesale Banking largely comprises property and securities. Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to customers in the event of its realisation and is not available for offset against other loans.

Renegotiated loans that would otherwise be past due or impaired if their terms had not been renegotiated were $1,750 million (2009: $2,084 million), $587 million (2009: $687 million) of which related to Consumer Banking loans to customers and $1,163 million (2009: $1,397 million) of which related to Wholesale Banking loans to customers. Loans whose terms have been renegotiated to include concessions that the Group would not ordinarily make will usually be classified as impaired.

Loans that were more than 90 days past due, and consequently reported as non-performing before renegotiation, continue to be reported as non-performing until a minimum number of payments have been received under the new terms. Where loans that are past due have been renegotiated, such loans are no longer considered to be past due immediately after renegotiation.

In Wholesale Banking and SME Discretionary Lending and Private Banking, renegotiated loans continue to be managed by GSAM until considered to be performing and no longer a problem account. Provisions are taken on a case by case basis if further problems arise. In other parts of Consumer Banking all renegotiated loans are managed within a separate portfolio, and if such loans subsequently become past due, write off and IIP is accelerated to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively. The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Consumer Banking portfolio as a whole, to recognise the greater degree of Inherent risk.

Although total loans to banks have increased by only $0.3 billion between December 2009 and December 2010, there has been a shift in the credit grade distribution between the credit grade 1-5 category and credit grade 6-8 category. Loans to banks in the credit grade 1-5 category have decreased as exposure has deliberately been shifted from the interbank market to highly rated sovereign counterparties. Exposure in the credit grade 6-8 category has increased due to an increase in trade finance business with financial institutions in our core markets. In the Wholesale Banking corporate portfolio, the negative credit grade migration observed during 2009 largely stabilised in 2010, in line with improving macroeconomic conditions across our footprint. This is also reflected in a sustained reduction in the number of accounts on early alert since the end of 2009.

During 2010 total loans to Wholesale Banking customers increased by $21.9 billion, or 20 per cent. As at 31 December 2010 only 2.9 per cent of the loans are either past due or individually impaired, a slight increase on 2009. The increase in loans has been driven equally by increases in lending, trade finance and corporate finance. The increased exposure in the credit grade 6-8 category is largely a consequence of increased activities in corporate finance, acquisition finance and syndicated lending, as Wholesale Banking deepens relationships with corporate clients in our key markets. The level of collateral taken against customers in this credit grade category range is generally higher than for customers in the credit grade 1-5 category.

Consumer Banking loans to customers have increased by $22.6 billion since 31 December 2009, with nearly 60 per cent of this growth being in the mortgage portfolio, which is well collateralised and has an average loan to value ratio of 51 per cent. Portfolio quality indicators have improved across all of our major markets and products during the year. The proportion of past due or individually impaired loans has decreased as a result of improving economic conditions in our footprint markets.

	2010				2009			
	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers
	$million	$million	$million	$million	$million	$million	$million	$million
Neither past due nor individually impaired loans								
– Grades 1-5	42,979	48,518	54,603	103,121	46,534	43,811	44,158	87,969
– Grades 6-8	9,263	55,577	35,521	91,098	5,485	38,375	21,570	59,945
– Grades 9-11	843	21,914	21,219	43,133	730	22,177	22,728	44,905
– Grade 12	19	1,564	1,983	3,547	30	2,034	2,246	4,280
	53,104	127,573	113,326	240,899	52,779	106,397	90,702	197,099
Past due but not individually impaired loans								
– Up to 30 days past due	5	223	2,587	2,810	2	369	2,522	2,891
– 31-60 days past due	1	190	412	602	–	98	406	504
– 61-90 days past due	–	137	223	360	–	71	239	310
– 91-150 days past due	–	–	181	181	–	–	222	222
	6	550	3,403	3,953	2	538	3,389	3,927
Individually impaired loans	249	3,209	927	4,136	286	2,474	1,030	3,504
Individually impairment provisions	(93)	(1,318)	(506)	(1,824)	(132)	(1,315)	(538)	(1,853)
Net individually impaired loans	156	1,891	421	2,312	154	1,159	492	1,651
Total loans and advances	53,266	130,014	117,150	247,164	52,935	108,094	94,583	202,677
Portfolio impairment provision	(2)	(309)	(451)	(760)	(2)	(355)	(519)	(874)
	53,264	129,705	116,699	246,404	52,933	107,739	94,064	201,803
Of which, held at fair value through profit or loss:								
Neither past due nor individually impaired								
– Grades 1-5	295	1,174	–	1,174	1,192	2,092	–	2,092
– Grades 6-8	904	4,118	–	4,118	855	870	–	870
– Grades 9-11	7	586	–	586	1	549	–	549
– Grade 12	–	168	–	168	–	–	–	–
	1,206	6,046	–	6,046	2,048	3,511	–	3,511
Estimated fair value of collateral:								
Held against past due loans	–	268	2,244	2,512	–	458	1,980	2,438
Held against individually impaired loans	–	460	522	982	–	557	601	1,158

Collateral and other credit enhancements possessed or called upon

During the year, the Group obtained assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees) the carrying value of which are detailed in the adjacent table. Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance they are returned to the borrower. Certain equity securities acquired continue to be held by the Group for investment purposes and are classified as available-for-sale and the related loan written off.

	2010			2009		
	Consumer Banking $million	Wholesale Banking $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total $million
Property	67	–	67	135	7	142
Debt securities and equity shares	–	3	3	–	2	2
Guarantees	–	–	–	25	–	25
Other	2	–	2	91	42	133
	69	3	72	251	51	302

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2010			2009		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
Net impaired securities:						
Impaired securities	**241**	**–**	**241**	231	–	231
Impairment provisions	**(180)**	**–**	**(180)**	(191)	–	(191)
	61	**–**	**61**	40	–	40
Securities neither past due nor impaired:						
AAA	**10,427**	**2,791**	**13,218**	10,706	630	11,336
AA- to AA+	**19,689**	**8,562**	**28,251**	21,246	9,618	30,864
A- to A+	**18,384**	**8,378**	**26,762**	17,770	10,757	28,527
BBB- to BBB+	**8,078**	**2,516**	**10,594**	7,243	1,930	9,173
Lower than BBB-	**2,947**	**1,361**	**4,308**	2,422	1,193	3,615
Unrated	**7,615**	**485**	**8,100**	5,805	389	6,194
	67,140	**24,093**	**91,233**	65,192	24,517	89,709
	67,201	**24,093**	**91,294**	65,232	24,517	89,749
Of which:						
Held at fair value through profit or loss	**11,817**	**6,198**	**18,015**	10,111	5,559	15,670

The impaired debt securities largely include the Group's holdings of asset backed securities, on which a $22 million (2009: $73 million) impairment charge was taken in 2010. There has been a marginal decrease in provisions on impaired securities since December 2009.

The above table also analyses debt securities and treasury bills that are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poor's or their equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating as described on page 55.

Unrated securities primarily relate to corporate issues. Using internal credit ratings, $6,775 million (2009: $5,674 million) of these securities are considered to be equivalent to investment grade and $1,325 million (2009: $520 million) below investment grade.

Asset backed securities

Total exposures to asset backed securities

	31 December 2010				31 December 2009			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities (RMBS)								
US Alt-A	**2%**	**64**	**32**	**25**	2%	74	42	31
US Prime	**–**	**1**	**–**	**–**	–	1	–	–
Other	**29%**	**779**	**740**	**715**	24%	819	767	708
Collateralised Debt Obligations (CDOs)								
Asset backed securities	**2%**	**65**	**10**	**10**	2%	77	13	10
Other CDOs	**12%**	**310**	**268**	**261**	10%	353	285	273
Commercial Mortgage Backed Securities (CMBS)								
US CMBS	**5%**	**131**	**117**	**110**	4%	139	122	108
Other	**22%**	**586**	**452**	**414**	19%	664	480	373
Other asset backed securities (Other ABS)	**28%**	**737**	**690**	**697**	39%	1,315	1,227	1,204
	100%	**2,673**	**2,309**	**2,232**	100%	3,442	2,936	2,707
Of which included within:								
– Financial assets held at fair value through profit or loss	**3%**	**86**	**85**	**85**	3%	103	97	97
– Investment securities – available-for-sale	**27%**	**724**	**499**	**499**	26%	903	608	608
– Investment securities – loans and receivables	**70%**	**1,863**	**1,725**	**1,648**	71%	2,436	2,231	2,002
	100%	**2,673**	**2,309**	**2,232**	100%	3,442	2,936	2,707

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

The carrying value of ABS represents 0.5 per cent (2009: 0.7 per cent) of our total assets.

The notional value of the ABS portfolio fell by approximately $769 million during 2010 due to natural redemptions in the portfolio and some asset sales. The difference between carrying value and fair value of the remaining portfolio is $77 million at 31 December 2010, benefiting from both the redemptions and a recovery in market prices in certain asset classes.

The credit quality of the ABS portfolio remains strong. With the exception of those securities subject to an impairment charge, 80 per cent of the overall portfolio is rated A or better, and 30 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market. The portfolio has an average credit grade of A+.

The Group reclassified some ABS 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 15 to the financial statements provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in 2010 or 2009.

Write-downs of asset backed securities

	Available-for-sale $million	Loans and receivables $million	Total $million
31 December 2010			
Credit to available-for-sale reserves	**68**	**–**	**68**
Charge to the profit and loss account	**(22)**	**(4)**	**(26)**
31 December 2009			
Credit to available-for-sale reserves	26	–	26
Charge to the profit and loss account	(70)	(7)	(77)

Country cross-border risk

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

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

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

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

Our cross-border exposure to China, India and UAE has risen significantly over the past year, reflecting our focus and continued expansion in our core countries. For China the increase was driven by both onshore and offshore loans to Chinese corporates and banks making increased use of more attractive foreign currency funding for their trading and business activities.

Increased cross-border exposure for India reflects growth in short term trade business and higher Corporate Finance activity. Cross-border exposure to the UAE has increased as we grew our core business with particular emphasis on the Abu Dhabi portfolio. In Qatar landmark government-related transactions significantly increased our exposure.

The decrease in our exposures to Korea reflects less demand for US dollar borrowings from Korean clients.

Cross-border exposure to countries in which we do not have a significant presence predominantly relates to short-dated money market activity, and some global corporate business. Such business is originated in our footprint countries with counterparties domiciled outside our footprint. This explains our significant exposure in the US and Switzerland as described in the table below.

The table below, which is based on our internal cross-border country risk reporting requirements, shows cross-border outstandings where they exceed 1 per cent of total assets.

	2010			2009		
	One year or less $million	**Over one year $million**	**Total $million**	One year or less $million	Over one year $million	Total $million
India	**13,117**	**12,706**	**25,823**	8,370	10,470	18,840
China	**12,623**	**7,131**	**19,754**	5,979	4,007	9,986
Hong Kong	**12,781**	**5,542**	**18,323**	12,410	4,856	17,266
US	**13,857**	**4,226**	**18,083**	14,484	5,604	20,088
United Arab Emirates	**5,927**	**10,717**	**16,644**	5,807	9,071	14,878
Singapore	**11,692**	**3,514**	**15,206**	13,135	3,411	16,546
South Korea	**7,488**	**5,846**	**13,334**	8,555	6,500	15,055
Switzerland	**3,918**	**2,362**	**6,280**	2,844	1,638	4,482
Qatar	**1,996**	**3,255**	**5,251**	840	2,044	2,884

Market risk

We recognise market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Our exposure to market risk arises principally from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

The GRC approves our market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. Market risk exposures have remained broadly stable in 2010.

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

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

Value at Risk

We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

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

We apply two VaR methodologies:

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

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

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

Back testing

To assess their predictive power, VaR models are back tested against actual results. In 2010 there was one regulatory back testing exception, and one in 2009. 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 weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

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

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

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

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

Market risk changes

Total average VaR declined in 2010 compared with one-year 2009. This stemmed mainly from the non-trading book VaR, and reflected decreasing volatility of credit spreads that followed a sharp increase after the collapse of Lehman Brothers in September 2008. The one-year historical data window applied as an input to the VaR model continued to reflect this period of particularly high credit spread volatility throughout most of 2009, but its impact tailed off in the second half of 2009. Average trading book VaR also declined in 2010 across asset classes.

There have been three significant changes of VaR coverage during 2009 and 2010, which have affected Total VaR as follows:

- Group Treasury positions were transferred from VaR to net interest income sensitivity basis from the start of 2010 (see details on page 73). This resulted in a $3.6 million reduction in total VaR in 2010
- The listed part of the private equities portfolio was included in non-trading VaR from October 2009 resulting in an increase of $3 million in total VaR
- Securities classed as loans and receivables or held to maturity were removed from VaR in June 2009. These non-traded securities (largely comprising asset backed securities re-classified in 2008) are accounted for on an amortised cost basis and are match funded, 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

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

	2010				2009			
	Average $million	**High[3] $million**	**Low[3] $million**	**Actual[4] $million**	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Trading and non-trading								
Interest rate risk[1]	**20.1**	**25.5**	**16.3**	**19.2**	37.3	46.7	24.7	25.5
Foreign exchange risk	**5.6**	**12.5**	**3.1**	**7.6**	7.8	16.1	3.5	5.0
Commodity risk	**1.9**	**4.0**	**0.7**	**3.5**	3.0	5.5	1.3	3.7
Equity risk	**9.5**	**11.3**	**6.9**	**10.7**	4.3	11.1	1.1	10.8
Total[2]	**22.1**	**31.0**	**17.3**	**25.2**	38.9	47.9	27.6	31.8
Trading								
Interest rate risk[1]	**8.7**	**11.9**	**5.1**	**6.7**	11.7	17.8	8.7	10.5
Foreign exchange risk	**5.6**	**12.5**	**3.1**	**7.6**	7.8	16.1	3.5	5.0
Commodity risk	**1.9**	**4.0**	**0.7**	**3.5**	3.0	5.5	1.3	3.7
Equity risk	**1.9**	**2.9**	**1.2**	**1.4**	2.7	3.6	1.0	2.5
Total[2]	**11.2**	**16.7**	**8.1**	**9.6**	14.5	19.3	9.9	13.2
Non-trading								
Interest rate risk[1]	**15.0**	**22.2**	**11.2**	**14.3**	32.4	41.0	20.8	22.2
Equity risk[5]	**9.4**	**10.8**	**8.1**	**10.0**	1.8	9.9	–	9.1
Total[2]	**17.4**	**23.2**	**13.5**	**16.9**	32.7	41.0	22.6	23.5

1 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days
4 Actual one day VaR as at period end date
5 Non-trading equity risk VaR was included only from October 2009. For the period October to December 2009, non-trading equity risk VaR average was $9.1 million, with a low of $8.7 million

Average daily income earned from market risk related activities

	2010 $million	2009 $million
Trading		
Interest rate risk	**4.8**	5.0
Foreign exchange risk	**4.7**	5.3
Commodity risk	**1.3**	1.0
Equity risk	**0.4**	0.4
Total	**11.2**	11.7
Non-Trading		
Interest rate risk	**3.6**	4.5
Equity risk	**0.5**	1.0
Total	**4.1**	5.5

Market risk VaR coverage

Interest rate risk from non-trading book portfolios is always transferred to Financial Markets where it is managed by local ALM desks under the supervision of local Asset and Liability Committees (ALCO). ALM deals 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 therefore applied to these non-trading book exposures (except Group Treasury, see below) in the same way as for the trading book, including listed available-for-sale securities. Securities classed as Loans and receivables or Held to maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis and are match funded, so market price movements have no effect on either profit and loss or reserves.

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

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. These are included as Level 3 assets as disclosed in note 15 to the financial statements.

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds are invested within the Group as capital or placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon (see table below).

This risk is monitored and controlled by the Group's Capital Management Committee (CMC).

Group Treasury NII sensitivity to parallel shifts in yield curves

	2010 $million	2009 $million
+25 basis points	**29.9**	14.0
–25 basis points	**(29.9)**	(14.0)

The increase in NII sensitivity is primarily due to the placement of the 2010 rights issue proceeds at the US Federal Reserve over the year end.

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves, which 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. With the approval of CMC, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. At 31 December 2010, the Group had taken net investment hedges (using a combination of derivative and non-derivative financial investments) of $1,112 million (31 December 2009: $644 million) to partly cover its exposure to Korean won and $nil million (31 December 2009: $94 million) to partly cover its exposure to Taiwanese dollars.

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group:

	2010 $million	2009 $million
Hong Kong dollar	**5,817**	5,852
Korean won	**5,266**	5,133
Indian rupee	**3,400**	2,828
Taiwanese dollar	**2,606**	2,071
Thai baht	**1,495**	1,291
UAE dirham	**1,343**	1,008
Singapore dollar	**841**	986
Malaysian ringgit	**1,047**	834
Chinese renminbi	**1,420**	795
Indonesian rupiah	**882**	595
Pakistani rupee	**614**	562
Other	**2,838**	2,293
	27,569	24,248

An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the US dollar exchange rates adjusted to incorporate the impacts of correlations between different currencies. The impact on the positions above would be an increase of $197 million (2009: $176 million). Changes in the valuation of these positions are taken to reserves.

Derivatives

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

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

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

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

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

Hedging

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

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

The use of interest rate swaps for the purposes of fair value and cash flow hedging increased in 2010 compared with 2009, as we continued to focus on liquidity management together with a more active balance sheet hedging strategy. Interest rate swaps used for cash flow hedges increased significantly compared with 2009, primarily to hedge floating rate mortgage exposures in Taiwan, and the increase in fair value hedges largely reflected the growth of fixed deposits and bonds in Hong Kong. Currency swaps for fair value hedging increased primarily to hedge the increased level of Medium term note issuances in the UK. Forward Foreign exchange contracts held for fair value hedging increased in line with the strategy to grow the Credit Trading business. Currency swaps held for cash flow hedges increased largely as a result of more active management of our mortgage book exposures in Korea.

We may also, under certain individually approved circumstances, enter into economic hedges that 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 we either do not have sufficient financial resources available to meet our obligations as they fall due, or can only access these financial resources at excessive cost.

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

The GALCO is the responsible governing body that approves our liquidity management policies. The Liquidity Management Committee (LMC) receives authority from the GALCO and is responsible for setting or delegating authority to set liquidity limits and proposing liquidity risk policies. 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 practices and local regulatory requirements. GMR and Group Treasury propose and oversee the implementation of policies and other controls relating to the above risks.

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

Policies and procedures

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

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

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

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

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

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

- Information on the concentration and profile of debt maturities
- Depositor concentration report to monitor reliance on large individual depositors

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

Primary sources of funding

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

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

Liquidity metrics

We also monitor key liquidity metrics on a regular basis, both 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 total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

	2010 $million	2009 $million
Loans and advances to customers[1]	**246,404**	201,803
Customer accounts[2]	**316,502**	256,746
	%	%
Advances-to-deposits ratio	**77.9**	78.6

1 See note 19 to the financial statements on page 178
2 See note 29 to the financial statements on page 190

Liquid asset ratio

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

	2010 %	2009 %
Liquid assets[1] to total assets ratio	**26.6**	26.2

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

Liquidity analysis of the Group's balance sheet

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.

Within the tables below cash and balances with central banks, loans and advances to banks, treasury bills and debt securities classified as trading, held at fair value or available for sale included within investment securities are used by the Group principally for liquidity management purposes.

	2010				
	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	**25,339**	**–**	**–**	**7,385**	**32,724**
Derivative financial instruments	**9,204**	**12,182**	**19,596**	**6,877**	**47,859**
Loans and advances to banks[1]	**39,800**	**10,715**	**2,391**	**358**	**53,264**
Loans and advances to customers[1]	**81,268**	**35,921**	**55,450**	**73,765**	**246,404**
Investment securities[1]	**20,269**	**32,564**	**29,091**	**13,641**	**95,565**
Other assets	**13,831**	**5,839**	**65**	**20,991**	**40,726**
Total assets	**189,711**	**97,221**	**106,593**	**123,017**	**516,542**
Liabilities					
Deposits by banks[1]	**26,565**	**2,258**	**498**	**153**	**29,474**
Customer accounts[1]	**269,213**	**37,464**	**6,943**	**2,882**	**316,502**
Derivative financial instruments	**9,159**	**11,887**	**19,606**	**6,481**	**47,133**
Debt securities in issue[1]	**10,817**	**9,052**	**13,691**	**1,131**	**34,691**
Other liabilities	**16,153**	**2,602**	**911**	**14,272**	**33,938**
Subordinated liabilities and other borrowed funds	**5**	**290**	**918**	**14,726**	**15,939**
Total liabilities	**331,912**	**63,553**	**42,567**	**39,645**	**477,677**
Net liquidity gap	**(142,201)**	**33,668**	**64,026**	**83,372**	**38,865**

[1] Amounts include financial instruments held at fair value through profit or loss (see note 15 to the financial statements)

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

[2] Amounts include financial instruments held at fair value through profit or loss (see note 15 to the financial statements)

Behavioural maturity of financial liabilities

As discussed on page 75 the Group seeks to manage its liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities. The cash flows presented on page 75 reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group's expectation of when such liabilities are likely to become payable is provided in the table below.

	2010					2009[1]				
	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**	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
Deposits by banks	**25,306**	**3,124**	**892**	**152**	**29,474**	34,764	3,252	812	115	38,943
Customer accounts	**130,275**	**49,199**	**113,105**	**23,923**	**316,502**	107,379	35,091	93,543	20,733	256,746
Total	**155,581**	**52,323**	**113,997**	**24,075**	**345,976**	142,143	38,343	94,355	20,848	295,689

[1] Customer accounts have been reclassified between maturity profiles

Financial liabilities (excluding derivative financial instruments) on an undiscounted basis

The following table analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'More than five years' maturity band are undated financial liabilities of $3,318 million (2009: $3,583 million), all of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful. Interest payments on these instruments are included within the maturities up to five years.

	2010				2009			
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Deposits by banks	**23,924**	**2,429**	**398**	**131**	34,548	2,930	982	84
Customer accounts	**258,243**	**36,672**	**6,023**	**1,783**	219,763	25,469	4,351	536
Financial liabilities at fair value	**12,304**	**2,996**	**3,038**	**4,060**	8,763	2,644	2,508	1,676
Debt securities in issue	**11,044**	**10,333**	**11,044**	**2,158**	9,012	6,976	5,893	5,336
Subordinated liabilities and other borrowed funds	**242**	**1,301**	**4,995**	**35,921**	1,437	985	7,072	22,851
Other liabilities	**16,015**	**2,678**	**624**	**9,025**	14,838	1,046	387	7,991
Total liabilities	**321,772**	**56,409**	**26,122**	**53,078**	288,361	40,050	21,193	38,474
Gross loan commitments	**61,642**	**18,746**	**13,476**	**1,739**	45,910	12,751	18,552	539

Derivative financial instruments on an undiscounted basis

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

	2010				2009			
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Derivative financial instruments	**285,164**	**187,036**	**126,684**	**21,961**	224,831	119,179	119,009	17,328

Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. We seek to minimise our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

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

Group Operational Risk is responsible for setting and maintaining standards for operational risk management and measurement. In addition specialist operational risk control owners have responsibility for the management of operational risk arising from the following activities Group-wide: legal processes, people management, technology management, vendor management, property management, security management, accounting and financial control, tax management, corporate authorities and structure and regulatory compliance. (Regulatory compliance risk is set out in more detail under Regulatory changes and compliance on page 51).

Each risk control owner is responsible for identifying risks that are material to the Group and for maintaining an effective control environment, which includes defining appropriate policies and procedures for approval by authorised risk committees.

Reputational risk

Reputational risk is the potential for damage to our franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation or its actions.

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

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

At country level, the Head of Corporate Affairs is the risk control owner and it is their responsibility to protect our reputation in that market with the support of the country management team. To achieve this, the Head of Corporate Affairs and Country Chief Executive Officer must actively:

- Promote awareness and application of our policy and procedures regarding reputational risk
- Encourage business and functions to take account of our reputation in all decision-making, including dealings with customers and suppliers
- Implement effective in-country reporting systems to ensure they are aware of all potential issues in tandem with respective business committees
- Promote effective, proactive stakeholder management through ongoing engagement

Pension risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. Pension risk exposure is not concerned with the financial performance of our pension schemes but is focused upon the risk to our financial position arising from our need to meet our pension scheme funding obligations. The risk assessment is focused on our obligations towards our major pension schemes, ensuring that our funding obligation to these schemes is comfortably within our financial capacity. Pension risk is monitored on a quarterly basis, taking account of the actual variations in asset values and updated expectations regarding the progression of the pension fund assets and liabilities.

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

Capital

A source of competitive advantage

Conservatively managing capital levels and mix, to ensure strong foundations

Our highlights and achievements in 2010

- **Strongly capitalised, well above our stated target ranges, with a focus on Core Tier 1, to support a conservative, diversified balance sheet**
- **Successful issue of shares and internal equity generation throughout the course of the year further strengthened our capital position**
- **Our capital position, allied with strong liquidity, continues to allow us to support our clients and seize business opportunities**
- **Capital implications of regulatory reform remain uncertain but with a strong capital position and low exposure to higher-risk asset classes and segments we engage from a position of strength**

The following parts of Capital form part of the audited financial statements: from the start of Capital Management on page 78 to the Total capital base in the table on page 80.

Capital management

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

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

The capital plan takes the following into account:

- Current regulatory capital requirements and our assessment of future standards
- Demand for capital due to business growth forecasts, loan impairment outlook and market shocks or stresses
- Forecast demand for capital to support credit ratings and as a signalling tool to the market
- Available supply of capital and capital-raising options

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

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

Current compliance with Capital Adequacy Regulations

Our lead supervisor is the UK's Financial Services Authority (FSA). The capital that we are required to hold by the FSA is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk review on pages 48 to 77.

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

The table on page 80 summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital, 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, Core Tier 1 capital has increased by $9,838 million since 31 December 2009. The 1-for-8 rights issue added $5.2 billion and was supplemented by retained profits of $4.4 billion and the issue of Indian Depository Receipts in June 2010 of $503 million. This was offset by an increase in goodwill and intangibles of $360 million.

Non-Core Tier 1 capital decreased by $107 million and Tier 2 capital increased by $30 million.

Basel II

The Group complies with the Basel II framework, which has been implemented in the UK through the FSA's general prudential sourcebook and its prudential sourcebook for Banks, Building Societies and Investment Firms.

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

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

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

Basel III

The Basel III rules text published in December 2010 by the Basel Committee on Banking Supervision (the BCBS) serves to bring together the details of global regulatory standards on bank capital adequacy and liquidity. While these give us greater clarity on the global regulatory standards and the various timelines for transition, some proposals are still under consideration by the BCBS and the Financial Stability Board, in particular the capital requirements for systemically important financial institutions.

The Group estimates that the impact of adjustments to risk-weighted assets and regulatory capital under both the proposed amendments to Basel II and the introduction of Basel III will be to reduce the Group's future Core Tier 1 capital ratio by up to 1 per cent. This estimate is unchanged in aggregate terms from the assessment disclosed at the time of the rights issue in October 2010.

In setting global regulatory standards, the BCBS has left significant discretion to individual regulators on the exact interpretation and implementation of Basel III and other proposed changes. At present, there remains significant uncertainty as to how the EU, the FSA, as the Group's lead regulator, and various other regulators in our key markets will seek to interpret and apply these arrangements. The Group believes, as it did at the time of the rights issue in October 2010, that it is prudent to assume the imposition of an accelerated timetable for the adoption of the new Basel III framework and that certain regulators are likely to take a conservative approach to the implementation of new capital buffers, resulting in higher effective minimum capital requirements than have yet been announced.

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

	2010 $million	2009 $million
Tier 1 capital:		
Called-up ordinary share capital	**1,174**	1,013
Eligible reserves[1]	**35,270**	25,001
Non-controlling interests	**332**	256
Less: excess expected losses[2]	**(664)**	(502)
Less: securitisation	**(132)**	(97)
Goodwill and other intangible assets	**(6,980)**	(6,620)
Other regulatory adjustments	**(60)**	51
Core Tier 1 capital	**28,940**	19,102
Innovative Tier 1 securities	**2,828**	2,860
Preference shares	**2,686**	2,694
Tax on excess expected losses[1]	**185**	163
Less: material holdings	**(326)**	(237)
Total Tier 1 capital	**34,313**	24,582
Tier 2 capital:		
Eligible revaluation reserves	**530**	253
Portfolio impairment provision	**266**	242
Less: excess expected losses	**(664)**	(502)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	**1,494**	1,535
Other eligible subordinated debt	**9,602**	9,547
Less: material holdings and securitisations	**(458)**	(335)
Total Tier 2 capital	**10,770**	10,740
Deductions from Tier 1 and Tier 2 capital	**(3)**	(57)
Total capital base	**45,080**	35,265
Risk weighted assets		
Credit risk	**202,333**	173,315
Operational risk	**26,972**	20,696
Market risk	**15,772**	19,912
Total risk weighted assets	**245,077**	213,923
Capital ratios		
Core Tier 1 capital	**11.8%**	8.9%
Tier 1 capital	**14.0%**	11.5%
Total capital ratio	**18.4%**	16.5%

1 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

2 Excess expected losses are shown gross

Risk weighted assets:

	2010 $million	2009 $million
Consumer Banking	**67,551**	53,215
Wholesale Banking	**177,526**	160,708
Total risk weighted assets	**245,077**	213,923
Hong Kong	**31,138**	24,706
Singapore	**29,294**	21,531
Korea	**25,707**	26,093
Other Asia Pacific	**46,896**	41,276
India	**19,247**	17,381
Middle East & Other S Asia	**32,952**	28,727
Africa	**11,220**	10,228
Americas, UK and Europe	**55,505**	52,921
	251,959	222,863
Less : Intra-group balances[1]	**(6,882)**	(8,940)
Total risk weighted assets	**245,077**	213,923

1 Intra-group balances are netted in calculating capital ratios

Risk weighted amounts[2]:

	2010 $million	2009 $million
Contingent liabilities	**15,266**	13,422
Commitments	**10,394**	8,856

2 Includes amounts relating to the Group share of its joint ventures

Risk weighted assets (RWA) increased by $31.1 billion, or 15 per cent, compared with December 2009, with an increase in Wholesale Banking and Consumer Banking of $16.8 billion and $14.3 billion respectively. Wholesale Banking RWA growth was concentrated in Americas, UK and Europe, Other Asia Pacific, Hong Kong, Singapore, Middle East and Other South Asia partly offset by Korea. Consumer Banking RWA growth was mainly in Other Asia Pacific, Singapore, Korea, Hong Kong and India.

Credit risk RWA increased by $29 billion, or 17 per cent, largely driven by a Wholesale Banking increase of $15.9 billion. The growth in Wholesale Banking was driven by good levels of asset growth in Transaction Banking and Lending of $19.2 billion, credit migration of $2.6 billion, which reduced significantly from $13.2 billion in the previous year. Other RWA increases of $0.7 billion were offset by RWA efficiencies of $3.8 billion (essentially due to higher collateral recoveries) and Portfolio Management benefits of $2.8 billion.

The growth in Consumer Banking credit risk RWA ($13.1 billion) primarily arose from strong growth in the retail unsecured, SME and retail mortgage portfolios across Other Asia Pacific, Hong Kong, Singapore, Korea and India.

The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate and foreign exchange risk as well as market risk arising from precious and base metals trading. In November 2010, the approval was extended to cover energy and agricultural trading. Positions outside the CAD2 scope are assessed according to standard FSA rules.

At 31 December 2010 our market risk RWA was $15.8 billion (31 December 2009: $19.9 billion). The reduction was due to the inclusion of energy and agricultural trading into the CAD2 internal model. Of the total market risk RWA, 24 per cent is CAD2 internal model and 76 per cent is standard rules.

Operational risk RWA increased by $6.3 billion, or 30 per cent. Given that this is primarily determined by the change in income over a rolling three-year time horizon, the growth reflects the strong performance of the Group over that period.


AD 195
FREEDOM AND

Corporate governance

Board of directors

1. John Peace
Chairman
John Peace joined the Board as Deputy Chairman in August 2007. He was appointed Acting Chairman on 14 January 2009, and Chairman on 2 July 2009. John is chairman of Experian plc and Burberry Group plc. He is also a member of the board of governors of Nottingham Trent University, deputy lieutenant for the County of Nottinghamshire and a fellow of the Royal Society of Arts. Between 2000 and 2006, he was chief executive of GUS plc, having joined the board in 1997. With a strong financial services, retailing background and chairmanship experience, John brings extensive international experience and exemplary governance credentials. He has a thorough working knowledge of Asia. Age 62.

2. Peter Sands
Group Chief Executive
Peter was appointed Group Chief Executive on 20 November 2006. He joined the Board on 14 May 2002 as Finance Director, with responsibility for finance, risk, strategy and technology and operations. He joined Standard Chartered from consultancy McKinsey & Company, where he was a director working in the banking and technology sectors in a wide range of international markets. Age 49.

3. Rudy Markham
Senior Independent Non-Executive Director
Rudy was appointed to the Board on 19 February 2001. He is a non-executive director of Legal & General Group Plc, AstraZeneca PLC and United Parcel Service, Inc., a member of the board of the Financial Reporting Council and a member of the Supervisory Board of CSM.nv. He is also non-executive chairman of Moorfields Eye Hospital and non-executive director of the Operational Board of the Foreign and Commonwealth Office. He served as chief financial officer at Unilever from 2000 to 2007, having joined the board in 1998 as strategy and technology director. Rudy has considerable knowledge of the markets in which we operate and, through his time at Unilever, broad experience in one of the world's most successful international corporations, gaining multinational financial experience. Whilst serving on the Board he has demonstrated a detailed understanding of financial, risk and governance issues. Rudy has demonstrated excellent stewardship as Chairman of the Audit Committee, and as a result of his length of service and commitment, he provides an in-depth knowledge of the Group that is invaluable to the Board, the Audit Committee, the Board Risk Committee and the Nomination Committee. Age 65.

4. Richard Meddings

Group Finance Director

Richard was appointed Group Finance Director on 20 November 2006, and is responsible for finance, corporate treasury, group strategy, corporate development and risk. Richard joined the Board on 16 November 2002 as Group Executive Director with responsibility for risk and Group Special Assets Management. In February 2004 he assumed responsibility for legal and compliance, and from March 2005, added responsibility for growth and governance across Africa, the Middle East, Pakistan, the UK, Europe and the Americas. He joined Standard Chartered from Barclays PLC, where he served as chief operating officer Barclays Private Clients, and prior to that as group financial controller. He was group finance director of Woolwich plc. He is a non-executive director of 3i Group plc and is a member of the Governing Council of the International Chamber of Commerce UK. Age 53.

5. Steve Bertamini

Group Executive Director

Steve was appointed Group Executive Director and Chief Executive, Consumer Banking on 1 June 2008. He previously spent 22 years with GE, most recently as chairman and chief executive of GE North East Asia. He was appointed president of GE Capital Asia in January 2001, and assumed responsibility for the conglomerate's merger and acquisition business in the Asia-Pacific region from 2004. Age 46.

6. Jaspal Bindra

Group Executive Director

Jaspal was appointed as Group Executive Director from 1 January 2010, keeping his responsibilities for growth and governance in Asia. Jaspal joined the Bank in 1998 and is a director of Standard Chartered Bank. He has a wide range of international experience, including Global Head of Client Relationships where he played a key role in the introduction of the client-focused strategy that has served Wholesale Banking so well. As Chief Executive Officer in India, he oversaw the successful acquisition and integration of Grindlays Bank and set India on its path to become the largest profit contributor in the Group today. Age 50.

7. Richard Delbridge

Non-Executive Director

Richard joined the Board on 1 January 2010. He is a non-executive director of University College London Hospitals Foundation Trust. In 1976, he joined JPMorgan and was group comptroller and later managing director of the London offices. In 1989, he was appointed director, group finance, at Midland Bank plc, later becoming group finance director, HSBC Holdings plc. In 1996, Richard was appointed director and group chief financial officer of National Westminster Bank Plc, a position he held until April 2000. Richard's previous non-executive directorships include Tate & Lyle PLC, JPMorgan Cazenove, Fortis NV, Fortis SA/NV, Balfour Beatty plc, Gallaher Group Plc, Innogy plc and Egg plc. He was a council member and treasurer of the Open University for eight years until 2009. Richard brings with him banking and financial accounting knowledge. Age 68.

8. Jamie Dundas
Non-Executive Director
Jamie was appointed to the Board on 15 March 2004. He is chairman of Jupiter Fund Management plc and deputy president and former chairman of Macmillan Cancer Support. Over his career, Jamie has been a non-executive director of J Sainsbury plc and Drax Group plc, chief executive of UK-based property company MEPC, finance director of the Airport Authority Hong Kong and a director of Morgan Grenfell & Co Limited. Jamie brings to the Board significant high level experience in Hong Kong and a strong background in banking, including a deep understanding of the wholesale banking marketplace. Age 60.

9. Dr Han Seung-soo, KBE
Non-Executive Director
Dr Han is a former prime minister of the Republic of Korea and joined the Board on 1 January 2010. He has a distinguished political, diplomatic and administrative career serving as deputy prime minister and minister of finance, foreign affairs, and industry and trade before serving as prime minister in 2008 and 2009. He also served as Korean ambassador to the US, chief of staff to the president, president of the 56th Session of the United Nations General Assembly, special envoy of the UN Secretary-General on Climate Change and chairman of the 2009 OECD Ministerial Council Meeting in Paris. He is currently chairman of the Global Green Growth Institute as well as a member of the UNSG's High-Level Panel on Global Sustainability. Dr Han brings with him valuable knowledge of Asia and economics. Age 74.

10. Val Gooding, CBE
Non-Executive Director
Val was appointed to the Board on 1 January 2005. She is a non-executive director of J Sainsbury plc, the Lawn Tennis Association and the BBC. She is a member of the advisory board of the Warwick Business School, a trustee of the British Museum, lead non-executive director of the departmental board at the Home Office and a member of the advisory committee of Virgin Group. Between 1998 and 2008, Val was chief executive officer of healthcare organisation BUPA, which she joined from British Airways where she held several executive positions. One of Britain's most internationally recognised businesswomen, Val has a high level of knowledge of financial services and regulation, marketing and customer service as well as people management and corporate strategy. Age 60.

11. Simon Lowth
Non-Executive Director
Simon was appointed to the Board on 1 May 2010. He is an executive director and chief financial officer of AstraZeneca PLC. Previously, he was financial director of Scottish Power plc and has 15 years' experience at McKinsey & Company, latterly as a senior director. Simon brings to the Board significant financial and risk management experience gained from his time with AstraZeneca PLC and Scottish Power plc. Age 49.

12. Ruth Markland
Non-Executive Director
Ruth was appointed to the Board on 3 November 2003. She is chairman of the board of trustees of charity WRVS and a non-executive director of The Sage Group plc and a member of the supervisory board of Arcadis NV. She was a partner at international law firm Freshfields Bruckhaus Deringer, managing their Asian offices. Having lived in Singapore and Hong Kong for a total of 16 years, Ruth has significant expertise in Asia and a deep understanding of the regulatory environment. Age 58.

13. John Paynter
Non-Executive Director
John was appointed to the Board on 1 October 2008. He is a non-executive director of Jardine Lloyd Thompson Group plc, a non-executive director of Standard Life Investments Limited and Standard Life Holdings Limited and is a senior advisor to Greenhill and Co. International LLP. He was previously vice chairman of JPMorgan Cazenove. He joined Cazenove in 1979, where he worked for 29 years. He was appointed partner in 1986 and later headed corporate finance, its largest business. John brings a wealth of experience in the fields of corporate broking, financial advisory and institutional investor knowledge. He has a deep understanding of financial markets and the corporate sector. Age 56.

14. Mike Rees
Group Executive Director
Mike was appointed to the Board on 4 August 2009. He joined Standard Chartered in 1990 as chief financial officer for treasury, and was appointed regional treasurer in Singapore, responsible for our South East Asia treasury businesses, in October 1994. He was appointed Head of Global Markets in late 2000, and two years later was appointed Chief Executive, Wholesale Banking, with responsibility for all wholesale banking products in addition to his responsibilities for global markets products. Age 55.

15. Paul Skinner
Non-Executive Director
Paul was appointed to the Board on 3 November 2003. He is chairman of the advisory board of Infrastructure UK, a division of HM Treasury, mandated to bring a strategic focus to infrastructure development as a driver of economic growth in the UK. He is also a non-executive director of L'Air Liquide SA and the Tetra Laval Group and of the public interest body of PricewaterhouseCoopers. He was formerly group managing director of Royal Dutch Shell and chief executive officer of its global oil products business. Following his retirement from Shell in 2003 he was chairman of Rio Tinto from 2003 to 2009. He has also recently served as chair of the Commonwealth Business Council, as a member of the Defence Board of the Ministry of Defence and as a board member of the INSEAD business school. Paul has extensive experience of customer-facing global businesses across our geographical footprint and of managing a large global commodities trading business. Age 66.

16. Oliver Stocken
Non-Executive Director
Oliver was appointed to the Board on 1 June 2004. He is chairman of Home Retail Group plc, Oval Limited and Stanhope Group Holdings Limited. He is also chairman of the MCC and chairman of the trustees of the Natural History Museum. Previously he was deputy chairman of 3i Group plc and finance director of Barclays PLC. Oliver's financial, banking and international experience makes him a valuable contributor to the Board. Age 69.

17. Annemarie Durbin
Group Company Secretary

Senior management

Group Management Committee

The Group Management Committee as at 2 March 2011 comprises the executive directors of Standard Chartered PLC and the following senior executives:

1. Tracy Clarke

Tracy joined Standard Chartered in 1985. She is Group Head of Human Resources and Communications. She has previously held the positions of Group Head of Corporate Affairs, Head of the Group Chief Executive's Office and other banking roles in the UK and Hong Kong. She is a non-executive director of eaga plc. Age 44.

2. Richard Goulding

Joined Standard Chartered in 2002. Richard is Group Chief Risk Officer. He was previously the Chief Operating Officer of Wholesale Banking. Prior to joining the Group he was chief operating officer of Old Mutual Group Financial Services and before that was a member of the global executive board of UBS investment banking division. Age 51.

3. Tim Miller

Tim joined Standard Chartered in 2000. He is Director, Property, Research and Assurance and has responsibility for corporate real estate, compliance and regulatory risk, legal and global research. He also has functional responsibility for internal audit and the corporate secretariat. He was previously Group Head of Human Resources. He is Chairman of Standard Chartered First Bank Korea Limited and Standard Chartered Korea Limited. He is also a non-executive director of Michael Page International plc and chairman of the Governing Body of the School of Oriental and African Studies. Age 53.

4. V Shankar

Joined Standard Chartered in 2001. He is CEO, Europe, Middle East, Africa and Americas and Chairman of The Standard Chartered Private Bank. He has previously held the position of Group Head, Origination and Client Coverage and Group Head, Corporate Finance. He is a member of the board of the Inland Revenue Authority of Singapore and a member of the National Integration Council and the board of trustees of Sinda, Singapore. Age 53.

5. Jan Verplancke

Jan joined Standard Chartered in 2004. He is Chief Information Officer and Group Head of Technology and Operations and is responsible for all systems development, technology support and banking operations. He is a non-executive director of Scope International Private Limited and Standard Chartered Bank (China) Limited, and a non-executive director of Monitise Plc. Prior to joining the Group he was chief information officer – EMEA at Dell. Age 47.

Corporate governance
Delivering sustainable shareholder value

“A highly effective board is about culture, behaviours and values underpinned by robust processes.”

John Peace
Chairman

In 2010 I was particularly pleased with the way that we used individualised tailored engagement plans to ensure that each non-executive director maintained the skills, knowledge, exposure and information needed to be fully effective. I can confirm that I conducted a rigorous review of the effectiveness of each director. Rudy Markham, in his role as Senior Independent Director, was similarly rigorous in the assessment of my contribution to the Board. This year we will propose all directors for re-election as we believe that this will not adversely impact directors’ focus on promoting the long-term success of the company.

I strongly believe that Standard Chartered’s open culture where board members have unfettered access to information and people across the network is a critical enabler for the Board’s overall effectiveness. It was notable that the non-executive directors made 40 visits to countries across our footprint in 2010 (up from 23 in 2009). This is one factor that demonstrates the high commitment of the directors to their roles.

As Chairman, promoting standards of exemplary corporate governance is central to my role. Engaging with shareholders is one key aspect of effective corporate governance. In this context I am pleased to introduce and endorse this Corporate Governance report. You will notice that the style of this report is less formal and more discursive than in previous years. The aim is to provide you with a richer, more textured flavour of how the Board and its committees fulfil their governance responsibilities on an ongoing basis.

John Peace
Chairman
2 March 2011

Dear Shareholder

2010 was a year of progress and evolution for the Board, particularly in relation to the Board’s composition and the use of board committees.

Three new independent non-executive directors joined the Board. These appointments brought deeper levels of banking and finance experience to the table as well as broader geographic representation from across our footprint.

We believe in regularly refreshing the Board’s composition. In this respect, over the past five years there have been nine appointments and 10 directors have stepped down from the Board. We believe that it is important to have the right balance between directors with a deep and longstanding knowledge of the organisation built up over a number of years and new joiners who add a fresh perspective to the Board’s deliberations.

Assessing and improving the Board’s effectiveness is something that happens continuously rather than being concentrated into a formal annual review process. In 2009 we conducted an intensive internal corporate governance review over a period of months, which led to the changes in Board composition and the re-configuration of our board committee structure.

In 2010 we appointed Boardroom Review to facilitate the Board’s effectiveness evaluation. Dr Tracy Long conducted interviews with all Board members, prepared a report and stimulated a Board conversation regarding her observations. The evaluation almost totally confirmed the views that we had internally and I see this as a good indicator of the openness that exists within the Board and between the Board and the executives. It was particularly useful to gain an external perspective and Dr Long provided greater insight into board effectiveness practices used by other companies.

We created separate Audit and Risk Committees during the year and enhanced the remit of the Brand and Values Committee. We now have four primary board committees and two enabling board committees. As described later in the report, these are operating well and we have enhanced the linkages between these committees with the Board as a whole. The linkages between the committees are critical given that it is impractical for all non-executive directors to be members of all of the committees.

We believe that a highly effective board is about chemistry and behaviour, although it is important to ensure that there are good processes that underpin and enable the Board and the directors to maximise their effectiveness. As Chairman I strive to create an inclusive environment where open debate and constructive challenge is encouraged within the context of a cohesive unitary Board.

Our highlights

- Smooth induction and integration of three new independent non-executive directors and one executive director to the Board
- Evolution of individualised engagement plans for each non-executive director
- Separated our Audit and Risk Committee, established a Governance Committee and enhanced the remit of the Brand and Values Committee
- Enhanced the linkages between the Board and its committees
- Commissioned an independent survey to gauge investor perceptions
- Made space for deeper and broader discussions on key strategic issues
- Created more informal opportunities for the Board to discuss strategic issues
- Oversight of a succesful rights issue
- Undertook an externally facilitated Board effectiveness evaluation

Our priorities in 2011

- Continue to focus on the prevailing external conditions and the potential impact on our strategy and business model
- Maintaining the right balance in pursuing growth opportunities in tandem with appropriate governance, systems, controls, processes and information flows
- Nurturing the Group's corporate culture, values and Here for good brand promise as the Group continues to grow
- Continue to focus on dynamic yet structured Board, committee and senior executive succession planning
- Continue to balance formal and informal opportunities to focus on key strategic opportunities and risk factors

Who is on our Board?

We have 16 members on the Board: the Chairman, five executive directors and 10 non-executive directors. A list of the individual directors and their biographies are set out on pages 84 to 86. Details of board committee membership are set out on page 95 of this report.

We welcomed Dr Han Seung-soo, KBE and Richard Delbridge as independent non-executive directors on 1 January 2010, and Simon Lowth as an independent non-executive director with effect from 1 May 2010.

We believe that it is important to have a broad representation of executive directors on the Board and in this context we welcomed Jaspal Bindra with effect from 1 January 2010. He forms part of Standard Chartered's strong executive management team. We believe that the quality of the executive management is one of the biggest drivers of long-term value creation for shareholders. The Board thanks Gareth Bullock who stepped down from being an executive director on 1 May 2010.

Our Board reflects diversity in terms of both gender and ethnic background, and is regularly refreshed. The average length of tenure is 4.2 years. Five new directors have been appointed over the last two years. We are mindful of the need to balance the composition of our Board and its committees, drawing upon the in-depth knowledge and experience held by our longer serving directors whilst embracing the fresh perspectives offered by more recent joiners to the Board.

What has our Board done during the year?

The Board is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides leadership through oversight, review and by providing guidance whilst setting the strategic direction.

Over the year, amongst other things, the Board has been engaged with overseeing the review and execution of our clearly defined strategy and in probing its underlying assumptions. The Group is managed through a matrix of businesses, functions and geographies. The Board has been engaged in a continuous strategic dialogue and undertaken reviews through each of the three lenses of the matrix. It is not possible to cover all areas in this report. In addition to regular business reviews, from a geographic perspective, the Board's strategic reviews included Greater China, Korea, sub-Saharan Africa, India, the United Arab Emirates, Hong Kong and Taiwan. The Board has also considered and approved our capital and liquidity management plan, and the Group's risk appetite statement in addition to considering people, talent, culture and succession planning matters. Deeper-dive discussions have focused on the potential impact of regulatory change for our strategy and structure; continued capital and liquidity strength; the balance and disciplines applied to organic and inorganic growth opportunities; and a relentless focus on the importance of our values and culture as the Group continues to grow.

The full schedule of matters reserved for the Board together with the board committees' terms of reference are available on www.standardchartered.com

Given the fast-changing external environment and volatile markets, the Board understands the importance of remaining cognisant of changes in the regulatory and political environment. The Board is aware that our strategic performance and management of risk is closely linked to the prevailing economic and market conditions. The executive team ensures that the non-executive directors receive comprehensive intelligence on the economic and competitive landscape.

During 2010 we estimate that each non-executive director spent at least 30 days on Board related duties and for those who sat on multiple committees up to 100 days or more.

Our non-executive directors travel extensively and have the opportunity to validate the strategy and gain an on the ground understanding of the opportunities and risks that we face, engage with local management and country leaders whilst acting as ambassadors for Standard Chartered in meetings with customers and regulators.

Snapshot of overseas trips
Whilst in Beijing, the Board visited the Beijing branch, and hosted a dinner attended by more than 30 distinguished guests from the Chinese government, the British Embassy and some of our key clients. 40 members of staff attended a lunch with the Board. In Tianjin, Rudy Markham and Oliver Stocken attended the opening of our 59th sub-branch in China. Ruth Markland had a factory tour of Zongshen Group, one of the top motorcycle manufacturers in China, and participated in an environmental education programme together with 10 employee volunteers from our Chongqing branch.

There are also open invitations to attend key management committee meetings and senior leadership team gatherings. We believe that it is beneficial for most of these visits to be unsupervised and non-executive directors are actively encouraged to engage with a broad array of employees, clients/customers, regulators and the wider communities they visit.

For example, Jamie Dundas travelled to Mumbai and Delhi with the British Deputy High Commissioner in Mumbai to discuss the Indian economy. Jamie also met with local senior management and employees at a local branch in Mumbai; met small and medium-sized enterprises (SMEs) and Private Bank clients in addition to receiving an update and witnessing first hand our local sustainability initiatives. On a trip to Hong Kong and Shenzhen, Val Gooding visited branches and a call centre, attended a presentation on our branding, marketing and customer service strategy, and met with senior management. Rudy Markham and Richard Delbridge both visited our shared service centres in Chennai and Kuala Lumpur during the year.

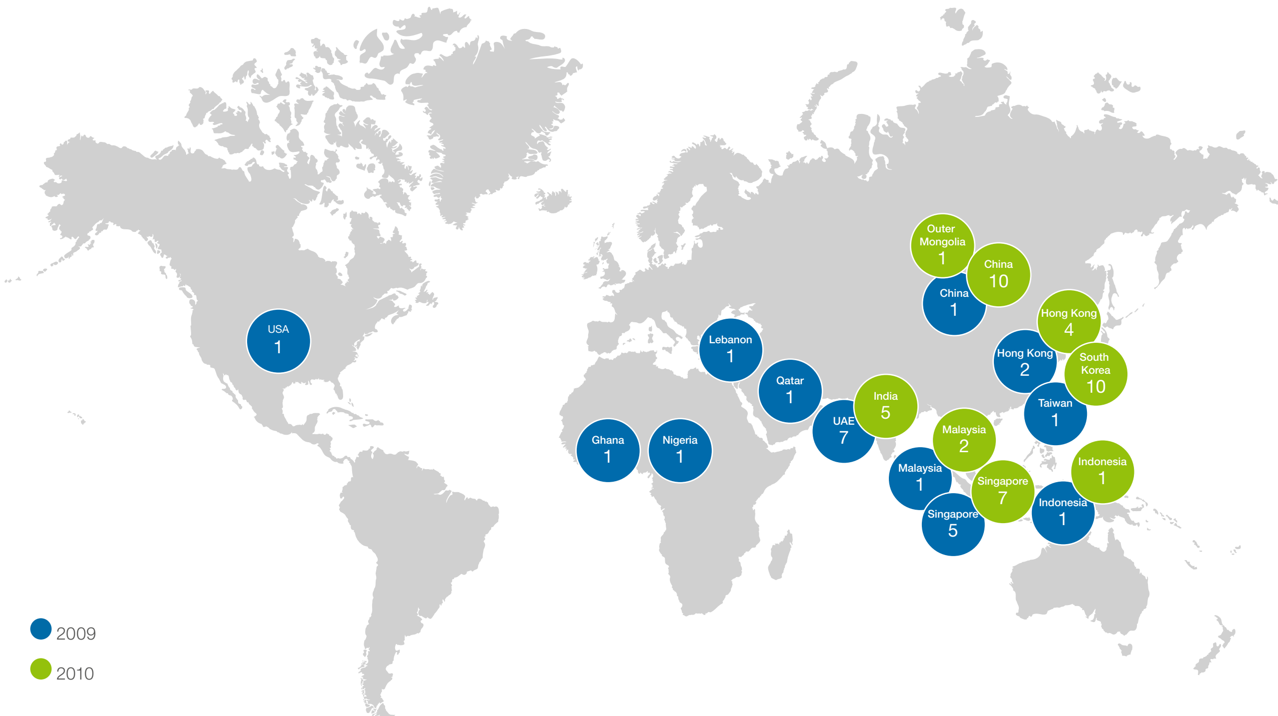
In total, our non-executive directors conducted 40 visits to overseas markets during the year. This was increased from 23 visits the previous year and is a testimony of their commitment levels.

How do we ensure that we have an effective Board?

A core component of Standard Chartered is our open, accessible and transparent culture where dialogue and constructive challenge is actively encouraged and embraced. In addition to these qualities, well organised internal processes are in place to maximise the value of the Board's strategic contribution. These include the use of twelve-month rolling agendas, away days and carefully structured Board agendas.

The strategic away sessions held in Korea over three days presented a great opportunity for strategic reflection affording the Board sufficient time to examine emerging risks and opportunities in detail. This provided a useful forum for comprehensive consultation, debate and challenge. In 2010, in addition to concentrating on the strategic review in this three-day session, a mix of formal and informal strategic conversations were held throughout the year so that directors could engage even more deeply with key opportunities, risks and issues.

Visits made to our markets by non-executive directors in 2010 and 2009



Agricultural Bank of China presentation and signing ceremony
In 2010, Standard Chartered formed a strategic partnership with the Agricultural Bank of China and became a cornerstone investor in their initial public offering in Hong Kong

Rudy Markham and Oliver Stocken visit the construction site of our new building in Tianjin

Pottery workshops with HIV affected children
20 children from Henan – beneficiaries of our long-term partner, Chi Hong foundation – had the opportunity to participate in a pottery workshop with our Board

To ensure that our non-executive directors maintain the requisite knowledge and understanding to enable them to challenge effectively, they are provided with a personalised approach to induction, training and development. Each non-executive director agrees an annual individualised engagement plan with our Chairman. These plans are dynamic in nature and are reviewed regularly. They ensure each non-executive director receives the appropriate support to enhance their effectiveness. It also means that non-executive directors are clear about the expectations placed upon them regarding continued development. The engagement plans provide each non-executive director with key development briefing sessions and deeper dives into relevant topics.

We believe that it is vital that non-executive director development is tailored to the specific issues affecting Standard Chartered so that the development is of high quality, relevance and value. Directors receive briefings from our senior executives, and sessions are arranged with our advisors. For example, as described in the Board Risk Committee report, Jamie Dundas and other members of the newly formed Committee participated in a wide array of briefing sessions and engagements with risk professionals to ensure that they were fully equipped to fulfil their new roles in the Board Risk Committee.

Our non-executive directors are fully supported by our Corporate Secretariat team. The team provides advice and guidance as well as access to additional sources of information and plays a key role in assisting and enabling the non-executive directors to undertake their engagement plans and to monitor progress. In addition our non-executive directors can take independent professional advice at the expense of Standard Chartered in furtherance of their duties.

How does the Board ensure that regard is given to customers, shareholders, regulators, communities and other stakeholders?

Customers and clients

The Board's identification of new markets and geographies relies on an understanding of current and future customer needs, behavioural changes and trends and an assessment of business opportunities. Our corporate culture is client/customer focused, putting them at the heart of our strategy and focus. For example, throughout the year the Board reviewed the Group's strategy regarding key client segments such as Local Corporates and SMEs. Our open approach offers non-executive directors a better understanding of how our strategy is being communicated throughout Standard Chartered, while providing valuable opportunities to meet and build relationships with the wider senior leadership including potential successors to the Board.

Investors

In 2010 an independent survey was undertaken to gauge investor perceptions of Standard Chartered. In order to identify areas of strength, weakness, changes in opinion or areas of misunderstanding, investors were asked for their views in a number of areas including strategy, management, capital liquidity and risk, corporate and social responsibility and corporate governance. A total of 23 investors took part in the survey representing 42.5 per cent of our issued share capital at the time. The survey found that our shareholders hold Standard Chartered in high regard and that they consider us to be a high quality company with a strong management team who take a conservative approach to running the business. The Group's high performance is attributed to a combination of the diverse nature of our business and the excellent operational control exercised by management in the areas of risk, liquidity and capital. Our Board recognises that the relationship that we enjoy with our shareholders is a key strength and the Board will continue to nurture this. There is widespread support for our strategy, and its execution; no concerns were expressed regarding our corporate governance practices. Shareholders view Standard Chartered as having performed through the crisis. Responses to the survey credited management for the way in which the strategy was executed so successfully despite the challenging economic environment.

Meetings with major shareholders

We aim for the highest standards of corporate governance, and in pursuit of this objective, follow an approach that complies with all provisions of the UK Financial Reporting Council's UK Corporate Governance Code, (the Code) and with Appendix 14 of the Hong Kong Listing Rules, save one exception: under the code, all non-executive directors are formally required to meet with major shareholders as part of their induction programmes. Our Board received regular updates on the views of our institutional shareholders and stakeholders including a presentation from four institutional shareholders on their views of the Company as an investment. Our Board openly seeks the views of our shareholders and during the year, the Chairman, Group Chief Executive and Group Finance Director met with six investors from our top 20 investors.

Our Remuneration Committee is strongly supportive of an ongoing, open dialogue and regularly communicates with a variety of stakeholders. Throughout the year the Committee Chairman, Ruth Markland, actively engaged with external bodies such as institutional investors, regulators and other advisory bodies. Over the last 18 months she has corresponded and met with our primary regulator, the Financial Services Authority, on a number of occasions regarding the recent changes in remuneration regulations. In addition, she has met with institutional investors regarding proposed discretionary share

Boardroom Review's summary of the five major strengths demonstrated by the Board

The quality of the Board's strategic contribution	The Board's focus on the external environment and the management of influential stakeholders	The quality of the executive team	The culture and diligence of the Board	The Board's processes and support
This is demonstrated by ongoing strategic discussions throughout the year, and an effective strategy board session. The Board has strategic clarity and there is continuous strategic dialogue throughout the year in conjunction with a rolling agenda and deep dives into complex business areas.	The Board demonstrates this by effective engagement with regulatory and political change, the competitive landscape, attention to customers, and management of shareholders.	This is evidenced by the high levels of understanding and knowledge of the business that exist, attention to corporate culture and leadership, and alignment with the long-term objectives of the business.	The Board demonstrated this by an open and transparent approach, high levels of non-executive director engagement, oversight and diligence, appropriate levels of formality, and the leadership of the Chairman.	This is evidenced by the provision of high quality information, well structured agendas and a professional and well resourced secretariat team. As part of the review, the directors identified two main themes that warranted further greater visibility by the Board going forward: firstly, the importance of ensuring that the right balance is maintained in pursuing business growth with support by the various systems, controls, processes, information flows and corporate culture; and secondly, the need to continue to focus upon board and executive succession planning.

scheme arrangements. More detail can be found in the Directors' remuneration report on pages 106 to 125.

John Peace and the executive team ensure that the Board is aligned with the long-term interests of shareholders through the use of both formal and informal channels of communication. There is regular feedback to the Board on any issues or concerns that have been raised by shareholders. Following any market announcements such as our results, pre-close and interim management statements any significant shareholder feedback is shared with the Board.

What were the findings of our independent externally facilitated Board effectiveness evaluation?

Reviewing effectiveness is an ongoing process with adjustments continuously being made. In 2009 we conducted an intensive internally facilitated corporate governance review. This took into account emerging governance trends arising from the Walker and the UK Financial Reporting Council reviews and resulted in many of the Board composition and committee changes outlined in this report. In 2010 we commissioned an independent external board effectiveness facilitator (Boardroom Review) to assist our Board to evaluate its effectiveness. The evaluation was designed to assess the quality of the Board's decision making and debate, its overall contribution to, and impact on, the long-term health and success of the Company, and its preparation for future challenges. This independent external evaluation covered a variety of aspects associated with board effectiveness and was conducted through the use of confidential interviews with all 16 directors and the review of selected papers. Following the review, Dr Long, of Boardroom Review, attended a Board session to stimulate a discussion on the observations arising from the evaluation. As a result an action plan to address the key findings has been formulated.

A summary of the key observations emerging from the 2010 evaluation and the action to be taken is included in the table on page 93 together with a further update on the observations arising from the 2009 evaluation.

Individual director and Chairman effectiveness reviews

In addition to the review of the Board's effectiveness, each individual director discussed his or her self assessment with the Chairman on a one-to-one basis. These discussions included details of time commitment including (where relevant) the potential impact of outside interests held by each non-executive director, engagement plan implementation and other broader contributions to the Board. Outlines for future engagement plans were covered providing a guideline for the activities that every non-executive director intends to undertake over the next 12 to 18 months in order to continue to build on their understanding of our business. In relation to those directors with longer tenure, continued independence of mindset and perspective was considered specifically. The Chairman reported the outcome of these discussions to the Nomination Committee, which used this information as part of its consideration leading to recommending to the Board the re-election of all directors at our Annual General Meeting.

Part of Rudy Markham's role as Senior Independent Director is to facilitate a review of John Peace's performance. He obtained feedback from every Board member as part of this process. As a result it was concluded that John has the unanimous support of the Board for his leadership of the Board. His effectiveness was also noted as a strength in the externally facilitated board effectiveness evaluation. The Board drew great encouragement from the progress made by the Group during the year, noting that John's contribution to this has been significant. In particular, the Board welcomed the opportunities John has created for informal and reflective discussion on issues of longer-term significance.

In addition to attending the overseas Board meetings in Seoul and Beijing, John Peace visited Singapore and Shanghai twice; Hong Kong, Taiwan, Bahrain, India, and the USA. The Board recognised this external representation as evidence of John's commitment to Standard Chartered.

Summary of some of the observations arising and actions taken as a result of the Board's effectiveness review

2010		2009	
Observations	**Actions taken/to be taken**	**Observations**	**Actions taken**
Looking forward, it was observed that it is important to ensure that we continue to maintain the right balance in pursuing business growth supported by the various systems, controls, processes and information flows and to nurture our corporate culture as we grow.	The Board will continue to receive regular updates from management via its committees regarding the development of systems, controls, processes and information flows and the protection of our corporate culture.	Priorities included strengthening the Board through the appointment of additional directors and enhancing the diversity of our Board through the appointment of a director from our footprint.	Our Board has been strengthened with the appointment of three independent non-executive directors and one executive director. We have added diversity and enhanced skills with the addition of Simon Lowth, who is a serving chief financial officer; Dr Han Seung-soo, KBE, a Korean national and a climate change expert with regulatory and government relations; and Richard Delbridge who has deep banking knowledge. Jaspal Bindra was appointed executive director, bringing wide-ranging international experience to the Board.
There is a need to continue to focus upon Board and executive succession planning.	We will continue to develop our structured approach to succession planning whilst being mindful of the complexities of balancing board size with board diversity and the skills and experience required on our Board.	Overseas Board meetings and the introduction of more individualised engagement plans, briefing sessions and informal lunches and dinners were considered important and needed to continue as they provide the opportunity for the Board to meet with customers, employees and the communities in which we do business.	Two overseas Board meetings were held in Seoul and Beijing in 2010. The structured engagement plans introduced in 2009 have been enhanced and more opportunities have been provided for the Board to meet outside formal meetings at informal dinners and other gatherings.
There is a need to balance conciseness of information provided to the Board and the Group's open culture where executives want Board members to have open access to information.	We have introduced one-page outlines for all core strategic review papers. These provide a roadmap for the issues discussed in more depth in the body of the papers. Early feedback on this initiative has been positive.	More focus on the effectiveness and structure of board committees and the interaction of these with the full Board.	In March 2010 we separated the Audit and Risk Committee into two separate committees. The Sustainability and Responsibility Committee was renamed the Brand and Values Committee and has an enhanced remit. A Governance Committee has been created. It was acknowledged that following the separation of the board committees, a key challenge would be to ensure that the linkages between the Board and its committees remained effective. This has been achieved by having common committee members, formal updates to the Board and more informal briefings from the committee chairmen throughout the course of 2010. All of these board committees have enhanced the interaction between the Board and its committees.

Board meetings and attendance

It is our Board's responsibility to ensure that the Group is governed properly and prudently; responsibilities and complexities are rising and the amount of time devoted by non-executive directors in order to fulfil their obligations has increased. The time commitment for non-executive directors, as illustrated by the engagement plans, is high and encourages the Board to spend time on overseas visits. This increases and contextualises levels of directors' local knowledge and understanding, and builds relationships.

A careful balance of formal and informal meetings throughout the year exists and there is an atmosphere of friendship and respect. This creates an environment that encourages challenge, advice seeking, information sharing, innovative thinking and openness of communication.

Number of Board meetings held in 2010

	Scheduled	Ad hoc
Number of meetings in 2010		**4**
J W Peace (Chairman)	**10/10**	**4/4**
P A Sands	**10/10**	**4/4**
R H P Markham	**10/10**	**3/4**
R H Meddings	**10/10**	**4/4**
S P Bertamini	**10/10**	**4/4**
J S Bindra	**10/10**	**4/4**
G R Bullock[1]	**4/4**	**0/0**
R Delbridge	**9/10**	**3/4**
J F T Dundas	**10/10**	**4/4**
V F Gooding	**10/10**	**3/4**
Dr Han Seung-soo	**9/10**	**2/4**
S J Lowth[2]	**5/5**	**4/4**
R Markland	**10/10**	**3/4**
J G H Paynter	**9/10**	**4/4**
A M G Rees	**10/10**	**4/4**
P D Skinner	**10/10**	**4/4**
O H J Stocken	**10/10**	**4/4**

1 Stepped down on 1 May 2010
2 Appointed 1 May 2010

We have increased the number of scheduled Board meetings from eight to 10. Through this, combined with the delegation of more matters to the board committees and the scheduling of more informal gatherings such as lunches and dinners, the Board has made space to enable more and deeper reflection on key strategic issues.

External directorships

The Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Details of the executive directors' other directorships can be found in their biographies on pages 84 to 86.

We closely monitor the outside business interests of the non-executive directors. Before taking on an additional role, both executive and non-executive directors will confirm that no conflict arises from that role and provide assurance that the appointment will have no adverse impact on their ability to continue to fulfil their role as Board member. Committee chairmen are particularly mindful of their obligations. Whenever required during the year, non-executive directors have consistently demonstrated their ability to provide any additional time commitment needed.

Re-election of directors

Traditionally, non-executive directors were initially appointed for a three-year term. Under the 2008 edition of the Combined Code (now the UK Corporate Governance Code), anyone who was proposed for re-appointment for more than two consecutive three-year periods should be subject to particularly rigorous review. Jamie Dundas, Ruth Markland, Val Gooding and Paul Skinner are all in their third three-year term on the Board. The Chairman took this into consideration when reviewing their performance and effectiveness. He provided feedback from these reviews to the Nomination Committee. It was observed that, particularly in the case of the Committee chairmen, there is a positive benefit to having non-executive directors with a deep and long-standing knowledge of the Group in these roles.

Rudy Markham has been on the Board for 10 years and as a result, his continued independence has been the subject of particular scrutiny. The Nomination Committee considered this point in detail. Rudy continues to demonstrate excellent stewardship as Senior Independent Director and Chairman of the Audit Committee. As a result of his length of service and commitment, he provides an in-depth knowledge of the Group that is invaluable to the Board, the Audit Committee, the Board Risk Committee, the Governance Committee and the Nomination Committee.

It was concluded that Rudy Markham displays independence of thought and judgment habitually and this has not diminished over the period of his tenure.

During 2010, the Board has experienced a number of changes with the new committee structure and the appointment of three new independent non-executive directors. This demonstrates the Group's commitment to regularly refreshing the composition of the Board as required by the UK Corporate Governance Code, and, as a result, retaining the continuity and experience that Rudy Markham demonstrates is believed to be in shareholders' best interests at this time.

The Nomination Committee has also considered the fact that Rudy Markham is a non-executive director on the board of Astra Zeneca PLC whilst Simon Lowth is an executive director at the same company. We do not believe that this creates a cross-directorship that in any way impacts upon the independence of either director.

In line with the UK Corporate Governance Code, we will propose all directors for re-election at the Company's Annual General Meeting. It is our belief that this will not have any adverse impact on directors' ability to focus on the long-term success of the Company.

Group board committee structure

Standard Chartered PLC Board

Primary committees				Enabling committees	
Audit	**Board Risk**	**Brand and Values**	**Remuneration**	**Nomination**	**Governance**
Oversight and review of financial, audit and internal control issues	Oversight and review of fundamental prudential risks including credit, market, capital and liquidity	(previously Sustainability and Responsibility) Oversight and review of brand positioning, treating customers fairly, reputational risk, ethics and sustainability issues	Oversight and review of remuneration, share plans and other incentives	Oversight and review of board and executive succession	Oversight of overall board effectiveness and governance issues

Board committees
As a result of our 2009 internal governance review, in March 2010 we re-configured our board committees. This took the form of:

- The separation of the Audit and Risk Committee into two committees one covering financial, internal controls and compliance (the Audit Committee) and the other covering risk issues (the Board Risk Committee)
- An enhanced remit and new name for the Sustainability and Responsibility Committee becoming the Brand and Values Committee
- The formation of a Governance Committee

Given the recent re-configuration of the Board committees, we decided to conduct internally facilitated effectiveness reviews in 2010. This was facilitated by the Corporate Secretariat. It involved each director completing a questionnaire providing feedback on each committee's effectiveness. This feedback was then discussed at each committee with an action plan being formulated for each. Details of the findings of the reviews can be found in the individual committee reports.

The feedback that has been provided as part of the 2010 board committee effectiveness review confirms that the re-configuration has further enhanced the Board's effectiveness and allowed more time to be spent on strategic issues. Further details concerning the activities of each committee are provided in the report of each committee on pages 96 to 105.

How have we ensured that appropriate linkages exist between our Board, our Committees and our management committees?
We have ensured that there is some common membership across our committees. For example the Chairmen of the Audit and Board Risk Committees sit on each other's committee and there are two other common members. There is also some common membership between the Board Risk Committee and the Remuneration Committee. This is important to ensure there are no gaps between the remit of the various committees or unnecessary duplication. In addition to the minutes of committee meetings being sent to the Board, a framework has been put in place where committee chairs provide regular updates to the Board on the work of the committee. This is supplemented by a number of more informal briefings on the topics covered by various committees.

Current membership of the board committees

	Audit Committee	Brand and Values Committee	Governance Committee	Nomination Committee	Remuneration Committee	Board Risk Committee
R Delbridge	● Member					● Member
J F T Dundas	● Member	● Member		● Member		● Chairman
V F Gooding		● Member			● Member	
Dr Han Seung-soo		● Member				
S J Lowth						
R H P Markham	● Chairman		● Member	● Member		● Member
R Markland	● Member			● Member	● Chairman	● Member
J G H Paynter	● Member				● Member	
J W Peace		● Member	● Chairman	● Chairman	● Member	
P A Sands		● Member	● Member	● Member		
P D Skinner		● Chairman		● Member	● Member	● Member
O H J Stocken						● Member

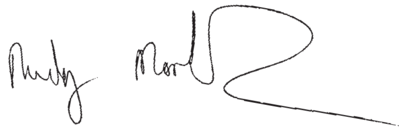
● Chairman
● Member
Copies of each board committee's terms of reference can be found on our website. www.standardchartered.com

Dear Shareholder

During 2010, the Audit Committee has deepened its focus on internal controls, compliance and assurance and internal audit functions. This has been made possible by the separation of the Audit and Risk Committee into two Committees. Part of the rationale for the separation was the desire to dedicate more time to the consideration of risk related issues but it has also enabled the Audit Committee to intensify its focus on reviewing financial controls and accounting policy, the performance and benchmarking of the Group Internal Audit function and the development and resourcing of the Group Compliance function.

Over the course of the year, the demands on the Audit Committee have increased, as have the expectations of our regulator, the Financial Services Authority (FSA). The Committee's effectiveness is definitely enhanced through the existence of synergies in membership. For instance, Jamie Dundas is both a member of the Audit Committee and Chairman of the Board Risk Committee, Ruth Markland is Chairman and John Paynter is a member of the Remuneration Committee. These synergies have ensured that the interplay of risk, remuneration and the financial outcome are considered from different perspectives but result in a consistent view and treatment of performance within the Group. In 2010 Richard Delbridge joined the Committee, bringing with him deep banking knowledge and experience that has contributed to the quality of the discussions held at Committee meetings and the Committee's effectiveness.

On behalf of the Audit Committee, I can confirm that information that the Committee has received has been balanced, appropriate and timely and has enabled the Committee to provide effective oversight of the Group's key financial reporting risks and internal controls.



Rudy Markham
Chairman of the Audit Committee

Audit Committee Members

	Scheduled[1]	Ad Hoc
Number of meetings in 2010	**7**	**1**
R H P Markham (Chairman) (5)	7/7	1/1
R Delbridge (2)	7/7	1/1
J F T Dundas (1)	7/7	1/1
R Markland (4)	7/7	1/1
J G H Paynter (3)	6/7	1/1

[1] Two of the scheduled meetings were as the joint Audit and Risk Committee prior to the separation of the two committees in March 2010

Our highlights

- Established separate Audit and Risk Committees and ensured that there were no unnecessary duplications between these committees or significant gaps
- Reviewed the potential implications of the Bribery Act and the Foreign Account Tax Compliance Act
- Reviewed and modified the Audit and the Compliance risk radar
- Increased focus on compliance and assurance resources
- Strengthened the oversight of work undertaken by the Group statutory auditor
- Reviewed Group Internal Audit's compliance with the Institute of Internal Auditors Standards
- In conjunction with the Board Risk Committee, reviewed the Group's Pillar III disclosures
- Reviewed the Indian Depository Receipts Prospectus
- Conducted deeper-dive half-day sessions on key operational and control issues
- Considered Customer Due Diligence, Anti-Money Laundering processes and procedures and the operational control environment of our Private Banking business

Our priorities in 2011

- Continue to monitor changes in the external regulatory environment to ensure that we continue to have appropriate financial, compliance and internal controls in place
- Continue to fully evaluate and take into account the risks and uncertainties when considering budgets and forecasts that support going concern and impairment assessments
- Further evolve the Committee's remit and effectiveness following the separation from the Board Risk Committee in March 2010
- Continue to consider emerging best practice recommendations for enhancing the Committee
- Continue to hold deeper-dive half-day sessions on key strategic issues
- Continue to ensure that we are satisfied that our Group statutory auditor has allocated sufficient additional and experienced resources to address heightened risks
- Continue to ensure that our Group Internal Audit and Group Compliance and Assurance functions have adequate experienced resource to deliver on their audit and compliance plans
- Ensure that new International Financial Reporting Standards are implemented

What has the Committee's role and focus been in 2010 and how has it aided the Board with the delivery of its strategy?

Financial reporting

We have increased our focus on the management of financial positions and accounting issues, considered the provision of non-audit services by the Group statutory auditor and those non-audit services provided by other auditing firms, (details of which can be found in note 8 to the financial statements) and in our reviews of issues that have arisen, distinguished between those that are business related versus process related.

Over the course of 2010, the Committee has discussed and sought assurance that the effects on our business of the continued volatility in financial markets and the reduced supply of credit are being closely monitored. We are satisfied that we have considered for disclosure all material relevant issues that have concerned management during the year.

We have promoted a culture of compliance and financial reporting integrity throughout the year and have reviewed areas identified by Group Internal Audit and Compliance as having control issues.

As part of our discussions concerning the financial statements we have considered and are comfortable that our audited financial statements describe fairly all of the key judgments about the application of accounting policies and the estimation uncertainties inherent in the value of assets and liabilities.

Group statutory auditor

During 2010, we strengthened our oversight of the work undertaken by the Group statutory auditor (KPMG Audit Plc), in terms of the quality of the reports made to the Committee, and Rudy Markham, Jamie Dundas and Ruth Markland have met with local audit partners in Korea, China and Hong Kong.

We have discussed with KPMG Audit Plc the business and financial risks and have sought assurance that these risks have been properly addressed in the audit strategy and plan that have been reviewed by the Committee. We are satisfied that KPMG Audit Plc has allocated sufficient additional and experienced resources to address heightened risks. We have sought assurance and are comfortable that no undue pressure has been asserted on the level of audit fees so as to ensure that there is no risk to audit work being conducted effectively.

During the year, we approved the re-appointment, remuneration and engagement letter of KPMG Audit Plc.

We conducted a review of the performance and effectiveness of KPMG Audit Plc which included an assessment of its independence and objectivity. As in previous years, the review was performed jointly by Group Internal Audit and Group Finance by way of a structured questionnaire. The questionnaire was sent to country Chief Financial Officers, members of our Finance Leadership Team, country Chief Executive Officers and our Business Leadership Team covering all of our major markets. The questionnaire considered KPMG Audit Plc's value-add to the Group, the level of engagement, the ability to demonstrate an understanding of Standard Chartered and our risk environment, and the demonstration of appreciation of the issues faced by country Chief Executive Officers, Chief Financial Officers and Business Heads together with their objectivity, independence and effectiveness.

The principal finding was that KPMG Audit Plc is considered to be effective, objective and independent in its role as Group statutory auditor. In 2010 the Group statutory audit partner was rotated and as a Committee we are satisfied with the level of service that has been maintained through this change together with the style of contribution to Committee meetings and the evident independence of KPMG Audit Plc.

In addition, given the current complexity of our operating environment, the shifting regulatory landscape and the continuing demands of embedding International Financial Reporting Standards and Basel II standards have made continuity of the Group statutory auditor an important factor. As a result, the Committee recommended to the Board the re-appointment of KPMG Audit Plc as Group statutory auditor.

Group Internal Audit and Group Compliance and Assurance

We have reviewed the resourcing and proposed work plans for both the Group Internal Audit and the Group Compliance and Assurance functions and are satisfied that both the work plans and resources are appropriate in terms of proposed areas of focus and the expertise and skill that exist within both functions given the current regulatory environment. The way in which the findings of the Group Compliance and Assurance function have been presented to the Committee has evolved over the year resulting in greater clarity of the issues and swifter resolution. The Committee is conscious of the higher level of regulatory scrutiny that has emerged across the world and as a result, the Committee has enhanced its focus on compliance breaches, their causes and management's reaction to them.

Towards the end of the year, the Committee considered the proposal to move the Group's local internal audit and assurance from our Group Compliance and Assurance function to Group Internal Audit. This became effective from 1 February 2011. Part of the rationale behind this realignment was as a result of the success of the Rules Based Assurance team in driving discipline throughout the Group. This has allowed the Assurance function to place more focus on building control effectiveness reviews that are closer to audit type work, so it was natural to consider how the activities of the two functions could be combined to increase effectiveness.

In addition, regulators in many of our countries of operation have increased their level of supervision, with a more local focus, leading to specific challenges over the perceived independence of local audit and assurance functions.

As a result of this initiative, the Committee is comfortable that the independence of the Group Internal Audit function has been reinforced.

Independent review of Group Internal Audit

As a Committee we monitored and assessed the role and effectiveness of our Group Internal Audit function. We reviewed Group Internal Audit's charter and the findings of an independent review of Group Internal Audit's compliance with the Institute of Internal Auditors Standards. The findings of the review were that the Group Internal Audit fully complies with the Institute of Internal Auditor Standards and demonstrates good industry practice. In the spirit of continuous improvement enhancements have been made to Group Internal Audit's existing methodology including its reporting format in order to highlight priorities and the changing risk profile of the business where needed.

Control environment

Our activities included the consideration of reports in respect of the control environment in a number of our markets. From time to time the Committee exercises its freedom to invite senior executives and management from across the Group to discuss developments and issues that have arisen in their jurisdiction. In 2010, these included the President Director of Permata Bank (a consortium of Standard Chartered Bank and Astra International in Indonesia), the Vice Chairman of Standard Chartered Korea Limited and the new Chief Executive Office of Standard Chartered Bank (Pakistan) Limited.

Interaction with management and Group statutory auditors

Our Committee Chairman, Rudy Markham, held separate meetings with the Group Statutory auditor and the Group Heads of our internal audit, compliance, risk and legal functions to discuss matters specifically within their areas of responsibility. Rudy Markham, Jamie Dundas and Ruth Markland also met separately and privately with the FSA.

The Committee meets separately with our Group statutory auditor and the Group Finance Director and the Head of Group Internal Audit, allowing members to discuss freely matters relating to the auditor's remit and issues arising from the audit. The Committee's remit also includes the consideration of the appointment, resignation or removal of our Head of Group Internal Audit.

Ongoing training and development

In addition to other ongoing training and development activities in each non-executive director's engagement or induction plan, the Committee attended a half-day informal meeting in May to consider the strategic oversight and infrastructure and controls of equities and collateral management

A second half-day informal meeting was held in November to consider core banking systems and information security and technology investment programmes and the progress that had been made in these areas. All non-executive directors were invited to these sessions.

Speaking Up Policy

The Committee also reviewed the Group's Speaking Up Policy, which allows our employees to raise, in confidence, any concerns that they may have about possible improprieties in matters of financial reporting or other areas. The Committee reviewed these arrangements and ensured that any matters of concern were investigated appropriately.

What were the findings of the Committee effectiveness review?

In conjunction with the overall board effectiveness evaluation, an internal committee effectiveness review was also conducted. The Committee feels that it is effective in that it covered the areas of its terms of reference thoroughly with the right balance between oversight and challenge. Committee papers are of the highest quality and strike a balance between brevity and detail. However, it was acknowledged that as a result of the Audit and Board Risk Committees being separated in 2010 there is a need to continue to ensure that the risk of duplication or gaps are managed appropriately, and a need to continue to focus on forward looking challenges on control and compliance. The Committee felt that it benefited from the deeper-dive half-day sessions and that the opportunities for these sessions should increase. As a result the number of these sessions has been increased to three in 2011.

What qualities do the members bring to the Committee?

In 2009, the committee effectiveness review suggested that an additional committee member was required who would bring fresh input to complement what was already in existence and that more informal sessions with internal audit would be useful. In response to these observations, Richard Delbridge was appointed to the Committee with effect from 1 January 2010. Richard has been the group comptroller and managing director of JPMorgan's London offices, group finance director at HSBC Holdings plc and group chief financial officer of National Westminster Bank Plc. Richard brings with him a wealth of financial experience as part of a wide-ranging banking career. The already existing members of the Committee possess a balanced mix of legal, financial and banking professional experience combined with complementary business experience and skills.

One of the findings of our 2010 committee effectiveness review was that the Committee's size and composition are appropriate and that the Committee members possess the necessary accounting, financial, legal, banking and investment knowledge and skills that are needed.

Our Committee members have detailed and relevant experience. Details of their experience can be found in their biographies on pages 84 to 86. All of the Committee's members are independent. The Board is satisfied that Rudy Markham as Chairman has recent and relevant financial experience and that all other Committee members have broad experience and knowledge of financial reporting and international businesses. The Board and the Committee members believe that Rudy Markham is a highly effective chairman who reacts with balance to issues and ensures that all Committee members are included in discussions.

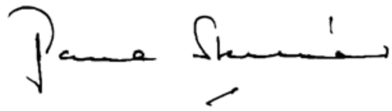
Dear Shareholder

Recognising the increasing importance to the Group's business of its reputation and values, as seen by all external stakeholders and encapsulated in our brand, the Brand and Values Committee was established in March 2010.

The Committee's remit includes oversight of the Group's brand positioning, reputational risk, client/customer-focused strategies including Treating Customers Fairly, regulatory relationships, sustainability issues and our culture and values. These issues are rightly seen as key drivers of the long-term success of the Group and potential sources of business and competitive advantage. During a period of rapid growth it is also important that the underlying strength of the Group's culture and values is maintained.

I am pleased to report that the Committee made a positive start to its work in 2010 and has established clear priorities for 2011. During 2010, the Group has made significant investments in its Here for good brand positioning. It is very encouraging to see the positive impact our brand has had on customers, employees and other stakeholders. These investments have further strengthened the Group's public standing and reputation across the geographical areas in which we operate.

On behalf of the Committee I can confirm that we receive a sufficient and transparent flow of good-quality information from the relevant executive teams to enable us to discharge our responsibilities on behalf of the Board.



Paul Skinner
Chairman of the Brand and Values Committee

Brand and Values Committee Members

	Scheduled[1]
Number of meetings in 2010	**4**
P D Skinner (Chairman) (3)	4/4
J F T Dundas (1)	4/4
V F Gooding (5)	4/4
Dr Han Seung-soo, KBE (6)	3/4
J W Peace (4)	4/4
P A Sands (2)	4/4

[1] The final meeting of the Sustainability and Responsibility Commitee, the precursor to the Brand and Values Committee, was held on 11 February 2010 and has not been included in this number as the Committee membership changed when the Sustainability and Responsibility Committee transitioned into the Brand and Values Committee and the meeting attendance number would not be comparable

Highlights

- Reviewed our brand, ensuring there are clear strategies in place to increase its value, focusing on our Here for good campaign and the development of our Liverpool Football Club sponsorship
- Conducted a review of the governance of brand implementation to ensure that it is consistent and fit for purpose
- Conducted a review of the reputational risk management processes to ensure they are effective and transparent
- Reviewed Wholesale and Consumer Banking's client-focused strategies against our Here for good brand promise
- Conducted a robust review of our approach to Treating Customers Fairly to ensure that it is embedded within the Wholesale Banking and Consumer Banking strategies
- Conducted a review of the Group's approach to sustainability
- Conducted a strategic overview of the Group's environmental impact
- Reviewed the community investment programmes undertaken in 2010, including the developments in employee volunteering throughout the year
- Reviewed management's efforts over the last two years to reinforce and sustain our culture and values
- Conducted a review of the current status and future plans in relation to employee wellbeing and diversity/inclusion
- Reviewed our approach to our main government and regulatory relationships in major markets

• Our priorities in 2011

- Secure continued value from our brand investment programmes
- Consolidate our Here for good brand promise across the Group
- Conduct an annual review of reputational risks including processes and outcomes, in line with the Group Risk Appetite Statement, while regularly tracking shifts in reputational risk
- Provide oversight on the implementation of our client-focused strategy in Wholesale Banking and the delivery of our customer-focused strategy in Consumer Banking against our Here for good brand promise
- Continue to ensure that the Group can demonstrate how we are Treating Customers Fairly
- Oversee the Group's approach to maintaining business ethics
- Continue to review our environmental strategy and processes for measuring and monitoring our environmental impact
- Conduct a full review of the community investment strategy and monitor expenditure against the plans on a bi-annual basis
- Ensure that we maintain and develop our culture and values as the Group continues to grow
- Oversee the progress of employee volunteering

What has the Committee's role and focus been in 2010 and how has it aided the Board with the delivery of its strategy?

Brand

The Committee has focused on ensuring that value is achieved from our Here for good campaign and our Liverpool Football Club sponsorship to ensure that brand awareness and value is increased over time. The Committee has oversight of the processes to ensure brand consistency throughout the Group and intensify brand governance, and has conducted regular reviews of brand tracker data. Looking forward, the Committee will continue to review the direction of brand development, aiming to grow the value of the brand.

Reputational risk

On behalf of the Board, we have reviewed the Group's approach to managing reputational risk in line with the Group Risk Appetite Statement. The Committee's view was conveyed to the Board Risk Committee, whose remit is to consider the wider aspects of risk, which then fed into the Board discussion. The common membership of Paul Skinner and Jamie Dundas on both Committees has ensured an integrated co-ordinated approach in this important area. We regularly review risks on an existing and forward looking basis; together with the actions that management are taking to mitigate these risks.

Client/customer focus and Treating Customers Fairly

On behalf of the Board, we have provided oversight on the implementation of our client-focused strategy in Wholesale Banking and the delivery of our customer-focused strategy in Consumer Banking. We have robustly reviewed management's approach to Treating Customers Fairly to ensure that these principles are clearly embedded in the Group's operations. We will continue to conduct an annual overview of these strategies in Wholesale Banking and Consumer Banking to reinforce the Here for good brand promise. Robust reviews of Treating Customers Fairly will be carried out by the Committee bi-annually.

Sustainability

Our role has covered policies falling within the Group's sustainability agenda. This has included the Group's social, economic and environmental contribution. We reviewed the Group's approach to building a sustainable business model; as well as its community investment programmes and have had oversight of the Group's processes for measuring and monitoring its environmental impact and the strategies being followed.

We want to measure the positive and social and economic impact on the communities where we operate. As a result, we commissioned an independent study of our impact in Ghana, to help us to understand our contribution and how we can deepen it. One of the highlights of the study confirmed that our impact amounted to $400 million of value-added in 2009, equivalent to 2.6 per cent of Ghana's Gross Domestic Product. Further details can be found in our separate online Sustainability Review.

Culture and values

As the Group's culture and values are important sources of competitive advantage, our role has been to oversee the way the Group reinforces and nurtures the culture and values and to challenge future priorities.

Government and regulatory relationships

We conducted reviews of the Group's approach to government and regulatory relations and we will continue to conduct an annual overview of our approach to government and regulatory relationships in our major markets.

In 2010, the Group was included in the 2010 Dow Jones Sustainability World Index for the first time, enabling us to achieve one of our major sustainability objectives for 2010. Also, we continued to be listed on the FTSE4Good and FTSE4Good Environment Indexes as well as the 2010 Ethisphere World's Most Ethical Companies. We won the FT ArcelorMittal Boldness in Business Award for Corporate Responsibility and were named as a Top 8 Group in Managing Environmental, Social and Governance Issues by GS Sustain. Further details can be found in our separate online Sustainability Review.

What skills and experience do the members bring to the Committee?

Paul Skinner, the Committee Chairman has extensive experience of brand management and sustainability issues from his prior experience at Royal Dutch Shell and Rio Tinto. He is also active in public sector work in the UK.

Both Jamie Dundas and Val Gooding were members of the Sustainability and Responsibility Committee (the precursor to the Brand and Values Committee) from its inception. Their membership of the enhanced Committee has provided continuity as the Committee has become embedded over the course of the year. Val has extensive experience of customer facing, branded businesses.

Dr Han, KBE, joined the Committee in 2010, and brings with him a strong background in sustainability, climate change and governmental relationships, having been special envoy of the UN Secretary-General on Climate Change.

Peter Sands represents executive management's perspective in the Committee discussions while John Peace has extensive brand management and retail experience.

The Chairman of the Brand and Values Committee, Paul Skinner, is also a member of the Board Risk Committee, the Remuneration Committee and the Nomination Committee, and as a result he can ensure that the relevant issues such as the approach to reputational risk are taken into account in these other committees.

What were the findings of the Committee effectiveness review?

Our 2010 Committee effectiveness review recognised that the Committee is operating under enhanced terms of reference. Considerable time has been taken to understand the context and history around each of the key areas and this has provided a strong foundation for good quality discussions. We feel that the right balance has been struck between the Committee's size and composition, that a good start had been made, and that the Committee has the potential to create value for the Group.

There were four main actions arising from the Committee effectiveness review. Firstly, to identify further opportunities where a wider group of senior business leaders can contribute to the Committee's discussion on relevant topics. Secondly, to review and clarify any potential linkages that exist with the other committees, for example, on the area of regulatory relationships to avoid overlap. Thirdly, to explore opportunities for Committee members to participate in Corporate Social Responsibility activities first hand whilst visiting overseas markets. Fourthly, to benchmark the Committee's activities against other global organisations to ensure that best practice is being followed.

Remuneration Committee

The role and focus of the Committee are set out in the directors' remuneration report on pages 106 to 125.

Dear Shareholder

The Board Risk Committee was established in March 2010 following the separation of the responsibilities of the former Audit and Risk Committee. Having a separate Board Risk Committee has enabled a deeper understanding and focus on key issues whilst being mindful that the Committee's remit is to have oversight and provide assurance to the Board that management's approach to the management of risk is appropriate.

During its first year, the Committee considered a wide range of risk-related matters and has overseen the restructure and enhancement of the risk information reporting system, and this is summarised in the report below. The individual members of the Committee have benefited from a risk-related induction programme that was appropriate and relevant to the remit of the Committee and designed to complement their existing skills and experience. The Committee has achieved good linkages with the Board and other board committees, and there has been excellent interaction with the Audit Committee to ensure there is no unnecessary duplication of work and responsibilities.

I can confirm that the information that the Committee has received has been balanced, appropriate and timely and has enabled the Committee to fulfil its remit.

The Committee will continue to build on the work carried out during 2010.

Jamie Dundas
Chairman of the Board Risk Committee

Board Risk Committee Members

	Scheduled[1]	Ad Hoc
Number of meetings in 2010	**7**	**2**
J F T Dundas (Chairman) (4)	7/7	2/2
R Delbridge (6)	7/7	2/2
R H P Markham (3)	7/7	1/2
R Markland (1)	7/7	2/2
P D Skinner (5)[2]	5/7	2/2
O H J Stocken (2)[2]	5/7	1/2

[1] Two of the scheduled meetings were as the joint Audit and Risk Committee prior to the separation of the two committees in March 2010

[2] Became a Committee member following the separation of the Audit and Risk Committee

Our highlights

- Established Committee in March 2010
- Developed the overall structure, content and design of the Risk Information Report
- Reviewed and approved the Group's Risk Management Framework
- Conducted a deeper dive into the subject of risk appetite and provided specific recommendations to the Board on risk appetite policy for 2011
- Provided input to stress testing for specific areas of the Group's business, and reviewed the results
- Held detailed discussions on the framework for Internal Ratings Based modelling
- Reviewed the due diligence processes and potential effect on Group Risk Appetite of several inorganic transactions considered in 2010
- Maintained oversight of the mechanisms used to manage the Group's balance sheet with a particular focus on capital liquidity and funding
- Reviewed detailed plans for enhanced management of operational risk

Our priorities in 2011

- Continue to build on the work carried out by the Committee in 2010 on the Group's risk appetite, taking into account the macroeconomic and financial environment
- Optimise and enhance the Committee's effectiveness through refining the reports it receives and continuing to evolve our terms of reference and rolling agenda
- Continue to conduct deep dives into selected areas of risk

What has the Committee's role and focus been in 2010 and how has it aided the Board with the delivery of its strategy?

The Committee's role, as set out in its terms of reference, is to have oversight and to challenge where appropriate management's approach to the identification and management of risks.

Risk management

At each of its meetings since establishment, the Committee has reviewed and discussed data regarding the Group's exposure to all major risk types, including especially (but not limited to) credit risk, market risk, liquidity risk and capital adequacy. In line with one of the recommendations of the Walker review of 2009, the Committee has ensured that its consideration of Group exposures has taken into account macroeconomic and other external factors likely to affect the Group's business.

The Committee has also sought to build assurance around the risk management procedures in the Group. Substantial focus has also been given to ensuring that all members of the Committee have a sound understanding of the Group's established risk management framework and of the organisational mechanisms in place to manage all risk types across the Group's business and geographies. This groundwork has been valuable, and will help to underpin the Committee's work in 2011 and beyond.

Risk appetite statement

The Committee has devoted considerable time to its review of the Group's overall position regarding risk appetite, taking as its starting point the risk appetite policy approved by the Board in 2009. In particular, the Committee has questioned and reviewed the processes by which compliance with Board-approved risk appetite is monitored and tested, and has discussed in detail the assumptions made in all such testing. We have also probed the consistency of our overall strategy, our budgets and performance targets with approved risk appetite, and vice versa. This process, which we expect will roll forward on a continuing basis, culminated in the Committee making recommendations to the Board in late 2010 to the effect that it was satisfied that existing risk appetite policy continued to be fit for purpose and consistent with the Group's strategy and business aims.

Stress testing

During the year the Committee has reviewed the Group's programme for stress testing at various levels. This programme included carrying out stress testing within businesses, at country and client segment levels and using Group-wide scenarios. As well as noting the Group's overall stress testing plan the Committee built an understanding of how stress testing works and noted the stress tests carried out specifically on Eurozone fragmentation. We also reviewed the framework for Reverse Stress Testing being established by the Group in the context of the FSA's regulatory requirements.

Quality of risk information

It is vital that non-executive directors have open access to risk information, but simply inundating them with large volumes of information may do little to enhance risk management. Much effort has therefore been devoted to the formulation of a standard set of relevant risk information metrics. The Committee needs to be able to review all risk areas but, perhaps more importantly, be able to identify key risk issues that require Committee and, if appropriate, Board focus. To address this issue a Risk Information Report (the Report) was developed in 2009 in conjunction with the use of external consultants to ensure that the Report captures industry best practice. During 2010 the Report has been regularly reviewed and refined. For example, over the course of the year, more informative and useful information has been provided regarding operational risk metrics. This Report is submitted to each Committee meeting and an extract from the Report is also provided to the Board at each meeting.

Risk induction

All the members of the Committee have taken part in individual and collective risk induction briefings and the Committee chairman has regular meetings with the Group Chief Risk Officer and the Group Finance Director.

Committee members have also participated in specialist risk-related sessions, provided by our in-house experts on either a one-to-one basis or for the Committee as a whole, to help Committee members understand and interpret the data contained within the Risk Information Report. These sessions have occasionally focused on specific key risk issues that are particularly topical or current. In addition to the induction sessions, all Committee members have unfettered access to management at all times and in all geographies. During 2010, members of the Committee have met with risk management staff in many locations including Singapore, Seoul, Shanghai, Mumbai, Chennai and London. This has provided more granular insight regarding how risk management is operationalised on the ground.

What qualities do members bring to the Committee?

The Committee members have a wide range of experience and bring a wealth of detailed relevant knowledge and expertise to the Committee's deliberations.

In our view, it is essential that the Committee should benefit from deep and broad experience of banking and of the risk factors affecting it, but also from very senior experience of other industries and professions. The composition of the Committee, with three members possessing deep banking and finance experience (Jamie Dundas, Richard Delbridge and Oliver Stocken) and three with a broader business and professional background at a very senior level (Rudy Markham, Ruth Markland and Paul Skinner) reflects these considerations. Four Committee members sit on both the Board Risk and Audit Committees and two of the Committee members sit on the Remuneration Committee, providing important linkages between the three Committees.

The Committee's insight and awareness regarding relevant management processes have been facilitated through individual committee members attending, as observers, Group Risk Committee and Group Asset and Liability Committee meetings. Reports from those committees are prepared and presented to the Committee at each of its meetings.

What were the findings of the Committee effectiveness review?

The findings of the committee effectiveness review evidence that members of the Committee believe that having a dedicated Board Risk Committee has enabled fresh thinking around risk appetite, and significantly enhanced both risk management reporting to the Board and the Board's ability to digest and make best use of the information it receives.

Looking ahead, the Committee believes it will benefit from further deep dives into selected topics such as liquidity, exposure to banks, reliance on models, and stress testing. The Committee also expects that as it moves into its second year, it will wish to allow more time for 'white space' discussion regarding less easily identifiable risks to the Group's business, and for a deeper review of management's approach in relation to operational risk management. In addition to regular meetings of the Committees (six scheduled in 2011), individual members expect to visit a variety of our major markets during 2011 and will continue to engage with many levels of the Group's risk management across the Group's footprint.

Governance Committee Members

	Scheduled
Number of meetings in 2010	**3**
J W Peace (Chairman) (2)	3/3
R H P Markham (3)	3/3
P A Sands (1)	3/3

Our highlights

- Formation of this new enabling committee within the Group's governance structure
- Oversight of the process for reviewing the effectiveness of the Board, board committees, Chairman and individual directors
- Reviewed the geographic governance framework that is applied consistently across the Group
- Reviewed the findings of the subsidiary governance review and the subsequent actions that were taken
- Monitored developments in the regulatory environment and the potential impacts on our corporate governance practices
- Considered the proposed corporate governance disclosures for the 2010 Annual Report and Accounts

Our priorities in 2011

- Continue to monitor closely corporate governance best practices with a view to recommending enhanced practices for adoption by the Board as appropriate
- Provide oversight of the development of the Group's refreshed Governance Manual
- Monitor progress to implement actions arising from the Board and Committee effectiveness evaluation and reviews
- Continue to review the effectiveness of the Group's governance framework in consultation with our Governance Chief Executive Officers
- Consider and agree the most appropriate mechanisms for reviewing the Board's, board committees' and individual directors' effectiveness in 2011

What has the Committee's role and focus been in 2010 and how has it aided the Board with the delivery of its strategy?

The Governance Committee was formed in 2010 as an enabling body to provide a more formal and structured mechanism to consider corporate governance issues (such as industry governance reviews) as well as to drive and oversee the annual board effectiveness evaluation process. Our remit also includes oversight of the Group's governance framework including the way that our subsidiaries are governed.

The creation of a separate Governance Committee was one of the recommendations arising from the internal governance review that we conducted in 2009. In addition to allowing for more in-depth discussions on governance matters, it has also created space for the Board as a whole to focus even more on key strategic issues. Another benefit arising from the creation of the Governance Committee is that the Nomination Committee has more time to concentrate on key issues such as board and senior management succession.

During 2010 we considered recommendations arising from the new Stewardship Code, the Walker review and the UK Corporate Governance Code as well as numerous other European and international reviews relevant to governance. Given the importance that we place on corporate governance, Standard Chartered took a proactive role in contributing to both the Walker and the Financial Reporting Council's reviews of the Combined Code. At each meeting, the Committee receives an update on events in the corporate governance environment in terms of industry consultations, developments and best practice in our markets. The update includes consideration of any emerging trends such as governance codes, standards and legislation that are being enhanced and implemented in the markets in which we operate.

During the year, we reviewed the process for reviewing the effectiveness of our Board, each of the board's committees, our Chairman and each individual director. This included the consideration of the findings of the report by the independent facilitator, Boardroom Review, prior to discussion by the Board.

The Committee has oversight of the mechanisms by which the Group is governed and this includes governance of subsidiaries. During the year, we considered the findings arising from a review of our subsidiary governance practices. Messrs Bindra and Shankar, who have geographic governance responsibility across the network, met with the Committee and shared insights regarding the Group's governance practices and emerging market trends across our geographic footprint.

The Committee consists of the Group Chairman, the Senior Independent Director and the Group Chief Executive. The Group Company Secretary is an important contributor to the Committee as one of her key roles is to support the Chairman and Group Chief Executive in enhancing the effectiveness of the Board, its committees and the individual directors.

Each of the Governance Committee's members is either a member or regularly attends most of the other committees. This is important as often matters are discussed in the Governance Committee that fall within the remit of another committee or the Board as a whole. Committee members understand that one of their roles is to channel such matters to the appropriate forum for discussion. There is particular room for overlap between the remit of the Governance and Nomination Committees. John Peace (who chairs both Committees) is mindful to ensure that all directors are kept informed and involved as appropriate, particularly regarding Board composition, governance and succession.

In addition, the Governance Committee has reviewed the geographic governance framework that is applied consistently across Standard Chartered, including the linkages that are in place between our Board and our banking subsidiary boards and the additional governance measures implemented as a result of our subsidiary governance policy for our subsidiaries and special purpose entities.

What were the findings of the Committee effectiveness review?

The Committee had three scheduled meetings in 2010. Although the Committee is new, feedback arising from the effectiveness review was that the Committee is proving to be effective in providing a forum where corporate governance issues are considered and discussed together with consideration of the findings of Board effectiveness evaluations.

Nomination Committee Members

	Scheduled
Number of meetings in 2010	**2**
J W Peace (Chairman) (4)	2/2
J F T Dundas (5)	2/2
R H P Markham (1)	2/2
R Markland (6)	2/2
P A Sands (3)	2/2
P D Skinner (2)[1]	1/1

[1]The first Committee meeting took place prior to appointment in March 2010

Our highlights

- Maintained oversight of executive succession planning
- Considered the new mentoring programme for selected members of the Group's senior management
- Continued our review of the Board structure, size and composition, particularly in light of changes made during 2010
- Reviewed and made recommendations to the Board on the directors seeking re-appointment and/or re-election at the Annual General Meeting
- Considered the performance and continued independence of non-executive directors
- Reviewed conflicts or potential conflicts of interest for all directors

Our priorities in 2011

- Continuation of the structured approach to Board and committee succession, considering the range of attributes, perspectives and experience needed over the long-term
- Continued focus on executive succession planning including consideration of diversity issues

What has the Committee's role and focus been in 2010 and how has it aided the Board with the delivery of its strategy?

The Nomination Committee consists of the Group Chairman, Group Chief Executive and the chairman of each board committee. We primarily focus on the existing and future composition and balance of the Board and its committees. We seek to ensure that the individuals in place are those best able to discharge the responsibilities required by the Group at all times. When considering Board composition, we believe that a board that is comprised of people with different backgrounds, skills and experiences can provide diverse perspectives that support the functioning and effectiveness of the Board. We recognise that any board appointment should be meritocracy based, and we ensure that the individual selected possesses not only the right skills and experience, but also the right behavioural strengths and skills to fulfil the role.

Over the course of the year, the structure, size and composition of the Board and its ongoing leadership needs were continuously reviewed.

Supplementing our activities, during the year John Peace has facilitated several informal discussions with the non-executive directors regarding executive succession planning.

Succession planning

In addition, on behalf of the Board, we reviewed the planning and development processes that are in place designed to ensure that the Group has appropriate senior executive management to deliver the Group's strategy.

During the year our members (and other non-executive directors) interacted with many of the senior management of the Group. For instance, most of the members participated in parts of the Group's leadership programme Leading the Journey attended by the most senior management. Our member's participation provided an opportunity to observe the strength of the leadership cadre across the Group as well as providing the delegates with an opportunity to have more interaction and open dialogue with members of the Board.

We also established a mentoring programme between some of our non-executive directors and several of our most senior high potential leaders. This programme provides development support to these leaders whilst also allowing our members to gain a more in-depth perspective of the strengths and capabilities of these individuals.

We reviewed the long-term succession plans for non-executive directors looking at the balance of skills and experience available to the Board. In addition, this analysis was applied to the Board Committees. In 2011, we will place even greater focus on ensuring a structured and smooth succession for all key roles on the Board, particularly the chairman roles for each Committee.

Re-election of the Board

We reviewed and made recommendations to the Board on the directors' re-appointment and/or re-election. As described previously, we have decided to propose all directors for re-election this year. As a result, the Group Chairman reported to the Committee on the outcome of his performance evaluation of each individual director. The Committee used this information, along with details of meetings attended, time commitment, overseas visits, fulfilment of other activities outlined in each non-executive director's engagement plan as well as other contributions. As a result, we were comfortable to recommend to the Board that each of the directors are eligible for re-election by shareholders at the next Annual General Meeting in May 2011.

Situational conflicts

As part of its remit, we reappraised authorisations that it had provided for situational conflicts under the Companies Act 2006.

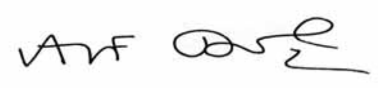
What were the findings of the Committee effectiveness review?

We will need to build on the work that it has done in 2009 and early 2010 in terms of succession planning for the Board and its committees. In particular, we are mindful that a number of non-executive directors have similar tenure and most of these play key roles as chairs of our various Committees. It will be important to ensure that there is a structured and smooth succession for these chairmanships.

We felt that the Committee should continue to focus on executive succession planning and that it would be helpful to share periodically the findings of this review with the rest of the Board's non-executive directors. This practice was already in place during 2010 when several briefing sessions with the rest of the non-executive directors where scheduled to keep them updated on developments and issues. The general consensus is that these were helpful and should continue.

Exemplary corporate governance

We believe that strong corporate governance is essential for delivering sustainable shareholder value and as a leading international bank, we are at the forefront of corporate governance. We believe that simply complying with written corporate governance standards is not enough. It is vital for companies to have an underlying culture with behaviours and values that support effective corporate governance. At Standard Chartered, our open, challenging yet cohesive and collaborative culture enables us to aim for the highest standards of corporate governance.



Annemarie Durbin
Group Company Secretary
2 March 2011

Directors' remuneration report
Committed to long-term shareholder value

Dear Shareholder

2010 has brought with it more changes in the remuneration environment and the Remuneration Committee has focused upon ensuring that the Group's policies are able to attract and retain talent in the highly competitive markets in which we operate whilst meeting the requirements of regulators and best practice. The Group continues to focus on organic growth and within this our people are key. Therefore, the Committee puts a high priority on maintaining a reward framework that enables delivery of the Group's strategy and builds a sustainable performance culture.

Global regulatory environment

Last year we reported how the development of global regulations on reward affected our policies. This year there have been continued changes. At the end of 2010 the Committee of European Banking Supervisors released its guidelines which, were subsequently incorporated into the new Financial Services Authority's (FSA) Code. Local regulators in a number of countries have built on international standards for remuneration policies, including those laid out by the Financial Stability Board, by introducing their own local guidelines. The challenge to meet local requirements and those of our lead regulator, the FSA, has been considerable. We continue to support remuneration practices that encourage financial stability, strong risk management processes and behaviours and have again met the requirements of the FSA's remuneration code, which in 2010 are more extensive and contain more prescriptive requirements on how variable compensation is managed.

Existing share plans

In 2009 the Committee initiated a detailed review of the Group's share plans which, continued in 2010. Over recent years there has been a trend to deliver an increasing amount of discretionary annual performance awards in shares, with new regulatory requirements stipulating that delivery of these shares is deferred. In 2009 delivery of the annual performance awards became complex, requiring the use of a number of different plans.

At the May 2010 Annual General Meeting, changes to our restricted share scheme were approved. These changes enabled us to meet the requirements of our regulators, including the FSA.

New discretionary share plan

The Group's existing performance share plan is due to expire after the Annual General Meeting in 2011. As part of the wider share plan review, the Committee recommended and the Board has approved the introduction of a new umbrella style discretionary share plan. This plan will be put forward for shareholder approval at the May 2011 Annual General Meeting. Under the new plan a variety of awards may be granted, including performance shares and the deferred portion of any annual performance award. More details on the terms of the new discretionary plan are included in the notice of Annual General Meeting.

In line with best market practice and regulatory requirements, the performance criteria attached to performance share awards made under the new discretionary plan will incorporate a risk aligned performance test in the form of return on risk weighted assets. This is in addition to the earnings per share and total shareholder return measures that already exist. To ensure a balanced scorecard approach to the assessment of our performance, these measures will be equally weighted.

Subject to receiving shareholder approval the Committee has agreed that all performance share awards for the 2010 performance year will be made under the new 2011 discretionary share plan.

Year-end compensation decisions

As in previous years, in considering the level of year-end compensation the Committee carefully considered the balance of all stakeholders' interest including the value delivered to shareholders. The Committee recognised that 2010 was the eighth year of record profit and income. This is a long-term and sustained performance in which the Group has generated substantial value for shareholders. Consequently the Committee believed it was appropriate to make variable compensation awards to those that contributed to that success including the executive directors. These awards were at a level that rewarded that contribution and recognised the competitive markets in which we operate. More information on how we evaluate our total variable compensation spend is on page 111.

The Directors' remuneration report has been prepared by the Committee and approved by the Board as a whole. On behalf of the Committee, I encourage you to vote in favour of our report at the Company's 2011 Annual General Meeting and, in the meantime, welcome any feedback that you may have.

Ruth Markland
Chairman of the Remuneration Committee

Our highlights

The Committee has made a number of key decisions during the year:

- Following changes in regulatory requirements, the Group has refined its existing claw-back policy to emphasise the importance of the Group's values and behaviours in determining whether claw-back is triggered
- We have also made changes to the global deferral framework for awards made under the annual performance plan to ensure that a higher proportion of any annual performance award is deferred as award levels increase
- In an extension of the review that began in 2009, a review of compensation structures was undertaken in specific areas of Wholesale Banking. As a result, the compensation of some employees was subject to rebalancing from variable pay to fixed pay, whilst keeping total compensation levels unchanged. The change was in the spirit of the Financial Stability Board's desire for compensation to be paid in a manner that does not encourage excessive risk-taking and to enable our fixed compensation levels to remain competitive
- The form of the new share plan was finalised and will be implemented in 2011
- A new shareholding requirement policy was introduced

Our priorities in 2011

For the coming year we anticipate that the Committee will be focusing on:

- The implementation of the new discretionary share plan
- Supporting the Group strategy, ensuring compliance with the dynamic regulatory environment
- Developing competitive reward structures whilst maintaining a prudent approach to the cost and risk to the business

Remuneration Committee meetings

Members	Scheduled	Ad Hoc
R Markland (Chairman) (3)	6/6	2/2
V F Gooding (2)	6/6	1/2
J W Peace (1)	6/6	2/2
P D Skinner (4)	6/6	2/2
J G H Paynter (5)[1]	4/4	1/1
O H Stocken[2]	1/2	1/1

Notes

1 Became a member of the Remuneration Committee on 4 March 2010

2 Ceased to be a member of the Remuneration Committee on 4 March 2010

What has the Committee's role and focus been in 2010?

The Committee has oversight of all reward policies for Standard Chartered employees. It reviews and is responsible for setting the principles and governance framework for all compensation decisions. In particular the Committee:

- Determines and agrees the remuneration of the senior executives and employees with the potential to have a material impact on the risk profile of the Group
- Approves any proposal to award a high remuneration package to new recruits or a high level individual bonus award to a Group employee
- Ensures that the remuneration policy is appropriate and consistent with effective risk management; the Group Chief Risk Officer attends key meetings of the Committee during the year

The Committee's terms of reference are available at www.standardchartered.com

What were the findings of the Committee effectiveness review?

During 2010, an internal committee effectiveness review was conducted. The results of the review show that there is a good mix of relevant business skills and experience between members and papers are of the highest standard. More generally, the open relationship with the executive management team, particularly both the Group Chief Executive and Chairman, is greatly valued. A number of recommendations were made to improve the efficacy of processes and to assist the Committee in effective decision making. Recommendations will be implemented in 2011.

How have we ensured that appropriate linkages exist between the committee, our Board and management committee?

Throughout 2010, the regulatory demands on the Committee have continued to grow as both UK and international remuneration requirements develop. The Committee draws upon the relevant experience and knowledge of its members, especially benefiting from the fact that a number of them hold positions on other Board committees. These synergies include the fact that Ruth Markland is a member of both the Audit and Board Risk Committees, John Peace is the Chairman of the Governance Committee, Paul Skinner is a member of the Board Risk Committee and chairman of the Brand and Values Committee, Val Gooding is also a member of the Brand and Values Committee and John Paynter is a member of the Audit Committee. In addition, important remuneration issues are brought to the Board before approval and all independent non-executive directors are involved in discussions before final approval is given.

Benchmarking Standard Chartered's compensation arrangements against emerging regulatory best practice

Emerging Regulatory Best Practice	Standard Chartered Practice
Regulatory Benchmarking	
Remuneration policy that supports effective risk management processes	• Risk management is core to all business decisions across the Group and we have a robust process for ensuring that compensation decisions take risk into account (further details are on page 111)
Rewarding for performance and adherence to values	• Employees are assessed and rewarded on performance against objectives and adherence to Group values. Those role-modelling our values typically receive an uplift of 20 per cent over target variable compensation compared with those who demonstrate the values less frequently • A claw-back policy on deferred compensation that can be activated by inappropriate behaviours and non-adherence to Group values
Strong, defined link between remuneration and strategy	• Variable compensation for senior management is driven by collective and individual objectives that are clearly linked to the achievement of business objectives consistent with the Group's risk appetite
Aligning remuneration to risk horizon	• The use of a robust risk adjusted profit metric that takes into account regulatory capital, credit and market risk in formulation of performance award pools • Claw-back can be applied on deferred performance awards prior to vesting • The new share plan has greater risk alignment through the introduction of a new risk-based performance condition • The three-year vesting period for share awards is consistent with the tenor of the Group's banking book, of which, within Wholesale Banking, circa 70 per cent is one year or less
Appropriate use of guarantees	• No multi-year guarantees are offered • Guarantees are subject to the same deferral and claw-back requirements as variable compensation
Meaningful levels of deferral for variable compensation	• Those executive directors, senior management and certain other senior employees who are covered by the FSA's remuneration code (Code Staff), have a maximum of 20 per cent of any annual performance award payable in cash • All employees subject to the FSA remuneration code are subject to the required deferral rates and delivery mechanisms • A Group-wide deferral framework with a top rate of 60 per cent deferral of total variable compensation exists for all employees • In addition, where local regulatory requirements apply, employees will be subject to the higher of these and the Group deferral framework
Strong internal governance process	• The Committee oversees all material variable compensation plan spend and reviews the remuneration of the most highly paid and those subject to FSA deferral requirements • The Group Chief Risk Officer attends key Committee meetings • Control function variable compensation pools are managed separately from the businesses they control • Comprehensive set of reward plan committees provide rigorous challenge of variable compensation decisions • Control functions provide input into reward plan committee meetings on any control or audit issues (positive or negative) that should influence compensation decisions

Five highest paid employees beneath the Board

The following table sets out, on an anonymised basis, the remuneration of the five highest paid employees, who are not executive directors, in the year ending 31 December 2010. The disclosure is not limited to those discharging executive responsibility (PDMRs).

		2010			
		Total Variable Compensation ($'000)			
Employee	Fixed compensation[1] ($'000)	Cash ($'000)	Variable compensation non-deferred shares[2] ($'000)	Deferred shares and performance shares[3] ($'000)	Total ($'000)
1	676	2,160	2,160	6,877	11,873
2	765	1,400	1,400	4,746	8,311
3	237	1,404	1,404	4,211	7,256
4	568	1,250	1,250	4,077	7,145
5	195	2,995	–	3,955	7,145

Notes

1 Includes base salary, benefits and allowances paid in respect of 2010 and where appropriate on a pro rata basis for new joiners

2 Part of any annual performance award for an employee designated as Code Staff under the FSA remuneration code is delivered in the form of shares that must be retained subject to the Group's revised shareholding requirements policy (see page 115)

3 Includes the deferred element of annual performance award, the expected value of any performance shares, and if appropriate any distribution from any carried interest plan payable in respect of 2010 but paid in 2011

Advisors

In September, the Committee approved the re-appointment of Towers Watson as its independent advisor for a further 12 months to advise on a range of executive remuneration related issues.

Towers Watson also provides pensions, actuarial and human resources advisory services to companies in the Group. We are satisfied that the consultants advising the Committee are significantly independent of other Towers Watson activities in the Group. The engagement with Towers Watson has regard to the code of conduct for remuneration consultants in the UK.

The Committee also received advice from the Group Head of Human Resources and Communications, the Group Head of Performance, Reward and Benefits and, as noted above, the Group Chief Risk Officer where appropriate.

Towers Watson provided formal reward survey data to the Committee. Clifford Chance LLP has previously advised on the design and operation of our share plans and is also assisting with the design of the proposed new discretionary share plan. Clifford Chance LLP also advised on issues relating to executive and non-executive directors' contracts. McLagan Partners provided formal reward survey data and advice on market practice in variable compensation plans within the Wholesale Banking sector.

Performance and reward philosophy and principles

The Group's success depends upon the performance and commitment of talented employees. Our performance, reward and benefits approach supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite and a One Bank framework.

Our approach:

- Supports a strong performance-oriented culture, ensuring that individual reward and incentives relate directly to: (i) the performance and behaviour of the individual (ii) the performance of the business; and (iii) the interests of shareholders
- Maintains a competitive reward package that reflects our international nature and enables us to attract, retain and motivate our employees
- Reflects the fact that many of our employees bring international experience and expertise, and we recruit from a global marketplace

The Committee reviews the policy on a regular basis against significant regulatory developments, market practice and shareholder views and makes appropriate adjustments.

Performance-oriented culture

Our One Bank philosophy, which applies to all employees, ensures that behaviours including prudent risk management and values are rewarded as well as business performance and is central to our remuneration policy. It means that we seek to ensure our approach to reward and performance management is consistent across all employees. We believe that performance and related reward outcomes should be a consequence of both how performance is delivered and what is delivered. This is taken into account in all personal objectives, performance assessments and reward decisions made within Standard Chartered and has a tangible impact on the reward that employees receive.

Target total compensation is benchmarked to the relevant market in which each individual is employed, while the potential total compensation is set at upper quartile or higher for excellent individual and business performance.

All employees have the opportunity to receive an element of performance-related compensation, subject to their contractual entitlement. Typically, the higher the total compensation, the greater the proportion delivered in variable form (either through a cash award, deferred shares and/or performance shares).

Reward arrangements for all

We employed over 85,000 people in 71 countries and territories at the end of 2010. While we support our One Bank approach to remuneration, it is necessary to structure compensation and benefits to reflect differing local market and statutory and regulatory conditions. The table below summarises the key components of our typical reward arrangements. Further details on each element are set out in the subsequent sections.

	Objective	Delivery
Fixed		
Base pay **Reviewable allowances**	• To attract and retain talent by ensuring that salaries are competitive to the relevant market in which the individual is employed • To ensure that fixed compensation is sufficient to allow a truly flexible variable compensation policy	• Cash • Typically only base pay element is pensionable
Benefits		
Core benefits	• To support and be consistent with our values and based on local regulations and competitive practice	• Normally includes retirement benefits, medical insurance, life assurance and annual leave
Sharesave schemes	• To encourage employee share ownership at all levels throughout the Group • To engage employees in our performance, align their interests more closely with those of our shareholders, and offer them an opportunity for long-term savings and a share in the financial success that they help to create	• All employees are invited to open a three-year or five-year savings contract • Option price is set at a discount of up to 20 per cent to the share price at the date of invitation • Within a period of six months after the relevant anniversary, employees may exercise the option and purchase shares • No performance conditions
Variable Compensation		
Annual performance award • **Cash** • **Deferred shares**	• To focus participants on the achievement of annual objectives, which align our short-term performance with the sustainable creation of shareholder value • To provide a portion of total reward that is performance related • To ensure that the proportion of variable compensation opportunity (which might be delivered through a cash award and deferred shares) increases with seniority and quantum	• Awards are in three components: cash and deferred shares and, in relation to certain designated employees, upfront shares. Awards in excess of $50,000 have a proportion deferred into shares and this proportion satisfies regulatory deferral requirements • The greater the amount of the annual performance award, the greater the level of deferral • Deferred shares vest in equal tranches after one, two and three years, subject to the claw-back policy
• **Upfront shares**	• Half of any non-deferred annual performance award for an employee subject to the FSA Remuneration code will be delivered in the form of shares	• Deferred and upfront shares delivered to Code Staff may only be sold if a share holding requirement is already satisfied
Performance shares	• To focus participants on meeting and exceeding our long-term performance targets, which are linked to safeguarding shareholder interests • To align the interests of senior managers with shareholders by ensuring that they build and retain an appropriate equity stake in the Group	• Awards of deferred rights or nil price options, exercisable after the third, but before the tenth anniversary of the date of grant, subject to continued employment and performance conditions being met over the first three years

Programme detail

- Reviewed annually and only amended as appropriate taking account of the latest available market data
- Off-cycle reviews take place where there is a particular need to ensure market competitiveness
- Increases, if any, typically take effect from 1 April

- Reviewed periodically taking account of local market practice

- In countries where it is not possible to operate Sharesave, typically because of securities laws, regulatory or other similar issues, we offer an equivalent cash-based scheme

- Group deferral levels are reviewed annually, taking into account both regulatory requirements and market practice. The maximum marginal rate of deferral is 60 per cent of total variable compensation. In 2010 the deferral framework was enhanced so that greater variable compensation was deferred at the mid-tiers (see page 112)

- Part of the overall reward package for executive directors and other senior managers
- Awards are entirely discretionary and are based on individual performance and contribution to long-term value creation
- Appropriate performance conditions are set by the Committee each time an award is made

Our balanced set of reward structures reflects the risk profile of particular businesses. The methods by which variable compensation pools are determined vary according to the nature of the business. Further information on this is provided below and on page 112.

Group reward plans

Governance of reward committees

To ensure that there is appropriate, formal input to the decision making process for each of the Group's plans there are a number of business specific Reward Plan Committees (RPCs) responsible for making sure that information from the risk, compliance and human resources functions are taken into account. Decisions on reward for control function employees are determined independently of the business and control function, and the RPC members do not personally participate in any business specific plan to maintain independence.

The accuracy of finance data used in the decision making process is overseen by risk and finance representatives jointly. Human Resources provides independent input to minimise any potential conflict of interests and control functions input into RPC meetings on compensation.

The Group Reward Plan Committee (GRPC), which includes the Group Chief Executive, the Group Finance Director, the Group Head of Human Resources and Communications and the Group Chief Risk Officer, oversees each of the business specific RPCs to ensure consistency across Standard Chartered. The GRPC ensures compensation decision making is in accordance with our established reward strategy and acts as a link to the Committee, providing feedback on other RPCs as necessary.

Variable compensation funding

The Group's total variable compensation (TVC) spend is calculated after sufficient profit has been accrued to accord capital (shareholders) and adequate risk adjusted return. Determination of the overall TVC pool for 2010 was established in a similar way to previous years, although in 2010 there was greater reliance on pool determination based on risk adjusted profit (as outlined below). The two key elements to pool determination are overall payout, and allocation of the TVC spend between respective businesses and functions.

The Committee approves the total TVC spend, including the amount to be spent on any performance share awards, for the Group taking into account a submission it receives from the GRPC. The Committee exercises its judgment to ensure that the overall payout appropriately reflects Group performance, the control environment, and any other qualitative factors that the Committee considers appropriate, including: performance relative to peers, the latest remuneration guidelines, political and investor sentiment on banking compensation and emerging market intelligence on what other banks are paying out. The Committee then uses this information and exercises discretion to determine the final pool and approve allocations to business and support functions.

In arriving at its decision, the Committee looks at the proposed aggregate payouts relative to both operating profit and adjusted economic profit. However, the Committee is also informed by the underlying funding frameworks for individual pools and has oversight for the allocation of the overall Group pool across businesses. The GRPC is responsible for allocating the approved pools to each business specific RPC, which then oversees the allocation of variable compensation spend within its area.

About 80 per cent of our discretionary variable compensation in the business was delivered under adjusted economic profit-based plans this year.

For 2011 the Group will be moving towards a new measure for determining aggregate and business-specific variable compensation pools. The measure will be risk capital adjusted profit (RCAP). The new methodology, builds on the Group's current adjusted economic profit measure (AEP) used for bonus pool funding in Wholesale Banking, using the higher of economic and regulatory capital. AEP is based on the higher of actual losses and expected losses and RCAP builds on AEP using the higher of economic capital and regulatory capital.

A small number of employees working in Principal Finance also participate in a carried interest plan under which they may benefit from growth in the long-term value of investments they make.

Ensuring performance and risk are aligned in compensation structures

In relation to the management of variable compensation, the Committee views this in a holistic way, with a number of levers used to determine both the appropriate size of the variable compensation pool and individual recommendations taking account of current and future risks to the Group. It is important to acknowledge that such interventions happen at the time compensation decisions are made. These levers are used to make what is called ex ante risk and performance adjustments beginning with the use of AEP. In addition, the Committee has agreed a number of mechanisms to make ex post performance adjustments that provide further alignment to actual performance outcomes.

Considerations at the time of award (ex ante)

Initial pool funding	• Total variable compensation (TVC) has been established in a similar way to previous years, although in 2010 there was greater reliance on pool determination based on risk adjusted profit • An assessment of the pools relative to financial performance both year-on-year and versus budget, is made with reference to multiple financial lenses including (i) trading profit, (ii) adjusted economic profit and (iii) risk capital adjusted profit
Validation of the TVC pool	• The Committee reviews the TVC pool against the financial dimensions (above), but exercises its judgment to ensure that the overall payout appropriately reflects Group performance, the control environment, and any other qualitative factors that the Committee considers appropriate

Adjustments after awards made (ex post)

Balance of cash, deferred and performance shares	• The Committee considers the balance of cash, deferred and performance shares to be delivered both at an aggregate level and at an individual level. Ex post adjustments are only effective if the right people get deferrals and performance shares (PSP) • In the Group, deferrals start at $50,000 and performance shares are awarded to up to 1,000 employees depending on individual performance
Performance adjustment and claw-back	This is achieved through multiple lenses • Diminution in value of deferred award: through share price movement until vesting • Claw-back: applied if an individual exhibits poor values and behaviour • Claw-back: applied in full or part if there is a material restatement or subsequent loss at a Group or business level • Diminution in value of performance shares: through share price movement and subsequent testing of performance conditions

Determining individual variable compensation awards
The aim is to achieve a high performance culture in which every employee has a clear set of objectives, receives ongoing feedback on performance and behaviour and is appropriately rewarded for their individual contribution.

Our ePerformance system, introduced last year, has resulted in a more disciplined and transparent approach to managing employee performance, with more than 98 per cent of employees having objectives that have been discussed and approved by their manager. To support team and individual objective setting, the Group Collective Agenda and business priorities are cascaded throughout the Group. This approach underpins the strong focus on setting quality performance and values objectives and ensures all employees are clear on what is expected of them. Performance against objectives is then regularly reviewed throughout the year.

Differentiating performance and values ratings at all levels enables targeting of spend towards those who have made the most effective contribution to the Group's performance and unique culture, recognises and aids retention of our highest performers and balances this with affordability considerations.

There is no direct formulaic link between business income generated by an individual and that individual's reward.

Application of deferrals and claw-back
Annual discretionary performance awards above $50,000 are subject to the Group's standard deferral framework. The deferred portion is delivered entirely in shares. From 2009 onwards, awards are subject to our claw-back arrangements and vest in equal tranches annually over a three-year period. The percentage deferred rises incrementally as the award level increases.

The current deferral thresholds are shown in the following table:

Annual performance award thresholds ($)	Percentage deferred
50,000 or less	No deferral, paid in cash
Above 50,000 and equal to 250,000	25 per cent[1]
Above 250,000 and equal to 500,000	35 per cent
Above 500,000 and equal to 3 million	50 per cent
Above 3 million	65 per cent[2]

Notes
1 A minimum deferral into shares of $5,000 exists
2 The net deferral rate will be capped at an aggregate deferral of 60 per cent including an expected value of performance shares

In order to comply with the FSA and other local regulators' requirements, executive directors and other senior management may receive a higher proportion of their total variable compensation in deferred shares than under the Group wide deferral framework. Those employees covered by the FSA's remuneration code requirements receive a maximum of 20 per cent of variable compensation in cash.

Secondly, the Committee will retain discretion in very exceptional circumstances to determine that a whole award will not vest, will only partially vest, or will be subject to delayed vesting. Such circumstances may include a material restatement of Group's financial statements, the discovery of endemic problems in financial reporting, or where as a result of financial losses a material breach of regulatory guidelines (e.g. in relation to capital holdings or liquidity) has occurred or is likely to occur. Where the Group's financial statements have been subject to a material restatement, the Committee may also determine that forfeiture is to be restricted to the award holders in a particular business unit if issues in that unit alone have been the cause of the restatement.

Thirdly, individual award holders may forfeit their awards if the GRPC, or the Committee in respect of members of the Group Management Committee, determine in their reasonable judgement that the employee or former employee has, as a result of an appropriate accountability review, been deemed to have (i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions or (ii) exhibited inappropriate values or behaviour.

Performance shares

The use of performance shares is an intrinsic element of total remuneration for our executive directors and senior management. Its significance as a proportion of potential total remuneration is one of the strongest indicators of our commitment to pay for sustainable performance and aligning reward with our risk horizon. The variations in the level of performance share awards that are shown on page 118 highlight the importance that we place on individual performance. A performance test is applied at both the time of award and at vesting. All performance share grants are funded from the Total Variable Compensation pool agreed by the Committee and are not therefore an additional cost to the profit and loss.

2011 Discretionary share plan

The Group's existing performance share plan is due to expire in 2011. A new discretionary share plan will be put forward for shareholder approval at our Annual General Meeting in May 2011. Given the need to renew the Performance Share Plan (PSP), the Group has taken the opportunity to review and amend all its discretionary share plan arrangements at this time, including those plans used more broadly for delivering restricted shares and any deferred element of performance awards.

Notwithstanding this review, we are not proposing to make significant changes to our remuneration philosophy. Discretionary share awards remain a key part of both executive directors' and senior management's TVC and the core principles of the proposed plan remain broadly unchanged. However, the Group is mindful of the practical challenges of how its share plans are and will continue to be used in a changing remuneration environment, subject to ongoing regulatory developments. Our proposals aim to give us a plan that has sufficient flexibility to navigate these challenges and requirements over the coming years.

The plan is proposed as the Group's main long-term incentive vehicle, eligible to all employees with the flexibility to provide a variety of award types. The plan is designed to deliver performance shares, deferred awards and restricted shares, which are currently provided under the existing variety of plans.

Performance shares element of new plan

Under the new discretionary plan the Committee will have the ability to make awards of performance shares subject to specific criteria.

Performance share awards under the new plan will form a core component of TVC with a policy of an overall maximum amount of 400 per cent of base salary in face value terms in relation to executive directors. This is consistent with the current level under the existing PSP.

The Committee has also taken the opportunity to review the performance conditions and proposes to add a risk aligned measure. It is proposed that, in addition to the performance conditions which apply to the existing PSP of Total Shareholder Return (TSR) and Earnings per Share (EPS), a new performance measure of Return on Risk Weighted Assets (RoRWA) will be included.

Using a risk adjusted measure ensures that there is an appropriate return for the risk taken and ensures the measure is aligned with the Group's risk appetite.

RoRWA

Return on Risk Weighted Assets is a key performance indicator of the Group that is already used to calculate capital adequacy. This performance measure takes into account not only the return on assets but also risk adjusts the assets by looking at credit, operational, and market risk.

The weighting between the three elements will be split equally (one-third of the award depending on the achievement of TSR, EPS and RoRWA, assessed independently of one another) supporting a balanced scorecard approach through equal focus upon financial measures, investor interests and prudent risk taking.

In setting the new RoRWA target, the Committee has considered not only the historic performance of the Group, but also the likely impact of the requirement to carry higher levels of capital and 'regulatory liquidity', and external regulatory changes, such as the UK bank levy and the requirements of Basel III (developed by the Basel Committee on Banking Supervision). In setting the vesting threshold, the Group's Internal Capital Adequacy Assessment Process (ICAAP), risk appetite and the Group's underlying performance have all been taken into consideration.

Performance shares under the new plan will continue to vest after a three-year performance period.

Subject to receiving shareholder approval at the Annual General Meeting in May this year, all performance share awards for the 2010 performance year will be made under the new 2011 discretionary share plan.

Deferred awards

Awards under the annual performance award plan are subject to increasing levels of deferral. To help simplify the process (it is envisaged that) future deferred awards will be made under the new discretionary plan. These awards will be subject to a three-year deferral period, vesting equally one-third on each of the first, second and third anniversaries. In line with the current rules governing deferred awards under the existing restricted share plan, these awards will not be subject to an annual limit to ensure that regulatory requirements relating to deferral levels can be met. In line with the current deferral plans and market practice of our competitors, deferred awards will not be subject to any further performance criteria, although the claw-back policy will apply.

The final decisions regarding the new discretionary share plan will be detailed in the shareholder circular issued prior to the Annual General Meeting taking place in May this year.

2001 Performance Share Plan (PSP)

The Group's existing plan for delivering performance shares is the PSP. Although the PSP will be replaced in 2011, there are still awards under the plan yet to vest that were made to employees in respect of the 2008 and 2009 performance years. Under the PSP, the maximum award that can be granted to employees is 400 per cent of base salary.

Half the award is dependent upon our TSR performance compared with a defined peer group. The balance is subject to a target of defined EPS growth. Both measures use the same three-year period. The rationale for these performance conditions is set out below:

TSR
Relative total shareholder return, which measures the growth in share price plus dividends paid to shareholders, is recognised as one of the best indicators as to whether they have achieved a good return investing in a specific company relative to a basket of similar companies or a single index

EPS
Earnings per share provide an appropriate measure of a company's underlying financial performance

TSR element

A comprehensive review of the comparator group was undertaken by the Committee in June 2008. The outcome was to increase the number of constituents from 15 to 21 for awards to be made in 2009 and beyond. The enlarged group better reflects the increased size and scope of our current business. The Committee considered a combination of measures, including size, business scope and geographic spread, to identify the most appropriate companies before agreeing the constituents.

The constituents of our comparison peer group for awards made in 2008, 2009 and 2010 are set out in the table above right.

The percentage of awards exercisable at the end of the relevant three-year performance period is calculated on a straight-line basis. Minimum vesting for awards granted from 2009 occurs if median ranking is achieved, with full vesting achieved if we are ranked in the upper quintile in our comparison group. For awards granted from 2011 under the new plan, a slight variation in the TSR ranking approach aligned to market practice applies. The comparator companies (excluding Standard Chartered) are ranked in comparison with the TSR performance of Standard Chartered, recognising the positioning of Standard Chartered's TSR compared with that of the companies positioned immediately above and below it. Straight-line vesting applies for performance between the set positions reflecting the actual level of TSR performance compared with the nearest comparator companies.

	Proposed 2011 awards under new plan	Awards made in 2010	Awards made in 2009	Awards made prior to 2009
Banco Santander	●	●	●	
Bank of America	●	●	●	●
Bank of China	●	●	●	
Bank of East Asia	●	●	●	●
Barclays	●	●	●	●
Citigroup	●	●	●	●
Credit Suisse	●	●		
DBS Group	●	●	●	●
Deutsche Bank	●	●	●	●
HSBC	●	●	●	●
ICBC	●	●	●	
ICICI	●	●	●	●
JPMorgan Chase	●	●	●	●
Kookmin	●	●	●	
Oversea-Chinese Banking Corporation	●	●	●	●
Royal Bank of Scotland	●	●	●	●
Société Générale	●			
Standard Bank	●	●	●	
State Bank of India	●	●	●	
Unicredit	●	●	●	
United Overseas Bank	●	●	●	●
Standard Chartered		●	●	●
Lloyds Banking Group			●	
HBOS[1]				●
Lloyds TSB				●

Notes
[1] For unvested awards granted in 2008, HBOS was replaced by a synthetic company, in view of its acquisition by Lloyds TSB

The Committee believes that it is preferable to continue to measure total shareholder return performance using a local currency approach. This reflects the international composition of the comparator group, but also takes into account that a significant proportion of each company's profit is generated in the same currency as its primary listing. This approach measures the real impact for a shareholder by focusing on relative stock movement rather than taking into account exchange rate fluctuations.

Earnings per share element

The percentage of award is normally exercisable at the end of the relevant three-year performance period and is as follows:

Increase in EPS	Percentage of award exercisable
Less than 15 per cent	Nil
15 per cent	15
15 to 30 per cent	More than >15 but less than <50[1]
More than 30 per cent	50

Notes
[1] Calculated on a straight-line basis

Vesting of 2008 awards

The Committee recently reviewed whether the performance conditions for awards granted in 2008 were satisfied at the end of December 2010. The table below sets out earnings per share and total shareholder return performance over the three-year period and the percentage of the 2008 awards that has now vested.

Element	Performance	2008 Awards
EPS Growth	18.18%	22.41%
TSR Ranking	1 out of 15	50.00%
Total		72.41%

On 13 October 2010, the Group announced details of a rights issue in participating countries (see note 36 to the financial statements).

As a result of the rights issue, the Committee recommended and the Board approved adjustments to all unexercised share options and share awards granted under the Group's share plans. The basis of the adjustments was the theoretical ex-rights price methodology, which was considered the most appropriate to take into account the impact of the rights issue. The adjustments under certain plans were approved by the relevant tax authorities, where necessary. This is consistent with the approach taken following the 2008 rights issue.

Under the PSP, the EPS target is measured at the end of a three-year performance period against a base EPS figure. The Committee has also adjusted the base EPS figure to take account of the rights issue using a standard theoretical ex-rights price methodology. The figures given below are the adjusted EPS figures.

Year of grant	Original base EPS figure	Revised base EPS figure
2008	173.0	166.7
2009	174.9	168.5
2010	179.8	173.2

Restricted shares

The Group currently operates two plans under which restricted shares can be awarded. Restricted shares are used to deliver the deferred portion of annual performance awards and as an incentive to motivate and retain high performing employees. In line with similar schemes operated by our competitors, our existing restricted share awards do not have any performance conditions.

Current deferral

For the 2010 performance year, elements of total variable compensation will be deferred using only the 2006 Restricted Share Scheme (RSS). These awards are subject to dividend equivalent payments at the date of vesting. Awards will vest in three equal annual instalments.

Incentive/retention

Awards made outside the annual performance process as a retention mechanism are provided under the RSS. Awards will vest in equal instalments on the second and third anniversaries of grant.

All-employee sharesave schemes

We strongly believe in encouraging employee share ownership at all levels in the organisation. We seek to engage employees in our performance to align their interests more closely with those of our shareholders and offer them an opportunity for long-term savings and a share in the financial success that they help to create.

Where it is not possible to offer Sharesave schemes in some countries in which we operate, due to local securities laws or regulatory issues, we offer an equivalent cash-based scheme.

As at 31 December 2010, 36 per cent of employees globally participated in our all-employee Sharesave schemes (2009: 37 per cent). There are no performance conditions attached to options granted under these schemes.

Further details on the long-term incentives operated by Standard Chartered are set out in note 38 to the financial statements.

Other share plan-related items

Shareholding requirements

The Group has for many years had a shareholding guidelines framework to align the interests of its executives with its investors. We remain committed to the principles of share ownership by executives with an expectation that such employees build up a shareholding over time. Following the publication of the 2010 Financial Services Authority (FSA) remuneration code (the Code) in December 2010, the Group decided to review its shareholding policy in light of the FSA's requirement for designated employees to hold deferred shares for specified periods post the vesting of awards. In developing the new shareholding requirement policy, the Group has also sought to balance a desire from investors for meaningful shareholding levels and employee sentiment around their growing exposure to the Group through already higher deferrals.

The key features of the shareholding requirement policy are:

- A minimum defined number of vested ordinary shares will need to be held by each Code Staff employee at all times
- The shareholding requirement level is linked to a relevant percentage of both historical and current annual performance awards (APAs) and effectively results in a 12-month retention period for these vested deferred and upfront share awards required under the FSA code
- Executives will be unable to sell vested upfront shares and deferred shares granted with effect from 1 January 2011 unless they meet their prevailing minimum shareholding requirement
- The shareholding requirement will be set annually, adjusted based on the level of APA and for anticipated income tax liability
- In 2011 the headline shareholding requirement will be 20 per cent of the 2010 APA with the percentage levels steadily increasing through to 2014 when the headline level will be circa 50 per cent of APA (then adjusted for tax) for most employees
- Only shares held beneficially count. Shares in a spouse's name and nominee account can be included. Deferred shares will no longer count under the current band-linked shareholding guidelines
- Group Management Committee (GMC) members will be subject to a higher of test, being the greater of the new requirement and the old guideline level (albeit with deferred shares no longer deemed to count). Under the old guidelines, the Group Chief Executive's and Executive Directors' guideline was 200,000 and 120,000 shares respectively

Performance graph

The graph overleaf shows our total shareholder return performance on a cumulative basis over the last five years alongside that of the FTSE 100 and the PSP comparison group. The FTSE 100 provides a broad comparison group against which our shareholders may measure their relative returns. Standard Chartered is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for our shares.

Miscellaneous long-term incentive-related matters: employee benefit trusts

We have two employee benefit trusts, administered by an independent trustee, which hold ordinary shares to meet various obligations under our incentive plans. The '2004 trust' is used in conjunction with the 2004 Deferred Bonus Plan while the '1995 trust' holds shares to satisfy the exercise of awards under our various share plans. Voting is at the discretion of the independent trustee, who does not have any rights to dividends.

The trusts' holdings inclusive of any rights issue subscription are as follows:

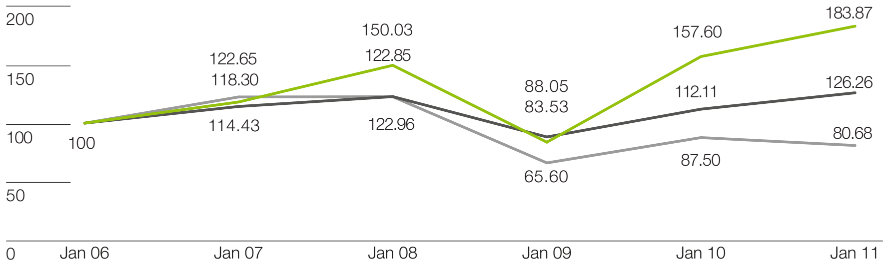
	31 December 2010	31 December 2009
1995 trust	**13,429,212**	7,589,615
2004 trust	**539,605**	498,127

Dilution limits

Our existing share plans contain monitored limits that govern both the amount of awards that may be granted and the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the Association of British Insurers' corporate guidelines. Under the terms of our listing on the Stock Exchange of Hong Kong Limited, there is an additional limit that provides that awards under any plan cannot be granted (whether to be satisfied through the issue of new shares or market purchased shares) that would cause the total number of shares under option (all schemes) to exceed 10 per cent of issued share capital at that time.

Total shareholder return

Percentage change over five-year period



Data provided by Thomson Reuters

Standard Chartered
FTSE 100
Comparator median

Vesting provisions on a change of control

The rules of the PSP do not provide for automatic vesting in the event of a change in control. However, the rules do provide that the number of shares subject to the award be pro-rated, based on the length of the shortened performance period. The Committee may 'at its discretion, and acting fairly and reasonably', determine the extent to which awards vest, having taken into account Standard Chartered's performance since the date of grant.

Vesting provisions for leavers

When an employee ceases employment, unless classified as an eligible leaver, any unvested share awards will normally lapse. For an eligible leaver:

- Awards under the existing PSP will normally vest at the original date and be pro-rated to take into account the portion of the performance period as an employee
- Deferred annual performance awards will normally continue to vest over the original vesting period, subject to:
  - There being no breach of relevant non-compete and non-solicit conditions
  - The Group's claw-back policy
- Other awards made under the RSS will vest immediately on cessation of employment on a pro-rated basis according to the period of time from the date of grant to the date of cessation

International Financial Reporting Standards

Details on how share awards have been expensed under International Financial Reporting Standard 2 are set out in note 38 to the financial statements.

General

The middle market price of an ordinary share at the close of business on 31 December 2010 was 1,725.50 pence. The share price range over the year was 1,316.50 pence to 1,975.00 pence per share (based on closing middle market prices). Full details of the directors' shares and options can be found in our register of directors' interests.

Unless indicated otherwise, the foreign exchange rates used in this Directors' remuneration report are based on the average rates throughout the relevant financial year. The rates are GBP1:$1.5439 (2010) and GBP1:$1.5613 (2009).

Reward arrangements for executive directors

Each executive director has documented priorities that are presented to the Committee at the start of the financial year and assessed at the year-end. The importance of each executive director's individual performance and that of Standard Chartered as a determinant in their compensation is reflected in the variation of the annual performance awards made in recent years, see page 118.

Target remuneration levels for the executive directors are set with reference to the market, individual experience levels and affordability. Target annual performance awards are not linked to base salary, allowing the Committee the flexibility to deliver an appropriate balance between fixed and variable compensation aiming to ensure that the greatest weighting is on performance-related elements.

Market information draws on our international banking peers and the FTSE 20. These two groupings have business characteristics, such as international scope of operations, complexity and size, that are similar to ours, and represent organisations with which we compete for talent.

Base salaries

The Group's compensation review at the end of 2010 maintained a prudent approach to increases in fixed compensation across the whole business, targeting a review of base salaries for employees in control functions and senior banking executives where these were out of line with market compensation levels. A review of salaries for executive directors was also carried out and the Committee agreed to make a number of individual adjustments to base salary. The rationale for each increase was carefully considered by the Committee which reflected on each directors' performance, market positioning and the impact of each increase on total compensation. Peter Sands' increase recognises that his fixed compensation remains behind his peers and the Committee has continued its approach of phasing in market adjustments over time. The Committee recommended increasing Richard Meddings' base compensation, recognising that his portfolio has grown significantly in the last 18 months. In addition to his responsibilities on strategy and corporate development, risk has been added to his portfolio in 2010. Both Steve Bertamini and Jaspal Bindra work in Asia where the market movement has been more pronounced than in much of Europe. Steve also had not had any adjustment for three years, hence the increase is greater for him relative to others. In relation to Mike Rees, the increase is part of the on-going phased rebalancing of his total compensation (following his appointment to the Board), with a greater proportion being delivered in fixed compensation rather than variable.

The annual base salary levels of executive directors from 1 January 2010 were as follows:

Name	1 January 2010	1 January 2011	Percentage increase at 1 April 2011
P A Sands	$1,561,300 (£1,000,000)	$1,543,900 (£1,000,000)	7.5%
S P Bertamini[1]	$900,000 –	$900,000 –	11%
J S Bindra[2]	$780,650 (£500,000)	$771,950 (£500,000)	5%
R H Meddings	$1,170,975 (£750,000)	$1,157,925 (£750,000)	6.6%
A M G Rees	$936,780 (£600,000)	$926,340 (£600,000)	22.5%
G R Bullock[3]	$780,650 (£500,000)	$771,950 (£500,000)	n/a

Notes

1 Steve Bertamini has a US dollar-denominated base salary, whereas other executive directors have sterling-denominated base salaries

2 Jaspal Bindra was appointed to the Board on 1 January 2010

3 Gareth Bullock stepped down from the Board on 1 May 2010 and his employment with the Group will cease on 30 April 2011

2010 Total variable compensation (TVC) awards and 2011 target awards

At its meeting in February 2011, the Committee agreed the following TVC outcomes for executive directors in respect of the 2010 performance and financial year:

	2010 Target Award ($'000)	Annual Performance Award ($'000) Cash	Upfront Shares[1]	Deferred	Sub-total	Performance Shares (EV)[2] ($'000)	2010 TVC award ($'000)	2011 Target Award[3] ($'000)
P A Sands	$2,000	700	700	2,100	3,500	2,621	6,121	2,000
S P Bertamini	$1,125	340	340	1,020	1,700	1,405	3,105	1,125
J S Bindra	$1,125	340	340	1,020	1,700	1,253	2,953	1,125
R H Meddings	$1,500	480	480	1,440	2,400	1,785	4,185	1,500
A M G Rees	$10,000	2,200	2,200	6,600	11,000	2,089	13,089	10,000
G R Bullock	$375	281	–	94	375	-	375	$ nil

Notes

1 Upfront shares are the portion of the annual performance award that is delivered in shares for the 2010 performance year. These shares are subject to the Group's shareholding requirements detailed on page 115

2 Awards of performance shares were approved by the Committee in February 2011 but will be granted under the new share plan in May 2011 subject to shareholder approval of the new share plan

3 Directors have a US dollar-denominated target set based on overall financial performance goals, market benchmarks and internal affordability. The maximum annual performance award opportunity for all directors in 2011 will be 250 per cent of their target

The TVC awards were made to recognise another year of record income and profits, and strong performance relative to peers. At an individual level, awards were made to reflect relevant business and/or geographical performance against both budget and prior year performance as well as broader leadership of the Group's collective agenda. This performance assessment is reflected in both the APA as a multiple of target and in the absolute level of performance shares, which together comprise TVC. The Committee believes that the individual and aggregate TVC outcomes strike the right balance in aligning reward with the Group's overall profit performance, income growth and risk management.

Retirement benefits

Retirement benefits are provided through a combination of approved and/or unapproved defined benefit and cash structures depending upon when an executive director joined Standard Chartered and their geographical location. Executive directors are given the opportunity to waive a proportion of the cash element of any potential annual performance award and a portion of their annual base salary to enhance their unfunded unapproved retirement benefits. Any amounts waived in respect of this year are shown on page 121; our actuary has calculated the additional pension benefits using assumptions adopted for International Accounting Standard 19 reporting.

The defined benefit plans comprise a combination of the Standard Chartered Pension Fund, an approved non-contributory scheme, and an unapproved retirement benefit scheme. The unapproved scheme is unfunded but the benefits are currently secured by a charge, in the name of an independent trustee, over specific assets. The unapproved unfunded retirement benefit scheme provides the part of the executive's benefit that exceeds the UK Government's lifetime allowance. In other respects the terms of the unapproved scheme are designed to mirror the provisions of the Standard Chartered Pension Fund. Upon the death in service of an executive director, pension benefits are available to a spouse and dependent children in a lump sum.

Base salary is the only element of remuneration that is pensionable.

Executive directors' contracts of employment

Executive directors receive and are required to give 12 months' notice. The dates of the executive directors' contracts of employment are as follows:

P A Sands	31 December 2003
S P Bertamini	22 April 2008
J S Bindra	1 March 2008
R H Meddings	12 December 2003
A M G Rees	7 January 2010

The contracts contain payment in lieu of notice (PILON) provisions that can be exercised at our discretion. The PILON comprises an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). Annual performance awards payable as part of a PILON are determined by the Committee, after taking into consideration the performance of both the individual and Standard Chartered. Payments under PILON are made in quarterly instalments and are subject to mitigation.

Special provisions apply in the event that Standard Chartered terminates an executive director's contract in the 12 months following a change of control without giving notice. Unless the executive director has been summarily dismissed or is serving out their notice, an amount equal to 12 months' base salary, annual performance award, pension contributions/entitlement and certain benefits and allowances will be paid in four equal instalments. The annual performance award payable in respect of the 12 months following the date of termination is equivalent to the executive director's target performance award. The annual performance award payable in respect of the performance period prior to termination is decided by the Committee, taking into account both the performance of the individual and Standard Chartered. A pro rata target performance award is payable if this period is less than six months.

Details of non-executive directorships held by the executive directors

Certain executive directors serve as non-executive directors of other companies. Details of these directorships are contained on pages 84 to 86. The executive directors are permitted to hold a maximum of one non-executive directorship with a listed company on the basis that there is no conflict of interest (or time commitment). Details of non-executive fees of the executive directors are shown opposite.

Name	Organisation	Current annual fees
P A Sands	The Institute of International Finance, inc	No fees payable
	Global Business Coalition on HIV/ AIDS, Tuberculosis and Malaria	No fees payable
	The Hong Kong Association	No fees payable
	British Bankers Association	No fees payable
	Roundhouse Trust	No fees payable
R H Meddings	3 i Group Plc	$62,908[1]
	International Chamber of Commerce	No fees payable
J S Bindra	Vital Voices Global Partnership	No fees payable

Notes

[1] Indicates fees are retained by the executive director

Executive director changes

With effect from 1 January 2010, Jaspal Bindra was appointed as a group executive director. Jaspal has an annual base salary of GBP500,000 effective from 1 January 2010, and his contract of employment, dated 1 March 2008 has similar provisions to those outlined above in relation to other executive directors.

In addition, Gareth Bullock stepped down from the Board with effect from 1 May 2010. Gareth will remain an employee until 30 April 2011 in order to provide an orderly transition to his successor and to continue to provide input on strategic developments. During the period between stepping down from his Board role and the termination of his employment, he will be paid in accordance with his contract of employment, including the receipt of base salary, car benefit, life and medical cover and be entitled to a pension benefit.

In addition, please refer to page 127 for details of the changes to non-executive directors.

Reward arrangements for the Chairman and non-executive directors

Fees for non-executive directors are determined by the Chairman and executive directors. They are non-pensionable. The fees are reviewed at least every two years and, in line with executive directors' remuneration, reflect the international nature of the roles performed by the non-executive directors and also the changes to the committees' structures with effect from March 2010.

Basic annual fees and committee fees are designed to be competitive against our international comparison group. The non-executive directors' fees were revised in relation to committee fees from March 2010. The fees of the non-executive directors are commensurate with the experience and the increased time commitment that they bring to the Board. The current fees are set out in the following table.

Element	Pre March 2010 (GBP)	Current (GBP)
Base fee	100,000	100,000
Audit Committee[1]		
Chair	65,000	65,000
Committee Member	30,000	30,000
Remuneration Committee		
Chair	40,000	50,000
Committee Member	20,000	25,000
Nomination Committee		
Chair	N/A	N/A
Committee Member	10,000	15,000
Governance Committee		
Chair	N/A	No fees
Committee Member	N/A	No fees
Board Risk Committee[1]		
Chair	N/A	65,000
Committee Member	N/A	30,000
Brand and Values Committee[2]		
Chair	N/A	50,000
Committee Member	7,500	25,000
Senior Independent Director	30,000	30,000

Notes

[1] Prior to 1 March 2010 these committees were the Audit and Risk Committee, separating in March 2010

[2] Prior to 1 March 2010 this committee was the Sustainability and Responsibility Committee

From 2011 UK-based non-executive directors are able to take up to 100 per cent of their monthly post-tax base fees to acquire shares in Standard Chartered (previously the maximum was 50 per cent). Non-executive directors have no service contract and do not participate in any performance-related remuneration arrangements.

Chairman

Contract

John Peace's contract of employment, dated 2 July 2009 (and updated on 1 March 2011), is subject to 12 months' rolling notice. The terms of his contract governing PILON provisions and payments on termination are similar to those previously outlined in relation to executive directors.

Remuneration

John's compensation as Chairman comprises two key parts. He receives an annual base fee, part delivered in cash $1,003,535 (GBP650,000) and part delivered in restricted shares (20,764 shares in 2010). This structure aligns his interests with those of shareholders and demonstrates the Chairman's commitment and confidence in our future. Restricted share awards for 2011 and 2012 will be granted in two instalments each year (March and September) with the share price based on the higher of the average share price over the five dealing days up to the grant date and the closing price on the dealing day before grant (in line with the Group's normal approach). This is John's primary employment where his duties take priority over any existing interest or any new outside interest.

The structure and quantum of the Chairman's compensation arrangements was benchmarked against comparable banking roles in both the UK and international marketplace. The arrangements ensure that John is appropriately compensated for his contribution and reflects the increased demands placed on the Chairman's role over the course of the year. This is expected to continue in the foreseeable future.

John is also entitled to a car and driver, which he does not currently utilise, and is provided with private healthcare. He is not eligible to receive discretionary performance share awards or to participate in either our annual performance award or retirement plans.

The remuneration arrangements will be reviewed again during the course of 2012.

Audited information
Remuneration of Group Chairman

Chairman	2010 Cash fee $'000	2010 Shares based fee $'000	2010 Benefits $'000	2010 Total $'000	2009 Cash fee $'000	2009 Shares based fee $'000	2009 Benefits $'000	2009 Total $'000
J W Peace[1, 2]	**1,004**	**613**	**2**	**1,619**	988	781	2	1,771

Notes

1 Following his appointment as Chairman, John Peace now receives part of his annual fee in restricted shares. Accordingly, he was granted an award over 20,764 shares in the Company on 21 September 2010

2 John Peace is a member of the Brand and Values, Governance, Nomination and Remuneration Committees

Remuneration of non-executive directors

Non-Executive Directors	2010 Fees $'000	2010 Benefits $'000	2010 Total $'000	2009 Fees $'000	2009 Benefits $'000	2009 Total $'000
R Delbridge[1, 2, 8]	**239**	**–**	**239**	–	–	–
J F T Dundas[1, 2, 3, 5]	**340**	**–**	**340**	204	–	204
V F Gooding[4, 5]	**226**	**–**	**226**	173	–	173
S J Lowth[9]	**103**	**–**	**103**	–	–	–
R H P Markham[1, 2, 3, 6, 7]	**362**	**–**	**362**	292	–	292
R Markland[1, 2, 3, 4]	**336**	**–**	**336**	255	–	255
J G H Paynter[1, 4]	**233**	**–**	**233**	177	–	177
Dr Han Seung-soo[5, 8]	**187**	**80[10]**	**267**	–	–	–
P D Skinner[2, 3, 4, 5]	**314**	**–**	**314**	161	–	161
O H J Stocken[2]	**195**	**–**	**195**	173	–	173
Total	**2,535**	**80**	**2,615**	1,435	–	1,435

Notes

1 Member of the Audit Committee

2 Member of the Board Risk Committee

3 Member of the Nomination Committee

4 Member of the Remuneration Committee

5 Member of the Brand and Values Committee

6 Member of the Governance Committee

7 Senior Independent Director

8 Appointed 1 January 2010

9 Appointed 1 May 2010

10 This amount relates to benefits received by Dr Han in relation to his non-exective duties and tax due on these benefits, which the Group has agreed to pay on Dr Han's behalf

11 Any base salary/fee or benefit item in the table above has been converted using the average foreign exchanges rates throughout the relevant financial year as shown on page 116

12 As the Audit and Risk Committee split to become the Board Risk Committee and the Audit Committee in March 2010 there are a number of non-executive directors who have part year fees for the committees that they serve on

13 All committee fees were reviewed and in some cases revised with effect from 1 March 2010 to reflect the increased workload and expanded remit of the committees

Remuneration of executive directors

	2010							
	Fixed ($'000)		Total Variable Compensation ($'000)					
			Annual Performance Award					
Directors	**Salary/ fees**	**Benefits[1]**	**Cash bonus[2]**	**Share allocation[3]**	**Deferred shares[3]**	**Sub Total**	**PSP[4]**	**Total**
P A Sands	1,544	115	700	700	2,100	3,500	2,621	7,780
S P Bertamini[5]	1,215	712	340	340	1,020	1,700	1,405	5,032
J S Bindra[6]	772	799	340	340	1,020	1,700	1,253	4,524
R H Meddings	1,158	78	480	480	1,440	2,400	1,785	5,421
A M G Rees	926	78	2,200	2,200	6,600	11,000	2,089	14,093
G R Bullock	772	68	281	–	94	375	-	1,215
Sub total	6,387	1,850	4,341	4,060	12,274	20,675	9,153	38,065

	2009							
	Fixed ($'000)		Total Variable Compensation ($'000)					
			Annual Performance Award					
Directors	Salary/ fees	Benefits[1]	Cash bonus[2]	Deferred shares[3]	Voluntary deferred shares[3]	Sub Total	PSP[4]	Total
P A Sands	1,444	97	–	2,240	960	3,200	2,179	6,920
S P Bertamini[5]	1,113	772	–	980	420	1,400	1,173	4,458
J S Bindra[5]	656	184	420	980	–	1,400	1,007	3,247
R H Meddings	1,054	69	–	1,540	660	2,200	1,341	4,664
A M G Rees	625	37	–	7,700	3,300	11,000	1,609	13,271
G R Bullock	781	65	420	980	–	1,400	–	2,246
Total	5,673	1,224	840	14,420	5,340	20,600	7,309	34,806

Notes

1 The benefits column includes amounts relating to car allowances and medical and life assurance benefits. Steve Bertamini and Jaspal Bindra carry out duties overseas and their remuneration was adjusted to take local living costs into account. This adjustment was to put them in a position, after taxation differentials, where they would be no worse off as a result of carrying out duties overseas. The benefits column for both Steve and Jaspal also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children

2 The cash element of the annual performance award is shown net of any amounts waived to provide additional pension benefits. See page 124 for further details

3 The amounts shown in the deferred shares column include the proportion of the annual performance award deferred into restricted shares and/or the deferred bonus plan for each executive director. In addition to the deferred shares that have been awarded as part of the directors' annual performance awards, in line with the FSA remuneration code requirements, a portion of the annual performance award (APA) has been delivered in upfront shares. This portion equates to 20 per cent of the total APA. The amount shown is the gross amount and the net amount (post any withholding taxation requirements) has been transferred to a trust and used to acquire shares that are beneficially allocated to the employee

4 The expected value of any performance share awards that it is proposed to be granted in May 2011 in respect of the 2010 financial year. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends

5 Steve Bertamini received cash allowances of $315,000 (2009: $315,000) in lieu of his participation in any pension plan and this is reflected in the table above, as part of salary/fees. Details of the retirement benefits for other executive directors are detailed on page 124

6 Jaspal Bindra was appointed to the Board on 1 January 2010. His 2009 compensation has been provided for comparison purposes. He received a total 2010 discretionary annual bonus award of $1,400,000, of which he has chosen to waive $nil (2009: $655,746) into his pension arrangement. In addition, Jaspal has also waived $602,121 of his 2010 base salary (2009: $nil) into his pension arrangement, details of which are included on page 124

7 Any base salary/fee or benefit item in the table above has been converted using the average foreign exchanges rates throughout the relevant financial year as shown on page 116

2004 Deferred Bonus Plan

Directors	Shares held in trust at 1 January 2010	Shares awarded during the period[1]	Shares awarded in respect of notional dividend[2]	Shares vested during period	Rights issue adjustment[3]	Shares held in trust at 31 December 2010
P A Sands	70,532	63,675	656	71,188	2,418	**66,093**
S P Bertamini	170,081	27,858	1,583	171,664	1,058	**28,916**
J S Bindra	–	12,187	–	–	462	**12,649**
R H Meddings	35,923	43,777	334	36,257	1,662	**45,439**
A M G Rees	47,814	218,885	445	48,259	8,313	**227,198**
G R Bullock	28,283	12,187	263	28,546	462	**12,649**

Notes

1 Market value on date of awards (9 March 2010) was 1,718.88 pence

2 Under the 2004 Deferred Bonus Plan, shares were conditionally awarded as part of the executive director's deferred element of their 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 normally delivered in the form of shares and is released on vesting

3 Adjustments made to all unexercised share awards granted under the Group's share plan as part of the rights issue

Subsequent pages contain information on share options and share awards.

Long-term incentives
Share options

Director	Scheme	Grant Date	As at 1 January 2010	Exercise price (pence)[1]	Exercised	Lapsed	Rights Issue adjustment[4]	As at 31 December 2010	Period of exercise
P A Sands	Sharesave	26-Sep-07	1,543	1,048.22	–	–	58	**1,601**	2012 – 2013
S P Bertamini	Sharesave	09-Oct-09	1,356	1,104.00	–	–	51	**1,407**	2014 – 2015
J S Bindra	Sharesave	09-Oct-09	1,356	1,104.00	–	–	51	**1,407**	2015 – 2015
R H Meddings	Sharesave	04-Oct-10	592	1,463.00	–	–	22	**614**	2013 – 2014
A M G Rees	2000 ESOS	09-Mar-05	61,768	849.94	61,768[2]	–	–	**–**	–
G R Bullock	Sharesave	29-Sep-08	943	1,017.12	–	943[3]	–	**–**	–

Notes

1 The exercise price has been adjusted to take account of the rights issue

2 Market value on date of exercise (9 March 2010) was 1,718.88 pence

3 Withdrawn from scheme on 1 March 2010 and options have lapsed

4 Adjustments made to all unexercised share awards granted under the Group's share plans as part of the rights issue

Share Awards

Director	Scheme	Grant date	As at 1 January 2010	Exercised	Lapsed	Rights issue adjustment[1]	**As at 31 December 2010**[2]	Period of exercise
J W Peace	RSS	28-Sep-09	41,528	–	–	1,577	**43,105**	2011 – 2016
	RSS	21-Sep-10	20,764	–	–	788	**21,552**	2012 – 2017
P A Sands	PSP	12-Mar-07	162,389	125,818[6]	36,571[7]	–	**–**	–
	PSP	11-Mar-08	184,774	–	–	7,017	**191,791**	2011 – 2018[8]
	PSP	11-Mar-09	356,481	–	–	13,539	**370,020**	2012 – 2019
	PSP	11-Mar-10[4]	186,781	–	–	7,094	**193,875**	2013 – 2020
	Deferred RSS	11-Mar-09	84,231	–	–	3,199	**87,430**	2011 – 2016
	Deferred RSS	11-Mar-10	59,443	–	–	2,257	**61,700**	2012 – 2019
S P Bertamini	PSP	16-Sep-08	59,337	–	–	2,253	**61,590**	2011 – 2018[8]
	PSP	11-Mar-09	159,033	–	–	6,040	**165,073**	2012 – 2019
	PSP	11-Mar-10	100,574	–	–	3,819	**104,393**	2013 – 2020
	Deferred RSS	11-Mar-09	28,437	–	–	1,080	**29,517**	2011 – 2016
	Deferred RSS	11-Mar-10	26,006	–	–	987	**26,993**	2012 – 2017
J S Bindra	PSP	12-Mar-07	55,113	42,701[6]	12,412[7]	–-	**–**	–
	PSP	11-Mar-08	72,589	–	–	2,756	**75,345**	2011 – 2018[8]
	PSP	11-Mar-09	127,314	–	–	4,835	**132,149**	2012 – 2019
	PSP	11-Mar-10[4]	86,206	–	–	3,274	**89,480**	2013 – 2020
	Deferred RSS	11-Mar-09	30,621	–	–	1,162	**31,783**	2011 – 2016
	Deferred RSS	11-Mar-10[4]	26,006	–	–	987	**26,993**	2012 – 2017
R H Meddings	PSP	12-Mar-07	100,385	77,778[6]	22,607[7]	–	**–**	–
	PSP	11-Mar-08	125,646	–	–	4,772	**130,418**	2011 – 2018[8]
	PSP	11-Mar-09	220,370	–	–	8,369	**228,739**	2012 – 2019
	PSP	11-Mar-10[4]	114,942	–	–	4,365	**119,307**	2013 – 2020
	Deferred RSS	11-Mar-09	53,514	–	–	2,032	**55,546**	2011 – 2016
	Deferred RSS	11-Mar-10[4]	40,867	–	–	1,552	**42,419**	2012 – 2017
A M G Rees	PSP	12-Mar-07	55,113	42,701[6]	12,412[7]	–	**–**	–
	PSP	11-Mar-08	55,432	–	–	2,105	**57,537**	2011 – 2018[8]
	PSP	11-Mar-09	123,456	–	–	4,688	**128,144**	2012 – 2019
	PSP	11-Mar-10[4]	137,931	–	–	5,238	**143,169**	2013 – 2020
	RSS	12-Mar-07	27,557	27,557[5]	–	–	**–**	–
	SRSS	14-Mar-08	126,701	63,350[5]	–	2,406	**65,757**	2011 – 2015
	Deferred RSS	11-Mar-09	86,419	–	–	3,282	**89,701**	2011 – 2016
	Deferred SRSS	11-Mar-09	288,939	–	–	10,974	**299,913**	2010 – 2016
	Deferred RSS	11-Mar-10[4]	68,965	–	–	2,619	**71,584**	2012 – 2017
G R Bullock	PSP	12-Mar-07	93,102	72,135[6]	20,967[7]	–	**–**	–
	PSP	11-Mar-08	108,665	–	–	4,127	**112,792**	2011 – 2018[8]
	PSP	11-Mar-09	146,604	–	–	5,568	**152,172**	2012 – 2019[9]
	Deferred RSS	11-Mar-09	31,292	–	–	1,188	**32,480**	2011 – 2016[10]
	Deferred RSS	11-Mar-10	26,006	–	–	987	**26,993**	2012 – 2017[10]

Notes

1 Adjustments made to all unexercised share awards granted under the Group's share plans as part of the rights issue

2 Or date of resignation from the Board, if earlier

3 Details of performance conditions for PSP awards are described on page 114

4 Market value on date of award (11 March 2010) was 1,740 pence

5 Market value on date of exercise (12 March 2010) was 1,737.43 pence

6 Market value on date of exercise (15 March 2010) was 1,735.93 pence

7 The performance conditions were partially met for those PSP awards granted in March 2007. Therefore the number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions

8 The performance conditions attached to these awards have been partially met and the awards can be exercised, in part, from 11 March 2011

9 The award will be exercisable from 11 March 2012 subject to satisfaction of (i) any performance conditions and; (ii) relevant non-compete and non-solicit conditions and will remain exercisable until 31 December 2012 at which point it will lapse. The number of shares under the award will be reduced to reflect the period of employment in the performance period

10 The deferred RSS awards granted in March 2009 and March 2010 will be exercisable in part from March 2011 and March 2012 respectively subject to the satisfaction of (i) relevant non-compete and non-solicit conditions; (ii) claw-back provisions. The awards will remain exercisable until March 2016 and 2017 respectively, at which point the awards will lapse

Directors' interests in ordinary shares

Directors	At 1 January 2010[1] total interests	Personal interests	Family interests	Rights issue subscription[2]	At 31 December 2010 total interests
J W Peace	6,648	**6,705**	**–**	**838**	**7,543**
P A Sands	321,532	**175,001**	**–**	**24,999**	**200,000**
S P Bertamini	41,133	**42,192**	**–**	**5,273**	**47,465**
J S Bindra[7]	130,279	**52,406**	**–**	**6,550**	**58,956**
R Delbridge[7]	–	**4,492**	**–**	**469**	**4,961**
J F T Dundas	2,792	**2,792**	**–**	**349**	**3,141**
V F Gooding	2,804	**2,804**	**–**	**350**	**3,154**
Dr Han Seung-soo[7]	–	**2,000**	**–**	**250**	**2,250**
S J Lowth[8]	–	**3,066**	**–**	**326**	**3,392**
R H P Markham	3,462	**3,551**	**–**	**443**	**3,994**
R Markland	3,135	**3,215**	**–**	**401**	**3,616**
R H Meddings	183,611	**52,951**	**52,951**	**15,128**	**121,030**
J G H Paynter	5,000	**5,000**	**–**	**625**	**5,625**
A M G Rees	160,297	**120,297**	**–**	**15,037**	**135,334**
P D Skinner	8,565	**12,051**	**–**	**1,395**	**13,446**
O H J Stocken	15,820	**15,925**	**–**	**1,990**	**17,915**
G R Bullock[9]	120,000	**80,000**	**–**	**–**	**80,000[3]**

Notes

1 Or at date of appointment to the Board, if later

2 The number of additional shares subscribed by the individual under the rights issue offer

3 As at the date of resignation from the Board

4 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

5 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

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

7 Jaspal Bindra, Richard Delbridge and Dr Han Seung-soo were appointed to the Board on 1 January 2010

8 Simon Lowth was appointed to the Board on 1 May 2010

9 Gareth Bullock stepped down from the Board on 1 May 2010. It is anticipated he will remain an employee of the Group until 30 April 2011

Retirement benefits of executive directors

	Accrued pension $'000[2]			Transfer value of accrued pension $'000[9]			Increase in accrued pension (net of inflation and waiver) during 2010 $'000[5]		
Directors	At 1 January 2010	Increase during the year	At 31 December 2010	At 1 January 2010	Increase during the year net of waiver	At 31 December 2010	2010 waiver $000[4]	Annual pension	Transfer value[3]
P A Sands	350	78	418	5,809	600	6,223	–	63	942
J S Bindra[6]	67	76	142	1,169	438	2,156	596	35	531
R H Meddings	347	71	408	6,127	662	6,593	–	55	823
A M G Rees	230	135	359	3,999	2,248	6,138	–	125	2,204
G R Bullock	332	39	373	6,698	–	6,709	170	10	184

Notes

1 Steve Bertamini received cash supplements and does not participate, like the other executive directors, in the defined benefit plans set out above. The cash supplement amounts are shown in the executive directors' remuneration table on page 121

2 The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers

3 The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using our pension accounting methodology and assumptions

4 Executive directors are given the opportunity to waive a proportion of any potential annual performance award payable in cash and/or salary to enhance their unfunded unapproved retirement benefits. The amounts waived in respect of 2010 are shown in the table

5 The increase in the accrued pension (net of inflation and waiver) during the year is the difference between the accrued pension at the end of 2009 increased by an allowance for inflation of 4.7 per cent (2009: 0.3 per cent) and the accrued pension at the end of 2010 excluding any waiver

6 Jaspal Bindra waived $0 of his annual performance award (2009: $434,788) and $596,562 of his 2010 base salary (2009: $0) into his pension arrangements

7 The amounts included in the table above as at 1 January and 31 December 2010 are calculated using the exchange rates at the end of 2010 (£1:$1.5605) and 2009 (£1:$1.6142) respectively. The other entries are calculated using the exchange rates shown on page 116

8 The ages of the executive directors are shown on pages 84 to 86

9 In addition to the amounts identified in the table above Standard Chartered paid $441,989 (2009: $449,612) in retirement benefits to former directors and their dependants

Deferred compensation

In recognition of the substantial elements of deferred compensation and share awards forfeited when he left his previous employer, Steve Bertamini participates in a deferred compensation arrangement under which a total of $6,500,000 was initially allocated into an interest bearing account with the option for all or part of the value to be invested in alternative assets at his discretion. The original allocation (together with the accrued interest and investment returns) vests in three tranches unless he resigns or is terminated for cause: $3,000,000 after the second, $2,000,000 after the fourth and $1,500,000 after the sixth anniversary of joining. No further awards are planned.

The first vesting date was reached during the year and $3,583,077 (before tax) was paid to Steve Bertamini. The table below shows the value of the residual assets held in the arrangement.

	Grant date	Allocation	Value as at 31 December 2010	Vesting period
S P Bertamini	19 May 2008	$3,500,000	**$4,599,122**	2012-2014

Remuneration of the five highest paid individuals

As a result of the Company's listing on The Stock Exchange of Hong Kong Limited, it is necessary to disclose certain information relating to our five highest paid employees. Set out below are details for five individuals, (which includes one executive director[3]) whose emoluments were the highest in the year ended 31 December 2010.

Components of remuneration	$
Basic salary, allowances and benefits in kind	2,878,297
Pension contributions	2,293,752
Annual performance award paid or receivable[1]	45,800,938
Payments made on appointment	4,886,565
Compensation for loss of office	
– contractual	–
– other	–
Total[2]	55,859,552

1 Excluding any performance awards or commissions linked to profits generated by the individual collectively or with others engaged in similar activities. Includes the deferred element of any annual performance award and the expected value of any performance shares

2 Equal to HKD433,984,033

3 Executive director included in data is Mike Rees

The emoluments were in the following bands:

HKD (approx. $ equivalent)	Number of employees
HKD64,500,001 - HKD65,000,000	1
HKD69,500,001 - HKD70,000,000	1
HKD80,000,001 - HKD80,500,000	1
HKD92,500,001 - HKD93,000,000	1
HKD126,500,001 - HKD127,000,000	1

By order of the Board

Annemarie Durbin
Group Company Secretary
2 March 2011

Report of the directors

The directors have pleasure in submitting their report and the financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

Business review

We are required to present a fair review of our business during the financial year ended 31 December 2010, our position at year-end and a description of the principal risks and uncertainties that we face.

This review enables shareholders to assess how the directors have performed their duty under the Companies Act 2006, to promote the success of the Company.

The information that fulfils the requirements of the Business Review can be found in the Chairman's statement on pages 4 and 5, the Group Chief Executive's review on pages 6 to 11, the Risk review on pages 48 to 77 and the Key performance indicators on pages 14 and 15, all of which are incorporated into this report by reference.

Principal activities

The Company is the holding company for the Group. The Group operates globally and is principally engaged in the business of retail and commercial banking and the provision of other financial services.

Areas of operation

Our Group comprises a network of 1,700 offices in 71 markets. Further details on the branches can be found on our website www.standardchartered.com.

Results and dividends

We recommend a final dividend of 46.65 cents (2009: 43.16[1] cents) on 2 March 2010 for the year ended 31 December 2010. This, together with the interim dividend already paid, makes a total dividend for 2010 of 69.15 cents (2009: 63.61[1] cents). The impact of the rights issue in 2010 has been explained in note 13 to the financial statements. The final dividend, if approved at the 2011 Annual General Meeting (AGM), will be paid in either sterling, Hong Kong dollars or US dollars on 11 May 2011 to shareholders on the UK register of members at the close of business in the UK (10.00pm London time) on 11 March 2011, 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 11 March 2011. The final dividend will be paid in Indian Rupees on 11 May 2011 to Indian Depository Receipt holders on the Indian register at the close of business in India on 11 March 2011 in accordance with the Deposit Agreement.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 25 March 2011. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Share capital

The issued ordinary share capital of the Company was increased by 322,956,045 ordinary shares during the year. 24,000,000 ordinary shares were issued in connection with the listing of Indian Depository Receipts in India, and 260,525,763 ordinary shares were issued under the Company's rights issue announced on 13 October 2010. 10,550,826 ordinary shares were issued under the Company's employee share plans at prices between nil and 1,146 pence. 27,879,456 ordinary shares were issued under the Company's share dividend scheme. Further details can be found in note 36 to the financial statements.

The Company has one class of ordinary shares which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held.

The issued nominal value of the ordinary shares represent 79.4 per cent of the total issued nominal value of all share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Authority to purchase own shares

At the AGM held in May 2010, our shareholders renewed the Company's authority to make market purchases of up to 202,747,588 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 19 March 2010, and up to all of the issued preference share capital. These authorities were not used during the year and remained in force at 31 December 2010. In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange on 16 April 2008, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of the waiver, in connection with any shares it may hold in treasury. Shareholders will be asked to renew these authorities at the forthcoming AGM, and will receive details within the Notice of AGM. No treasury shares were held during the year.

Relevant audit information

As far as the directors are aware, there is no relevant audit information of which the Group statutory auditor (KPMG Audit Plc) is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the Group statutory auditor is aware of such information.

1 Restated as explained in note 47 to the financial statements

Going concern
Having made appropriate enquiries, we consider that the Company and the Group as a whole have adequate resources to continue as operational businesses for the foreseeable future and therefore continued to adopt the going-concern basis in preparing the financial statements.

Sufficiency of public float
As at the date of this report, the Company has maintained the prescribed public float under the Hong Kong Listing Rules based on the information publicly available to the Company and within the knowledge of the directors.

Fixed assets
Details of additions to fixed assets are presented in note 26 to the financial statements.

Major interests in shares and voting rights
As far as the directors are aware as at 2 March 2011, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that had an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting.

The Company has been notified by the following companies of their interests in the total voting rights of the Company:

Shareholder	Number of ordinary shares	Percentage of voting rights direct	Percentage of voting rights indirect
Temasek Holdings (Private) Limited*	430,345,996		18.328
BlackRock, Inc	158,547,553		6.752
Aberdeen Asset Management PLC's Fund Management Operating Subsidiaries	126,686,193		5.395
Legal & General Group Plc (L&G)	87,956,658	3.746	

* Temasek Holdings (Private) Limited's interest is held indirectly through Dover Investments Pte Ltd. and Cavanagh Investments Pte Ltd

Loan capital
Details of the loan capital of the Company and its subsidiaries are set out in note 33 to the financial statements.

Board members
The present members of the Board, together with their biographical details, are shown on pages 84 to 86.

Jaspal Bindra joined the Board as an executive director on 1 January 2010. Dr Han Seung-soo, KBE, and Richard Delbridge joined the Board as non-executive directors on 1 January 2010 and Simon Lowth joined the Board as a non-executive director with effect from 1 May 2010.

Gareth Bullock stepped down from the Board on 1 May 2010.

Re-election of directors
At our AGM to be held on Thursday 5 May 2011, all of our directors will stand for re-election. We do not believe that standing for annual re-election will have any adverse impact for our directors in terms of their focus on the long-term interests of shareholders.

Directors' induction and ongoing development
To ensure that directors have the requisite knowledge and understanding to enable them to challenge effectively, we provide them a personalised approach to induction, training and development. Further details can be found in the Corporate governance report on pages 90 and 91.

Rudy Markham is the Senior Independent Director. Shareholders may discuss any issues or concerns with the Senior Independent Director where they have been unable to resolve them through existing channels for investor communications.

Directors' interests
The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2010 are shown in the Directors' remuneration report on pages 106 to 125.

Confirmation of independence
The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 1.13 of the Hong Kong Listing Rules.

Compensation for loss of office
Details concerning the provisions for providing compensation to directors for loss of office or employment can be found on pages 118 and 119 of the Directors' remuneration report.

Qualifying third-party indemnities
The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2010, and remain in force at the date of this report.

Risk management

An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. Its objectives, policies and procedures, including the policy for hedging risk; our exposure to credit risk; liquidity risk and market risk, are covered in the Risk review on pages 48 to 77 of this report. Company-only risks are managed as a part of overall Group risks.

Significant contracts and agreements

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings. The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company.

Related party transactions

Details of transactions with directors and officers and other related parties are set out in note 48 to the financial statements.

Connected/continuing connected transactions

By virtue of its shareholding of more than 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Listing Rules of The Stock Exchange of Hong Kong Limited respectively (together known as the Rules). Neither Temasek nor its associates are related parties for the purposes of IAS 24.

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates (as defined under the Rules) as a result of such shareholding to the detriment of other shareholders in the Company. Unless transactions which the Company and its subsidiaries undertake with Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders' approval.

One of the most significant recent changes to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Hong Kong Listing Rules) from the Company's perspective was the introduction on 3 June 2010 of a new exemption (the Passive Investor Exemption) from the connected transaction and continuing transaction requirements for 'transactions with associates of a passive investor' (Rules 14A.31(10) and 14A.33(5)). We consider that Temasek meets the criteria for a passive investor under Rule 14A.31(10)(b). Therefore, any connected transactions or continuing connected transactions of a revenue nature in the ordinary and usual course of business and on normal commercial terms with an associate of Temasek are exempt from the announcement, reporting, annual review and independent shareholders' approval requirements of the Hong Kong Listing Rules. In respect of the reporting and annual review requirements, The Stock Exchange of Hong Kong Limited clarified that the Passive Investor Exemption applies to revenue transactions for the whole financial year 2010.

In addition, in 2010 The Stock Exchange of Hong Kong Limited granted the Company a number of waivers from strict compliance with the reporting and annual review requirements in respect of Ongoing Banking Transactions with Temasek associates that the Company has not been able to identify and the requirements to enter into a fixed-term written agreement and set a maximum aggregate annual value in relation to the Ongoing Banking Transactions with Temasek or any of its associates (the Ongoing Banking Transactions Waivers). The independent shareholders approved the Ongoing Banking Transactions Waivers at the 2010 AGM for a period of three years until 7 May 2013.

If none of the exemptions under the Hong Kong Listing Rules or the waivers obtained from The Stock Exchange of Hong Kong Limited is applicable in relation to a transaction with Temasek or its associates, the Company will continue to comply with the applicable announcement, reporting, annual review and independent shareholders' approval requirements.

In relation to the Company's 1 for 8 rights issue that was announced on 13 October 2010, the Company was informed by the underwriting banks – J.P. Morgan Cazenove, Goldman Sachs International, UBS Investment Bank, Barclays Capital, BNP Paribas, Credit Agricole Corporate and Investment Bank and Deutsche Bank AG, London Branch (the underwriting Banks) – that Temasek was participating in the rights issue as a sub-underwriter. In this capacity, Temasek received a commission of 1.50 per cent on the aggregate value at the Issue Price of the New Shares sub-underwritten by it. This sub-underwriting commission was paid out of the underwriting commission the Banks received from the Company.

On 10 January 2008, the Company and HSBC International Trust Services (Singapore) Limited, as trustee of CapitaCommercial Trust (being an associate of Temasek), entered into a Framework Agreement in relation to continuing connected transactions for the leasing of premises. The Framework Agreement expired on 11 January 2011. In light of the Passive Investor Exemption, a framework agreement is no longer required in relation to continuing connected transactions for the leasing of premises with a Temasek associate.

The Group has internal systems, processes and procedures in place to identify and monitor the non-exempt connected and continuing connected transactions. These are reviewed and updated periodically and their adequacy and effectiveness is assessed by Group Internal Audit.

In accordance with the Hong Kong Listing Rules, each year the independent non-executive directors of the Company carry out a review of the non-exempt continuing connected transactions. On the basis of this review, the independent non-executive directors of the Company confirm that the continuing connected transactions have been entered into by members of the Group with Temasek or its associates:

- In the ordinary and usual course of business of the Group
- Either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable to the Group than terms available to or from (as appropriate) independent third parties
- In accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole

For the purposes of Rule 14A.38 of the Hong Kong Listing Rules, our auditor KPMG Audit Plc and its associated firms (together known as KPMG) have performed certain agreed-upon procedures on the aforementioned continuing connected transactions for the year ended 31 December 2010, in accordance with International Federation of Accountants Related Service 4400 Engagement to Perform Agree-Upon Procedures Regarding Financial Information.

KPMG has reported its factual findings on these procedures to the Board of directors and confirmed that for the year for those continuing connected transactions selected: (i) they have received approval of the Board of directors; (ii) they have been entered into in accordance with the pricing policies of the Group and (iii) the Company has received a waiver from The Stock Exchange of Hong Kong Limited from the requirements of entering into written agreements and setting annual caps under Rules 14A 35 (1) and (2) in relation to Ongoing Bank Transactions with Temasek and its associates.

Continuing connected transactions

The Group is required to include in this Annual Report information regarding certain transactions with Temasek.

During the year ended 31 December 2010, members of the Group have entered into certain foreign exchange transactions with Temasek in the ordinary and usual course of business and on normal commercial terms (and with reference to prevailing market rates as applicable) or in accordance with the practice commonly adopted in the market (where applicable) which are not exempt under the Hong Kong Listing Rules. These transactions are detailed in the table below.

On 1 October 2010 the Group purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets (STCI) for $18 million. By virtue of this transaction STCI became a subsidiary of the Group.

On 13 October 2010, we announced a 1 for 8 Rights Issue which resulted in a take up of 98.528 per cent of New Ordinary Shares offered to Qualifying Shareholders on 7 November 2010.

Between 31 October 2010 and 5 December 2010 the Group acquired the custody business of Barclays Bank PLC across various locations in Africa. The business was acquired for $130 million.

	Year to 31 December 2010			
Transaction Category	Aggregate notional value/ principal amounts during the year $million	Notional value of outstanding transactions or principal amounts as at 31 December 2010 $million	Fair value of outstanding transactions as at 31 December 2010 $million	Total number of transactions during the year
Foreign exchange	834	–	–	36

Compliance and regulatory matters

On 12 April 2010, the Group acquired 100 per cent of the consumer finance business of GE Capital (Hong Kong) Limited, a Hong Kong (restricted licence) banking company. The Group purchased this interest for $144 million.

On 13 May 2010, the Company launched the first-ever Indian Depository Receipt (IDR) offer.

On 30 June 2010, the Company announced an investment of $500 million as a cornerstone investor in Agricultural Bank of China Limited's H-share Initial Public Offering (IPO) in Hong Kong.

On 2 August 2010, the Group acquired 100 per cent of the consumer finance business of GE Commercial Financing (Singapore) Limited in Singapore. The businesses were acquired for $70 million.

Rights Issue Underwriting Agreement

On 13 October 2010, the Company entered into an Underwriting Agreement (the Agreement) with J.P. Morgan Securities Ltd, Goldman Sachs International, UBS Limited and Standard Chartered Securities (Hong Kong) Limited (the Joint Bookrunners). On 14 October 2010, Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank and Deutsche Bank AG, London Branch signed deeds of adherence to the Agreement. Pursuant to the Agreement the Joint Bookrunners agreed to use reasonable endeavours to procure acquirers for rights not taken up and the underwriting banks agreed to underwrite the rights issue and take-up any remaining shares.

In consideration of the banks' agreement to underwrite the rights issue, the Company agreed to pay to the banks a commission of 2.15 per cent on the aggregate value at the Issue Price of the total number of New Ordinary Shares, except that in relation to the number of New Ordinary Shares acquired by Temasek, the Company agreed to pay to the banks a commission of 1.50 per cent on the aggregate value at the Issue Price of the number of such New Ordinary Shares and no commission would be payable to the banks in relation to New Ordinary Shares to which the directors are entitled under the rights issue. Such commission would be shared between the banks. The underwriting commissions were determined in accordance with market rates. Out of such underwriting commissions payable to the banks, the banks paid sub-underwriting commissions. The Company also agreed to pay all costs and expenses of, or in connection with, the Rights Issue, the allotment and issue of the New Ordinary Shares and the Underwriting Agreement. The directors considered that the terms of the Agreement were fair and reasonable and that the Agreement was in the best interests of shareholders as a whole.

Conflicts of interest

In accordance with the Companies Act 2006, we have established a robust process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. The Nomination Committee reviews actual or potential conflicts of interest, and recommendations on authorisation are made to the Board. Authorisations are reviewed twice a year by the Nomination Committee to consider if they continue to be appropriate, and also to revisit the terms upon which they were provided.

Internal control

The effectiveness of our internal control system is reviewed regularly by the Board, its committees, the Group Management Committee, and Group Internal Audit. The Audit Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2010 and reported on its review to the Board. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit.

Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

Group Internal Audit reports regularly to the Audit Committee, the Chairman and to the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Chairman and to the Group Chief Executive where immediate corrective action is required.

With effect from 1 March 2010, as a result of the internal governance review conducted in 2009, the Audit and Risk Committee was separated into two Committees.

The Board Risk Committee has responsibility for overseeing the management of the Company's fundamental prudential risks as well as reviewing the effectiveness of the Company's risk management framework. The Audit Committee monitors the integrity of the Company's financial reporting, compliance and internal control environment.

The Risk review on pages 48 to 77 describes the Group's risk management structure. Our business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile.

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

Employee policies and engagement

We are committed to open, honest and productive relationships with our employees. They receive clear and timely communications from senior management to ensure that they understand the financial and economic factors that affect our performance.

We employ more than 85,000 people from 129 nationalities across 71 markets. As part of our approach to employee engagement, we operate Group share plans. All employees are invited to participate in our all-employee sharesave schemes and share in our success. Further details of the sharesave schemes are given in the Directors' remuneration report on page 115 and in note 38 to the financial statements.

Our employment policies are designed to accommodate the relevant social, statutory and market conditions and practices prevailing in each country in which we operate. We are committed to equality of opportunities and diversity for all regardless of gender, race, age, physical ability, religion or sexual orientation. This applies equally to recruitment and to the promotion, development and training of people whom we already employ.

We recognise our social and statutory duty to employ disabled people and have followed a policy in the UK by providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled, every effort is made to ensure their employment continues, with appropriate training where necessary.

We have measured employee engagement for the last ten years using the annual employee engagement survey. This annual employee engagement survey provides important feedback to managers and teams and internal research has demonstrated a strong relationship between high engagement and increased business performance. 96 per cent of employees participated in the survey during 2010 and this reflects strong commitment of our employees to voice their opinions and demonstrate trust in the process.

Major customers

Our five largest customers together accounted for 3.6 per cent of our total interest income and other operating income in the year ended 31 December 2010.

Creditor payment policy

Operating businesses are responsible for agreeing, and then bringing attention to, terms and conditions with their suppliers in the economies in which they operate. Our policy is to pay creditors in accordance with these agreed terms and conditions, provided the supplier has complied with them.

The Company is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding for the Company as at 31 December 2010. For our operation in the UK, there were 41 days' purchases outstanding as at 31 December 2010.

Code for Financial Reporting Disclosure

In September 2010, the British Bankers' Association finalised a Code for Financial Reporting Disclosure (Code). The Code sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision-useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited.

The Group and other major UK banks have adopted the Code in their 2010 financial statements. The Group's 2010 financial statements have therefore been prepared in compliance with the Code's principles.

Group code of conduct

The Board has adopted a refreshed Group code of conduct relating to the lawful and ethical conduct of business and this is supported by the Group's core values. The Group code of conduct has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates.

Environmental, social and governance responsibilities

The Group complies with the guidelines issued by the Association of British Insurers on responsible investment disclosure and is committed to the communities and environments in which it operates. The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. We have established and maintained policies and procedures in relation to environmental, social and governance (ESG) risks. Details of these procedures can be found on our website. Through our risk management structure and control framework, the Board receives regular and adequate information to identify and assess significant risks and opportunities arising from ESG matters. Specifically, the Brand and Values Committee, which is appointed by the Board and comprises the Chairman of the Board and Group Chief Executive, reviews the Group's sustainable business priorities assuring the Group has policies in place to respond to issues arising from environment and climate change, and oversees the Group's development of and delivery against public commitments regarding which activities and or businesses it will and will not encourage in line with the Here for good brand promise.

The Brand and Values Committee is informed by the Group Risk Committee and Group Head of Corporate Affairs, who is the risk control owner for reputational risk, including those associated with ESG matters. At the country level, the Country Head of Corporate Affairs is the risk control owner and the Risk Committee (RC) or, where there is no RC, the Management Committee is the governance oversight committee. All employees are responsible for day-to-day identification and management of reputational risk. Quarterly reviews of risks and reporting are carried out at country, regional and Group levels. Where a reputational risk is identified, the risk is escalated in accordance with clearly documented internal reporting procedures.

Key areas of risk are those associated with customers' activities, potential impacts on the environment and local communities. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on our business. These risks are recognised in reaching lending decisions explicitly identified in our credit policies, and in the provision of advisory and other financial services. We have developed a series of position statements covering high-impact sectors and key issues, outlining the ESG standards we encourage our clients to observe. We have adopted the revised Equator Principles that set procedures, based on the International Finance Corporation guidelines, for recognising and mitigating the environmental and social impacts associated with Project Finance and Project Advisory. The principles have been embedded in the Group's policy and procedures on Environmental And Social Risk In Project And Export Finance – Application Of The Equator Principles.

We continue to review and, where appropriate, strengthen our money laundering prevention policies, procedures and training.

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

Community investment

We are committed to building a sustainable business and a more sustainable society, and recognise our responsibility to invest in the communities in which we operate. We made a total investment of $47.4 million (2009: $38.3 million) to charities, community organisations and causes across our footprint during the year. This sum included direct financial support of $19.4 million (2009: $20.3 million), and indirect contributions, such as employees' time, the donation of non-monetary goods and donations worth $23.4 million (2009: $13.3 million) raised by our employees. In order to further increase our transparency around this data, in 2010 we introduced an online data collection tool, along with some standard charity on-boarding guidelines across all markets in order to collate quality-assured data about the types of initiatives we are involved in.

Community investment activity focuses on a number of major programmes – Seeing is Believing, Living with HIV, Nets for Life and Goal (Women's Empowerment) – as well as a range of local initiatives. These are underpinned by employee volunteering activities. Further details of community projects can be found in the Business review on page 47.

HIV/AIDS policy

We are committed to addressing the social, health and human rights issues that confront our employees, their families and the communities in which we operate. We recognise that the principal competitive advantage of any business comes through its employees, but that this requires them to be healthy, skilled and motivated.

HIV/AIDS directly and indirectly impacts our staff and, therefore, our business. Our HIV/AIDS policy has been adopted across all the countries in which we operate and applies to all staff and their families in a manner consistent with existing medical cover. We have exceeded our commitment to the Clinton Global Initiative to educate one million people on HIV and AIDS. We have educated over 1.6 million people and secured partnerships reaching 2.366 million people. A copy of our HIV/AIDS policy is available on our website.

Environment and climate change policy

As part of our commitment to sustainability, we take a long-term view of the environmental and social consequences of our actions, either directly from operations or indirectly through client and partner relationships. Our Environment and Climate Change (ECC) Policy was developed in 2009 to support this commitment, and focuses on four central themes:

- Operational impacts – minimising the direct impact of our operations, including air travel, paper use, water and energy consumption
- Commercial opportunities and Sustainable Finance – managing environmental and social risks, integrating climate change considerations into our products and services, and developing new business in renewable energy and environmental finance
- Engagement – ensuring that internal and external stakeholders are fully engaged to embed our strategy
- Reporting – ensuring the continual efficacy of the ECC policy and strategy through providing delivery assurance

Further details of our policies can be found on our website.

Electronic communication

The Board recognises the importance of good communications with all shareholders. Our directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders.

Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, notice of AGM and dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future please contact our registrars at the address on page 243.

Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at www.investorcentre.com

Annual General Meeting
Our AGM will be held at 12.00pm (London time) (7.00pm Hong Kong time) on Thursday 5 May 2011 at The Honourable Artillery Company, Armoury House, City Road, London, EC1Y 2BQ. Details of the business to be conducted are contained in the notice of meeting.

Auditor
The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our Group statutory auditor, a resolution will be proposed at the 2011 AGM to reappoint KPMG Audit Plc. Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that KPMG Audit Plc is made aware of any pertinent information.

By order of the Board

Annemarie Durbin
Group Company Secretary
2 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Report of the directors, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Report of the directors includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Richard Meddings

R H Meddings
Group Finance Director
2 March 2011

Financial statements and notes

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

We have audited the financial statements of the Group (Standard Chartered PLC and its subsidiaries) and Company (Standard Chartered PLC) (together referred to as the financial statements) for the year ended 31 December 2010 set out on pages 139 to 222.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 134, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Report of the directors, which include information presented in the Chairman's statement, the Group Chief Executive's review and the Financial and Business reviews that are cross referenced from the Report of the directors, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- Information given in the Corporate Governance section set out on pages 88 to 105 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the company

Under the Listing Rules we are required to review:

- The Report of the directors set out on page 126 to 133, in relation to going concern;
- The part of the Corporate Governance section on pages 88 to 105 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration

John E Hughes
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
2 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 $million	2009 $million
Interest income	3	**13,500**	12,926
Interest expense	4	**(5,030)**	(5,303)
Net interest income		**8,470**	7,623
Fees and commission income	5	**4,556**	3,824
Fees and commission expense	5	**(318)**	(454)
Net trading income	6	**2,577**	2,890
Other operating income	7	**777**	1,301
Non-interest income		**7,592**	7,561
Operating income		**16,062**	15,184
Staff costs	8	**(5,765)**	(4,912)
Premises costs	8	**(800)**	(698)
General administrative expenses	8	**(1,899)**	(1,822)
Depreciation and amortisation	9	**(559)**	(520)
Operating expenses		**(9,023)**	(7,952)
Operating profit before impairment losses and taxation		**7,039**	7,232
Impairment losses on loans and advances and other credit risk provisions	10	**(883)**	(2,000)
Other impairment	11	**(76)**	(102)
Profit from associates		**42**	21
Profit before taxation		**6,122**	5,151
Taxation	12	**(1,708)**	(1,674)
Profit for the year		**4,414**	3,477
Profit attributable to:			
Non-controlling interests	37	**82**	97
Parent company shareholders		**4,332**	3,380
Profit for the year		**4,414**	3,477
Earnings per share:			
Basic earnings per ordinary share (cents)	14	**196.3**	161.8[1]
Diluted earnings per ordinary share (cents)	14	**193.0**	159.3[1]

[1] Amounts have been restated as explained in note 47

The notes on pages 146 to 222 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	2010 $million	2009 $million
Profit for the year		**4,414**	3,477
Other comprehensive income:			
Exchange differences on translation of foreign operations:			
Net gains taken to equity		**842**	799
Net losses on net investment hedges		**(77)**	(199)
Reclassified to income statement on change of control		**4**	–
Actuarial gains/(losses) on retirement benefit obligations	35	**83**	(150)
Share of other comprehensive income from associates		**(5)**	19
Available-for-sale investments:			
Net valuation gains taken to equity		**786**	455
Reclassified to income statement		**(284)**	(580)
Cash flow hedges:			
Net gains taken to equity		**42**	14
Reclassified to income statement		**17**	106
Taxation relating to components of other comprehensive income	12	**(101)**	62
Other comprehensive income for the year, net of taxation		**1,307**	526
Total comprehensive income for the year		**5,721**	4,003
Attributable to:			
Non-controlling interests	37	**112**	111
Parent company shareholders		**5,609**	3,892
		5,721	4,003

The notes on pages 146 to 222 form an integral part of these financial statements.

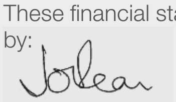
Consolidated balance sheet

As at 31 December 2010

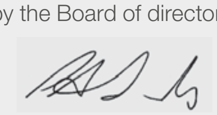
	Notes	**2010** **$million**	2009 $million
Assets			
Cash and balances at central banks	15, 40	**32,724**	18,131
Financial assets held at fair value through profit or loss	15, 16	**27,021**	22,446
Derivative financial instruments	15, 17	**47,859**	38,193
Loans and advances to banks	15, 18	**52,058**	50,885
Loans and advances to customers	15, 19	**240,358**	198,292
Investment securities	15, 21	**75,796**	75,728
Other assets	15, 22	**25,356**	17,201
Current tax assets		**179**	203
Prepayments and accrued income		**2,127**	3,241
Interests in associates	23	**631**	514
Goodwill and intangible assets	25	**6,980**	6,620
Property, plant and equipment	26	**4,507**	4,103
Deferred tax assets	27	**946**	1,096
Total assets		**516,542**	436,653
Liabilities			
Deposits by banks	15, 28	**28,551**	38,461
Customer accounts	15, 29	**306,992**	251,244
Financial liabilities held at fair value through profit or loss	15, 16	**20,288**	14,505
Derivative financial instruments	15, 17	**47,133**	36,584
Debt securities in issue	15, 30	**31,381**	29,272
Other liabilities	15, 32	**21,094**	16,139
Current tax liabilities		**981**	802
Accruals and deferred income		**4,528**	4,113
Subordinated liabilities and other borrowed funds	15, 33	**15,939**	16,730
Deferred tax liabilities	27	**165**	193
Provisions for liabilities and charges	34	**315**	184
Retirement benefit obligations	35	**310**	506
Total liabilities		**477,677**	408,733
Equity			
Share capital	36	**1,174**	1,013
Reserves		**37,038**	26,327
Total parent company shareholders' equity		**38,212**	27,340
Non-controlling interests	37	**653**	580
Total equity		**38,865**	27,920
Total equity and liabilities		**516,542**	436,653

The notes on pages 146 to 222 form an integral part of these financial statements.

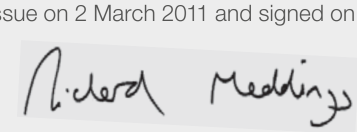
These financial statements were approved by the Board of directors and authorised for issue on 2 March 2011 and signed on its behalf by:



J W Peace
Chairman



P A Sands
Group Chief Executive



R H Meddings
Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders equity $million	Non-controlling interests $million	Total $million
At 1 January 2009	948	4,743	18	5,617	(5)	(83)	(1,784)	12,686	22,140	555	22,695
Profit for the year	–	–	–	–	–	–	–	3,380	3,380	97	3,477
Other comprehensive income	–	–	–	–	(88)	98	599	(97)[2]	512	14	526
Distributions	–	–	–	–	–	–	–	–	–	(87)	(87)
Shares issued, net of expenses	44	106	–	1,667	–	–	–	–	1,817	–	1,817
Net own shares adjustment	–	–	–	–	–	–	–	(81)	(81)	–	(81)
Share option expense, net of taxation	–	–	–	–	–	–	–	311	311	–	311
Capitalised on scrip dividend	21	(21)	–	–	–	–	–	–	–	–	–
Dividends, net of scrip	–	–	–	–	–	–	–	(739)	(739)	–	(739)
Other increases	–	–	–	–	–	–	–	–	–	1	1
At 31 December 2009	**1,013**	**4,828**	**18**	**7,284**	**(93)**	**15**	**(1,185)**	**15,460**	**27,340**	**580**	**27,920**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,332**	**4,332**	**82**	**4,414**
Other comprehensive income	**–**	**–**	**–**	**–**	**401**	**42**	**773**	**61**[3]	**1,277**	**30**	**1,307**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54)**	**(54)**
Shares issued, net of expenses	**147**	**572**	**–**	**5,137**	**–**	**–**	**–**	**–**	**5,856**	**–**	**5,856**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(135)**	**(135)**	**–**	**(135)**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**296**	**296**	**–**	**296**
Capitalised on scrip dividend	**14**	**(14)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(745)**	**(745)**	**–**	**(745)**
Other increases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**	**15**	**6**
At 31 December 2010	**1,174**	**5,386**	**18**	**12,421**	**308**	**57**	**(412)**	**19,260**	**38,212**	**653**	**38,865**

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million

2 Comprises actuarial losses, net of taxation and non-controlling interests, of $(116) million and share of comprehensive income from associates of $19 million

3 Comprises actuarial gains, net of taxation and non-controlling interests, of $66 million and share of comprehensive loss from associates of $(5) million

Note 36 includes a description of each reserve.

The notes on pages 146 to 222 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2010

		Group		Company	
		2010	2009[1]	**2010**	2009[1]
	Notes	**$million**	$million	**$million**	$million
Cash flows from operating activities					
Profit before taxation		**6,122**	5,151	**732**	373
Adjustments for:					
Non-cash items included within income statement	39	**1,874**	1,760	**(668)**	(228)
Change in operating assets	39	**(82,334)**	2,962	**(332)**	(227)
Change in operating liabilities	39	**59,274**	(13,293)	**882**	328
Contributions to defined benefit schemes		**(150)**	(124)	**–**	–
UK and overseas taxes paid		**(1,421)**	(1,210)	**–**	(25)
Net cash (used in)/from operating activities		**(16,635)**	(4,754)	**614**	221
Net cash flows from investing activities					
Purchase of property, plant and equipment		**(370)**	(261)	**–**	–
Disposal of property, plant and equipment		**183**	218	**–**	–
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired		**(545)**	(68)	**(1,000)**	(2,500)
Purchase of investment securities		**(114,076)**	(129,739)	**–**	(1,800)
Disposal and maturity of investment securities		**116,658**	126,678	**–**	–
Dividends received from investment in subsidiaries and associates		**22**	11	**770**	331
Net cash from/(used in) investing activities		**1,872**	(3,161)	**(230)**	(3,969)
Net cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		**5,856**	1,817	**5,856**	1,817
Purchase of own shares[2]		**(182)**	(103)	**(182)**	(103)
Exercise of share options through ESOP		**47**	22	**47**	22
Interest paid on subordinated liabilities		**(773)**	(872)	**(104)**	(129)
Gross proceeds from issue of subordinated liabilities		**770**	2,063	**–**	–
Repayment of subordinated liabilities		**(1,549)**	(2,440)	**(4)**	–
Interest paid on senior debts		**(956)**	(539)	**(315)**	(93)
Gross proceeds from issue of senior debts		**13,853**	11,577	**3,236**	3,468
Repayment of senior debts		**(11,146)**	(8,828)	**(40)**	–
Dividends paid to non-controlling interests and preference shareholders, net of scrip		**(155)**	(188)	**(101)**	(101)
Dividends paid to ordinary shareholders, net of scrip		**(644)**	(638)	**(644)**	(638)
Net cash from financing activities		**5,121**	1,871	**7,749**	4,243
Net (decrease)/increase in cash and cash equivalents		**(9,642)**	(6,044)	**8,133**	495
Cash and cash equivalents at beginning of year		**68,073**	73,699	**5,798**	5,303
Effect of exchange rate movements on cash and cash equivalents		**1,303**	418	**–**	–
Cash and cash equivalents at end of year	40	**59,734**	68,073	**13,931**	5,798

1 Amounts have been restated as explained in note 47
2 Net of proceeds from sale of rights by the trusts

The notes on pages 146 to 222 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2010

	Notes	**2010 $million**	2009 $million
Non-current assets			
Investments in subsidiary undertakings	23	**14,291**	12,906
Current assets			
Derivative financial instruments	50	**441**	291
Investment securities	50	**2,725**	2,725
Amounts owed by subsidiary undertakings		**13,931**	5,798
Taxation		**48**	38
		17,145	8,852
Current liabilities			
Derivative financial instruments	50	**90**	25
Other creditors		**274**	229
Deferred income	48	**18**	18
		382	272
Net current assets		**16,763**	8,580
Total assets less current liabilities		**31,054**	21,486
Non-current liabilities			
Debt securities in issue	50	**8,343**	4,770
Deferred income	48	**73**	91
Subordinated liabilities and other borrowed funds	33	**1,730**	1,751
		10,146	6,612
Total assets less liabilities		**20,908**	14,874
Equity			
Share capital	36	**1,174**	1,013
Reserves		**19,734**	13,861
Total equity		**20,908**	14,874

The notes on pages 146 to 222 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 2 March 2011 and signed on its behalf by:

JWPeace

J W Peace
Chairman

P A Sands
Group Chief Executive

Richard Meddings

R H Meddings
Group Finance Director

Company statement of changes in equity

For the year ended 31 December 2010

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Retained earnings $million	Total $million
At 1 January 2009	948	4,743	18	5,617	1,942	13,268
Profit for the year	–	–	–	–	333	333
Shares issued, net of expenses	44	106	–	1,667	–	1,817
Net own shares adjustment	–	–	–	–	(81)	(81)
Share option expense	–	–	–	–	276	276
Capitalised on scrip dividend	21	(21)	–	–	–	–
Dividends, net of scrip	–	–	–	–	(739)	(739)
At 31 December 2009	**1,013**	**4,828**	**18**	**7,284**	**1,731**	**14,874**
Profit for the year	**–**	**–**	**–**	**–**	**742**	**742**
Shares issued, net of expenses	**147**	**572**	**–**	**5,137**	**–**	**5,856**
Net own shares adjustment	**–**	**–**	**–**	**–**	**(135)**	**(135)**
Share option expense	**–**	**–**	**–**	**–**	**316**	**316**
Capitalised on scrip dividend	**14**	**(14)**	**–**	**–**	**–**	**–**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**(745)**	**(745)**
At 31 December 2010	**1,174**	**5,386**	**18**	**12,421**	**1,909**	**20,908**

[1] Includes Capital reserve of $5 million and Capital redemption reserve of $13 million

Note 36 includes a description of each reserve.

The notes on pages 146 to 222 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

Statement of compliance

The Group financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) Interpretations as adopted by the EU (together adopted IFRS). In publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The disclosures required by IFRS 7 Financial Instruments: Disclosures and the capital disclosures within IAS 1 Presentation of Financial Statements are presented within the Risk review on pages 48 to 77, Capital on pages 78 to 81, except where indicated as not audited and in the notes to the financial statements.

New accounting standards adopted

On 1 January 2010, the Group adopted prospectively IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investment in Associates', and IAS 31 'Interest in Joint Ventures'.

IFRS 3 (revised) continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all acquisition-related costs are expensed and no longer capitalised as part of the cost of acquisition and all payments to acquire a business – including those that are contingent – are recorded at fair value at the acquisition date. Also, when a controlling interest in an entity is acquired, any previously held interest in that entity is effectively disposed of at its fair value – with any gain or loss when compared to its carrying value recognised in the income statement – and re-acquired in aggregate with the controlling stake acquired. In addition, whilst the determination of fair value has not changed, IFRS 3 (revised) requires that assets acquired with uncertain cash flows – such as loans and advances – be recorded at the fair value of expected cash flows and accordingly no impairment provisions are recognised as at the date of acquisition, although the disclosure of the gross contractual cash flows not expected to be collected are set out in note 24. The revised standard has also changed certain terminology with minority interests now incorporated within non-controlling interests.

The amendments to IAS 27 (revised) require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The amendments also specify the accounting when control is lost, with any remaining interest in the entity re-measured to fair value, and a gain or loss is recognised in income statement.

On 1 January 2010, the Group and Company adopted improvements to IFRS (2009), a collection of amendments to a number of IFRSs. The amendments to IFRS 2, IFRS 8, IAS 1, IAS 7, IAS 18, IAS 39 and IFRIC 16 were applied on a retrospective basis and amendments to IFRS 5, IAS 36, IAS 38 and IFRIC 9 were applied on a prospective basis. None of these amendments had a material impact on the Group's or Company's financial statements.

On 1 January 2010 the Company retrospectively adopted an amendment to IFRS 2. This amendment requires the Company to calculate the share options charge using the grant date fair value, as the Company grants and settles share options directly with the employees of its subsidiaries. For each year, this charge is considered to be a deemed investment in and a concurrent distribution by subsidiaries. As a result there is an increase in investment in subsidiaries offset by a concurrent distribution from subsidiaries.

Prior period restatements

Details of prior period restatements are set out in note 47.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of cash-settled share based payments, available-for-sale assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss. The Company financial statements have been prepared on an historical cost basis, as modified by cash settled share based payments and the revaluation of financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

1. Accounting policies continued

The accounting policies set out below have been applied consistently across the Group and to all periods presented in these financial statements.

Consolidation

Subsidiaries

Subsidiaries are all entities, including special purpose entities (SPEs), over which the Group has the power to directly or indirectly govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

SPEs are consolidated when the substance of the relationship between the Group and its entity indicates control by the Group. Potential indicators of control include amongst others, an assessment of risks and benefits in respect of the SPE's activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement. Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and if applicable, prior period amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Associates

Associates are all entities over which the Group has the ability to significantly influence, but not control, the financial and operating policies and procedures generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Joint ventures

Interests in jointly controlled entities are recognised using proportionate consolidation whereby the Group's share of the joint venture's assets, liabilities, income and expenses are combined line by line with similar items in the Group's financial statements.

Investment in subsidiaries, associates and joint ventures

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any.

Foreign currency translation

Both the parent company financial statements and the Group financial statements are presented in US dollars, which is the presentation currency of the Group and the functional and presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Group companies

The results and financial position of all the entities included in the Group financial statements that have a functional currency different from the Group's presentation currency are accounted for as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date
- income and expenses for each income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly
- all resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or capital repatriated they are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1. Accounting policies continued

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in Intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. Note 25 sets out the major cash-generating units to which goodwill has been allocated.

Acquired intangibles
At the date of acquisition of a subsidiary or associate, intangible assets that are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised on the basis of expected useful life (three to five years). Costs associated with maintaining software are recognised as an expense as incurred. At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Property, plant and equipment
Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	up to 50 years
Leasehold improvements	life of lease, up to 50 years
Equipment and motor vehicles	three to 15 years
Aircraft	up to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

Gains and losses on disposals are included in the income statement.

Leases

Where a Group company is the lessee
The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

Where a Group company is the lessor
When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return ignoring tax cash flows.

Assets leased to customers under operating leases are included within Property, plant and equipment and depreciated over their useful lives. Rental income on these leased assets is recognised in the income statement on a straight-line basis unless another systematic basis is more representative.

1. Accounting policies continued

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months maturity from the date of acquisition, including: treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Employee benefits

Pension obligations

The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight-line basis. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities, offset by the expected return on plan assets where applicable, are charged to operating expenses.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

The Company records the value of the equity settled awards as a deemed investment in subsidiaries. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as at the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Current and deferred tax relating to items that are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Borrowings held at amortised cost

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares that carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder

1. Accounting policies continued

Borrowings held at amortised cost continued

are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in Other income.

Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the period in which they are declared.

Where the Company or other members of the consolidated Group purchases the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Financial assets and liabilities (excluding derivatives)

The Group classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) loans and receivables; c) held-to-maturity and available-for-sale. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

(a) Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substationally all of the initial investment will be recovered, other than because of credit deterioration.

(c) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Further details on the application of these policies is set out in note 15.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity and available-for-sale are initially recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrowers. Financial assets and financial liabilities are initially recognised at fair value plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs that are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the income statement.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to a separate component of equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

The fair values of quoted financial assets or financial liabilities in active markets are based on current prices. If the market for a financial asset or financial liability is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss

1. Accounting policies continued

category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category, where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the income statement over the remaining life of the financial asset, using the effective interest method.

Renegotiated loans

Loans whose original terms have been modified are considered renegotiated loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Income recognition

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognised using the effective interest method.

Gains and losses arising from changes in the fair value of financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Dividends on equity instruments are recognised in the income statement within Other income when the Group's right to receive payment is established.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the counterparty is in default of principal or interest payments
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation
- the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- the Group sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the

1. Accounting policies continued

Assets carried at amortised costs continued

collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process, which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Further details on the application of these policies is set out in the Risk review on pages 60 to 62

Available-for-sale assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other factors, in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Derivative financial instruments and hedge accounting

Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Further details of these techniques are set out in note 15. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or (3) hedges of the net investment of a foreign operation (net investment hedges). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity or derecognition.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1. **Accounting policies** continued

Derivative financial instruments and hedge accounting continued

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Further details on the application of these policies are set out in note 17.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the balance sheet; the counterparty liability is included in deposits by banks, or customer accounts, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Interest income and expense

Interest income and expense is recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

2. Segmental Information

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

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

By class of business

	2010					2009				
	Consumer Banking	**Wholesale Banking**	**Total reportable segments**	**Corporate items not allocated[2]**	**Total**	Consumer Banking	Wholesale Banking	Total reportable segments	Corporate items not allocated[3]	Total
	$million	**$million**	**$million**	**$million**	**$million**	$million	$million	$million	$million	$million
Internal income	**(28)**	**28**	**–**	**–**	**–**	(55)	55	–	–	–
Net interest income	**4,066**	**4,404**	**8,470**	**–**	**8,470**	3,876	3,747	7,623	–	7,623
Other income	**2,041**	**5,547**	**7,588**	**4**	**7,592**	1,808	5,489	7,297	264	7,561
Operating income	**6,079**	**9,979**	**16,058**	**4**	**16,062**	5,629	9,291	14,920	264	15,184
Operating expenses	**(4,176)**	**(4,840)**	**(9,016)**	**(7)**	**(9,023)**	(3,709)	(4,185)	(7,894)	(58)	(7,952)
Operating profit before impairment losses and taxation	**1,903**	**5,139**	**7,042**	**(3)**	**7,039**	1,920	5,106	7,026	206	7,232
Impairment losses on loans and advances and other credit risk provisions	**(578)**	**(305)**	**(883)**	**–**	**(883)**	(1,052)	(948)	(2,000)	–	(2,000)
Other impairment	**(12)**	**(64)**	**(76)**	**–**	**(76)**	(1)	(82)	(83)	(19)	(102)
Profit from associates	**–**	**–**	**–**	**42**	**42**	–	–	–	21	21
Profit before taxation	**1,313**	**4,770**	**6,083**	**39**	**6,122**	867	4,076	4,943	208	5,151
Total assets employed	**125,589**	**389,197**	**514,786**	**1,756**	**516,542**	103,534	331,306	434,840	1,813	436,653
Total liabilities employed	**160,991**	**315,540**	**476,531**	**1,146**	**477,677**	144,167	263,571	407,738	995	408,733
Other segment items:										
Capital expenditure[1]	**249**	**816**	**1,065**	**–**	**1,065**	160	901	1,061	–	1,061
Depreciation	**163**	**166**	**329**	**–**	**329**	161	151	312	–	312
Investment in associates	**–**	**–**	**–**	**631**	**631**	–	–	–	514	514
Amortisation of intangible assets	**83**	**147**	**230**	**–**	**230**	71	137	208	–	208

[1] Includes capital expenditure in Wholesale Banking of $498 million in respect of operating lease assets (31 December 2009: $630 million)

[2] Relates to UK payroll tax, gains on change in control, and the Group's share of profit from associates

[3] Relates to gain on buy-back of subordinated debt, disposal of businesses, UK payroll tax, impairment of associates and other strategic investments and the Group's share of profit from associates

2. Segmental Information continued

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

	2010 $million	2009 $million
Consumer Banking		
Cards, Personal Loans and Unsecured Lending	**2,044**	1,992
Wealth Management	**1,138**	921
Deposits	**1,202**	1,311
Mortgage and Auto Finance	**1,513**	1,244
Other	**182**	161
Total operating income by product	**6,079**	5,629
Wholesale Banking		
Lending and Portfolio Management	**868**	849
Trade	**1,467**	1,289
Cash Management and Custody	**1,303**	1,248
Global Markets		
Financial Markets	**3,303**	3,311
Asset and Liability Management (ALM)	**912**	963
Corporate Finance	**1,710**	1,294
Principal Finance	**416**	337
	6,341	5,905
Total operating income by product	**9,979**	9,291

Entity-wide information

By geography

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

	2010								
	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[1] $million	Total $million
Internal income	5	(47)	(49)	64	349	2	82	(406)	–
Net interest income	1,229	907	1,158	1,833	767	1,145	517	914	8,470
Fees and commissions income, net	700	400	233	737	464	589	359	756	4,238
Net trading income	521	367	293	340	267	343	263	183	2,577
Other operating income	45	111	63	191	181	88	25	73	777
Operating income	2,500	1,738	1,698	3,165	2,028	2,167	1,246	1,520	16,062
Operating expenses	(1,355)	(986)	(1,080)	(1,970)	(749)	(995)	(653)	(1,235)	(9,023)
Operating profit before impairment losses and taxation	1,145	752	618	1,195	1,279	1,172	593	285	7,039
Impairment losses on loans and advances and other credit risk provisions	(43)	(33)	(226)	(152)	(79)	(302)	(24)	(24)	(883)
Other impairment	1	(1)	(4)	(2)	(3)	(29)	(10)	(28)	(76)
Profit from associates	–	–	–	42	–	–	–	–	42
Profit before taxation	1,103	718	388	1,083	1,197	841	559	233	6,122
Capital expenditure[2]	23	286	60	74	38	18	57	509	1,065

[1] Americas UK & Europe includes operating income of $739 million in respect of the UK, the Company's country of domicile

[2] Includes capital expenditure in Americas, UK and Europe of $498 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment (note 26) and software related intangibles (note 25) including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

	2009								
	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[1] $million	Total $million
Internal income	14	(18)	(62)	43	195	(42)	39	(169)	–
Net interest income	1,308	782	908	1,505	724	1,134	491	771	7,623
Fees and commissions income, net	542	291	187	502	546	494	320	488	3,370
Net trading income	456	357	322	502	259	356	221	417	2,890
Other operating income	50	180	199	336	89	136	18	293	1,301
Operating income	2,370	1,592	1,554	2,888	1,813	2,078	1,089	1,800	15,184
Operating expenses	(1,168)	(801)	(953)	(1,778)	(571)	(891)	(553)	(1,237)	(7,952)
Operating profit before impairment losses and taxation	1,202	791	601	1,110	1,242	1,187	536	563	7,232
Impairment losses on loans and advances and other credit risk provisions	(145)	(37)	(278)	(395)	(201)	(811)	(54)	(79)	(2,000)
Other impairment	10	(40)	(1)	26	19	(10)	–	(106)	(102)
(Loss)/profit from associates	(5)	–	–	29	–	–	–	(3)	21
Profit before taxation	1,062	714	322	770	1,060	366	482	375	5,151
Capital expenditure[2]	24	164	63	32	49	19	37	673	1,061

[1] Americas UK & Europe includes operating income of $967 million in respect of the UK, the Company's country of domicile
[2] Includes capital expenditure in Americas UK and Europe of $630 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment (note 26) and software related intangibles (note 25) including any post-acquisition additions made by the acquired entities

Net interest margin and yield

	2010 $million	2009 $million
Net interest margin (%)	**2.2**	2.3
Net interest yield (%)	**2.1**	2.1
Average interest earning assets	**383,359**	328,688
Average interest bearing liabilities	**347,058**	298,365

Net interest margin by geography

	2010									
	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[1] $million**	**Intra-group/ tax assets $million**	**Total $million**
Total assets employed	**102,674**	**82,007**	**63,936**	**101,915**	**39,631**	**48,028**	**15,944**	**117,916**	**(55,509)**	**516,542**
Average interest-earning assets	**81,975**	**55,530**	**55,505**	**79,634**	**28,798**	**31,318**	**12,543**	**76,774**	**(38,718)**	**383,359**
Net interest income	**1,272**	**821**	**1,099**	**1,885**	**965**	**1,172**	**598**	**658**	**–**	**8,470**
Net interest margin (%)	**1.6**	**1.5**	**2.0**	**2.4**	**3.4**	**3.7**	**4.8**	**0.9**	**–**	**2.2**

[1] Americas UK & Europe includes total assets employed of $75,930 million in respect of the UK, the Company's country of domicile

2. Segmental Information continued

Net interest margin by geography

	2009									
	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[1] $million	Intra-group/ tax assets $million	Total $million
Total assets employed	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	(44,412)	436,653
Average interest-earning assets	75,844	44,739	46,898	65,602	23,375	29,717	11,099	63,951	(32,537)	328,688
Net interest income	1,341	742	841	1,539	899	1,114	532	615	–	7,623
Net interest margin (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	–	2.3

1 Americas UK & Europe includes total assets employed of $76,541 million in respect of the UK, the Company's country of domicile

3. Interest income

	2010 $million	2009 $million
Balances at central banks	**17**	6
Treasury bills	**674**	656
Loans and advances to banks	**764**	755
Loans and advances to customers	**9,964**	9,370
Listed debt securities	**882**	885
Unlisted debt securities	**1,137**	1,196
Accrued on impaired assets (discount unwind)	**62**	58
	13,500	12,926
Of which from financial instruments held at:		
Amortised cost	**10,442**	9,980[1]
Available-for-sale	**1,914**	2,093
Held at fair value through profit or loss	**1,144**	853[1]

1 Amounts have been reclassified from held at fair value through profit or loss to amortised cost

4. Interest expense

	2010 $million	2009 $million
Deposits by banks	**486**	854
Customer accounts:		
Interest bearing current accounts and savings deposits	**1,021**	785
Time deposits	**2,342**	2,394
Debt securities in issue	**751**	769
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	**24**	37
Other	**406**	464
	5,030	5,303
Of which from financial instruments held at:		
Amortised cost	**4,535**	4,872[1]
Held at fair value through profit or loss	**495**	431[1]

1 Amounts have been reclassified from held at fair value through profit or loss to amortised cost

5. Fees and commissions

	2010 $million	2009 $million
Consumer Banking		
Cards, Personal Loans & Unsecured Lending	**392**	366
Wealth Management & Deposits	**1,021**	769
Mortgages & Auto Finance	**86**	65
Others	**62**	60
	1,561	1,260
Wholesale Banking		
Lending & Portfolio Management	**89**	84
Transaction Banking	**1,338**	1,150
Financial Markets	**392**	280
Corporate Finance	**852**	604
Others	**6**	(8)
	2,677	2,110
Net fee and commission income	**4,238**	3,370

Total fee income arising from financial instruments that are not fair valued through profit or loss $1,468 million (2009: $1,480 million) and arising from trust and other fiduciary activities $198 million (2009: $80 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss $183 million (2009: $142 million) and arising from trust and other fiduciary activities $16 million (2009: $15 million).

6. Net trading income

	2010 $million	2009 $million
Gains less losses on instruments held for trading:		
Foreign currency[1]	**1,677**	1,830
Trading securities	**349**	329
Interest rate derivatives	**339**	576
Credit and other derivatives	**38**	35
	2,403	2,770
Gains less losses from fair value hedging;		
Gains less losses from fair value hedged items	**(256)**	454
Gains less losses from fair value hedged instruments	**272**	(462)
	16	(8)
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	**201**	22
Financial liabilities designated at fair value through profit or loss	**(14)**	70
Derivatives managed with financial instruments designated at fair value through profit or loss	**(29)**	36
	158	128
	2,577	2,890

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

7. Other operating income

	2010 $million	2009 $million
Other operating income includes:		
Gains less losses on available-for-sale and loan and receivable financial assets:		
On disposal	**300**	592
Write-downs on asset backed securities	**–**	(4)
Dividend income	**53**	109
Gains arising on repurchase of subordinated liabilities	**–**	264
Gains arising on assets fair valued at acquisition[1]	**29**	43
Rental income from operating lease assets	**213**	156
Gains on disposal of property, plant and equipment	**65**	40
Gain arising on change of control	**4**	–
Loss on sale of businesses	**–**	(2)

[1] Relates to acquisitions completed prior to 1 January 2010, and primarily consists of recoveries of fair value adjustments on loans and advances

8. Operating expenses

	2010 $million	2009 $million
Staff costs:		
Wages and salaries	**4,465**	3,634
Social security costs	**124**	98
Other pension costs (note 35)	**182**	138
Share based payment costs (note 38)	**390**	375
Other staff costs	**604**	667
	5,765	4,912
Premises and equipment expenses:		
Rental of premises	**387**	338
Other premises and equipment costs	**386**	341
Rental of computers and equipment	**27**	19
	800	698
General administrative expenses	**1,899**	1,822

The following tables summarise the number of employees within the Group as at 31 December 2010 and 31 December 2009 respectively.

	2010			
	Consumer Banking	**Wholesale Banking**	**Support Services**	**Total**
At 31 December	**53,382**	**18,869**	**12,980**	**85,231**
Average for the year	**51,367**	**18,022**	**13,270**	**82,659**

	2009[1]			
	Consumer Banking	Wholesale Banking	Support Services	Total
At 31 December	48,690	17,379	12,425	78,494
Average for the year	48,957	16,612	13,196	78,765

[1] Restated primarily due to the inclusion of fixed-term contract workers as employees in line with the definition under the Companies Act 2006

The Company employed nil staff at 31 December 2010 (2009: nil) and it incurred costs of $3 million (2009: $3 million).

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 106 to 125. Transactions with directors, officers and other related parties are disclosed in the related parties note 48.

8. **Operating expenses** continued

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to $3.7 million (2009: $4.1 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together 'KPMG'):

	2010 $million	2009 $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	**3.7**	4.1
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries, pursuant to legislation		
Fees relating to the current year	**10.1**	9.1
Total audit and audit related fees	**13.8**	13.2
Other services pursuant to legislation	**2.4**	3.4
Tax services	**1.0**	1.6
Services relating to corporate finance transactions	**0.1**	0.3
All other services	**1.9**	1.2
Total fees payable	**19.2**	19.7

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG Audit Plc for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC. It excludes amounts payable for the audit of Standard Chartered PLC's subsidiaries and amounts payable to KPMG Audit Plc's associates. These amounts have been included in Fees payable to KPMG for other services provided to the Group.
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings, including comfort letters and interim reviews.
- Tax services include tax compliance services and tax advisory services.
- Services relating to information technology include advice on IT security and business continuity, and performing agreed-upon IT testing procedures.
- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as acquisition due diligence and long-form reports.
- All other services include other assurance and advisory services such as translation services, ad-hoc accounting advice, reporting accountants work on capital raising and review of financial models.

Expenses incurred during the provision of services and which have been reimbursed by the Group are included within auditor's remuneration.

In addition to the above, KPMG estimate they have been paid fees of $0.3 million (2009: $0.3 million) by parties other than the Group but where the Group is connected with the contracting party and therefore may be involved in appointing KPMG. These fees arise from services such as the audit of the Group's pension schemes.

Fees payable to KPMG for non-audit services for Standard Chartered PLC are not separately disclosed because such fees are disclosed on a consolidated basis for the Group.

9. Depreciation and amortisation

	2010 $million	2009 $million
Premises	**118**	119
Equipment:		
Operating lease assets	**71**	54
Others	**140**	139
Intangibles:		
Software	**168**	139
Acquired on business combinations	**62**	69
	559	520

10. Impairment losses on loans and advances and other credit risk provisions

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

	2010 $million	2009 $million
Net charge against profit on loans and advances:		
Individual impairment charge	**1,002**	1,799
Portfolio impairment (release)/charge	**(130)**	196
	872	1,995
Provisions/(release) related to credit commitments	**9**	(2)
Impairment charges relating to debt securities classified as loans and receivables	**2**	7
Total impairment losses and other credit risk provisions	**883**	2,000

An analysis of impairment provisions by geography and business is set out within the Risk review on pages 61 to 65.

11. Other impairment

	2010 $million	2009 $million
Impairment losses on available-for-sale financial assets:		
– Asset backed securities	**22**	66
– Other debt securities	**–**	8
– Equity shares	**10**	49
	32	123
Impairment of investment in associates	**–**	19
Other	**45**	17
	77	159
Recovery of impairment on disposal of equity instruments	**(1)**	(57)
	76	102

Recoveries of impairments of $1 million (2009: $57 million) are in respect of private and strategic equity investments sold during the period that had impairment provisions raised against them in previous periods.

12. Taxation

Analysis of taxation charge in the year:

	2010 $million	2009 $million
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 28 per cent (2009: 28 per cent):		
Current tax on income for the year	**865**	893
Adjustments in respect of prior periods (including double taxation relief)	**6**	398
Double taxation relief	**(697)**	(623)
Foreign tax:		
Current tax on income for the year	**1,310**	1,309
Adjustments in respect of prior periods	**36**	48
	1,520	2,025
Deferred tax:		
Origination/reversal of temporary differences	**303**	(192)
Adjustments in respect of prior periods	**(115)**	(159)
	188	(351)
Tax on profits on ordinary activities	**1,708**	1,674
Effective tax rate	**27.9%**	32.5%

The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom, 28 per cent. The differences are explained below:

	2010 $million	2009 $million
Profit on ordinary activities before taxation	**6,122**	5,151
Tax at 28 per cent (2009: 28 per cent)	**1,714**	1,442
Effects of:		
Tax free income	**(191)**	(179)
Lower tax rates on overseas earnings	**(196)**	(119)
Higher tax rates on overseas earnings	**321**	216
Adjustments to tax charge in respect of previous periods	**(73)**	287[1]
Other items	**133**	27
Tax on profits on ordinary activities	**1,708**	1,674

[1] 2009 adjustments to the tax charge in respect of previous periods includes a $192 million one-off charge resulting from a collaborative exercise with the UK tax authority, HM Revenue & Customs, to settle the UK tax position relating to the period from 1990 to 2006

The UK corporation tax rate has been changed from 28 per cent to 27 per cent with an effective date of 1 April 2011. This rate has been substantively enacted at the balance sheet date and has reduced the UK deferred tax asset as it impacts the reversal of temporary differences from 1 April 2011 onwards.

Foreign taxation includes taxation on Hong Kong profits of $109 million (2009: $151 million) provided at a rate of 16.5 per cent (2009: 16.5 per cent) on the profits assessable in Hong Kong. Deferred taxation includes origination/(reversal) of temporary differences in Hong Kong profits of $25 million (2009: $(48) million) provided at a rate of 16.5 per cent (2009: 16.5 per cent) on the profits assessable in Hong Kong.

	2010			2009		
	Current Tax $million	**Deferred Tax $million**	**Total $million**	Current Tax $million	Deferred Tax $million	Total $million
Tax recognised in other comprehensive income						
Available-for-sale assets	**(76)**	**9**	**(67)**	52	(6)	46
Cash flow hedges	**–**	**(17)**	**(17)**	–	(21)	(21)
Retirement benefit obligations	**–**	**(17)**	**(17)**	–	37	37
Other	**–**	**–**	**–**	(22)	22	–
	(76)	**(25)**	**(101)**	30	32	62
Other tax recognised in equity						
Share based payments	**15**	**(33)**	**(18)**	–	35	35
	15	**(33)**	**(18)**	–	35	35
Total tax (charge)/credit recognised in equity	**(61)**	**(58)**	**(119)**	30	67	97

13. Dividends

Ordinary equity shares	2010 Pre-rights cents per share	2010 $million	2009 Pre-rights cents per share	2009 $million
2009/2008 final dividend declared and paid during the year	**44.80**	**904**	42.32	801
2010/2009 interim dividend declared and paid during the year	**23.35**	**481**	21.23	425
		1,385		1,226

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2010 and 2009. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2009 final dividend of 44.80 cents per ordinary share ($904 million) was paid to eligible shareholders on 13 May 2010 and the 2010 interim dividend of 23.35 cents per ordinary share ($481 million) was paid to eligible shareholders on 5 October 2010.

2010 recommended final ordinary equity share dividend
The 2010 final ordinary equity share dividend recommended by the Board is 46.65 cents per share ($1,089 million), which makes the total dividend for 2010 70.00 cents per share on a pre-rights basis (2009: 66.03 cents per share, 2008: 61.62 cents per share). The final dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 11 May 2011 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 11 March 2011, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 11 March 2011. The 2010 final ordinary equity share dividend will be paid in Indian rupees on 11 May 2011 to Indian Depository Receipt holders on the Indian register at the close of business in India on 11 March 2011.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 25 March 2011. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Impact of the 2010 rights issue
On 13 October 2010, the Company announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1,280 pence per new ordinary share. The issue was on the basis of 1 ordinary share for every 8 ordinary shares held on 21 October 2010. In the absence of specific guidance in IFRS, the dividend per share amounts in the table below have been adjusted for the bonus element included within the 2010 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33 'Earnings per share' (see note 14).

	2010 Post-rights cents per share	2009 Post-rights cents per share
2009 / 2008 final dividend declared and paid during the year	**43.16**	40.77
2010 / 2009 interim dividend declared and paid during the year	**22.50**	20.45

Total dividend recommended and declared relating to 2010 on a post-rights basis is 69.15 cents per share (2009: 63.61 cents per share 2008: 59.36 cents per share).

For the 98.5 per cent of shareholders who exercised their rights, a comparison of the actual cash payments received by the shareholders is better reflected by adjusting the dividend per share amounts by the ratio of shares outstanding immediately before the rights issue to the number of shares outstanding immediately following the rights issue as set out in the table below. This approach is consistent with the adjustments to the dividend per share amounts following the rights issue in 2008.

	2010 Adjusted cents per share	2009 Adjusted cents per share
2009 / 2008 final dividend declared and paid during the year	**39.82**	37.62
2010 / 2009 interim dividend declared and paid during the year	**20.76**	18.87

Total dividend recommended and declared relating to 2010 adjusted using the ratio above is 67.41 cents per share (2009: 58.69 cents per share, 2008: 54.78 cents per share).

Preference shares		2010 $million	2009 $million
Non-cumulative irredeemable preference shares:	7$^{3}/_{8}$ per cent preference shares of £1 each[1]	**11**	11
	8$^{1}/_{4}$ per cent preference shares of £1 each[1]	**13**	13
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each[1]	**75**	75
	7.014 per cent preference shares of $5 each[2]	**53**	53
	6.409 per cent preference shares of $5 each[2]	**48**	48

1 Dividends on these preference shares are treated as interest expense and accrued accordingly
2 Dividends on those preference shares classified as equity are recorded in the period in which they are declared

14. Earnings per ordinary share

	2010			2009		
	Profit[1]	Weighted average number of shares	Per share amount	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents	$million	('000)	cents
Basic earnings per ordinary share						
Pre-rights issue bonus earnings per ordinary share	**4,231**	**2,048,759**	**206.5**	3,279	1,952,377	167.9
Impact of rights issue[2]	**–**	**106,559**	**–**	–	74,190	–
Post-rights issue bonus basic earnings per ordinary share	**4,231**	**2,155,318**	**196.3**	3,279	2,026,567	161.8
Effect of dilutive potential ordinary shares:						
Options[3]	**–**	**37,322**	**–**	–	31,632	–
Diluted earnings per ordinary share	**4,231**	**2,192,640**	**193.0**	3,279	2,058,199	159.3

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

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.

	2010 $million	2009 $million
Profit attributable to ordinary shareholders	**4,231**	3,279
Amortisation of intangible assets arising on business combinations	**62**	69
Gain on disposal of property, plant and equipment	**(45)**	–
Gains arising on repurchase of subordinated liabilities	**–**	(264)
(Profit)/loss on sale of businesses or arising on change of control	**(4)**	2
Loss on PEM Group structured notes	**–**	170
Pre-incorporation costs of Korean principal holding company	**–**	5
UK bank payroll tax	**7**	58
Impairment of associates and other strategic investments	**–**	19
One-off settlement with the UK Tax authority (note 12)[4]	**–**	190
Tax on normalised items	**(6)**	(17)
Normalised earnings	**4,245**	3,511
Normalised basic earnings per ordinary share (cents)	**197.0**	173.2[2]
Normalised diluted earnings per ordinary share (cents)	**193.6**	170.6[2]

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 13)

2 On 13 October 2010 the Company announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1280 pence per share. The issue was made as 1 share for every 8 shares held on 21 October 2010. As required by IAS 33 'Earnings per share' the impact of the bonus element included within the rights issue has been included in the calculations of the basic and diluted earnings per share for the year and prior periods (and their normalised equivalent) have been re-presented accordingly as presented in note 47

3 The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 Earnings per share

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

15. Financial instruments

Classification

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

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

	Assets at fair value				Assets at amortised cost			
Assets	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks	**–**	**–**	**–**	**–**	**32,724**	**–**	**–**	**32,724**
Financial assets held at fair value through profit or loss								
Loans and advances to banks	**1,206**	**–**	**–**	**–**	**–**	**–**	**–**	**1,206**
Loans and advances to customers	**5,651**	**–**	**395**	**–**	**–**	**–**	**–**	**6,046**
Treasury bills and other eligible bills	**5,933**	**–**	**265**	**–**	**–**	**–**	**–**	**6,198**
Debt securities	**11,781**	**–**	**36**	**–**	**–**	**–**	**–**	**11,817**
Equity shares	**1,329**	**–**	**425**	**–**	**–**	**–**	**–**	**1,754**
	25,900	**–**	**1,121**	**–**	**–**	**–**	**–**	**27,021**
Derivative financial instruments	**46,256**	**1,603**	**–**	**–**	**–**	**–**	**–**	**47,859**
Loans and advances to banks	**–**	**–**	**–**	**–**	**52,058**	**–**	**–**	**52,058**
Loans and advances to customers	**–**	**–**	**–**	**–**	**240,358**	**–**	**–**	**240,358**
Investment securities								
Treasury bills and other eligible bills	**–**	**–**	**–**	**17,895**	**–**	**–**	**–**	**17,895**
Debt securities	**–**	**–**	**–**	**50,555**	**4,804**	**25**	**–**	**55,384**
Equity shares	**–**	**–**	**–**	**2,517**	**–**	**–**	**–**	**2,517**
	–	**–**	**–**	**70,967**	**4,804**	**25**	**–**	**75,796**
Other assets	**–**	**–**	**–**	**–**	**19,628**	**–**	**5,728**	**25,356**
Total at 31 December 2010	**72,156**	**1,603**	**1,121**	**70,967**	**349,572**	**25**	**5,728**	**501,172**
Cash and balances at central banks	–	–	–	–	18,131	–	–	18,131
Financial assets held at fair value through profit or loss								
Loans and advances to banks	1,947	–	101	–	–	–	–	2,048
Loans and advances to customers	3,373	–	138	–	–	–	–	3,511
Treasury bills and other eligible bills	5,319	–	240	–	–	–	–	5,559
Debt securities	9,941	–	170	–	–	–	–	10,111
Equity shares	633	–	584	–	–	–	–	1,217
	21,213	–	1,233	–	–	–	–	22,446
Derivative financial instruments	36,858	1,335	–	–	–	–	–	38,193
Loans and advances to banks	–	–	–	–	50,885	–	–	50,885
Loans and advances to customers	–	–	–	–	198,292	–	–	198,292
Investment securities								
Treasury bills and other eligible bills	–	–	–	18,958	–	–	–	18,958
Debt securities	–	–	–	48,433	6,657	31	–	55,121
Equity shares	–	–	–	1,649	–	–	–	1,649
	–	–	–	69,040	6,657	31	–	75,728
Other assets	–	–	–	–	12,668[1]	–	4,533	17,201
Total at 31 December 2009	58,071	1,335	1,233	69,040	286,633	31	4,533	420,876

[1] Includes unsettled trades and other financial assets previously included in non-financial assets

15. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	**885**	**–**	**38**	**–**	**–**	**923**
Customer accounts	**2,307**	**–**	**7,203**	**–**	**–**	**9,510**
Debt securities in issue	**2,256**	**–**	**1,054**	**–**	**–**	**3,310**
Short positions	**6,545**	**–**	**–**	**–**	**–**	**6,545**
	11,993	**–**	**8,295**	**–**	**–**	**20,288**
Derivative financial instruments	**46,192**	**941**	**–**	**–**	**–**	**47,133**
Deposits by banks	**–**	**–**	**–**	**28,551**	**–**	**28,551**
Customer accounts	**–**	**–**	**–**	**306,992**	**–**	**306,992**
Debt securities in issue	**–**	**–**	**–**	**31,381**	**–**	**31,381**
Other liabilities	**–**	**–**	**–**	**15,890**	**5,204**	**21,094**
Subordinated liabilities and other borrowed funds	**–**	**–**	**–**	**15,939**	**–**	**15,939**
Total at 31 December 2010	**58,185**	**941**	**8,295**	**398,753**	**5,204**	**471,378**
Financial liabilities held at fair value through profit or loss						
Deposits by banks	432	–	50	–	–	482
Customer accounts	1,886	–	3,616	–	–	5,502
Debt securities in issue	2,618	–	1,369	–	–	3,987
Short positions	4,534	–	–	–	–	4,534
	9,470	–	5,035	–	–	14,505
Derivative financial instruments	36,007	577	–	–	–	36,584
Deposits by banks	–	–	–	38,461	–	38,461
Customer accounts	–	–	–	251,244	–	251,244
Debt securities in issue	–	–	–	29,272	–	29,272
Other liabilities	–	–	–	11,051[1]	5,088	16,139
Subordinated liabilities and other borrowed funds	–	–	–	16,730	–	16,730
Total at 31 December 2009	45,477	577	5,035	346,758	5,088	402,935

[1] Includes unsettled trades and other financial liabilities previously included within non-financial liabilities

Valuation of financial instruments

Instruments held at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation model, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the balance sheet have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Wherever possible, Valuation Control utilises multiple independent market data sources. Market data sources are assessed for relevance and reliability. A market data source is relevant and reliable if there is a high probability that a third-party transaction can be executed based on this data. Market data reliability is assessed with respect to the following considerations:

1. methodology used by data provider to generate data (e.g. identity of contributors, basis of data collection/processing)
2. degree of activity in the market or extent of market coverage represented by the data source
3. integrity and reputation of the data provider
4. comparisons with other similar or alternative data sources and whether or not it is regarded within the range of acceptable quotes (on the basis of a current and historical consideration).

Where a range of market price sources are utilised, Valuation Control documents the process by which the average or consensus price is determined. If Valuation Control chooses to adopt a pricing hierarchy (a scheme in which prices from more reliable sources are used preferentially to prices less reliable), any prices not used are reviewed for a body of contradictory evidence. Valuation Control assesses all available market data before selecting the market data sources that will form the basis of the Price Testing process. Market data utilised by Valuation Control are independent of the Front Office. Market data that are not fully independent receive a zero weighting.

15. Financial instruments continued

Valuation of financial instruments continued

Control framework

A Product Valuation Control Committee exists for each business where there is a material valuation risk. The Committees meet monthly and comprise representatives from Front Office, Group market risk, Product control and Valuation control. The Committees are responsible for reviewing the results of the valuation control process.

Valuation hierarchy

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

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

Level 1 portfolio

Level 1 assets and liabilities are typically exchange traded positions and some government bonds traded in active markets. These positions are valued using quoted prices in active markets.

Level 2 portfolio

Where instruments are not quoted in an active market the Group utilises a number of valuation techniques to determine fair value. These valuation techniques include discounted cash flow analysis models, option pricing models, simulation models and other standard models commonly used by market participants. There is no distinction made by the Group in discounting between collateralised and uncollateralised trades. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as Level 2.

The Group makes a credit valuation adjustment (CVA) against derivative products, which represents an estimate of the adjustment to fair value that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions. For CVA, AIRB models are used to calculate the PD and LGD which, together with the results of the exposure simulation engine, generates a view of expected losses. The Group assesses actual losses and provisions incurred against expected losses on a portfolio basis, taking into account the fact that it takes a number of years for the workout/recovery process to complete upon a default.

In addition to periodic reassessment of the counterparties, credit exposures and external trends that may impact risk management outcomes are closely monitored. 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. As a result, the reserve represents a dynamic calculation based on the credit quality of the counterparties, collateral positions and exposure profiles.

All fair value positions in non-derivative financial instruments are valued at bid (for long positions) or offer (for short positions). Fair value of derivative positions is initially derived by calculating at mid-market levels. These are then adjusted through bid-offer valuation adjustments to effectively reflect the long positions at bid and short positions at offer.
In calculating the bid-offer valuation adjustment, reference is usually made to the risk contained within a similar bucket, for example the interest rate risk is divided in time buckets and a separate bid-offer valuation adjustment calculated for each one of these. The rationale for following this methodology is to take account of the different risks that exist for each of the time buckets and the different hedge transactions that would need to be executed to insulate the gross risk in those buckets, should the need arise.

Level 3 portfolio

The primary products classified as Level 3 are as follows:

Debt Securities – Asset backed securities

Due to the severe lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, an assessment is made whether each security is traded in a liquid manner based on its credit rating and sector. If a security is of low credit rating and/or is traded in a less liquid sector, it will be classified as Level 3. Where third-party pricing is not available, the valuation of the security will be estimated from market standard cash flow models with input parameter assumptions that include prepayment speeds and default rates. These input parameter assumptions are estimated with reference to factors such as underlying collateral performance, prices of comparable securities and sector spreads. These securities are also classified as Level 3.

15. Financial instruments continued

Level 3 portfolio continued

Debt Securities – Non Asset backed securities

These debt securities include certain convertible bonds, corporate bonds, credit and equity structured notes where there are significant valuation inputs that are unobservable in the market, due to illiquid trading or the complexity of the product. Debt securities are valued using available prices provided through pricing vendors, brokers or trading activities. Where such liquid external prices are not available, valuation of these cash securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Equity shares – Private equity

Private equity investments are generally valued based on earning multiples – Price-to-Earnings (P/E) or Enterprise Value to Earning Before Income Tax, Depreciation and Amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, Discounted Cash Flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the grounds that the valuation methods involve judgments ranging from determining comparable companies to discount rates where discounted cash flow (DCF) method is applied.

Derivatives

These trading derivatives are classified as Level 3 if there are parameters that are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison with historical levels with benchmark data.

Debt securities in issue

These debt securities relate to credit structured notes issued by the Group where there are significant valuation inputs that are unobservable in the market, due to illiquid trading or the complexity of the product. Debt securities are valued using available prices provided through pricing vendors, brokers or trading activities. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2010.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	406	800	–	1,206
Loans and advances to customers	19	6,027	–	6,046
Treasury bills and other eligible bills	6,055	143	–	6,198
Debt securities	7,257	4,333	227	11,817
Equity shares	1,434	19	301	1,754
	15,171	11,322	528	27,021
Derivative financial instruments	135	47,537	187	47,859
Investment securities				
Treasury bills and other eligible bills	15,335	2,560	–	17,895
Debt securities	20,631	29,342	582	50,555
Equity shares	1,020	446	1,051	2,517
	36,986	32,348	1,633	70,967
At 31 December 2010	52,292	91,207	2,348	145,847

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposit by banks	320	603	–	923
Customer accounts	–	9,510	–	9,510
Debt securities in issue	–	2,999	311	3,310
Short positions	6,072	473	–	6,545
	6,392	13,585	311	20,288
Derivative financial instruments	105	46,746	282	47,133
At 31 December 2010	6,497	60,331	593	67,421

There were no significant transfers between Level 1 and Level 2 in 2010.

15. Financial instruments continued

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

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	372	1,676	–	2,048
Loans and advances to customers	170	3,341	–	3,511
Treasury bills and other eligible bills	4,537	1,022	–	5,559
Debt securities	5,250	4,732	129	10,111
Equity shares	604	37	576	1,217
	10,933	10,808	705	22,446
Derivative financial instruments	623	37,432	138	38,193
Investment securities				
Treasury bills and other eligible bills	17,987[1]	971	–	18,958
Debt securities	16,366	31,630	437	48,433
Equity shares	595	298	756	1,649
	34,948	32,899	1,193	69,040
At 31 December 2009	46,504	81,139	2,036	129,679

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposit by banks	–	482	–	482
Customer accounts	39	5,463	–	5,502
Debt securities in issue	–	3,987	–	3,987
Short positions	4,302	232	–	4,534
	4,341	10,164	–	14,505
Derivative financial instruments	578	35,856	150	36,584
At 31 December 2009	4,919	46,020	150	51,089

[1] Certain government securities amounting to $5,193 million were initially classified within level 2 as at 31 December 2009. These have been re-presented as Level 1 as they are actively traded and market quotes are available

There were no significant transfers between Level 1 and Level 2 in 2009.

Level 3 movement tables

Financial assets

	Held at fair value through profit or loss			Investment securities		
Assets	**Debt securities $million**	**Equity shares $million**	**Derivative financial instruments $million**	**Debt securities $million**	**Equity shares $million**	**Total $million**
At 1 January 2010	**129**	**576**	**138**	**437**	**756**	**2,036**
Total (losses)/gains recognised in income statement	**(3)**	**170**	**39**	**–**	**(15)**	**191**
Total gains recognised in other comprehensive income	**–**	**–**	**–**	**103**	**146**	**249**
Purchases	**107**	**135**	**–**	**156**	**225**	**623**
Sales	**(80)**	**(574)**	**–**	**(147)**	**(1)**	**(802)**
Settlements	**(63)**	**(6)**	**–**	**–**	**(50)**	**(119)**
Transfers out	**(23)**	**–**	**(24)**	**–**	**(12)**	**(59)**
Transfers in	**160**	**–**	**34**	**33**	**2**	**229**
At 31 December 2010	**227**	**301**	**187**	**582**	**1,051**	**2,348**
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2010	**(6)**	**50**	**130**	**–**	**(1)**	**173**

Transfers in during the year primarily relate to markets for certain debt securities becoming illiquid or where the valuation parameters became unobservable during the year.

15. Financial instruments continued

Level 3 movement tables continued

Financial assets continued

Assets	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2009	141	415	260	332	563	1,711
Total (losses)/gains recognised in income statement	(10)	32	(142)	(1)	(41)	(162)
Total gains recognised in other comprehensive income	–	1	12	14	74	101
Purchases	–	128	3	307	165	603
Sales	–	–	(1)	(193)	(5)	(199)
Transfers out	(2)	–	–	(22)	–	(24)
Transfers in	–	–	6	–	–	6
At 31 December 2009	129	576	138	437	756	2,036
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2009	(5)	28	39	6	(31)	37

There were no significant transfers into or out of Level 3 fair value hierarchy in 2009.

Financial liabilities

Liabilities	**2010** Debt securities in issue $million	**2010** Derivative financial instruments $million	**2010** Total $million	2009 Derivative financial instruments $million	2009 Total $million
At 1 January	**–**	**150**	**150**	181	181
Total losses/(gains) recognised in income statement	**32**	**93**	**125**	(70)	(70)
Total losses recognised in other comprehensive income	**–**	**–**	**–**	16	16
Issues	**69**	**33**	**102**	–	–
Settlements	**(2)**	**–**	**(2)**	23	23
Transfers out	**–**	**(23)**	**(23)**	–	–
Transfers in	**212**	**29**	**241**	–	–
At 31 December	**311**	**282**	**593**	150	150
Total losses recognised in the income statement relating to liabilities held at 31 December	**32**	**163**	**195**	31	31

Transfers in during the year primarily relate to certain debt securities in issue where valuation parameters became unobservable during the year.

15. Financial instruments continued

Level 3 movement tables continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million
Financial instruments held at fair value through profit or loss						
Debt securities	**227**	**234**	**220**	**–**	**–**	**–**
Equity shares	**301**	**331**	**270**	**–**	**–**	**–**
Derivative financial instruments	**(95)**	**(80)**	**(109)**	**–**	**–**	**–**
Debt securities in issue	**(311)**	**(310)**	**(312)**	**–**	**–**	**–**
Investment securities						
Debt securities	**–**	**–**	**–**	**582**	**590**	**576**
Equity shares	**–**	**–**	**–**	**1,051**	**1,167**	**935**
At 31 December 2010	**122**	**175**	**69**	**1,633**	**1,757**	**1,511**
Financial instruments held at fair value through profit or loss						
Debt securities	129	130	126	–	–	–
Equity shares	576	634	518	–	–	–
Derivative financial instruments	(12)	2	(14)	–	–	–
Investment securities						
Debt securities	–	–	–	437	452	427
Equity shares	–	–	–	756	835	676
At 31 December 2009	693	766	630	1,193	1,287	1,103

Where the fair value of financial instruments is measured using valuation techniques that incorporate one or more insignificant inputs that are based on unobservable market data, we apply stresses on these unobservable parameter inputs, such as a 10 per cent increase or decrease in correlation and credit sensitivities, to generate a range of reasonably possible alternative valuations. As of 31 December 2010, these stresses could have increased fair values of financial instruments held at fair value through profit or loss by $53 million (2009: $73 million) and available-for-sale by $124 million (2009: $94 million) or decreased fair values of financial instruments held at fair value through profit or loss by $53 million (2009: $63 million) and available-for-sale by $122 million (2009: $90 million).

Instruments carried at amortised cost

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

	2010		2009	
	Book amount $million	**Fair value $million**	Book amount $million	Fair value $million
Assets				
Cash and balances at central banks	**32,724**	**32,724**	18,131	18,131
Loans and advances to banks	**52,058**	**51,942**	50,885	50,906
Loans and advances to customers	**240,358**	**239,446**	198,292	199,739
Investment securities	**4,829**	**4,765**	6,688	6,556
Other assets	**19,628**	**19,628**	12,668[1]	12,668[1]
Liabilities				
Deposits by banks	**28,551**	**28,501**	38,461	38,169
Customer accounts	**306,992**	**305,560**	251,244	249,548
Debt securities in issue	**31,381**	**30,710**	29,272	27,261
Subordinated liabilities and other borrowed funds	**15,939**	**16,298**	16,730	16,687
Other liabilities	**15,890**	**15,890**	11,051[1]	11,051[1]

1 Includes unsettled trades and other financial assets and liabilities previously included within non-financial assets and liabilities

15. Financial instruments continued

The following sets out the Group's basis of establishing fair values of the financial instruments shown above.

Cash and balances at central banks

The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks and customers

For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.

The Group's loans and advances to customers portfolio is well diversified by geography and industry. Approximately one-third of the portfolio reprices within one month, and approximately half reprices within 12 months. The fair value of loans and advances to customers with a residual maturity of less than one year is their carrying value. Loans and advances are presented net of provisions for impairment. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Investment securities

For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxied from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxied from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity.

Debt securities in issue, subordinated liabilities and other borrowed funds

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

15. Financial instruments continued

Reclassification of financial assets

In 2008 the Group reclassified certain non-derivative financial assets classified as held for trading into the available-for-sale (AFS) category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and available-for-sale categories to loans and receivables where the Group had the intent and ability to hold the reclassified assets for the foreseeable future or until maturity. There were no reclassifications during 2010 or 2009.

The following table provides details of the remaining balances of assets reclassified during 2008:

			If assets had not been reclassified, fair value gain from 1 January 2010 to 31 December 2010 that would have been recognised within				
For assets reclassified:	**Carrying amount at 31 December 2010 $million**	**Fair value at 31 December 2010 $million**	**Income $million**	**AFS reserve $million**	**Income recognised in income statement in 2010 $million**	**Effective interest rate at date of reclassification %**	**Estimated amounts of expected cash flows $million**
From trading to AFS	**339**	**339**	**40**[1]	**–**	**23**	**5.2**	**416**
From trading to loans and receivables	**1,562**	**1,490**	**80**	**–**	**73**	**5.6**	**1,686**
From AFS to loans and receivables	**1,090**	**1,052**	**–**	**75**	**35**	**5.4**	**1,132**
	2,991	**2,881**	**120**	**75**	**131**		
Of which asset backed securities:							
reclassified to AFS	**122**	**122**	**35**[1]	**–**	**8**		
reclassified to loans and receivables	**1,725**	**1,648**	**42**	**75**	**53**		

[1] Post-reclassification, this is recognised within the available-for-sale reserve

			If assets had not been reclassified, fair value gain/(loss) from 1 January 2009 to 31 December 2009 which would have been recognised within				
For assets reclassified:	Carrying amount at 31 December 2009 $million	Fair value at 31 December 2009 $million	Income $million	AFS reserve $million	Income/(expenses) recognised in income statement in 2009 $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
From trading to AFS	593	593	(20)[1]	–	23	6.2	771
From trading to loans and receivables	2,213	2,049	127	–	95	5.8	2,352
From AFS to loans and receivables	1,362	1,216	–	145	49	5.3	1,416
	4,168	3,858	107	145	167		
Of which asset backed securities:							
reclassified to AFS	148	148	(17)[1]	–	(36)		
reclassified to loans and receivables	2,231	2,002	21	145	76		

[1] Post-reclassification, this is recognised within the available-for-sale reserve

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

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss.

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

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.

Loans and advances held at fair value through profit and loss

The maximum exposure to credit risk for loans designated at fair value through profit or loss was $395 million (2009: $239 million).

The net fair value gain on loans and advances to customers designated at fair value through profit or loss was $6.6 million (2009: loss of $5.9 million). Of this, $nil million (2009: $nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3.4 million (2009: $3.4 million).

The changes in fair value attributable to credit risk has been determined by comparing fair value movements in risk-free bonds with similar maturities to the changes in fair value of loans designated at fair value through profit or loss.

For certain loans and advances designated at fair value through profit or loss, the difference arising between the fair value at initial recognition and the amount that would have arisen had the valuation techniques used for subsequent measurement been used at initial recognition, is amortised to the income statement until the inputs become observable or the transaction matures or is terminated.

The table below sets out a reconciliation of amounts deferred:

	2010 $million	2009 $million
At 1 January	**4**	8
Additional amount deferred	**–**	–
Recognised in income	**(2)**	(4)
At 31 December	**2**	4

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

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

Financial assets held at fair value through profit and loss continued

Debt securities, equity shares and treasury bills held at fair value through profit or loss

	2010			
	Debt Securities $million	**Equity Shares $million**	**Treasury bills $million**	**Total $million**
Issued by public bodies:				
Government securities	**7,156**			
Other public sector securities	**120**			
	7,276			
Issued by banks:				
Certificates of deposit	**151**			
Other debt securities	**1,302**			
	1,453			
Issued by corporate entities and other issuers:				
Other debt securities	**3,088**			
Total debt securities	**11,817**			
Of which:				
Listed on a recognised UK exchange	**180**	**–**	**–**	**180**
Listed elsewhere	**5,865**	**1,453**	**769**	**8,087**
Unlisted	**5,772**	**301**	**5,429**	**11,502**
	11,817	**1,754**	**6,198**	**19,769**
Market value of listed securities	**6,045**	**1,453**	**769**	**8,267**
Trading securities pledged subject to sale and repurchase transactions	**739**	**–**	**108**	**847**

	2009			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	5,568			
Other public sector securities	18			
	5,586			
Issued by banks:				
Certificates of deposit	628			
Other debt securities	968			
	1,596			
Issued by corporate entities and other issuers:				
Other debt securities	2,929			
Total debt securities	10,111			
Of which:				
Listed on a recognised UK exchange	440	–	–	440
Listed elsewhere	4,835	604	1,516	6,955
Unlisted	4,836	613	4,043	9,492
	10,111	1,217	5,559	16,887
Market value of listed securities	5,275	604	1,516	7,395
Trading securities pledged subject to sale and repurchase transactions	240	–	–	240

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

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

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

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

The net fair value loss on liabilities designated at fair value through profit or loss was $14 million for the year (2009: net gain of $70 million). Of this, a loss of $nil million (2009: gain of $6 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of $10.4 million (2009: $10.4 million).

The change in fair value attributable to credit risk was determined by comparing fair value movements in risk-free debt instruments with similar maturities, to the changes in fair value of liabilities designated at fair value through profit or loss.

As at 31 December 2010, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was $446 million higher (2009: $505 million) than the carrying amount at fair value.

17. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Group are set out below. All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

The tables below 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 exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in the Risk review on page 56.

The Derivatives and Hedging sections of the Risk review on pages 73 and 74 explain the Group's risk management of derivative contracts and application of hedging.

	2010			2009		
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	**986,615**	**12,503**	**12,236**	701,502	9,052	7,920
Currency swaps and options	**566,291**	**11,343**	**11,712**	448,615	9,753	9,621
Exchange traded futures and options	**855**	**–**	**–**	774	–	–
	1,553,761	**23,846**	**23,948**	1,150,891	18,805	17,541
Interest rate derivative contracts:						
Swaps	**1,745,286**	**17,487**	**17,001**	1,210,432	14,230	13,946
Forward rate agreements and options	**234,926**	**1,010**	**1,029**	233,769	2,498	2,472
Exchange traded futures and options	**619,859**	**350**	**346**	252,625	83	84
	2,600,071	**18,847**	**18,376**	1,696,826	16,811	16,502
Credit derivative contracts	**65,986**	**1,602**	**1,679**	35,133	835	845
Equity and stock index options	**8,842**	**479**	**757**	3,208	470	613
Commodity derivative contracts	**36,524**	**3,085**	**2,373**	19,066	1,272	1,083
Total derivatives	**4,265,184**	**47,859**	**47,133**	2,905,124	38,193	36,584

17. Derivative financial instruments continued

Derivatives held for hedging

Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The tables below list the types of derivatives that the Group holds for hedge accounting.

Group

	2010			2009		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	**33,280**	**1,424**	**652**	29,595	1,247	440
Currency swaps	**3,178**	**46**	**172**	607	14	9
Forward foreign exchange contracts	**1,650**	**28**	**11**	825	–	1
	38,108	**1,498**	**835**	31,027	1,261	450
Derivatives designated as cash flow hedges:						
Interest rate swaps	**18,591**	**20**	**23**	14,673	46	23
Options	**950**	**54**	**–**	898	23	–
Forward foreign exchange contracts	**148**	**22**	**6**	410	–	37
Currency swaps	**1,751**	**9**	**1**	218	–	1
	21,440	**105**	**30**	16,199	69	61
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**803**	**–**	**76**	738	5	66
Total derivatives held for hedging	**60,351**	**1,603**	**941**	47,964	1,335	577

Fair value hedges

The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding.

For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss. In respect of fair value hedges, gains arising on the hedging instruments during the year were $272 million (2009: losses of $462 million) compared with losses arising on the hedged items of $256 million (2009: gains of $454 million).

Cash flow hedges

The Group uses interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts, currency swaps and options to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies.

Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit and loss. During the year, $2 million (2009: $4 million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges. During the year net losses of $17 million (2009: $106 million) were reclassified to profit and loss from the cash flow hedge reserve, of which losses of $30 million (2009: $123 million) were recognised within operating costs and gains of $13 million (2009: $17 million) recognised within net interest income.

17. Derivative financial instruments continued

The Group has hedged the following cash flows that are expected to impact the income statement in the following periods:

	2010						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	**769**	**190**	**181**	**129**	**79**	**–**	**1,348**
Forecast payable cash flows	**(1,432)**	**(170)**	**(170)**	**(124)**	**(80)**	**–**	**(1,976)**
	(663)	**20**	**11**	**5**	**(1)**	**–**	**(628)**

	2009						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	500	274	179	161	150	–	1,264
Forecast payable cash flows	(2,043)	(246)	(155)	(136)	(132)	–	(2,712)
	(1,543)	28	24	25	18	–	(1,448)

Net investment hedges

The Group uses a combination of foreign exchange contracts and non-derivative financial assets to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed of. During the year, $nil million (2009: $nil million) was recognised in the income statement in respect of ineffectiveness arising on net investment hedges.

18. Loans and advances to banks

	2010 $million	2009 $million
Loans and advances to banks	**53,359**	53,067
Individual impairment provision	**(93)**	(132)
Portfolio impairment provision	**(2)**	(2)
	53,264	52,933
Of which: loans and advances held at fair value through profit or loss (note 15)	**(1,206)**	(2,048)
	52,058	50,885

Analysis of loans and advances to banks by geography are set out in the Risk review section on pages 57 to 58.

19. Loans and advances to customers

	2010 $million	2009 $million
Loans and advances to customers	**248,988**	204,530
Individual impairment provision	**(1,824)**	(1,853)
Portfolio impairment provision	**(760)**	(874)
	246,404	201,803
Of which: loans and advances held at fair value through profit or loss (note 15)	**(6,046)**	(3,511)
	240,358	198,292
Loans and advances pledged subject to sale and repurchase transactions	**39**	231

The Group has outstanding residential mortgage loans to Korea residents of $23.1 billion (2009: $20.5 billion) and Hong Kong residents of $18.2 billion (2009: $14.8 billion).

Analysis of loans and advances to customers by geography and business and related impairment provisions are set out within the Risk review on pages 57 to 67.

20. Assets leased to customers

Finance leases instalment credit

	2010 $million	2009 $million
Finance leases	**508**	399
Instalment credit agreements	**790**	706
	1,298	1,105

The above assets are included within loans and advances to customers. The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to $131 million (2009: $228 million).

	2010 $million	2009 $million
Minimum lease receivables under finance leases falling due:		
Within one year	**282**	52
Later than one year and less than five years	**244**	389
After five years	**41**	–
	567	441
Interest income relating to future periods	**(59)**	(42)
Present value of finance lease receivables	**508**	399
Of which:		
Falls due within one year	**261**	35
Falls due later than one year and less than five years	**219**	364
Falls due after five years	**28**	–

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft, which are included within property, plant and equipment in note 26. At 31 December 2010 these assets had a net book value of $2,033 million (2009: $1,606 million).

	2010 $million	2009 $million
Minimum lease receivables under operating leases falling due:		
Within one year	**196**	175
Later than one year and less than five years	**575**	679
After five years	**713**	386
	1,484	1,240

21. Investment securities

	2010					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	25	20,776	388			
Other public sector securities	–	629	–			
	25	21,405	388			
Issued by banks:						
Certificates of deposit	–	4,670	44			
Other debt securities	–	15,135	864			
	–	19,805	908			
Issued by corporate entities and other issuers:						
Other debt securities	–	9,345	3,508			
Total debt securities	25	50,555	4,804			
Of which:						
Listed on a recognised UK exchange	–	1,443	285[1]	140	–	1,868
Listed elsewhere	25	14,937	1,081[1]	830	6,574	23,447
Unlisted	–	34,175	3,438	1,547	11,321	50,481
	25	50,555	4,804	2,517	17,895	75,796
Market value of listed securities	25	16,380	1,348	970	6,574	25,297
Investment securities pledged subject to sale and repurchase transactions	–	430	73	–	1,090	1,593

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere, are thinly traded or the market for these securities is illiquid

	2009					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	31	16,825	392			
Other public sector securities	–	1,530	18			
	31	18,355	410			
Issued by banks:						
Certificates of deposit	–	5,875	1,795			
Other debt securities	–	17,445	1,852			
	–	23,320	3,647			
Issued by corporate entities and other issuers:						
Other debt securities	–	6,758	2,600			
Total debt securities	31	48,433	6,657			
Of which:						
Listed on a recognised UK exchange	–	5,180	374[1, 2]	105	–	5,659
Listed elsewhere	29	17,451	913[1, 2]	289	5,241	23,923
Unlisted	2	25,802	5,370	1,255	13,717	46,146
	31	48,433	6,657	1,649	18,958	75,728
Market value of listed securities	29	22,631	1,270	394	5,241	29,565
Investment securities pledged subject to sale and repurchase transactions	–	618	–	72	547	1,237

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid
[2] Amounts have been reclassified as set out in note 47

Equity shares largely comprise investments in corporates.

21. Investment securities continued

The change in the carrying amount of investment securities comprised:

	2010				2009			
	Debt securities $million	**Equity shares $million**	**Treasury bills $million**	**Total $million**	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	**55,121**	**1,649**	**18,958**	**75,728**	51,036	1,593	16,713	69,342
Exchange translation differences	**1,403**	**10**	**483**	**1,896**	1,635	20	539	2,194
Acquisitions	**–**	**–**	**–**	**–**	–	1	–	1
Additions	**78,225**	**757**	**35,094**	**114,076**	86,712	369	42,658	129,739
Maturities and disposals	**(79,595)**	**(279)**	**(36,784)**	**(116,658)**	(84,857)	(807)	(41,014)	(126,678)
Impairment, net of recoveries on disposal	**(24)**	**(9)**	**–**	**(33)**	(81)	8	–	(73)
Changes in fair value (including the effect of fair value hedging)	**355**	**389**	**46**	**790**	29	465	(53)	441
Amortisation of discounts and premiums	**(101)**	**–**	**98**	**(3)**	647	–	115	762
At 31 December	**55,384**	**2,517**	**17,895**	**75,796**	55,121	1,649	18,958	75,728

At 31 December 2010, unamortised premiums on debt securities held for investment purposes amounted to $430 million (2009: $669 million) and unamortised discounts amounted to $397 million (2009: $725 million). Income from listed equity shares amounted to $8 million (2009: $12 million) and income from unlisted equity shares amounted to $45 million (2009: $97 million).

The change in impairment provisions is as follows:

	2010				2009			
	Debt securities $million	**Equity shares $million**	**Treasury bills $million**	**Total $million**	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	**191**	**236**	**–**	**427**	158	311	1	470
Exchange translation differences	**1**	**1**	**–**	**2**	1	1	–	2
Amounts written off	**(36)**	**(7)**	**–**	**(43)**	(49)	(68)	(1)	(118)
Impairment, net of recoveries on disposals[1]	**24**	**(9)**	**–**	**33**	81	(8)	–	73
At 31 December	**180**	**239**	**–**	**419**	191	236	–	427

[1] Impairment charge includes recoveries of impairment on disposal of equity investment of $1 million (2009: $57 million). Of the new provisions raised of $34 million (2009: $130 million), $2 million (2009: $7 million) relates to debt securities measured as loans and receivables and is included with impairment losses on loans and advances and other credit provisions, with the balance of $32 million (2009: $123 million) reported within 'Other Impairment'

22. Other assets

	2010 $million	2009 $million
Financial assets held at amortised cost (note 15) :		
Hong Kong SAR Government certificates of indebtedness (note 32)	**4,063**	3,414
Cash collateral	**5,620**	4,557
Acceptances and endorsements	**4,847**	3,080
Unsettled trades and other financial assets	**5,098**	1,617[1]
	19,628	12,668[1]
Non-financial assets		
Commodities	**2,852**	2,763
Other	**2,876**	1,770[1]
	25,356	17,201

[1] Unsettled trades and other financial assets previously included within non-financial assets have been reclassified

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

23. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings	2010 $million	2009 $million
At 1 January	**12,906**	10,406
Additions	**1,385**	2,500
Deemed capital contribution	**360**	340
Return of deemed capital contribution	**(360)**	(340)
At 31 December	**14,291**	12,906

Following the adoption of an amendment to the IFRS2 share based payments, on 1 January 2010, the Company presents the current year share based payment charge as a deemed capital contribution to subsidiaries and a concurrent distribution of the deemed capital contribution.

At 31 December 2010, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered First Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (China) Limited, China	China	100
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.99
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank Kenya Limited, Kenya	Kenya	73.9
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

A full list of subsidiaries will be included in the Company's next Annual Return.

Joint ventures

The Group has a 44.51 per cent interest through a joint venture company that holds a majority investment in PT Bank Permata Tbk (Permata), in Indonesia.

The Group proportionately consolidates its share of the assets, liabilities, income and expense of this joint venture on a line-by-line basis. Contingent liabilities set out in note 43 include $175 million (2009: $102 million) relating to these joint venture. These mainly comprise banking guarantees and irrevocable letters of credit. There are no capital commitments related to the Group's investment in this joint venture. Related party transactions are disclosed in note 48.

On 1 October 2010, the Group purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets that it did not already hold. On that date, STCI became a wholly owned subsidiary of the Group and joint control ceased.

23. Investments in subsidiary undertakings, joint ventures and associates continued

The following amounts have been included in the consolidated accounts of the Group:

	2010 $million	2009 $million
Current assets	**1,878**	1,094
Long-term assets	**1,905**	1,759
Total assets	**3,783**	2,853
Current liabilities	**(2,968)**	(2,183)
Long-term liabilities	**(190)**	(151)
Total liabilities	**(3,158)**	(2,334)
Net assets	**625**	519
Income	**227**	168
Expenses	**(132)**	(113)
Impairment	**(20)**	(20)
Operating profit	**75**	35
Tax	**(15)**	(13)
Share of post-tax result from joint ventures	**60**	22

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2010 $million	2009 $million
At 1 January	**514**	511
Translation	**–**	(2)
Additions	**139**	41
Disposals	**–**	(6)
Dividends received	**(22)**	(11)
Impairment	**–**	(19)
At 31 December	**631**	514

The following amounts represent the total profit, assets and liabilities of the Group's assosciated undertakings:

	2010 $million	2009 $million
Profit for the year	**227**	163
Total assets	**47,344**	25,324
Total liabilities	**(45,368)**	(23,954)
Net assets	**1,976**	1,370

The Group's principal associates are:

Associate	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	China	19.9
Fleming Family & Partners	Asia	20.0
Merchant Solutions Limited	Hong Kong	44.0
Asia Commercial Bank	Vietnam	15.0

The fair value of the investment in Asia Commerical Bank (ACB) at 31 December 2010 is $157 million (2009: $236 million). The Group's investments in ACB and China Bohai Bank are less than 20 per cent but both ACB and China Bohai Bank are considered to be associates because of the significant influence the Group is able to exercise over the management of these companies and their financial and operating policies. Significant influence is evidenced largely through the interchange of management personnel and the provision of expertise. The reporting dates of these associates are within three months of the Group's reporting date.

24. Business Combinations

2010 acquisitions

On 12 April 2010, the Group acquired 100 per cent of the consumer finance business of GE Capital (Hong Kong) Limited, a Hong Kong (restricted licence) banking company. The Group purchased this interest for $144 million, recognising goodwill of $3 million.

On 2 August 2010, the Group acquired 100 per cent of the consumer finance business of GE Commercial Financing (Singapore) Limited in Singapore. The businesses were acquired for $70 million and goodwill of $14 million was recognised.

On 1 October 2010 the Group purchased the remaining 25.1 per cent interest in Standard Chartered STCI Capital Markets (STCI) for $18 million. By virtue of this transaction STCI became a subsidiary of the Group. The fair value of the 74.9 per cent interest held by the Group at 1 October 2010, which is included in the purchase consideration, was $55 million. As required by IFRS 3 – 'Business Combinations', the Group recognised a gain (net of foreign exchange) of $4 million within 'Other operating income' from remeasuring the 74.9 per cent interest held by the Group to fair value. Following this transaction goodwill relating to STCI increased to $75 million.

Between 31 October 2010 and 5 December 2010 the Group acquired the custody business of Barclays Bank PLC across various locations in Africa. The business was acquired for $130 million and goodwill of $21 million was recognised.

If the acquisitions had occurred on 1 January 2010, the operating income of the Group would have been approximately $16,099 million and profit before taxation would have been approximately $6,135 million.

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

	Fair value $million	Acquiree's carrying amount $million
Cash and balances at central banks	20	20
Loans and advances to banks	6	6
Loans and advances to customers	894	901
Investment securities	2	2
Intangibles other than goodwill	112	–
Deferred tax assets	4	12
Other assets	16	26
Total assets	1,054	967
Other liabilities	737	736
Accruals and deferred income	11	11
Total liabilities	748	747
Net assets acquired	306	220
Purchase consideration settled in cash	(364)	
Cash and cash equivalents in subsidiary acquired	20	
Cash outflow on acquisition	(344)	
Purchase consideration:		
Cash paid	364	
Fair value of interest held prior to change in control	55	
Fair value of net assets acquired	(306)	
Goodwill	113	
Intangible assets acquired:		
Customer relationships	112	
Total	112	
Contribution from date of acquisition to 31 December 2010		
Operating income	22	
Profit before taxation	8	

The fair value amounts contain some provisional balances, which will be finalised within 12 months of the acquisition date.

As part of the business combinations, $7 million of intercompany liabilities were acquired and deemed to be settled.

Acquisition related costs of $3 million are included within operating expenses.

The fair value of loans to banks is $6 million. The gross contractual amount due is $6 million, of which $nil million is the best estimate of the contractual cash flows not expected to be collected.

The fair value of loans to customers is $894 million. The gross contractual amount due is $907 million, of which $15 million is the best estimate of the contractual cash flows not expected to be collected.

Goodwill arising on the acquisitions are attributable to the synergies expected to arise from the integration with the Group and to those intangibles that are not recognised separately. The primary reason for the acquisitions is to enhance capability and for strategic intent.

24. Business Combinations continued

2009 acquisitions

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

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

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

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

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

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

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

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

25. Goodwill and intangible assets

	2010				2009			
	Goodwill $million	Acquired intangibles $million	Software $million	Total $million	Goodwill $million	Acquired intangibles $million	Software $million	Total $million
Cost								
At 1 January	**6,016**	**519**	**650**	**7,185**	5,745	490	595	6,830
Exchange translation differences	**154**	**18**	**64**	**236**	188	15	21	224
Acquisitions	**69**	**117**	**–**	**186**	83	14	–	97
Additions	**–**	**–**	**197**	**197**	–	–	172	172
Disposals	**–**	**–**	**–**	**–**	–	–	(2)	(2)
Amounts written off	**–**	**–**	**(137)**	**(137)**	–	–	(136)	(136)
At 31 December	**6,239**	**654**	**774**	**7,667**	6,016	519	650	7,185
Provision for amortisation								
At 1 January	**–**	**285**	**280**	**565**	–	204	265	469
Exchange translation differences	**–**	**12**	**17**	**29**	–	12	9	21
Amortisation for the period	**–**	**62**	**168**	**230**	–	69	139	208
Amounts written off	**–**	**–**	**(137)**	**(137)**	–	–	(133)	(133)
At 31 December	**–**	**359**	**328**	**687**	–	285	280	565
Net book value	**6,239**	**295**	**446**	**6,980**	6,016	234	370	6,620

At 1 January 2009, the net book value was: goodwill, $5,745 million; acquired intangibles, $286 million; and software, $330 million.

At 31 December 2010, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $69 million (2009: $69 million).

	2010 $million	2009 $million
Acquired intangibles comprise:		
Core deposits	**37**	51
Customer relationships	**202**	117
Brand names	**51**	60
Licences	**5**	6
Net book value	**295**	234

Acquired intangibles primarily comprise those recognised as part of the acquisitions of SC First Bank (SCFB), Permata, Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, Harrison Lovegrove, American Express Bank and the custody business in Africa. The acquired intangibles are amortised over periods from four years to a maximum of 16 years in the case of the customer relationships intangible acquired in SCFB.

Significant items of goodwill arising on acquisitions have been allocated to the following cash-generating units for the purposes of impairment testing:

		Goodwill	
Acquisition	**Cash Generating Unit**	**2010 $million**	2009 $million
SCFB, A Brain and Yeahreum	Korean business	**1,745**	1,700
Union Bank	Pakistan business	**307**	312
Hsinchu and Asia Trust	Taiwan business	**1,286**	1,220
Manhattan Card Business	Credit card and personal loan – Asia, India & MESA	**896**	896
Grindlays (India) and STCI	India business	**444**	410
Grindlays (MESA)	MESA business	**370**	363
Standard Chartered Bank (Thai)	Thailand business	**337**	310
Permata	Group's share of Permata (Indonesia business)	**174**	163
American Express Bank	Financial Institutions and Private Banking business	**396**	396
Harrison Lovegrove, Pembroke, Cazenove Asia and First Africa	Corporate advisory business	**64**	64
Other		**220**	182
		6,239	6,016

25. Goodwill and intangible assets continued

All recoverable amounts were measured based on value in use. The key assumptions and approach to determining value in use calculations, as set out below, are solely estimates for the purposes of assessing impairment on acquired goodwill. The calculation for each unit uses cash flow projections based on budgets and forecasts approved by management covering one year, except for Taiwan business, Korea business, Thailand business and Permata, which use forecasts covering four years to 2014. Management forecasts projected revenue growth rates greater than long-term GDP rates but which are in line with past performance as adjusted to reflect the current economic climate, especially for 2009 and 2010. Cash flow projections are extrapolated forward for periods of up to a further 19 years using steady long-term forecast GDP growth rates and a terminal value determined based on long-term earning multiples. Where these rates are different from available market data on long-term rates, that fact is stated below. The cash flows are discounted using a pre-tax discount rate, which reflects current market rates appropriate to the cash-generating unit. Management believes that reasonable possible change in any of the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

Korea businesses

SCFB, A Brain and Yeahreum were acquired in 2005, 2007 and 2008 respectively with initial goodwill recognised of $1,891 million and a further $5 million goodwill recognised in 2008 in respect of A Brain. The businesses comprise Consumer and Wholesale Banking operations in Korea.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2014 will take place at a steady rate of 4.5 per cent (2009: 3.5 per cent) in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 16.3 per cent (2009: 19.9 per cent) was used.

Pakistan business

Union Bank was acquired in September 2006 with initial goodwill recognised of $414 million. Additional goodwill of $17 million arose as a result of a share swap. Together with the Group's existing operations, the combined business comprises Consumer and Wholesale Banking operations in Pakistan.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 5.9 per cent (2009: 4.3 per cent) in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 24.7 per cent (2009: 28.4 per cent) was used.

Taiwan businesses

Hsinchu and Asia Trust were acquired in 2006 and 2008 respectively with initial goodwill recognised of $1,142 million and a further $34 million of goodwill recognised in 2007 in respect of Hsinchu. Together with the Group's existing operation, the combined business comprises Consumer and Wholesale Banking operations in Taiwan.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2014 will increase at a steady rate of 4.9 per cent (2009: 3.4 per cent) in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 16.2 per cent (2009: 16.7 per cent) was used.

Credit card business

Manhattan Card Business was acquired in 2000 with initial goodwill recognised of $1,061 million. This was amortised to $892 million under UK GAAP until 31 December 2003. The business comprises a credit card business and a personal loans business across Asia, India and MESA.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 1.8 per cent (2009: 3.8 per cent) in line with the long-term forecast global GDP growth. A pre-tax discount rate of 16.7 per cent (2009: 13.9 per cent) was used.

India businesses

Grindlays (India) was acquired in 2000 with initial goodwill recognised of $446 million. This was amortised to $366 million under UK GAAP until 31 December 2003. It comprises Consumer and Wholesale Banking operations in India. In 2008, the Group acquired a 74.9 per cent interest in STCI, with initial goodwill recognised of $52 million. Following the acquisition of the remaining 25.1 per cent in 2010, this goodwill increased to $75 million.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 8.0 per cent (2009: 7.6 per cent) in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 22.4 per cent (2009: 18.5 per cent) was used.

MESA business

Grindlays (MESA) was acquired in 2000 with initial goodwill recognised of $446 million. This was amortised to $366 million under UK GAAP until 31 December 2003. It comprises Consumer and Wholesale Banking operations in MESA.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 1.8 per cent (2009: 3.8 per cent) in line with the long-term forecast GDP growth of MESA. A pre-tax discount rate of 18.2 per cent (2009: 20.9 per cent) was used.

Thailand business

75 per cent of Standard Chartered Bank (Thai) was acquired in 1999 with initial goodwill recognised of $222 million. This was amortised to $204 million under UK GAAP until 31 December 2003. In 2005 the Group acquired the remaining 25 per cent, increasing goodwill to $272 million. The business comprises Consumer and Wholesale Banking operations in Thailand.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2014 will increase at a steady rate of 5.3 per cent (2009: 4.3 per cent) in line with the long-term forecast GDP growth of Thailand. A pre-tax discount rate of 25.2 per cent (2009: 17.7 per cent) was used.

Group's share of Permata

31.55 per cent of Permata was acquired in 2004 with initial goodwill recognised of $115 million. A further 12.96 per cent was acquired in September 2006, generating further goodwill of $57 million. This business comprises Consumer and Wholesale Banking operations in Indonesia.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2014 will increase at a steady rate of 7.5 per cent (2009: 6.4 per cent) in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 23.3 per cent (2009: 27.8 per cent) was used.

25. Goodwill and intangible assets continued

Financial institution and Private Banking business

100 per cent of AEB was acquired in February 2008 with initial goodwill recognised of $396 million. The business comprises Consumer and Wholesale Banking operations in the Americas, Europe and Asia.

In assessing impairment of goodwill, the Group has assumed that growth will remain at a steady 1.8 per cent (2009: 3.8 per cent), in line with long-term forecast global GDP growth. A pre-tax discount rate of 16.7 per cent (2009: 13.9 per cent) was used.

Corporate advisory business

The total goodwill of $64 million generated on the acquisition of Harrison Lovegrove and Pembroke in 2007 and Cazenove Asia and First Africa in 2009 comprises, oil and gas advisory, aircraft leasing, capital markets and corporate advisory and leverage finance advisory operations in Europe, Asia and Africa respectively. In assessing impairment of goodwill, the Group has assumed that growth will remain at a steady 1.8 per cent (2009: 3.8 per cent), in line with long-term forecast global GDP growth. A pre-tax discount rate of 16.7 per cent (2009: 13.9 per cent) was used.

26. Property, plant and equipment

	2010				2009			
	Premises $million	**Equipment $million**	**Operating lease assets $million**	**Total $million**	Premises $million	Equipment $million	Operating lease assets $million	Total $million
Cost or valuation								
At 1 January	**2,647**	**775**	**1,685**	**5,107**	2,576	729	1,055	4,360
Exchange translation differences	**69**	**33**	**–**	**102**	82	23	–	105
Additions	**240**	**130**	**498**	**868**	134	125	630	889
Acquisitions	**–**	**1**	**–**	**1**	–	1	–	1
Disposals and fully depreciated assets written off	**(200)**	**(102)**	**–**	**(302)**	(197)	(98)	–	(295)
Reclassification	**–**	**–**	**–**	**–**	5	(5)	–	–
Transfers from/(to) assets held for re-sale	**(91)**	**–**	**–**	**(91)**	47	–	–	47
At 31 December	**2,665**	**837**	**2,183**	**5,685**	2,647	775	1,685	5,107
Depreciation								
Accumulated at 1 January	**423**	**502**	**79**	**1,004**	327	422	25	774
Exchange translation differences	**9**	**15**	**–**	**24**	5	15	–	20
Charge for the year	**118**	**140**	**71**	**329**	119	139	54	312
Attributable to assets sold, transferred or written off	**(79)**	**(100)**	**–**	**(179)**	(28)	(74)	–	(102)
Accumulated at 31 December	**471**	**557**	**150**	**1,178**	423	502	79	1,004
Net book amount at 31 December	**2,194**	**280**	**2,033**	**4,507**	2,224	273	1,606	4,103

At 1 January 2009, the net book value was: premises, $2,249 million; equipment, $307 million, and operating lease assets, $1,030 million.

Assets held under finance leases have the following net book amount:

	2010		2009	
	Premises $million	**Equipment $million**	Premises $million	Equipment $million
Cost	**47**	**12**	45	16
Aggregate depreciation	**(8)**	**(7)**	(7)	(11)
Net book amount	**39**	**5**	38	5

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2010 $million	2009 $million
Minimum lease payments under finance leases falling due:		
Within one year	**3**	3
Later than one year and less than five years	**4**	5
	7	8
Future finance charges on finance leases	**–**	(1)
Present value of finance lease liabilities	**7**	7

27. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period:

	At 1 January 2010 $million	Exchange & other adjustments $million	Acquisitions/ disposals $million	Charge/(credit) to profit $million	Charge/(credit) to equity $million	At 31 December 2010 $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(193)**	**25**	**(94)**	**88**	**–**	**(174)**
Impairment provisions on loans and advances	**(131)**	**–**	**–**	**172**	**–**	**41**
Tax losses carried forward	**(277)**	**(20)**	**(1)**	**(26)**	**–**	**(324)**
Available-for-sale assets	**75**	**5**	**–**	**–**	**(9)**	**71**
Premises revaluation	**1**	**–**	**–**	**–**	**–**	**1**
Cash flow hedges	**–**	**1**	**–**	**–**	**17**	**18**
Unrelieved foreign tax	**(53)**	**–**	**–**	**53**	**–**	**–**
Retirement benefit obligations	**(119)**	**–**	**–**	**25**	**17**	**(77)**
Share based payments	**(149)**	**(1)**	**–**	**(58)**	**33**	**(175)**
Other temporary differences	**(57)**	**(37)**	**(2)**	**(66)**	**–**	**(162)**
Net deferred tax assets	**(903)**	**(27)**	**(97)**	**188**	**58**	**(781)**

	At 1 January 2009 $million	Exchange & other adjustments $million	Acquisitions/ disposals $million	Charge/(credit) to profit $million	Charge/(credit) to equity $million	**At 31 December 2009** $million
Deferred taxation comprises:						
Accelerated tax depreciation	(29)	(7)	–	(157)	–	(193)
Impairment provisions on loans and advances	(174)	(18)	–	61	–	(131)
Tax losses carried forward	(145)	3	–	(113)	(22)	(277)
Available-for-sale assets	63	6	–	–	6	75
Premises revaluation	17	(2)	–	(14)	–	1
Cash flow hedges	(35)	14	–	–	21	–
Unrelieved foreign tax	(34)	–	–	(19)	–	(53)
Retirement benefit obligations	(89)	(12)	–	19	(37)	(119)
Share based payments	(21)	(13)	–	(80)	(35)	(149)
Other temporary differences	(37)	28	–	(48)	–	(57)
Net deferred tax assets	(484)	(1)	–	(351)	(67)	(903)

Deferred taxation comprises assets and liabilities as follows:

	2010			2009		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(174)**	**(222)**	**48**	(193)	(214)	21
Impairment provisions on loans and advances	**41**	**(180)**	**221**	(131)	(227)	96
Tax losses carried forward	**(324)**	**(309)**	**(15)**	(277)	(277)	–
Available-for-sale assets	**71**	**42**	**29**	75	61	14
Premises revaluation	**1**	**–**	**1**	1	–	1
Cash flow hedges	**18**	**16**	**2**	–	(3)	3
Unrelieved foreign tax	**–**	**–**	**–**	(53)	(53)	–
Retirement benefit obligations	**(77)**	**(77)**	**–**	(119)	(120)	1
Share based payments	**(175)**	**(162)**	**(13)**	(149)	(140)	(9)
Other temporary differences	**(162)**	**(54)**	**(108)**	(57)	(123)	66
	(781)	**(946)**	**165**	(903)	(1,096)	193

Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

27. Deferred tax continued

	2010 $million	2009 $million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Unrelieved foreign tax	**664**	715
Unremitted earnings from overseas subsidiaries[1]	**(309)**	(296)
Foreign exchange movements on investments in branches	**(117)**	(48)
Tax losses	**124**	130
Held over gains on incorporations of overseas branches	**(473)**	(494)

[1] Unremitted earnings from overseas subsidiaries includes $309 million (2009: $296 million) witholding tax. No UK tax liability has been recognised on undistributed earnings because it is probable that if such amounts are remitted in the future they would be tax-free as a result of a change in the UK taxation of foreign dividends post 1 July 2009.

28. Deposits by banks

	2010 $million	2009 $million
Deposits by banks	**28,551**	38,461
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 15)	**923**	482
Total deposits by banks	**29,474**	38,943

29. Customer accounts

	2010 $million	2009 $million
Customer accounts	**306,992**	251,244
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 15)	**9,510**	5,502
Total customer accounts	**316,502**	256,746

Included in customer accounts were deposits of $1,659 million (2009: $1,109 million) held as collateral for irrevocable commitments under import letters of credit.

30. Debt securities in issue

	2010			2009		
	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	**9,021**	**22,360**	**31,381**	10,611	18,661	29,272
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 15)	**207**	**3,103**	**3,310**	865	3,122	3,987
Total debt securities in issue	**9,228**	**25,463**	**34,691**	11,476	21,783	33,259

31. Structure of deposits

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2010 and 31 December 2009:

	2010								
	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	7,045	5,927	74	5,167	3,175	7,907	3,917	7,608	40,820
Interest bearing current accounts and savings deposits	43,302	22,843	18,981	27,060	2,324	3,834	2,212	16,699	137,255
Time deposits	26,338	23,793	18,015	35,660	6,469	10,341	2,431	39,605	162,652
Other deposits	130	112	733	843	2,058	332	121	920	5,249
Total	76,815	52,675	37,803	68,730	14,026	22,414	8,681	64,832	345,976
Deposits by banks	2,540	1,130	2,484	4,006	512	1,555	470	16,777	29,474
Customer accounts	74,275	51,545	35,319	64,724	13,514	20,859	8,211	48,055	316,502
	76,815	52,675	37,803	68,730	14,026	22,414	8,681	64,832	345,976
Debt securities in issue	22	535	9,860	1,812	241	52	413	21,756	34,691
Total	76,837	53,210	47,663	70,542	14,267	22,466	9,094	86,588	380,667

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

32. Other liabilities

	2010 $million	2009 $million
Financial liabilities held at amortised cost (note 15)		
Notes in circulation	4,063	3,414
Acceptances and endorsements	4,774	2,963
Cash collateral	2,527	2,136
Unsettled trades and other financial liabilities	4,526	2,538[1]
	15,890	11,051
Non-financial liabilities		
Cash-settled share based payments	128	104
Other liabilities	5,076	4,984[1]
	21,094	16,139

[1] Unsettled trades and other financial liabilities previously included within non-financial liabilities have been reclassified

Hong Kong currency notes in circulation of $4,063 million (2009: $3,414 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 22).

33. Subordinated liabilities and other borrowed funds

	2010 $million	2009 $million
Subordinated loan capital – issued by subsidiary undertakings		
£675 million 5.375 per cent undated Step Up Subordinated Notes (Callable and floating rate from 2020)	**659**	658
£600 million 8.103 per cent Step Up Callable Perpetual Preferred Securities (Callable and floating rate from 2016)	**1,137**	1,164
£700 million 7.75 per cent Subordinated Notes 2018	**1,192**	1,201
£300 million 6.0 per cent Subordinated Notes 2018 (Callable and floating rate from 2013)	**509**	530
£200 million 7.75 per cent undated Step Up Subordinated Notes (Callable and floating rate from 2022)	**384**	390
€1,100 million 5.875 per cent Subordinated Notes 2017	**1,622**	1,701
€750 million 3.625 per cent Subordinated Notes 2017 (Callable and floating rate from 2012)	**1,034**	1,113
€675 million Floating Rate Subordinated Notes 2018 (Callable 2013)	**915**	972
€500 million 8.16 per cent non-cumulative Trust Preferred Securities (Callable 2010)	**–**	723
$1.5 billion 9.5 per cent Step Up Perpetual Preferred Securities (Callable 2014)	**1,580**	1,509
$1 billion 6.4 per cent Subordinated Notes 2017	**1,143**	1,101
$750 million 5.875 per cent Subordinated Notes 2020	**738**	–
$700 million 8.0 per cent Subordinated Notes 2031	**594**	574
$500 million Floating Rate Subordinated Notes 2016 (Callable 2011)	**499**	499
$500 million Floating Rate Subordinated Notes 2015 (Callable 2010)	**–**	499
$300 million Floating Rate Subordinated Notes 2017 (Callable 2012)	**299**	298
$100 million Floating Rate Subordinated Notes 2018 (Callable 2013)	**100**	100
$22 million 9.75 per cent fixed to floating rate note 2021 (Callable 2016)	**22**	22
BWP 75 million Floating Rate Subordinated Notes 2017 (Callable 2012)	**12**	11
BWP 50 million Floating Rate Subordinated Notes 2015 (Callable 2011)	**8**	8
IDR 500 billion Floating Rate Notes 2016 (Callable 2011)	**22**	22
JPY 10 billion 3.35 per cent Subordinated Note 2023 (Callable 2018)	**138**	116
KRW 300 billion 7.05 per cent Subordinated debt 2019 (Callable 2014)	**266**	259
KRW 260 billion 6.08 per cent Subordinated debt 2018 (Callable 2013)	**236**	227
KRW 90 billion 6.05 per cent Subordinated debt 2018	**84**	78
KRW 30 billion Floating Rate Subordinated debt 2011	**26**	26
KRW 3 billion 6.11 per cent Subordinated debt 2011	**2**	2
MYR 500 million 4.28 per cent Subordinated Bonds 2017 (Callable and floating rate from 2012)	**164**	149
PKR 1 billion Floating Rate Notes 2013	**11**	12
PKR 750 million Floating Rate Notes 2011	**2**	6
SGD 450 million 5.25 per cent Subordinated Notes 2023 (Callable and floating rate from 2018)	**363**	325
TWD 10 billion undated Floating Rate Notes	**–**	312
TWD 10 billion 2.9 per cent Subordinated debt 2019 (Callable 2014)	**331**	310
TZS 10 billion 11 per cent Subordinated Notes 2021 (Callable and floating rate from 2015)	**7**	–
TZS 8 billion Floating Rate Subordinated Notes 2015	**–**	6
UGX 40 billion 13 per cent fixed interest rate bond 2020 (Callable 2015)	**17**	–
	14,116	14,923
Issued by company:		
Primary capital floating rate notes		
$400 million	**57**	58
$300 million (Series 2)	**81**	82
$400 million (Series 3)	**83**	84
$200 million (Series 4)	**51**	52
£150 million	**234**	242
Other borrowings[1, 2]	**1,317**	1,289
	1,823	1,807
Total for Group	**15,939**	16,730

1 In the balance sheet of the Company the amount recognised is $1,224 million (2009: $1,233 million) with the difference being the effect of hedge accounting achieved on a Group basis
2 Other borrowings comprise irredeemable sterling preference shares and US dollar non-cumulative redeemable preference shares

33. Subordinated liabilities and other borrowed funds continued

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 the total subordinated liabilities and other borrowings, $11,611 million is at fixed interest rates (2009: $11,564 million).

On 4 February 2010, Standard Chartered Bank exercised its right to redeem its $500 million subordinated floating rate notes in full on the first optional call date.

On 23 March 2010, Standard Chartered Capital Trust I, a special purpose entity of the Group, redeemed its EUR 500 million 8.16 per cent Non-Cumulative Trust Preferred Securities.

On 24 June 2010, Standard Chartered Bank (Hong Kong) Limited issued $750 million 5.875 per cent fixed rate subordinated notes due June 2020.

As at 30 June 2010, Standard Chartered Bank (Taiwan) Limited had redeemed its TWD 10 billion undated floating rate notes.

On 20 July 2010, Standard Chartered Bank (Pakistan) Limited partly redeemed PKR 339 million of its PKR 750 million floating rate notes 2011.

On 22 October 2010, Standard Chartered Bank (Tanzania) Limited issued TZS 10 billion 11 per cent subordinated notes due 2021, Callable 2015.

On 6 December 2010, Standard Chartered Bank (Uganda) Limited issued UGX 40 billion 13 per cent fixed interest rate notes due 2020, Callable 2015.

34. Provisions for liabilities and charges

	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January 2010	**22**	**162**	**184**
Exchange translation differences	**1**	**1**	**2**
Transfer	**–**	**46**	**46**
Charge against profit	**9**	**123**	**132**
Provisions utilised	**(11)**	**(38)**	**(49)**
At 31 December 2010	**21**	**294**	**315**

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations. Other provisions include provisions for regulatory settlements, legal claims and contingent business related provisions.

35. Retirement benefit obligations

Retirement benefit obligations comprise:

	2010 $million	2009 $million
Defined benefit schemes obligation	**297**	498
Defined contribution schemes obligation	**13**	8
Net book amount	**310**	506

	2010 $million	2009 $million
At 1 January	**506**	447
Exchange translation differences	**(9)**	17
Acquisitions	**2**	2
Charge against profit (net of finance income)	**182**	138
Change in other comprehensive income	**(83)**	150
Net payments	**(288)**	(248)
At 31 December 2010	**310**	506

	2010 $million	2009 $million
Defined benefit schemes	**39**	30
Defined contribution schemes	**143**	108
Charge against profit (note 8)	**182**	138

UK Fund

The financial position of the Group's principal retirement benefit scheme, the Standard Chartered Pension Fund (the 'Fund') (a defined benefit scheme), is assessed in the light of the advice of an independent qualified actuary. The most recent actuarial assessment of the Fund for the purpose of funding was performed as at 31 December 2008 by A Zegelman, Fellow of the Faculty of Actuaries, of Towers Watson Actuaries, using the projected unit method. As part of the 31 December 2008 actuarial valuation, the Trustee reviewed the life expectancy assumptions adopted. The assumptions having the most significant effect on the outcome of this valuation were:

Return from Gilts	3.85 per cent per annum
Return from return seeking assets	6.05 per cent per annum
General increase in salaries	2.80 per cent per annum
Rate of price inflation	2.80 per cent per annum
Increase in pensions:	
In deferment (where applicable)	2.80 per cent per annum
In payment[1] (pre April 1997 service)	2.60 per cent per annum
In payment (post April 1997 service)	2.00 – 2.80 per cent per annum

[1] Applies to discretionary increases and some guaranteed increases.

Applying these assumptions, at the valuation date the market value of the assets of the Fund ($1,228 million) was sufficient to cover 89.3 per cent of the benefits that had accrued to members. Additional contributions of $66 million were paid during 2010. No further additional contributions are payable over the three years to 31 December 2013.

Contributions paid to the Fund during 2010 were $78 million (2009: $21 million) and regular contributions were set at 28 per cent of pensionable salary for all members. With effect from 1 July 1998 the Fund was closed to new entrants and new employees have subsequently been offered membership of a defined contribution scheme. Due to the closure of the Fund to new entrants, it is expected that the current service cost will increase, as a percentage of pensionable pay, as the members approach retirement.

35. Retirement benefit obligations continued

The UK government announced on 8 July 2010 that it would extend the use of the Consumer Prices Index (CPI) for increases to pensions in deferment and payment from the public sector to the private sector occupational pension arrangements rather than the Retail Prices Index (RPI). It is expected that CPI increases will be around 0.9 per cent per annum lower than RPI. As the UK scheme rules link some increases directly to the index used by the government, the change in legislation means that these will be automatically linked to CPI and the resulting reduction in liability of $54 million has been recognised in the income statement as a negative past service cost. In the case of discretionary pension increases, the change is not automatic but the Group still expects that future discretionary increases will be referenced to CPI. The resulting reduction in liability of $100 million has been treated as change in assumptions and recognised in other comprehensive income.

Overseas Schemes

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US.

All Schemes

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2010. Pension costs for the purpose of these accounts were assessed using the projected unit method and the assumptions set out below, which were based on market data at the date of calculation.

Employer contributions to defined benefit plans over 2011 are expected to be $52 million.

Separate figures are disclosed for the UK Fund, Overseas Funded Defined Benefit, Post-retirement Medical and Other Unfunded Schemes.

The financial assumptions used at 31 December 2010 were:

	Funded defined benefit schemes			
	UK Fund[1]		Overseas Schemes[2]	
	2010 %	2009 %	**2010 %**	2009 %
Price inflation	**3.50**	3.50	**1.50–4.50**	1.50–4.50
Salary increases	**3.50**	3.50	**3.50–4.50**	3.50–5.00
Pension increases	**2.60**	3.30	**1.75–3.30**	0.00–3.30
Discount rate	**5.50**	5.70	**1.60–8.10**	1.50–7.50
Post-retirement medical trend rate	**N/A**	N/A	**N/A**	N/A

[1] The assumptions for life expectancy for the UK Fund assumes that a male member currently aged 60 will live for 26 years (2009: 26 years) and a female member 29 years (2009: 29 years) and a male member currently aged 40 will live for 29 years (2009: 29 years) and a female member 31 years (2009: 31 years) after their 60th birthday

[2] The range of assumptions shown is for the main funded defined benefit overseas schemes in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US. These comprise over 87 per cent of the total liabilities of funded overseas schemes

35. Retirement benefit obligations continued

	Unfunded schemes			
	Post-retirement medical[1]		Other[2]	
	2010 %	2009 %	**2010 %**	2009 %
Price inflation	**2.50**	3.10	**1.50–7.50**	1.50–7.50
Salary increases	**4.00**	3.10	**3.50–9.00**	3.50–9.00
Pension increases	**N/A**	N/A	**1.75–2.60**	0.00–3.30
Discount rate	**5.40**	5.75	**1.60–9.00**	1.50–10.00
Post-retirement medical rate	**9% in 2010 reducing by 1% per annum to 5% in 2014**	10% in 2009 reducing by 1% per annum to 5% in 2014	**N/A**	N/A

[1] The Post-retirement medical plan is in the US

[2] The range of assumptions shown is for the main Unfunded Schemes in Austria, India, Indonesia, Taiwan, UAE, UK and the US

The assets and liabilities of the schemes, attributable to defined benefit members, at 31 December 2010 were:

	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
At 31 December 2010	**Expected return on assets %**	**Value $million**	**Expected return on assets %**	**Value $million**	**Expected return on assets %**	**Value $million**	**Expected return on assets %**	**Value $million**
Equities	**8.00**	**375**	**5.00–12.00**	**242**	**N/A**	**N/A**	**N/A**	**N/A**
Bonds	**4.00**	**856**	**2.75–14.00**	**196**	**N/A**	**N/A**	**N/A**	**N/A**
Property	**7.50**	**21**	**5.00–12.00**	**4**	**N/A**	**N/A**	**N/A**	**N/A**
Others	**8.00**	**300**	**0.50–12.00**	**155**	**N/A**	**N/A**	**N/A**	**N/A**
Total market value of assets		**1,552**		**597**		**N/A**		**N/A**
Present value of the schemes' liabilities		**(1,545)**		**(741)**		**(21)**		**(139)**
Net pension asset/(liability)		**7**		**(144)**		**(21)**		**(139)**

	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
At 31 December 2009	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million
Equities	8.00	347	8.00–9.00	225	N/A	N/A	N/A	N/A
Bonds	3.85	872	2.75–7.50	184	N/A	N/A	N/A	N/A
Property	N/A	–	7.00	1	N/A	N/A	N/A	N/A
Others	8.00	259	0.50–7.50	121	N/A	N/A	N/A	N/A
Total market value of assets		1,478		531		N/A		N/A
Present value of the schemes' liabilities		(1,704)		(649)		(20)		(134)
Net pension liability		(226)		(118)		(20)		(134)

	Funded defined benefit schemes		Unfunded schemes	
	UK Fund	Overseas schemes	Post-retirement medical	Other
At 31 December 2008	Value $million	Value $million	Value $million	Value $million
Total market value of assets	1,232	489	N/A	N/A
Present value of the schemes' liabilities	(1,296)	(693)	(12)	(153)
Net pension liability	(64)	(204)	(12)	(153)
At 31 December 2007				
Total market value of assets	1,913	575	N/A	N/A
Present value of the schemes' liabilities	(1,931)	(602)	(11)	(257)
Net pension liability	(18)	(27)	(11)	(257)
At 31 December 2006				
Total market value of assets	1,822	517	N/A	N/A
Present value of the schemes' liabilities	(1,982)	(542)	(9)	(347)
Net pension liability	(160)	(25)	(9)	(347)

The expected return on plan assets is set by reference to historical returns in each of the main asset classes, current market indicators such as long-term bond yields and the expected long-term strategic asset allocation of each plan.

35. Retirement benefit obligations continued

The pension cost for defined benefit schemes was:

	Funded defined benefit schemes		Unfunded schemes		
Year ending 31 December 2010	**UK Fund $million**	**Overseas schemes $million**	**Post-retirement medical $million**	**Other $million**	**Total $million**
Current service cost	**8**	**63**	**1**	**16**	**88**
Past service (benefit)/cost	**(54)**	**5**	**–**	**(4)**	**(53)**
Gain on settlements and curtailments	**–**	**(1)**	**–**	**(9)**	**(10)**
Expected return on pension scheme assets	**(79)**	**(32)**	**–**	**–**	**(111)**
Interest on pension scheme liabilities	**91**	**26**	**1**	**7**	**125**
Total charge/(credit) to profit before deduction of tax	**(34)**	**61**	**2**	**10**	**39**
Gain on assets in excess of expected return[1]	**(42)**	**(17)**	**–**	**–**	**(59)**
Experience (gain)/loss on liabilities	**(67)**	**35**	**–**	**8**	**(24)**
Total recognised directly in statement of comprehensive income before tax	**(109)**	**18**	**–**	**8**	**(83)**
Deferred taxation	**30**	**(12)**	**–**	**(1)**	**17**
Total (gain)/loss after tax	**(79)**	**6**	**–**	**7**	**(66)**

[1] The actual return on the UK fund assets was $122 million and on overseas scheme assets was $48 million

The total cumulative amount recognised directly in the statement of comprehensive income before tax to date is a loss of $111 million (2009: loss of $194 million).

	Funded defined benefit schemes		Unfunded schemes		
Year ending 31 December 2009	UK Fund $million	Overseas schemes $million	Post-retirement medical $million	Other $million	Total $million
Current service cost	9	61	1	15	86
Past service cost/(benefit)	3	–	–	(57)	(54)
Gain on settlements and curtailments	–	(5)	–	(6)	(11)
Expected return on pension scheme assets	(83)	(29)	–	–	(112)
Interest on pension scheme liabilities	87	26	1	7	121
Total charge/(credit) to profit before deduction of tax	16	53	2	(41)	30
Gain on assets in excess of expected return[1]	(76)	(38)	–	–	(114)
Experience loss/(gain) on liabilities	236	(4)	7	25	264
Total loss/(gain) recognised directly in statement of comprehensive income before tax	160	(42)	7	25	150
Deferred taxation	(41)	4	–	–	(37)
Total loss/(gain) after tax	119	(38)	7	25	113

[1] The actual return on the UK fund assets was $159 million and on overseas scheme assets was $67 million

35. Retirement benefit obligations continued

Year ending 31 December 2008	Funded defined benefit schemes UK Fund $million	Funded defined benefit schemes Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Unfunded schemes Other $million	Total $million
Loss on assets in excess of expected return[1]	203	130	–	–	333
Experience (gain)/loss on liabilities	(143)	35	–	4	(104)
Total loss recognised directly in statement of comprehensive income before tax	60	165	–	4	229
Deferred taxation	(16)	(44)	–	–	(60)
Total loss after tax	44	121	–	4	169
Year ending 31 December 2007					
Gain on assets in excess of expected return[2]	(28)	(2)	–	–	(30)
Experience (gain)/loss on liabilities	(113)	12	2	(108)	(207)
Total (gain)/loss recognised directly in statement of comprehensive income before tax	(141)	10	2	(108)	(237)
Deferred taxation	44	–	–	27	71
Total (gain)/loss after tax	(97)	10	2	(81)	(166)
Year ending 31 December 2006					
Gain on assets in excess of expected return[3]	(23)	(27)	–	–	(50)
Experience loss on liabilities	(90)	20	(2)	18	(54)
Total (gain)/loss recognised directly in statement of comprehensive income before tax	(113)	(7)	(2)	18	(104)
Deferred taxation	34	3	–	1	38
Total (gain)/loss after tax	(79)	(4)	(2)	19	(66)

[1] The actual return on the UK fund assets was $99 million and on overseas scheme assets was $94 million
[2] The actual return on the UK fund assets was $128 million and on overseas scheme assets was $34 million
[3] The actual return on the UK fund assets was $116 million and on overseas scheme assets was $50 million

Movement in the defined benefit pension schemes and post retirement medical deficit during the year comprise:

Year ending 31 December 2010	**Funded defined benefit schemes UK Fund $million**	**Funded defined benefit schemes Overseas schemes $million**	**Unfunded schemes Post-retirement medical $million**	**Unfunded schemes Other $million**	**Total $million**
Deficit at 1 January 2010	**(226)**	**(118)**	**(20)**	**(134)**	**(498)**
Contributions	**78**	**55**	**1**	**16**	**150**
Current service cost	**(8)**	**(63)**	**(1)**	**(16)**	**(88)**
Past service cost	**54**	**(5)**	**–**	**4**	**53**
Settlement/curtailment costs	**–**	**1**	**–**	**9**	**10**
Other finance income/(charge)	**(12)**	**6**	**(1)**	**(7)**	**(14)**
Actuarial loss/(gain)	**109**	**(18)**	**–**	**(8)**	**83**
Acquisitions	**–**	**–**	**–**	**(2)**	**(2)**
Exchange rate adjustment	**12**	**(2)**	**–**	**(1)**	**9**
Surplus/(deficit) at 31 December 2010	**7**	**(144)**	**(21)**	**(139)**	**(297)**

35. Retirement benefit obligations continued

Movement in the defined benefit pension schemes and post-retirement medical deficit during the year comprise:

	Funded defined benefit schemes		Unfunded schemes		
Year ending 31 December 2009	UK Fund $million	Overseas schemes $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2009	(64)	(204)	(12)	(153)	(433)
Contributions	21	103	1	9	134
Current service cost	(9)	(61)	(1)	(15)	(86)
Past service cost	(3)	–	–	57	54
Settlement/curtailment costs	–	5	–	6	11
Other finance income/(charge)	(4)	2	(1)	(6)	(9)
Actuarial loss/(gain)	(160)	42	(7)	(25)	(150)
Acquisitions	–	(2)	–	–	(2)
Exchange rate adjustment	(7)	(3)	–	(7)	(17)
Deficit at 31 December 2009	(226)	(118)	(20)	(134)	(498)

Movement in pension schemes and post-retirement medical gross assets and obligations during the year comprise:

Year ending 31 December 2010	**Assets $million**	**Obligations $million**	**Total $million**
Deficit at 1 January 2010	**2,009**	**(2,507)**	**(498)**
Contributions	**150**	**–**	**150**
Current service cost	**–**	**(88)**	**(88)**
Past service cost	**–**	**53**	**53**
Settlement/curtailment costs	**(4)**	**14**	**10**
Interest cost	**–**	**(125)**	**(125)**
Expected return on scheme assets	**111**	**–**	**111**
Benefits paid out	**(129)**	**129**	**–**
Actuarial gain	**59**	**24**	**83**
Acquisitions	**–**	**(2)**	**(2)**
Exchange rate adjustment	**(47)**	**56**	**9**
Deficit at 31 December 2010	**2,149**	**(2,446)**	**(297)**

Year ending 31 December 2009	Assets $million	Obligations $million	Total $million
Deficit at 1 January 2009	1,721	(2,154)	(433)
Contributions	134	–	134
Current service cost	–	(86)	(86)
Past service cost	–	54	54
Settlement/curtailment costs	–	11	11
Interest cost	–	(121)	(121)
Expected return on scheme assets	112	–	112
Benefits paid out	(227)	227	–
Actuarial gain/(loss)	114	(264)	(150)
Acquisitions	7	(9)	(2)
Exchange rate adjustment	148	(165)	(17)
Deficit at 31 December 2009	2,009	(2,507)	(498)

36. Share capital, reserves and own shares

Share capital

Following amendment to corporate law in the UK through the Companies Act 2006, the Company has amended its Articles of Association to remove the provision for authorised share capital.

The nominal value of each ordinary share is 50 cents.

The available profits of the company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

As at 31 December 2010, 477,500 $5 non-cumulative redeemable preference shares were in issue, of which 462,500 are classified within subordinated liabilities and other borrowed funds and which includes a premium of $923 million. The irredeemable preference shares of £1 each are also classified as other borrowed funds as required by IAS 32. No other classes of preference shares have been issued.

Group and Company

	Number of ordinary shares (millions)	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2009	1,896	948	–	948
Capitalised on scrip dividend	41	21	–	21
Shares issued	88	44	–	44
At 31 December 2009	**2,025**	**1,013**	**–**	**1,013**
Capitalised on scrip dividend	**28**	**14**	**–**	**14**
Shares issued	**295**	**147**	**–**	**147**
At 31 December 2010	**2,348**	**1,174**	**–**	**1,174**

2010

On 11 June 2010, the Company completed the listing of Indian Depository Receipts (IDRs) on the Bombay and National stock exchanges by issuing 24,000,000 shares of the Company against 240,000,000 IDRs (at a ratio of 10 IDRs representing one Company share). The shares were issued at a price of Indian Rupees (INR)104 per IDR representing a 6 per cent discount to the Company's closing share price of 1,637 pence on 28 May 2010, which contributed $504 million towards the Group's capital, net of expenses of $27 million. The proceeds of this listing will be used by the Group in the ordinary course of business.

On 13 May 2010, the Company issued 18,190,898 new ordinary shares instead of the 2009 final dividend. On 4 October 2010 the Company issued 9,688,558 new ordinary shares instead of the 2010 interim dividend.

During the year 10,550,826 shares were issued under employee share plans at prices between nil and 1,146 pence.

On 13 October 2010, the Company announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1,280 pence per new ordinary share.

The issue was on the basis of 1 ordinary share for every 8 ordinary shares held on 21 October 2010. The rights issue raised $5.2 billion in additional capital for the Company, net of expenses of $122 million. The proceeds will be used in the ordinary course of business. The rights issue used a cash box structure involving a Jersey subsidiary (JerseyCo), which was fully owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares it did not own. Under this structure merger relief applies under Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

36. Share capital, reserves and own shares continued

Group and Company continued

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

During 2009, 12,594,749 ordinary shares were issued under the employee share plans at prices between nil and 1,088 pence.

On 4 August 2009 the Company announced a placement of issue of 75,000,000 ordinary shares by way of an accelerated book build. The shares were issued at a price of 1,360 pence through which the Company raised $1.7 billion net of expenses. The middle market price on 4 August 2009 was 1,328 pence. The proceeds will be used in the ordinary course of business by the Group. The share issue used a cash box structure, which is discussed on page 200 involving a Jersey subsidiary (JerseyCo) which was 89 per cent owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11 per cent of the ordinary shares it did not own. Under this structure merger relief applies under Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

Reserves
Transaction costs relating to share issues deducted from reserves account total $149 million (2009: $22 million).

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2009: $27 million).

The premium of $923 million arising on the issue of the $5 non-cumulative redeemable preference shares classified within 'Subordinated liabilities and other borrowed funds' is not included within the share premium account and forms part of the reported liability.

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed.

The merger reserve represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions, in 2008 and 2010 for the shares issued by way of a rights issue, and for the shares issued in 2009 in the placing. The funding raised by the 2008 and 2010 rights issues and 2009 share issue was retained within the Company.

The available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve until such time as the underlying asset is sold, matures or becomes impaired.

The cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve until such time as the underlying hedged item affects profit and loss when a forecast transaction is no longer expected to occur.

The translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve until such time as the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.

Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares).

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

36. Share capital, reserves and own shares continued

Own shares

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

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

	1995 Trust		2004 Trust		Total	
Number of shares	**2010**	2009	**2010**	2009	**2010**	2009
Shares purchased	**6,856,494**	4,788,000	**401,018**	357,909	**7,257,512**	5,145,909
Market price of shares purchased ($ million)	**182**	99	**10**	4	**192**	103
Shares held at the end of the year	**13,429,212**	7,589,615	**539,605**	498,127	**13,968,817**	8,087,742
Maximum number of shares held during year					**13,971,029**	8,089,480

37. Non-controlling interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other non-controlling interests $million	Total $million
At 1 January 2009	327	228	555
Income in equity attributable to non-controlling interests	–	14	14
Other profits attributable to non-controlling interests	19	78	97
Comprehensive income for the year	19	92	111
Distributions	(22)	(65)	(87)
Other increases	–	1	1
At 31 December 2009	**324**	**256**	**580**
Income in equity attributable to non-controlling interests	**–**	**30**	**30**
Other profits attributable to non-controlling interests	**19**	**63**	**82**
Comprehensive income for the year	**19**	**93**	**112**
Distributions	**(22)**	**(32)**	**(54)**
Other increases	**–**	**15**	**15**
At 31 December 2010	**321**	**332**	**653**

38. Share based payments

The Group operates a number of share based payment schemes for its directors and employees.

The total charge for the year relating to employee share based payment plans was $390 million (2009: $375 million) of which $317 million (2009: $275 million) relates to equity-settled awards, and $73 million (2009: $100 million) relates to cash-settled awards. After deferred tax, the total charge to the income statement was $372 million (2009: $340 million). The scheme lives referred to below relate to the remaining period in which options may be granted under the schemes.

2000 Executive Share Option Scheme (2000 ESOS)
The 2000 ESOS scheme is designed to be internationally competitive and focus executive directors and their senior management teams on delivering long-term performance. An EPS performance criterion must be met before options can be exercised. Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can only be exercised if a performance condition is satisfied. No further awards may be granted under the 2000 ESOS.

2001 Performance Share Plan (2001 PSP)
The 2001 PSP is designed to be an intrinsic part of total remuneration for the Group's executive directors and for a small number of the Group's most senior executives. It is an internationally competitive long-term incentive plan that focuses executives on meeting and exceeding the long-term performance targets of the Group. The performance criteria that need to be met are set out in the Directors' remuneration report on pages 114 to 116. Awards of nil price options to acquire shares in the Company are granted to the executives and will normally be exercisable between three and 10 years after the date of grant if the individual is still employed by the Group. There is provision for earlier exercise in certain limited circumstances. The remaining life of the scheme is one year.

1997/2006 Restricted Share Scheme (RSS)
Restricted shares are used to deliver the deferred portion of annual performance awards and as an incentive to motivate and retain high-performing employees. In line with similar schemes operated by our competitors, our existing restricted share awards do not have any performance conditions. Generally half of the award vests two years after the date of grant and the balance after three years. The remaining life of the scheme is six years.

2007 Supplementary Restricted Share Scheme (2007 SRSS)
The Group operates a Supplementary Restricted Share Scheme, which is similar to the RSS. This scheme is principally used for Global Markets. It was used in 2010 to defer one-third of an employee's 2009 Annual Performance award, which vests after one year. For all other grants, half of the award vests two years after the date of grant and the balance after three years. Executive directors are specifically prohibited from the plan; no new shares can be issued to satisfy awards; and there is no individual annual limit. The remaining life of the scheme is seven years.

2004 Deferred Bonus Plan
Under the 2004 Deferred Bonus Plan, shares are conditionally awarded as part of the executive directors' annual performance award. Further details are contained in the Directors' remuneration report on page 122. The remaining life of the plan is four years.

All Employee Sharesave Schemes
No awards have been made under the 1994 UK Sharesave and 1996 International Sharesave schemes since 2003, as these were replaced by the 2004 UK and International Sharesave schemes. In 2008 a new Irish sharesave scheme was introduced for all employees of the Group in the Republic of Ireland. Under these Sharesave schemes, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company. The price at which they may purchase shares 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 the Sharesave schemes.

In some countries in which the Group operates, it is not possible to operate Sharesave schemes, typically because of securities law, regulatory or other similar restrictions. In these countries the Group offers an equivalent cash-based scheme to its employees. The remaining life of the scheme is four years.

38. Share based payments continued

2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2010 or 2009.

A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**3,403,965**	**£7.29**	7,485,925	£7.18
Additional shares for rights issue[1]	**58,484**	**–**	–	–
Lapsed	**–**	**–**	(5,253)	£8.19
Exercised	**(2,094,305)**	**£7.28**	(4,076,707)	£7.08
Outstanding at 31 December	**1,386,144**	**£7.01**	3,403,965	£7.29
Exercisable at 31 December	**1,386,144**	**£7.01**	3,403,965	£7.29

[1] The exercise price for grants awarded prior to the announcement of the rights issue on 13 October 2010 that have not been exercised or lapsed, has been decreased by 3.8 per cent and the number of options granted have been increased to ensure option holders were compensated for the dilutive impact of the rights issue

	2010		2009	
Range of exercise price for options outstanding	**Weighted average exercise price**	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
£5.82/£8.76 (2009: £6.05/£9.10)	**£7.01**	**2.8 years**	£7.29	3.2 years

The intrinsic value of vested but not exercised 2000 ESOS cash-settled awards as at 31 December 2010 was $1 million (2009: $3 million). The weighted average share price at the time the options were exercised during 2010 was £17.78 (2009: £14.28).

2001 Performance Share Plan (2001 PSP)

Valuation

The fair value of awards is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group. As set out in the Directors' Remuneration Report, half the award is dependent on a Total Shareholder Return (TSR) performance condition and half dependent on an EPS performance condition. The fair value of the TSR component is derived by discounting 50 per cent of the award that is subject to the TSR condition by the loss of expected dividends over the performance period together with the probability of meeting the TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS fair value is derived by discounting 50 per cent of the award by the loss of expected dividends over the performance period. In respect of the EPS component only, the number of shares expected to vest is adjusted for actual performance when calculating the charge for the year.

	2010				2009			
Grant date	**16 December**	**21 September**	**18 June**	**11 March**	3 December	15 September	23 June	11 March
Share price at grant date	**£17.66**	**£19.12**	**£17.40**	**£17.40**	£15.51	£14.44	£11.75	£8.10
Vesting period (years)	**3**	**3**	**3**	**3**	3	3	3	3
Expected dividend yield (%)	**3.78**	**3.76**	**3.51**	**3.51**	3.43	3.43	3.41	3.41
Fair value (EPS) (£)	**7.90**	**8.55**	**7.85**	**7.85**	7.13	6.63	5.40	3.73
Fair value (TSR) (£)	**3.10**	**3.36**	**3.08**	**3.08**	2.81	2.61	2.13	1.46

The expected dividend yield is based on the historical dividend yield over the three years prior to grant.

38. Share based payments continued

A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**10,775,552**	**–**	8,458,895	–
Granted	**1,326,976**	**–**	4,583,187	–
Additional shares for rights issue[1]	**359,003**	**–**	–	–
Lapsed	**(938,348)**	**–**	(528,627)	–
Exercised	**(1,951,337)**	**–**	(1,737,903)	–
Outstanding at 31 December	**9,571,846**	**–**	10,775,552	–
Exercisable at 31 December	**836,321**	**–**	938,782	–

[1] For grants awarded prior to the announcement of the rights issue on 13 October 2010 that have not been exercised or lapsed, the number of options granted has been increased by 3.8 per cent to ensure option holders were compensated for the dilutive impact of the rights issue

2010		2009	
Weighted average exercise price	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
–	**7.8 years**	–	8.2 years

The intrinsic value of vested but not exercised cash-settled awards as at 31 December 2010 was $1 million (2009: $2 million).

The weighted average share price at the time the options were exercised during 2010 was £17.58 (2009: £11.48).

Of the 2,774,708 options granted in 2008 and outstanding as at 31 December 2010, the EPS condition is not expected to be met on 765,542 options. As a result, it is considered that these options will not vest.

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

Valuation

For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group.

	2010				2009				
Grant date	**16 December**	**21 September**	**18 June**	**11 March**	3 December	28 September	15 September	23 June	11 March
Share price at grant date	**£17.66**	**£19.12**	**£17.40**	**£17.40**	£15.51	£14.98	£14.44	£11.75	£8.10
Vesting period (years)	**2/3**	**2/3**	**2/3**	**2/3**	2/3	2/3	2/3	2/3	2/3
Expected dividend yield (%)	**3.7**	**3.7**	**3.9**	**3.9**	3.45	3.45	3.45	3.73	3.73
Fair value (£)	**16.11**	**17.46**	**15.80**	**15.80**	14.25	13.76	13.27	10.72	7.39

The expected dividend yield is based on the historical dividend for three years prior to grant.

38. Share based payments continued

A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**17,277,162**	**–**	7,285,927	–
Granted	**9,998,480**	**–**	12,675,994	–
Additional shares for rights issue[1]	**918,061**	**–**	–	–
Lapsed	**(1,041,580)**	**–**	(528,860)	–
Exercised	**(2,651,963)**	**–**	(2,155,899)	–
Outstanding at 31 December	**24,500,160**	**–**	17,277,162	–
Exercisable at 31 December	**1,841,565**	**–**	1,986,203	–

1 For grants awarded prior to the announcement of the rights issue on 13 October 2010 that have not been exercised or lapsed, the number of options granted has been increased by 3.8 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

	2010		2009	
	Weighted average exercise price	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
	–	**5.4 years**	–	5.6 years

The intrinsic value of vested but not exercised 1997/2006 RSS cash-settled awards as at 31 December 2010 was $16 million (2009: $12 million).

The weighted average share price at the time the options were exercised during 2010 was £17.79 (2009: £11.98).

2007 Supplementary Restricted Share Scheme (2007 SRSS)

Valuation

For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group.

	2010				2009			
Grant date	**16 December**	**21 September**	**18 June**	**11 March**	3 December	15 September	23 June	11 March
Share price at grant date	**£17.66**	**£19.12**	**£17.40**	**£17.40**	£15.51	£14.44	£11.75	£8.10
Vesting period (years)	**2/3**	**2/3**	**2/3**	**1/2/3**	2/3	2/3	2/3	2/3
Expected dividend yield (%)	**3.7**	**3.7**	**3.9**	**2.7/3.9**	3.45	3.45	3.73	3.73
Fair value (£)	**16.11**	**17.46**	**15.80**	**16.93/15.8**	14.25	13.27	10.72	7.39

The expected dividend yield is based on the historical dividend for three years prior to grant. A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**7,414,532**	**–**	2,442,096	–
Granted	**7,280,693**	**–**	5,172,293	–
Additional shares for rights issue[1]	**508,709**	**–**	–	–
Lapsed	**(300,657)**	**–**	(51,909)	–
Exercised	**(1,018,205)**	**–**	(147,948)	–
Outstanding at 31 December	**13,885,072**	**–**	7,414,532	–
Exercisable at 31 December	**637,014**	**–**	53,580	–

1 For grants awarded prior to the announcement of the rights issue on 13 October 2010 which have not been exercised or lapsed the number of options granted have been increased by 3.8 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

38. Share based payments continued

	2010		2009	
	Weighted average exercise price	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
	–	**5.7 years**	–	5.9 years

The intrinsic value of vested but unexercised 2007 SRSS awards as at 31 December 2010 was $nil million (2009: $nil million).

In 2009 and 2010 there were no vested and unexercised cash-settled awards.

The weighted average share price at the time the options were exercised during 2010 was £18.13 (2009: £14.62).

2004 Deferred Bonus Plan

Under this plan shares are issued directly to participants upon vesting.

A reconciliation of share movements over the year to 31 December 2010 and 2009 is shown below:

	2010	2009
	No. of shares	No. of shares
Outstanding at 1 January	**350,581**	352,857
Shares vested	**(359,540)**	(347,836)
Shares awarded	**378,569**	352,633
Additional shares for rights issue	**14,375**	–
Shares lapsed	**–**	(7,073)
Outstanding at 31 December	**383,985**	350,581

Notes:

a) The market value of shares on date of awards (9 March 2010) was £17.19 (2009: £6.98).

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

c) A notional scrip dividend accrues on the shares held in the Trust. The dividend is normally delivered in the form of shares and is released on vesting.

1994/1996 UK and International Sharesave Scheme

Options are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of the Group. A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**35,920**	**£5.61**	162,982	£5.61
Additional shares for rights issue	**–**	**–**	–	–
Lapsed	**(35,920)**	**£5.61**	–	–
Exercised	**–**	**–**	(127,062)	£5.61
Outstanding at 31 December	**–**	**–**	35,920	£5.61
Exercisable at 31 December	**–**	**–**	35,920	£5.61

	2010		2009	
Range of exercise price for options outstanding	**Weighted average exercise price**	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
2009: £5.61	**–**	**–**	£5.61	0 years

In 2009 and 2010 there were no vested but unexercised cash-settled awards.

38. Share based payments continued

2004 UK and International Sharesave Schemes

Valuation

Options are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of the Group. The fair value per option granted and the assumptions used in the calculation are as follows:

	2010		2009	
Grant date	9 October	5 October	9 October	5 October
Share price at grant date	**£18.70**	**£18.48**	£15.57	£14.92
Exercise price	**£15.19**	**£15.19**	£11.46	£11.46
Vesting period (years)	**3/5**	**3/5**	3/5	3/5
Expected volatility (%)	**56.0/46.0**	**56.0/46.0**	52.9/43.7	52.9/42.6
Expected option life (years)	**3.33/5.33**	**3.33/5.33**	3.33/5.33	3.33/5.33
Risk free rate (%)	**0.9/0.6**	**0.9/0.6**	1.8/2.5	1.8/2.5
Expected dividend yield (%)	**3.5/3.4**	**3.5/3.4**	3.3/3.2	3.3/3.2
Fair value (£)	**7.2/7.0**	**7.0/6.9**	6.4/6.2	5.9/5.8

The expected volatility is based on historical volatility over the last three to five years, or three to five years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividend yield and fair values, the first relates to a three-year vesting period and the second to a five-year vesting period.

A reconciliation of option movements over the year to 31 December 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	**17,466,437**	**£10.28**	20,229,858	£9.69
Granted	**3,495,017**	**£15.19**	3,881,940	£11.46
Additional shares rights issue[1]	**649,756**	**-**	-	-
Lapsed	**(2,960,001)**	**£9.57**	(2,160,450)	£10.26
Exercised	**(3,852,218)**	**£9.58**	(4,484,911)	£8.81
Outstanding at 31 December	**14,798,991**	**£11.31**	17,466,437	£10.28
Exercisable at 31 December	**2,099,064**	**£9.95**	2,018,787	£9.17

[1] The exercise price for grants awarded prior to the announcement of the rights issue on 13 October 2010 that have not been exercised or lapsed, has been decreased by 3.8 per cent and the number of options granted has been increased to ensure option holders were compensated for the dilutive impact of the rights issue.

	2010		2009	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
£8.32/£14.63 (2009: £6.27/£11.46)	**£11.31**	**2.23 years**	£10.28	2.2 years

The weighted average share price at the time the options were exercised during 2010 was £7.97 (2009: £14.16) for the UK Sharesave scheme and £8.04 (2009: £12.73) for the International Sharesave scheme.

The intrinsic value of vested but not exercised UK and International Sharesave cash-settled awards as at 31 December 2010 was $28 million (2009: $7 million).

2008 Irish Sharesave Scheme

The first awards under this scheme were made on 29 September 2008. No awards were made in 2010.

38. Share based payments continued

Valuation

Options are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of the Group. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	2010	2009 5 October
Share price at grant date	–	£14.92
Exercise price	–	£11.46
Vesting period (years)	–	3/5
Expected volatility (%)	–	52.9/42.6
Expected option life (years)	–	3.33/5.33
Risk free rate (%)	–	1.8/2.5
Expected dividend yield (%)	–	3.3/3.2
Fair value (£)	–	5.9/5.8

The expected dividend yield is based on the historical dividend for three years prior to grant. A reconciliation of option movements over 2010 and 2009 is shown below:

	2010		2009	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**18,871**	**£10.48**	14,290	£10.18
Granted	**–**	**–**	4,581	£11.46
Additional shares for rights issue[1]	**715**	**–**	–	–
Outstanding at 31 December	**19,586**	**£10.10**	18,871	£10.48
Exercisable at 31 December	**–**	**–**	–	–

[1] The exercise price for grants awarded prior to the announcement of the rights issue on 13 October 2010 that have not been exercised or lapsed, has been decreased by 3.8 per cent and the number of options granted has been increased to ensure option holders were compensated for the dilutive impact of the rights issue

	2010		2009	
Range of exercise price for options outstanding	**Weighted average exercise price**	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
£9.80 – £11.04 (2009: £10.18 – £11.46)	**£10.10**	**2.6 years**	£10.48	3.6 years

39. Cash flow statement

Adjustment for non-cash items included within income statement

	Group 2010 $million	Group 2009[1] $million	Company 2010 $million	Company 2009 $million
Depreciation and amortisation	**559**	520	**–**	–
Gain on disposal of property, plant and equipment	**(65)**	(40)	**–**	–
Gain on disposal of available-for-sale and loan and receivable financial assets	**(300)**	(592)	**–**	–
Gain arising on repurchase of subordinated liabilities	**–**	(264)	**–**	–
Write-downs relating to asset backed securities	**–**	4	**–**	–
Movement in fair value hedges on available-for-sale assets	**(4)**	6	**–**	–
Amortisation of discounts and premiums of investment securities	**3**	(762)	**–**	–
Pension costs for defined benefit schemes	**39**	30	**–**	–
Share based payment costs	**390**	375	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**883**	2,000	**–**	–
Other impairment	**76**	102	**–**	–
Dividend income from subsidiaries	**–**	–	**(770)**	(331)
Profit from associates	**(42)**	(21)	**–**	–
(Gain)/loss on sale of businesses and change of control	**(4)**	2	**–**	–
Recoveries of acquisition fair values and discount unwind	**(91)**	(101)	**–**	–
Interest expense on subordinated liabilities	**430**	501	**102**	103
Total	**1,874**	1,760	**(668)**	(228)

Change in operating assets

	Group 2010 $million	Group 2009 $million	Company 2010 $million	Company 2009 $million
(Increase)/decrease in derivative financial instruments	**(8,736)**	32,293	**(150)**	(291)
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	**(13,554)**	(6,331)	**–**	–
Net increase in loans and advances to banks and customers	**(50,519)**	(21,801)	**–**	–
Decrease in pre-payments and accrued income	**1,165**	286	**–**	2
(Increase)/decrease in other assets	**(10,690)**	(1,485)	**(182)**	62
Total	**(82,334)**	2,962	**(332)**	(227)

Change in operating liabilities

	Group 2010 $million	Group 2009[1] $million	Company 2010 $million	Company 2009[1] $million
Increase/(decrease) in derivative financial instruments	**9,628**	(31,941)	**(65)**	(1)
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**43,879**	21,398	**3,573**	23
Increase/(decrease) in accruals and deferred income	**298**	(121)	**23**	(12)
Increase/(decrease) in other liabilities	**5,469**	(2,629)	**(2,649)**	318
Total	**59,274**	(13,293)	**882**	328

[1] Amounts have been restated as explained in note 47

40. Cash and cash equivalents

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

	Group		Company	
	2010 **$million**	2009 $million	**2010** **$million**	2009 $million
Cash and balances at central banks	**32,724**	18,131	**–**	–
Less restricted balances	**(7,385)**	(4,971)	**–**	–
Treasury bills and other eligible bills	**4,770**	7,748	**–**	–
Loans and advances to banks	**26,161**	37,127	**–**	–
Trading securities	**3,464**	10,038	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**13,931**	5,798
Total	**59,734**	68,073	**13,931**	5,798

41. Capital commitments

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

	2010 **$million**	2009 $million
Contracted	**42**	36

42. Operating lease commitments

	2010		2009	
	Premises **$million**	**Equipment** **$million**	Premises $million	Equipment $million
Commitments under non-cancellable operating leases expiring:				
Within one year	**259**	**4**	271	8
Later than one year and less than five years	**518**	**5**	477	11
After five years	**405**	**–**	487	–
	1,182	**9**	1,235	19

During the year $354 million (2009: $277 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2010 is $3 million (2009: $4 million).

43. Contingent liabilities and commitments

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

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

	2010 $million	2009 $million
Contingent liabilities[1]		
Guarantees and irrevocable letters of credit	**31,765**	28,731
Other contingent liabilities	**10,039**	9,927
	41,804	38,658
Commitments[1]		
Documentary credits and short-term trade-related transactions	**7,505**	6,695
Forward asset purchases and forward deposits placed	**877**	874
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	**24,014**	20,616
Less than one year	**21,610**	20,729
Unconditionally cancellable	**60,108**	45,344
	114,114	94,258

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

Contingent liabilities
Where the Group undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the Group's transaction banking business for which an obligation to make a payment has not arisen at the reporting date those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

Commitments
Where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Group has not made payments at the balance sheet date, those instruments are included in these financial statements as commitments.

44. 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

	2010 Reverse repurchase agreements $million	2009 Reverse repurchase agreements $million
Banks	**10,740**	1,192
Customers	**3,540**	1,603
	14,280	2,795

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

	2010 $million	2009 $million
Securities and collateral that can be repledged or sold (at fair value)	**14,168**	2,624
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)	**2,153**	1,696

Balance sheet liabilities

	2010 Repurchase agreements $million	2009 Repurchase agreements $million
Banks	**1,707**	1,567
Customers	**1,305**	380
	3,012	1,947

Collateral pledged against these liabilities is disclosed in notes 16, 19 and 21. The terms and conditions relating to the collateral pledged typically permit the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

45. Special purpose entities

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

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see page 56 of the Risk review).

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

	2010		2009	
	Total assets $million	**Maximum exposure $million**	Total assets $million	Maximum exposure $million
Portfolio management vehicles	**2,083**	**262**	1,694	339
Principal Finance Funds[1]	**995**	**134**	988	130
Structured finance	**948**	**690**	–	–
	4,026	**1,086**	2,682	469

[1] Committed capital for these funds is $375 million (2009: $375 million) of which $129 million (2009: $130 million) has been drawn down net of provisions for impairment of $33 million (2009: $33 million).

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

The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure and real estate.

Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more SPEs, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions in 2010 largely related to the provision of ship finance.

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.

46. Post balance sheet events

Tax

On 22 June 2010, the UK Government announced its intention to propose to Parliament that it reduces the UK corporation tax rate from 28 per cent to 27 per cent in 2011-12, with further reductions to 26 per cent in 2012-13, 25 per cent in 2013-14 and 24 per cent in 2014-15. As of 31 December 2010, only the 27 per cent tax rate change for 2011-12 was substantively enacted. Had the 2012-15 change of nominal tax rates been substantively enacted as of the said date, the UK deferred tax assets for 2010 would have further reduced by $15 million.

Acquisitions

On 24 January 2011, the Group announced the acquisition of GE Money Pte Ltd, a leading specialist in auto and unsecured personal loans in Singapore. The acquisition is expected to complete in the first quarter of 2011.

UK bank levy

On 15 October 2010, the UK Government announced the introduction of an ongoing levy on certain qualifying liabilities of the Group with effect from January 2011, determined based on the balance sheet at the end of the financial year. The levy, which will not be deductible for corporation tax, will be charged on total liabilities excluding Tier 1 capital, insured or guaranteed retail deposits and repos secured on certain sovereign debt. There will also be a deduction from chargeable liabilities for an amount equal to high quality liquid assets and an allowance of GBP 20 billion before the levy is due. On 8 February 2011 the Government announced that the rate of the levy had been set at 0.075 per cent of qualifying liabilities, with a lower rate of 0.0375 per cent applied to liabilities with a maturity greater than one year and any deposits not otherwise excluded from the scope of levy (except for those from financial institutions and financial traders). The Group estimates that the liability in respect of 2011 would be between $160 million and $195 million. There is no liability to be recognised in 2010.

47. Restatement of prior periods

Cash flow statement

The cash flow statement has been restated as follows:

- Share based payment costs have been reclassified under 'Non-cash items included within income statement', previously these costs were included in profit before taxation
- Interest paid on certain subordinated debt instruments has been reclassified from 'Net cash used in operating activities' to 'Net cash from financing activities'
- Cash flow information relating to senior debts has been reclassified from 'Cash flows from operating activities' to 'Net cash from financing activities

Group

	As reported at 2009 $million	Restated $million	Restated at 2009 $million
Non-cash items included within income statement	1,385	375	1,760
Change in operating liabilities	(11,219)	(2,074)	(13,293)
Net cash used in operating activities	(3,055)	(1,699)	(4,754)
Interest paid on subordinated liabilities	(361)	(511)	(872)
Interest paid on senior debts	–	(539)	(539)
Gross proceeds from issue of senior debts	–	11,577	11,577
Repayment of senior debts	–	(8,828)	(8,828)
Net cash from financing activities	172	1,699	1,871

Company

	As reported at 2009 $million	Restated $million	Restated at 2009 $million
Change in operating liabilities	3,703	(3,375)	328
Interest paid on senior debts	–	(93)	(93)
Gross proceeds from issue of senior debts	–	3,468	3,468

Investment securities

At 31 December 2009, the Group has reclassified certain investment securities measured as loans and receivables between those listed on a recognised UK stock exchange, those listed elsewhere and those that are unlisted. Details of the reclassification are set out below:

	As reported at 2009 $million	Reclassified $million	Restated at 2009 $million
Listed on a recognised UK exchange	–	374	374
Listed elsewhere	1,287	(374)	913

Earnings per share

On 13 October 2010 the Group announced the issue of 260,525,763 new ordinary shares by way of rights to qualifying shareholders at 1,280 pence per share. The issue was made as 1 share for every 8 held on 21 October 2010. As required by International Accounting Standard 33 – Earnings per share (IAS 33) the Group has adjusted the 2009 basic, diluted, normalised basic and normalised diluted earnings per share with the bonus element included within the rights issue.

	As reported at 2009 cents	Restated cents	Restated at 2009 cents
Basic earnings per ordinary share	167.9	(6.1)	161.8
Diluted earnings per ordinary share	165.3	(6.0)	159.3
Normalised basic earnings per ordinary share	179.8	(6.6)	173.2
Normalised diluted earnings per ordinary share	177.0	(6.4)	170.6

Dividend per share

The dividend per share amounts in the table below have been adjusted for the bonus element included within the 2010 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33.

	As reported cents	Restated cents	As restated cents
Dividend per share – Final dividend 2008	42.32	(1.55)	40.77
Dividend per share – Interim dividend 2009	21.23	(0.78)	20.45
Dividend per share – Final dividend 2009	44.80	(1.64)	43.16
Dividend per share – Interim dividend 2010	23.35	(0.85)	22.50

48. Related party transactions

Directors and officers

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 106 to 125.

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

	2010 $million	2009 $million
Salaries, allowances and benefits in kind	**19**	16
Pension contributions	**6**	6
Bonuses paid or receivable	**12**	9
Share based payments	**35**	37
	72	68

Transactions with directors, officers and others

At 31 December 2010, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors and officers were as follows:

	2010		2009	
	Number	**$000**	Number	$000
Directors	**2**	**3,030**	1	13
Officers[1]	**2**	**3,458**	5	7,240

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

As at 31 December 2010, Standard Chartered Bank had created a charge over $38 million (2009: $31 million) of cash assets in favour of the independent trustees of its employer financial retirement benefit schemes.

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

Associates

The Group has loans and advances to Merchant Solutions and China Bohai Bank totalling $42 million and $6 million respectively at 31 December 2010 (2009: $32 million) and amounts payable to Merchant Solutions and China Bohai Bank of $34 million and $2 million respectively at 31 December 2010 (2009: $nil million). During the year China Bohai Bank undertook a rights issue to which the Group subscribed, increasing its investment by $102 million. Except as disclosed, the Group did not have any amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $2 million at 31 December 2010 (2009: $3 million), and deposits of $24 million (2009: $16 million). The Group has investments in subordinated debt issued by PT Bank Permata Tbk of $127 million (2009: $50 million). On 3 October 2010 PT Bank Permata Tbk announced a rights issue of 1 share for every 6 shares held to which, the Group fully subscribed, increasing its investment by $99 million proportionate to its shareholding.

Company

The Company has received $208 million (2009: $171 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2010, it had loans to and debt instruments issued by Standard Chartered Bank of $14,691 million (2009: $5,038 million), derivative financial assets of $441 million (2009: $291 million) and derivative financial liabilities of $90 million (2009: $25 million) with Standard Chartered Bank, loans of $1,700 million (2009: $1,737 million) to Standard Chartered Holdings Limited, and loans of $nil million (2009: $27 million) to other subsidiaries. During the year the Company waived $385 million due from Standard Chartered Bank in connection with the buy-back of subordinated liabilities in 2009, which was accounted for by the Company as a deemed capital contribution to Standard Chartered Bank.

In 2006, the Company licensed intellectual property rights related to the Company's main brands to an indirect wholly owned subsidiary, Standard Chartered Strategic Brand Management Limited (SCSBM), the income from which is held on the Company's balance sheet and released over the term of licence, which expires in 2015. At 31 December 2010, $91 million (2009: $109 million) has been included as deferred income in the Company balance sheet in relation to this licence.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

49. Significant accounting estimates and judgments

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes.

Loan loss provisioning

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables.

Impairment losses for specific loan assets are assessed either on an individual or on a portfolio basis. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are assessed based on the probability of default inherent within the portfolio of impaired loans or receivables.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the balance sheet date are determined on a portfolio basis, which takes into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

The total amount of the Group's impairment allowances is inherently uncertain being sensitive to changes in economic and credit conditions across the geographies that the Group operates in. Economic and credit conditions are interdependent within each geography and as a result there is no single factor to which the Group's loan impairment allowances as a whole are sensitive. It is possible that actual events over the next year differ from the assumptions built into the model resulting in material adjustments to the carrying amount of loans and advances.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique, which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within the income statement or within equity until the instrument is sold or becomes impaired. Details of the type and classification of the Group's financial instruments are set out in note 15 to the accounts and the accounting policy set out in note 1 to the accounts. In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. The most significant element of Group assets in which observable prices are not available relates to certain instruments held within the asset backed securities portfolio. At 31 December 2010, Level 3 assets with a market value of $2,348 million were held in respect of which there was no observable market data. For these instruments, a sensitivity analysis is presented in note 15 in respect of reasonably possible changes to the valuation assumptions.

Equity investments that do not have an observable market price are fair valued by applying various valuation techniques, such as earnings multiples, net assets multiples, discounted cash flows, and industry valuation benchmarks. These techniques are generally applied prior to any initial public offering, after which an observable market price becomes available. Disposal of such investments are generally by market trades or private sales.

49. Significant accounting estimates and judgments continued

Goodwill impairment

An annual assessment is made, as set out in note 25, as to whether the current carrying value of goodwill is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgment.

Pensions

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 35 and are updated periodically. The principal assumptions relate to the rate of inflation and the discount rate. The assumed rate of inflation affects the rate at which salaries grow and therefore the size of the pensions that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds that have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that these assumptions will continue in the future. For example, if the discount rate for the UK fund increased by 25 basis points, the liability would reduce by approximately $51 million, and vice versa. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Taxes

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Share based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense. For example, if the volatility assumption was increased by 5 per cent (or decreased by 5 per cent), the fair values for options granted under the Sharesave schemes in 2010 would increase by approximately £0.45 for three-year grants, and by £0.54 for five-year grants (or decrease by approximately £0.45 for three-year grants, and by £0.54 for five-year grants).

50. Standard Chartered PLC (Company)

Classification and measurement of financial instruments

	2010			2009		
	Derivatives held for hedging	**Amortised cost**	**Total**	Derivatives held for hedging	Amortised cost	Total
Financial assets	**$million**	**$million**	**$million**	$million	$million	$million
Derivatives	**441**	**–**	**441**	291	–	291
Debt securities	**–**	**2,725**	**2,725**	–	2,725	2,725
Amounts owed to subsidiary undertakings	**–**	**13,931**	**13,931**	–	5,798	5,798
Total at 31 December	**441**	**16,656**	**17,097**	291	8,523	8,814

Derivatives held for hedging are held at fair value, are classified as Level 2 and the counterparty is Standard Chartered Bank.

Debt securities comprises corporate securities issued by Standard Chartered Bank with a fair value of $2,762 million (2009: $2,743 million).

In 2009 and 2010, amounts owed to subsidary undertakings have a fair value equal to carrying value.

50. Standard Chartered PLC (Company) continued

Financial liabilities	2010 Derivatives held for hedging $million	2010 Amortised cost $million	2010 Total $million	2009 Derivatives held for hedging $million	2009 Amortised cost $million	2009 Total $million
Derivatives	**90**	**–**	**90**	25	–	25
Debt securities in issue	**–**	**8,343**	**8,343**	–	4,770	4,770
Subordinated liabilities and other borrowed funds	**–**	**1,730**	**1,730**	–	1,751	1,751
Total at 31 December	**90**	**10,073**	**10,163**	25	6,521	6,546

Derivatives held for hedging are held at fair value, are classified as Level 2 and the counterparty is Standard Chartered Bank.

The fair value of debt securities in issue is $8,343 million (2009: $4,770 million).

The fair value of subordinated liabilities and other borrowed funds is $1,608 million (2009: $1,609 million).

Derivative financial instruments

All derivatives held by the company are held for hedging under qualifying fair value hedging relationships, and utilised on the same basis as the Group on page 177.

Total derivatives	2010 Notional principal amounts $million	2010 Assets $million	2010 Liabilities $million	2009 Notional principal amounts $million	2009 Assets $million	2009 Liabilities $million
Foreign exchange derivative contracts:						
Currency swaps	**4,671**	**318**	**90**	3,189	291	–
	4,671	**318**	**90**	3,189	291	–
Interest rate derivative contracts:						
Swaps	**3,500**	**123**	**–**	1,539	–	25
	3,500	**123**	**–**	1,539	–	25
Total derivatives	**8,171**	**441**	**90**	4,728	291	25

Credit Risk

Maximum exposure to credit risk

	2010 $million	2009 $million
Derivative financial instruments	**441**	291
Debt securities	**2,725**	2,725
Amounts owed by subsidiary	**13,931**	5,798
	17,097	8,814

In 2009 and 2010, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2009 and 2010, the Company had no impaired debt securities. The debt securities held by the Group are issued by Standard Chartered Bank, a wholly owned subsidiary undertaking with a credit rating of AA- to AA+.

50. Standard Chartered PLC (Company) continued

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilties of the Company, on a discounted basis:

	2010				
Assets	**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**
Derivative financial instruments	**–**	**–**	**441**	**–**	**441**
Investment securities	**–**	**–**	**250**	**2,475**	**2,725**
Amounts owed by subsidiary undertakings	**–**	**–**	**–**	**13,931**	**13,931**
Investments in subsidiary undertakings	**–**	**–**	**–**	**14,291**	**14,291**
Other assets	**–**	**–**	**–**	**48**	**48**
Total assets	**–**	**–**	**691**	**30,745**	**31,436**
Liabilities					
Derivative financial instruments	**90**	**–**	**–**	**–**	**90**
Debt securities in issue	**–**	**–**	**8,343**	**–**	**8,343**
Other liabilities	**–**	**–**	**273**	**92**	**365**
Subordinated liabilities and other borrowed funds	**–**	**–**	**–**	**1,730**	**1,730**
Total liabilities	**90**	**–**	**8,616**	**1,822**	**10,528**
Net liquidity gap	**(90)**	**–**	**(7,925)**	**28,923**	**20,908**

	2009				
Assets	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
Derivative financial instruments	–	–	291	–	291
Investment securities	–	–	250	2,475	2,725
Amounts owed by subsidiary undertakings	–	–	–	5,798	5,798
Investments in subsidiary undertakings	–	–	–	12,906	12,906
Other assets	–	–	–	38	38
Total assets	–	–	541	21,217	21,758
Liabilities					
Derivative financial instruments	25	–	–	–	25
Debt securities in issue	–	–	4,770	–	4,770
Other liabilities	–	–	228	110	338
Subordinated liabilities and other borrowed funds	–	–	247	1,504	1,751
Total liabilities	25	–	5,245	1,614	6,884
Net liquidity gap	(25)	–	(4,704)	19,603	14,874

50. Standard Chartered PLC (Company) continued

Financial Liabilities excluding derivative financial instruments on an undiscounted basis

	2010				2009			
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Debt securities in issue	**49**	**1,333**	**6,733**	**1,640**	52	206	1,083	4,405
Subordinated liabilities and other borrowed funds	**13**	**90**	**255**	**1,892**	2	109	670	1,957
Other liabilities	**–**	**–**	**192**	**154**	–	–	–	138
Total liabilities	**62**	**1,423**	**7,180**	**3,686**	54	315	1,753	6,500

Derivative Financial Instruments on an undiscounted basis

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

	2010				2009			
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Derivative financial instruments	**4**	**69**	**166**	**–**	12	36	279	–

51. Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2010 but have effective dates for periods beginning after 31 December 2010. The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Group; other than IFRS 9 – Financial Instruments none of these pronouncements are expected to result in any material adjustments to the financial statements. The Group continues to evaluate the potential impact on its financial statements in respect of IFRS 9.

Pronouncement	Description of impact	Latest effective date for the Group and Company
Amendment to IAS 24: Related party transactions	This amendment clarifies the definition of related parties and to provide exemption from the disclosure of certain transactions with government entities.	1 January 2011
IFRIC 19 – Extinguishing financial liabilities with Equity instruments	Addresses the accounting by an entity when upon renegotiation of the terms of a financial liability the entity issues equity instruments to extinguish all or part of the financial liability.	1 January 2011
Amendment to IFRIC 14 – Prepayments of a Minimum funding requirement	Addresses the interaction between a minimum funding requirement (MFR) and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.	1 January 2011
Improvements to IFRSs (issued 2010)	Amendments to IFRS 3 – Business Combinations (allocation of goodwill to non-controlling interests), IFRS 7 – Financial instruments (clarifies the requirements for certain risk-related disclosures), IAS 1– Presentation of financial statements (clarifies presentational aspects of elements of statement of changes in equity), IAS 34 – Interim financial reporting (requires disclosure of significant events and transactions), IFRIC 13 – Customer loyalty programmes (clarifies the calculation of reward credits).	1 January 2011
Amendment to IAS 12 – Deferred tax: Recovery of underlying assets[1,2]	This amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when it would be difficult and subjective to determine the expected manner of recovery.	1 January 2012
Amendment to IFRS 7 – Financial instruments disclosure[1,2]	This amendment introduces additional disclosures when an asset is transferred but is not derecognised. It also requires disclosures of assets that are derecognised but where the entity continues to have a continuing exposure to the asset after the sale.	1 January 2012
IFRS 9 Financial Instruments[1,2]	IFRS 9 replaces certain elements of IAS 39 in respect of the classification and measurement of financial assets and financial liabilities. The standard requires all financial assets to be classified as fair value or amortised cost. Amortised cost classification is only permitted where the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and where these contractual cash flows are solely payment of principal and interest, gains or losses on assets measured at fair value are recognised in the income statement unless the asset is an equity investment and the Group has elected to present such gains or losses in other comprehensive income. Financial liabilities are required to be measured at fair value or amortised cost similar to IAS 39 requirements except that the change in fair value relating to own credit is reported within other comprehensive income and not the income statement.	1 January 2013

1 This IFRS or IFRIC Interpretation has not yet been endorsed by the EU

2 Subject to endorsement of the EU the Group has not yet made a final decision as to whether it will apply in the 2011 financial statements those pronouncements marked in the table above

52. UK and Hong Kong accounting requirements

As required by the HK Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. As set out in note 51, EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Supplementary financial information

Average balance sheets and yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2010 and 31 December 2009. For the purpose of the following table, average balances have generally been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently.

The Group does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	2010			
	Average non-interest earning balance	**Average interest earning balance**	**Interest income**	**Gross yield**
	$million	**$million**	**$million**	**%**
Assets				
Cash and balances at central banks	**9,682**	**14,019**	**17**	**0.1**
Gross loans and advances to banks	**6,418**	**44,513**	**764**	**1.7**
Gross loans and advances to customers	**691**	**232,338**	**10,026**	**4.3**
Impairment provisions against loans and advances to banks and customers	**–**	**(2,478)**	**–**	**–**
Investment securities	**4,058**	**94,967**	**2,693**	**2.8**
Property, plant and equipment and intangible assets	**5,338**	**–**	**–**	**–**
Prepayments, accrued income and other assets	**92,668**	**–**	**–**	**–**
Total average assets	**118,855**	**383,359**	**13,500**	**3.5**

	2009			
	Average non-interest earning balance	Average interest earning balance	Interest income	Gross yield
	$million	$million	$million	%
Assets				
Cash and balances at central banks	8,629	7,145	6	0.1
Gross loans and advances to banks	2,945	47,172	755	1.6
Gross loans and advances to customers	260	192,638	9,427	4.9
Impairment provisions against loans and advances to banks and customers	(193)	(1,810)	–	–
Investment securities	3,650	83,543	2,738	3.3
Property, plant and equipment and intangible assets	3,551	–	–	–
Prepayments, accrued income and other assets	122,165	–	–	–
Total average assets	141,007	328,688	12,926	3.9

Average balance sheets and yield continued

	2010			
	Average non-interest bearing balance $million	**Average interest bearing balance $million**	**Interest expense $million**	**Rate paid %**
Liabilities				
Non-interest bearing current and demand accounts	**29,740**	**–**	**–**	**–**
Interest bearing current accounts and savings deposits	**–**	**133,229**	**974**	**0.7**
Time and other deposits	**4,909**	**162,470**	**2,875**	**1.8**
Debt securities in issue	**2,704**	**36,516**	**751**	**2.1**
Accruals, deferred income and other liabilities	**84,128**	**–**	**–**	**–**
Subordinated liabilities and other borrowed funds	**312**	**14,843**	**430**	**2.9**
Non-controlling interests	**586**	**–**	**–**	**–**
Shareholders' funds	**32,777**	**–**	**–**	**–**
Total average liabilities and shareholders' funds	**155,156**	**347,058**	**5,030**	**1.4**
Net yield				**2.1**
Net interest margin				**2.2**

	2009			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	22,392	–	–	–
Interest bearing current accounts and savings deposits	27	106,261	858	0.8
Time and other deposits	4,394	156,288	3,175	2.0
Debt securities in issue	2,099	25,029	769	3.1
Accruals, deferred income and other liabilities	119,120	–	–	–
Subordinated liabilities and other borrowed funds	4,104	10,787	501	4.6
Non-controlling interests	206	–	–	–
Shareholders' funds	24,742	–	–	–
Total average liabilities and shareholders' funds	177,084	298,365	5,303	1.8
Net yield				2.1
Net interest margin				2.3

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the periods presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to changes in volume.

	2010 versus 2009		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	**8**	**3**	**11**
Loans and advances to banks	**(46)**	**56**	**10**
Loans and advances to customers	**1,705**	**(1,108)**	**597**
Investment securities	**325**	**(370)**	**(45)**
Total interest earning assets	**1,992**	**(1,419)**	**573**
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	**129**	**(200)**	**(71)**
Interest bearing current accounts and savings deposits	**224**	**(108)**	**116**
Time and other deposits	**112**	**(414)**	**(302)**
Debt securities in issue	**236**	**(254)**	**(18)**
Total interest bearing liabilities	**701**	**(976)**	**(275)**

	2009 versus 2008		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	2	(28)	(26)
Loans and advances to banks	101	(728)	(627)
Loans and advances to customers	481	(2,489)	(2,008)
Investment securities	347	(1,137)	(790)
Total interest earning assets	931	(4,382)	(3,451)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(678)	130	(548)
Interest bearing current accounts and savings deposits	143	(516)	(373)
Time and other deposits	157	(2,354)	(2,197)
Debt securities in issue	(97)	(472)	(569)
Total interest bearing liabilities	(475)	(3,212)	(3,687)

Five-year summary

	2010 $million	2009 $million	2008 $million	2007 $million	2006 $million
Operating profit before impairment losses and taxation	**7,039**	7,232	6,357	4,852	3,824
Impairment losses on loans and advances and other credit risk provisions	**(883)**	(2,000)	(1,321)	(761)	(629)
Other impairment	**(76)**	(102)	(469)	(57)	(15)
Profit before taxation	**6,122**	5,151	4,568	4,035	3,178
Profit attributable to shareholders	**4,332**	3,380	3,241	2,841	2,278
Loans and advances to banks[1]	**52,058**	50,885	46,583	35,365	19,724
Loans and advances to customers[1]	**240,358**	198,292	174,178	154,266	139,300
Total assets	**516,542**	436,653	435,068	329,871	266,102
Deposits by banks[1]	**28,551**	38,461	31,909	25,880	26,233
Customer accounts[1]	**306,992**	251,244	234,008	179,760	147,382
Shareholders' equity	**38,212**	27,340	22,140	20,851	16,853
Total capital resources[2]	**54,804**	44,650	39,681	37,192	30,094
Information per ordinary share					
Basic earnings per share[4]	**196.3c**	161.8c	185.1c	169.6c	142.6c
Normalised earning per share[3,4]	**197.0c**	173.2c	168.5c	166.7c	143.9c
Dividends per share[4]	**69.15c**	63.61c	59.36c	57.46c	51.45c
Net asset value per share	**1,573.2c**	1,281.6c	1,091.1c	1,374.2c	1,208.5c
Net tangible asset value per share	**1,274.1c**	953.4c	755.0c	921.8c	720.8c
Ratios					
Post-tax return on ordinary shareholders' equity – normalised basis[3]	**14.1%**	14.3%	15.2%	15.6%	16.9%
Basic cost-income ratio	**56.2%**	52.4%	54.5%	56.2%	55.6%
Cost-income ratio – normalised basis[3]	**55.9%**	51.3%	56.1%	56.0%	55.2%
Capital ratios:					
Tier 1 capital[5,6]	**14.0%**	11.5%	9.9%	8.8%	8.3%
Total capital[5,6]	**18.4%**	16.5%	15.6%	15.2%	14.2%

1 Excludes amounts held at fair value through profit or loss
2 Shareholders funds, non-controlling interests and subordinated loan capital
3 Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, gains and losses of a capital nature, and gains and losses on repurchase of subordinated liabilities
4 Amounts have been restated as explained in note 47 on page 215
5 Unaudited
6 For 2010, 2009, 2008 and 2007, on a Basel II basis and 2006, on a Basel I basis

A. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the Consolidated financial statements on pages 139 to 145 are presented in Indian Rupees (INR) using a US dollar / Indian Rupee exchange rate of 44.81 as at 31 December 2010 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Consolidated income statement (Translated to INR)

For the year ended 31 December 2010

	2010 **₹ million**	2009 ₹ million
Interest income	**604,935**	579,214
Interest expense	**(225,394)**	(237,627)
Net interest income	**379,541**	341,587
Fees and commission income	**204,154**	171,353
Fees and commission expense	**(14,250)**	(20,344)
Net trading income	**115,475**	129,501
Other operating income	**34,817**	58,298
Non-interest income	**340,198**	338,808
Operating income	**719,738**	680,395
Staff costs	**(258,330)**	(220,107)
Premises costs	**(35,848)**	(31,277)
General administrative expenses	**(85,094)**	(81,644)
Depreciation and amortisation	**(25,049)**	(23,301)
Operating expenses	**(404,321)**	(356,329)
Operating profit before impairment losses and taxation	**315,418**	324,066
Impairment losses on loans and advances and other credit risk provisions	**(39,567)**	(89,620)
Other impairment	**(3,406)**	(4,571)
Profit from associates	**1,882**	941
Profit before taxation	**274,327**	230,816
Taxation	**(76,535)**	(75,012)
Profit for the year	**197,791**	155,804
Profit attributable to		
Non-controlling interests	**3,674**	4,347
Parent company shareholders	**194,117**	151,458
Profit for the year	**197,791**	155,804
Earnings per share:		
Basic earnings per ordinary share (Rupees)	**88.0**	72.5[1]
Diluted earnings per ordinary share (Rupees)	**86.5**	71.4[1]

[1] Amounts have been restated

Consolidated statement of comprehensive income (Translated to INR)

For the year ended 31 December 2010

	2010 ₹million	2009 ₹million
Profit for the year	**197,791**	155,804
Other comprehensive income:		
Exchange differences on translation of foreign operations:		
Net gains taken to equity	**37,730**	35,803
Net losses on net investment hedges	**(3,450)**	(8,917)
Reclassified to income statement on change of control	**179**	–
Actuarial gains/(losses) on retirement benefit obligations	**3,719**	(6,722)
Share of other comprehensive income from associates	**(224)**	851
Available-for-sale investments		
Net valuation gains taken to equity	**35,221**	20,389
Reclassified to income statement	**(12,726)**	(25,990)
Cash flow hedges:		
Net gains taken to equity	**1,882**	627
Reclassified to income statement	**762**	4,750
Taxation relating to components of other comprehensive income	**(4,526)**	2,778
Other comprehensive income for the year, net of taxation	**58,567**	23,570
Total comprehensive income for the year	**256,358**	179,374
Attributable to:		
Non-controlling interests	**5,019**	4,974
Parent company shareholders	**251,339**	174,401
	256,358	179,374

Consolidated balance sheet (Translated to INR)

As at 31 December 2010

	2010 ₹million	2009 ₹million
Assets		
Cash and balances at central banks	**1,466,362**	812,450
Financial assets held at fair value through profit or loss	**1,210,811**	1,005,805
Derivative financial instruments	**2,144,562**	1,711,428
Loans and advances to banks	**2,332,719**	2,280,157
Loans and advances to customers	**10,770,442**	8,885,465
Investment securities	**3,396,419**	3,393,372
Other assets	**1,136,202**	770,777
Current tax assets	**8,021**	9,096
Prepayments and accrued income	**95,311**	145,229
Interests in associates	**28,275**	23,032
Goodwill and intangible assets	**312,774**	296,642
Property, plant and equipment	**201,959**	183,855
Deferred tax assets	**42,390**	49,112
Total assets	**23,146,247**	19,566,421
Liabilities		
Deposits by banks	**1,279,370**	1,723,437
Customer accounts	**13,756,312**	11,258,244
Financial liabilities held at fair value through profit or loss	**909,105**	649,969
Derivative financial instruments	**2,112,030**	1,639,329
Debt securities in issue	**1,406,183**	1,311,678
Other liabilities	**945,222**	723,189
Current tax liabilities	**43,959**	35,938
Accruals and deferred income	**202,900**	184,304
Subordinated liabilities and other borrowed funds	**714,227**	749,671
Deferred tax liabilities	**7,394**	8,648
Provisions for liabilities and charges	**14,115**	8,245
Retirement benefit obligations	**13,891**	22,674
Total liabilities	**21,404,706**	18,315,326
Equity		
Share capital	**52,607**	45,393
Reserves	**1,659,673**	1,179,713
Total parent company shareholders' equity	**1,712,280**	1,225,105
Non-controlling interests	**29,261**	25,990
Total equity	**1,741,541**	1,251,095
Total equity and liabilities	**23,146,247**	19,566,421

Consolidated statement of changes in equity (Translated to INR)

For the year ended 31 December 2010

	Share capital ₹million	Share premium account ₹million	Capital and capital redemption reserve[1] ₹million	Merger reserve ₹million	Available-for-sale reserve ₹million	Cash flow hedge reserve ₹million	Translation reserve ₹million	Retained earnings ₹million	Parent company shareholders equity ₹million	Non-controlling interests ₹million	Total ₹million
At 1 January 2009	42,480	212,534	807	251,698	(224)	(3,719)	(79,941)	568,460	992,093	24,870	1,016,963
Profit for the year	–	–	–	–	–	–	–	151,458	151,458	4,347	155,804
Other comprehensive income	–	–	–	–	(3,943)	4,391	26,841	(4,347)[2]	22,943	627	23,570
Distributions	–	–	–	–	–	–	–	–	–	(3,898)	(3,898)
Shares issued, net of expenses	1,972	4,750	–	74,698	–	–	–	–	81,420	–	81,420
Net own shares adjustment	–	–	–	–	–	–	–	(3,630)	(3,630)	–	(3,630)
Share option expense, net of taxation	–	–	–	–	–	–	–	13,936	13,936	–	13,936
Capitalised on scrip dividend	941	(941)	–	–	–	–	–	–	–	–	–
Dividends, net of scrip	–	–	–	–	–	–	–	(33,115)	(33,115)	–	(33,115)
Other increases	–	–	–	–	–	–	–	–	–	45	45
At 31 December 2009	**45,393**	**216,343**	**807**	**326,396**	**(4,167)**	**672**	**(53,100)**	**692,763**	**1,225,105**	**25,990**	**1,251,095**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**194,117**	**194,117**	**3,674**	**197,791**
Other comprehensive income	**–**	**–**	**–**	**–**	**17,969**	**1,882**	**34,638**	**2,733**[3]	**57,222**	**1,344**	**58,567**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,420)**	**(2,420)**
Shares issued, net of expenses	**6,587**	**25,631**	**–**	**230,189**	**–**	**–**	**–**	**–**	**262,407**	**–**	**262,407**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,049)**	**(6,049)**	**–**	**(6,049)**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,264**	**13,264**	**–**	**13,264**
Capitalised on scrip dividend	**627**	**(627)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,383)**	**(33,383)**	**–**	**(33,383)**
Other increases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(403)**	**(403)**	**672**	**269**
At 31 December 2010	**52,607**	**241,347**	**807**	**556,585**	**13,801**	**2,554**	**(18,462)**	**863,041**	**1,712,280**	**29,261**	**1,741,541**

1 Includes capital reserve of ₹ 224 million and capital redemption reserve of ₹ 583 million

2 Comprises actuarial losses, net of taxation and non-controlling interests, of ₹ (5,198) million and share of comprehensive income from associates of ₹ 851 million

3 Comprises actuarial gains, net of taxation and non-controlling interests, of ₹ 2,957 million and share of comprehensive loss from associates of ₹ (224) million

Cash flow statement (Translated to INR)
For the year ended 31 December 2010

	Group		Company	
	2010	2009[1]	**2010**	2009[1]
	₹million	₹million	**₹million**	₹million
Cash flows from operating activities				
Profit before taxation	**274,327**	230,816	**32,801**	16,714
Adjustments for:				
Non-cash items included within income statement	**83,974**	78,866	**(29,933)**	(10,217)
Change in operating assets	**(3,689,387)**	132,727	**(14,877)**	(10,172)
Change in operating liabilities	**2,656,068**	(595,659)	**39,522**	14,698
Contributions to defined benefit schemes	**(6,722)**	(5,556)	**–**	–
UK and overseas taxes paid	**(63,675)**	(54,220)	**–**	(1,120)
Net cash (used in)/from operating activities	**(745,414)**	(213,027)	**27,513**	9,903
Net cash flows from investing activities				
Purchase of property, plant and equipment	**(16,580)**	(11,695)	**–**	–
Disposal of property, plant and equipment	**8,200**	9,769	**–**	–
Acquisition of investment in subsidiaries, associates, and joint ventures net of cash acquired	**(24,421)**	(3,047)	**(44,810)**	(112,025)
Purchase of investment securities	**(5,111,746)**	(5,813,605)	**–**	(80,658)
Disposal and maturity of investment securities	**5,227,445**	5,676,441	**–**	–
Dividends received from investment in subsidiaries and associates	**986**	493	**34,504**	14,832
Net cash from/(used in) investing activities	**83,884**	(141,644)	**(10,306)**	(177,851)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses	**262,407**	81,420	**262,407**	81,420
Purchase of own shares[2]	**(8,155)**	(4,615)	**(8,155)**	(4,615)
Exercise of share options through ESOP	**2,106**	986	**2,106**	986
Interest paid on subordinated liabilities	**(34,638)**	(39,074)	**(4,660)**	(5,780)
Gross proceeds from issue of subordinated liabilities	**34,504**	92,443	**–**	–
Repayment of subordinated liabilities	**(69,411)**	(109,336)	**(179)**	–
Interest paid on senior debts	**(42,838)**	(24,153)	**(14,115)**	(4,167)
Gross proceeds from issue of senior debts	**620,753**	518,765	**145,005**	155,401
Repayment of senior debts	**(499,452)**	(395,583)	**(1,792)**	–
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(6,946)**	(8,424)	**(4,526)**	(4,526)
Dividends paid to ordinary shareholders, net of scrip	**(28,858)**	(28,589)	**(28,858)**	(28,589)
Net cash from financing activities	**229,472**	83,840	**374,233**	190,129
Net (decrease)/increase in cash and cash equivalents	**(432,058)**	(270,832)	**364,440**	22,181
Cash and cash equivalents at beginning of the year	**3,050,351**	3,302,452	**259,808**	237,627
Effect of exchange rate movements on cash and cash equivalents	**58,387**	18,731	**–**	–
Cash and cash equivalents at end of year	**2,676,681**	3,050,351	**624,248**	259,808

[1] Amounts have been restated
[2] Net of proceeds from sale of rights by the trusts

Company balance sheet (translated into INR)

As at 31 December 2010

	2010 ₹million	2009 ₹million
Non-current assets		
Investments in subsidiary undertakings	**640,380**	578,318
Current assets		
Derivatives financial instruments	**19,761**	13,040
Investment securities	**122,107**	122,107
Amounts owed by subsidiary undertakings	**624,248**	259,808
Taxation	**2,151**	1,703
	768,267	396,658
Current liabilities		
Derivatives financial instruments	**4,033**	1,120
Other creditors,	**12,278**	10,261
Deferred income	**807**	807
	17,117	12,188
Net current assets	**751,150**	384,470
Total assets less current liabilities	**1,391,530**	962,788
Non-current liabilities		
Debt securities in issue	**373,850**	213,744
Deferred income	**3,271**	4,078
Subordinated liabilities and other borrowed funds	**77,521**	78,462
	454,642	296,284
Total assets less liabilities	**936,887**	666,504
Equity		
Share capital	**52,607**	45,393
Reserves	**884,281**	621,111
Total equity	**936,887**	666,504

Company statement of changes in equity (Translated to INR)
For the year ended 31 December 2010

	Share capital ₹million	Share premium account ₹million	Capital and capital redemption reserve[1] ₹million	Merger reserve ₹million	Retained earnings ₹million	Total ₹million
At 1 January 2009	42,480	212,534	807	251,698	87,021	594,539
Profit for the year	–	–	–	–	14,922	14,922
Shares issued, net of expenses	1,972	4,750	–	74,698	–	81,420
Net own shares adjustment	–	–	–	–	(3,630)	(3,630)
Share option expense	–	–	–	–	12,368	12,368
Capitalised on scrip dividend	941	(941)	–	–	–	–
Dividends, net scrip	–	–	–	–	(33,115)	(33,115)
At 31 December 2009	**45,393**	**216,343**	**807**	**326,396**	**77,566**	**666,504**
Profit for the year	**–**	**–**	**–**	**–**	**33,249**	**33,249**
Shares issued, net of expenses	**6,587**	**25,631**	**–**	**230,189**	**–**	**262,407**
Net own shares adjustment	**–**	**–**	**–**	**–**	**(6,049)**	**(6,049)**
Share option expense	**–**	**–**	**–**	**–**	**14,160**	**14,160**
Capitalised on scrip dividend	**627**	**(627)**	**–**	**–**	**–**	**–**
Dividends, net scrip	**–**	**–**	**–**	**–**	**(33,383)**	**(33,383)**
At 31 December 2010	**52,607**	**241,347**	**807**	**556,585**	**85,542**	**936,887**

[1] Includes Capital reserves of ₹ 224 million and capital redemption reserve of ₹ 583 million.

B. Summary of significant differences between Indian GAAP and IFRS

The consolidated financial statements of the Group for the year ended 31 December 2010 with comparatives as at 31 December 2009 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the year ended 31 December 2010 and 31 December 2009 and total parent company shareholders' equity as at the same date. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years ended on or prior to 31 December 2010. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention that are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. Finally, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transactions or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisors for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

Changes in accounting policy

IFRS

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable this fact should be indicated.

Functional and presentation currency

IFRS

Assets and liabilities are translated at the exchange rate at the balance sheet date when the financial statements are presented in a currency other than the functional currency. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

Indian GAAP

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

Consolidation

IFRS

Entities are consolidated when the Group has the power to govern the financial and operating policies so as to obtain benefits. Control is presumed to exist when the Group owns more than one half of an entity's voting power. Currently exercisable voting rights should also be taken into consideration when determining whether control exists.

Indian GAAP

Similar to IFRS, except that currently exercisable voting rights are not considered in determining control.

Consolidation of Special Purpose Vehicles

IFRS

Under the IASB's Standards Interpretations Committee (SIC) Interpretation 12 (SIC-12), an SPE should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that entity. The definition of an SPE includes employee share trusts.

Indian GAAP

No specific guidance. SPEs including employee share trusts are not consolidated.

B. Summary of significant differences between Indian GAAP and IFRS continued

Business combinations

IFRS

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, IFRS 3 'Business Combinations' (IFRS 3) requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill.

After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.

Where less than 100 per cent of an entity is acquired, non-controlling interests are stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business.

For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition.

Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.

Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill

IFRS

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of IFRS 10 'Goodwill and intangible assets' in 1998, has not been reinstated nor will it be written back on disposal.

Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003.

Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP

Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified.

For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance – in practice there is either no amortisation or amortisation not exceeding 10 years.

Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

Acquired and internally generated intangible assets

IFRS

Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP

Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

B. Summary of significant differences between Indian GAAP and IFRS continued

Property, plant and equipment

IFRS

Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their 'deemed cost' under IFRS. They will not be revalued in the future.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset.

Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end.

The Group capitalises borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP

Fixed assets are recorded at historical costs or revalued amounts.

Relevant borrowing costs are capitalised if certain criteria in AS-16 are met.

Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments

IFRS

IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually to be the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs that are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- available-for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity, and recycled to the income statement when the asset is sold or is impaired
- held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity
- as loans and receivables at amortised cost

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- at amortised cost

A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- assets or liabilities include embedded derivatives and such derivatives are not recognised separately

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category.

Changes in the fair value of available for sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available for sale equity securities is recognised in reserves.

Indian GAAP

AS 13 requires Investments to be categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss
- Long-term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity

For investments, Reserve Banking India regulations require similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS.

Financial liabilities are usually carried at cost.

There is no ability to designate instruments at fair value.

Measurement of derivative instruments and hedging activities

IFRS

IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

B. Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP
Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. In the absence of specific guidence, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since Accounting Standard 30 is not mandatory.

Impairment of financial assets
IFRS
At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

Assets held at amortised cost
If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.

The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets
If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP
Long-term investments are written down when there is a decline in fair value which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist.

De-recognition of financial assets
IFRS
A financial asset is de-recognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Indian GAAP
There is limited guidance on de-recognition of financial assets. Securitised financial assets can only be de-recognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option that entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

Liabilities and equity
IFRS
A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled.

Preference shares, that carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Indian GAAP
Classification is based on the legal form rather than substance.

Provisions for liabilities and charges
IFRS
The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP
Provisions are recognised and measured on a similar basis to IFRS, except that discounting is not permitted.

Pension obligations
IFRS
IAS 19 'Employee Benefits' (IAS 19) requires defined benefit pension liabilities to be assessed on the basis of current actuarial valuations performed on each plan, and pension assets to be measured at fair value. The net pension surplus or deficit, representing the difference between plan assets and liabilities, is recognised on the balance sheet.

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post employment benefit obligations.

Under the transitional provisions of IFRS 1 'First time adoption of International Financial Reporting Standards' (IFRS 1) and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the 'Consolidated statement of comprehensive income'.

B. Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP
The liability for defined benefit plans is determined on a similar basis to IFRS.

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds.

Actuarial gains or losses are recognised immediately in the statement of income.

In respect of termination benefits, the revised AS 15 (2005), specifically contains a transitional provision providing that where expenditure on termination benefits is incurred on or before 31 March 2009, the entities can choose to follow the accounting policy of deferring such expenditure over its pay-back period. However, any expenditure deferred cannot be carried forward to accounting periods commencing on or after 1 April 2010. Therefore any expenditure deferred should be written off over the shorter of (a) the pay-back period or (b) the period from the date expenditure on termination benefits is incurred to 1 April 2010.

Share-based compensation

IFRS
IFRS 2 'Share-based payment' requires that all share-based payments are accounted for using a fair value method.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

Indian GAAP
Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share-based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

Deferred taxation

IFRS
Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

Indian GAAP
Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised only if virtually certain with entities with tax losses carried forward or if reasonably certain with entities with no tax losses.

Interest income and expense

IFRS
Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP
In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

Dividends

IFRS
Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company, however, is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP
Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend	Interim dividend (Provisional only)
Results and dividend announced	2 March 2011	3 August 2011
Ex dividend date	9 March 2011	10 August 2011
Record date for dividend	11 March 2011	12 August 2011
Last date to elect for share dividend or to change standing instructions	26 April 2011	22 September 2010
Dividend payment date	11 May 2011	5 October 2010

Preference shares	1st half yearly dividend	2nd half yearly dividend
7³/₈ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 April 2011	1 October 2011
8¹/₄ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 April 2011	1 October 2011
6.409 per cent Non-Cumulative preference shares of $5 each	30 January 2011	30 July 2011
7.014 per cent Non-Cumulative preference shares of $5 each	30 January 2011	30 July 2011
8.125 per cent Non-Cumulative preference shares of $5 each	27 May 2011	27 November 2011

Annual General Meeting

The Annual General Meeting (AGM) will be held at 12.00 noon (UK time) (7.00 pm Hong Kong time) on Thursday 5 May 2011 at The Honourable Artillery Company, Armoury House, City Road, London EC1Y 2BQ. Details of the business to be transacted at the AGM are included in the accompanying Notice of AGM. Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website.

Interim results

The interim results will be announced to the London Stock Exchange, The Stock Exchange of Hong Kong, the Bombay Stock Exchange and the National Stock Exchange of India and put on the Company's website.

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK 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 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.

Previous dividend payments (Unadjusted for the impact of the 2010/2009 rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
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	£14.2760/$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
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124*	£17.394/$27.190

*The INR dividend is per Indian Depository Receipt

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 or loss) when you donate shares to charity and UK taxpayers 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 or 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 UK 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 please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

You can check your shareholding at: www.investorcentre.co.uk

Chinese translation
If you would like a Chinese version of the 2010 Report and Accounts please contact:
Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

年報之中文譯本可向香港中央證券登記有限公司索取，地址: 香港皇后大道東183號合和中心17M樓

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

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

Taxation
Information on taxation applying to dividends paid to you if you are a shareholder in the UK, Hong Kong or the United States is set out in the dividend documents available at http://investors.standardchartered.com/dividend.cfm.

Electronic communications
If you hold your shares on the UK register and in future you would like to receive the Report and Accounts electronically rather than by post, please register online at: www.investorcentre.co.uk. Then click on Register and follow the instructions. You will need to have your Shareholder or ShareCare Reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically and change your bank mandate or address information.

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 that 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.

www.standardchartered.com

Glossary

Advances-to-deposits ratio
The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

Asset backed securities (ABS)
Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs), the reference pool may be ABS.

Alt-A
Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.

Advanced internal rating based (AIRB)
The AIRB approach under the Basel II framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.

Attributable profit to ordinary shareholders
Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.

CAD2
An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.

Collateralised debt obligations (CDOs)
Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.

Collateralised loan obligation (CLO)
A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).

Commercial mortgage backed securities (CMBS)
Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Cost:Income ratio
Represents the proportion of total operating expense to total operating income.

Cover ratio
Represents the extent to which non-performing loans are covered by impairment allowances.

Commercial paper (CP)
An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.

Constant currency
Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

Core Tier 1 capital
Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's FSA (Financial Services Authority).

Core Tier 1 capital ratio
Core Tier 1 capital as a percentage of risk weighted assets.

Credit conversion factor (CCF)
CCF is an internally modelled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility.

Credit default swaps (CDS)
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit risk spread
The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Credit valuation adjustments (CVA)
An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.

Customer deposits
Money deposited by all individuals and companies that are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.

Debt restructuring
This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans are considered to be delinquent when consecutive payments are missed.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.

Effective tax rate (ETR)
The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.

Expected loss (EL)
The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default (PD), loss given default (LGD) and exposure at default (EAD), with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with an undrawn commitments.

Exposure at default (EAD)
The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

Foundation internal ratings based approach
A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released/not released.

Guaranteed mortgages
Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.

Impaired loans
Loans where individual identified impairment allowance has been raised and also includes loans that are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, that, while impaired, are still performing.

Impairment allowances
Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual or collective.

Individually/collectively assessed
Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. Typically, assets within the Wholesale Banking business of the Group are assessed individually whereas assets within the Consumer Banking business are assessed on a collective, or portfolio, basis.

Internal ratings based (IRB) approach
The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.

Investment grade
A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leveraged finance
Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA (earnings before interest, tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.

Liquidity and credit enhancements
Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.

Liquid asset ratio
Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

Loans and advances
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.

Loans to individuals
Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.

Loan-to-value ratio
The loan-to-value ratio is a mathematical calculation that expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loss given default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Master netting agreement
An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

Mortgage backed securities (MBS)
Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Mortgage related assets
Assets that are referenced to underlying mortgages.

Medium term notes (MTNs)
Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.

Net asset value per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net interest income
The difference between interest received on financial assets and interest paid on financial liabilities.

Net interest margin
The margin is expressed as net interest income divided by average interest earning assets.

Net interest yield
Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.

Non-performing loans
A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan that is:

- renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected
- renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected

Normalised earnings
Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

Probability of default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Profit attributable to ordinary shareholders
Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

Renegotiated loans
Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation may lead to a new agreement, which would be treated as a new loan.

Repo/reverse repo
A repurchase agreement or repo is a short-term funding agreement that allows a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property that is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

Return on equity
Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity over the period under review.

Risk weighted assets
A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.

Residential mortgage backed securities (RMBS)
Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Securitisation
Securitisation is a process by which debt instruments are aggregated into a pool, that is used to back new securities. A company sells assets to an SPE (special purpose entity) which then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.

Special purpose entities (SPEs)
SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.

Transactions with SPEs take a number of forms, including:

- The provision of financing to fund asset purchases, or commitments to provide finance for future purchases
- Derivative transactions to provide investors in the SPE with a specified exposure
- The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties
- Direct investment in the notes issued by SPEs

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using external credit assessment institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured finance/notes
A structured note is an investment tool that pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Sub-prime
Sub-prime describes loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.

Tangible net asset value per share
Ratio of parent shareholders' equity less preference shares classified as equity and goodwill and intangible assets to the number of ordinary shares outstanding at the end of the reporting period.

Tier 1 capital
Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.

VaR
Value at Risk is an estimate of the potential loss that might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Working profit
Operating profit before impairment losses and taxation.

Write-downs
After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

Major awards 2010

The Asian Banker Excellence in Retail Financial Services 2010

Best Retail Bank in Brunei

Best Deposit Product/Campaign in Korea

The Asian Banker Transaction Banking 2010

Best Transaction Banking Business in the Middle East

Asiamoney Regional Deal Awards 2010

ASIAMONEY

Best Project Financing: Sportshub SGD1.76 billion four-tranche project financing

Asian Investor Investment Performance Awards 2010

Best Private Bank Distributor Award

AsiaRisk Interdealer Rankings 2010

#1 for interest rate derivatives

AsiaRisk Institutional Rankings 2010

#1 Top Overall Currency

AsiaRisk Corporate Rankings 2010

#1 Derivatives in Asia

#1 Interest Rate Derivatives in Asia

#1 Currency Derivatives in Asia

Asia Risk Awards 2010

Best Currency Derivatives House of the Year

Best Energy/Commodities Derivatives House of the Year

The Asset Triple A Asian Regional Awards 2010

Best Securitisation House

The Asset Triple A Asian Country Awards 2010

Best Debt House in China, Singapore & Pakistan

Best M&A House in India

The Asset Triple A Asian Country Awards 2010

Best Deal in South Korea: Korea Housing Finance Corporation $500 million covered bond

Best Deal in Indonesia: CVC/Matahari $870 million

Best Deal in Pakistan: KESC $100 million Syndicated Structured Term Finance Loan

The Asset Triple A Islamic Finance Awards 2010

Best Islamic Deal of the Year, Best Sovereign Sukuk & Best Deal in Indonesia: Republic of Indonesia $650 million Global Sukuk

Best Deal in the Middle East: Tourism Development and Investment Company $1 billion Sukuk-al-ijara

Best Deal in Singapore: Islamic Development Bank $200 million Sukuk

Best Islamic Structured Financing: Qatar Airways $150 million Islamic facility

The Asset Triple A Islamic Finance Awards 2010

Islamic Investment House of the Year in the Middle East

Sukuk House of the Year

The Asset Triple A Magazine Awards 2010

Best SME Bank in Hong Kong

The Asset Triple A Regional Awards 2010

Best Asian Currency Bond House

Best Leveraged Finance House

Best Project Finance Advisory House

The Asset Triple A Transaction Banking Awards 2010

Best Transaction Bank in Asia
Best Structured Trade Finance Bank in Asia
Best Trade Finance Bank in Asia, Hong Kong & South Korea
Best Trade Finance Bank (Foreign) in Thailand
Rising Star Trade Finance Bank in Taiwan
Best Sub-Custodian in Korea
Best Domestic Custodian in Korea
Best Transaction Bank in Korea
Best Cash Management Bank in Southeast Asia, Korea & the Middle East
Best SME Bank in Hong Kong

The Asset Triple A Transaction Banking Awards 2010

Best Structured Trade Finance Deal: Knowledge Infrastructure System Private Limited $33.25 million contract financing
Best Structured Trade Finance Deal in India: Unimark Remedies Limited $15 million Financing structure for procurement
Best Structured Trade Finance Deal in China: Wulatezhong Qi Tianbao Mining Company RMB70 million Term Loan
Best Structured Trade Finance Deal in Hong Kong: Burwill Resources Limited $30 million Prepayment Term loan

The Banker – Bank of the Year Awards 2010

Global Bank of the Year
Bank of the Year in Asia, Hong Kong, Bangladesh, Afghanistan, Tanzania & Zambia

The Banker Awards 2010

The Best Private Bank in Asia

The Banker – Deals of the Year 2010

Africa Bonds (Corporates): KenGen KES25 billion
Middle East Bonds (Corporates): TAQA $1.5 billion Dual Tranche Offering
Asia Loans: Noble Group USD 2.4 billion deal
Asia Bonds (Sovereign): Republic of Indonesia Global Sukuk
Africa Project Finance: Kosmos Energy Jubilee Project

Banker Middle East Industry Awards 2010

Best Mortgage/Home Finance House in UAE
Best Foreign Bank
Best Mortgage/Home Finance House

2010 Best SME's Partner Awards 2010

Best SME's Partner Award for Hong Kong

Bloomberg 2010

1st Forecaster for G10 exchange rates in 2010

10th Capital Outstanding Enterprise 2010

Outstanding Retail Bank in Hong Kong
Outstanding SME Bank in Hong Kong

China Times 2010

The Best Foreign Bank in WM Sector 2010 in China

8th CIEEC Annual Conference of Trade Promotion 2010

Best SME Service in China

CMO Asia 2010

Excellence in Branding and Marketing in Asia

Credit Deals of the Year 2010

Best Dollar Investment Grade Bond (Corporate): BP
Best Bond (Middle East): Dubai Government $1.25 million
Best Non-Core Currency Bond: McDonald's RMB200 million bond

Emeafinance Achievement Awards 2010

Best Islamic finance house
Best syndicated loan house in EMEA
Best Foreign Bank in Bahrain, the United Arab Emirates & Oman
Best Bank in Uganda

Emeafinance Treasury Services 2010

Best FX Services in Africa & the Middle East
Best Cash Management Services in the Middle East & EMEA

Euromoney Awards for Excellence 2010

Best Bank in Asia, Africa, India, Pakistan, Kenya & Uganda
Best Debt House in Korea
Best Project Finance House in Africa
Best FX House in Africa & the Middle East
Best at Risk Management in Africa

Euromoney FX Poll 2010
#1 Asian Currencies
#1 Middle Eastern Currencies
#1 African Currencies

Euromoney Islamic Finance 2010
Best Structured Products House

Euroweek's Asia Awards 2010
1st Best arranger of loans for Asia Pacific financial institutions

Euroweek – Review of the Year 2010 Bank Poll
#1 Best Lead Manager of Asian Domestic Currency Bonds
#1 Best Bookrunner of Domestic Currency Bonds

FinanceAsia Awards 2010
Best India Deal: Bharti Airtel $10.7 billion Lead Financial Advisor
Best Singapore Deal: Temasek Holdings SGD1 billion 40 year bond
Best Local Currency Bond: McDonald's RMB200 million bond
Best Trade Finance Solution: GlaxoSmithKline $300 million non-recourse receivables services programme

FinanceAsia Country Awards 2010
Best Bank in India & Bangladesh

Global Finance Best Bank Awards 2010
Best Emerging Market Bank in Africa, Zambia, Botswana & Gambia

Global Finance Best Derivatives Providers 2010
Best Interest Rate Derivatives Provider in Asia

Global Finance Best Internet Bank Awards 2010
Best Corporate/Institutional Internet Bank in China, India, Malaysia, Singapore, Ghana, Kenya, Nigeria & the United Arab Emirates
Best Integrated Corporate Bank Site in Asia & Middle East/Africa
Best Online Cash Management in Middle East/Africa
Best Trade Finance Services Middle East/Africa
Best Information Security Initiatives in Middle East/Africa

Global Finance Best Supply Chain Finance Providers Awards 2010
Global Finance

Best Supply Chain Finance Provider in Asia & Africa
Best Sub-Custodian Bank in Taiwan

Global Finance Best Treasury and Cash Management Providers Awards 2010
Best Bank for Liquidity Management in Asia, Africa & the Middle East

Global Finance Global Bank Awards 2010
Best Global Bank in Emerging Markets

Global Finance Magazine Awards 2010
Best Foreign Bank for SME Loan Business in China

GTR Deals of the Year 2010
Deal of the Year – Indonesia (Huawei Tech Investment)

Han Kyung (Korea Economy) Marketing Awards 2010
Grand Prize (Innovative Product) in Korea

Hong Kong Service Awards 2010
Priority Banking (Financial Services)

IFR Awards 2010
Best Emerging EMEA Loan: BP Angola & BP Caspian Loan
Best EMEA Structured Equity Issue: Emaar Properties

IFR Asia Awards 2010
Capital Markets Deal Award in Taiwan: AU Optronics $800 million convertible bond
Capital Markets Deal Award in Singapore: Temasek Holdings SGD1 billion 40-year bond
Capital Markets Deal Award in Thailand: Thai Union Frozen Foods Products acquisition loan

Islamic Business & Finance Awards 2010
Best International Islamic Bank

Islamic Finance News Deal of the Year Awards 2010
Best Project Finance & Infrastructure Deal and Saudi Arabia Deal of the Year: Ma'aden Aluminium
Syndicated Deal of the Year: Jubail Refinery
Pakistan Deal of the Year: Karachi Electric Supply Company
Indonesia Deal of the Year: Perusahaan Penerbit

Jane's Transport 2010

Shipping House of the Year

Shipping Debt Deal of the Year in Africa: Island View Shipping International

Shipping Debt Deal of the Year: Kogas

Aircraft Debt Deal of the Year in the Middle East: Qatar Airways Islamic Financing Facility

MoneyWeek Awards 2010

Best Wealth Management Product in China

Best Banking Financial Product in China

PFI 2010

Global Bank of the Year

Americas Mining Deal of the Year: Pueblo Viejo $1,035 million project financing

Asia Pacific Power Deal of the Year: GN Power $720 million project financing

Asia Pacific PPP Deal of the Year: Sportshub SGD1.5 billion project financing

Africa Transport Deal of the Year: DP World Dakar project financing

Middle East Petrochemicals Deal of the Year: Jubail

Private Banker 2010

Outstanding Private Bank in Asia Pacific

Project Finance Deals of the Year Awards 2010

Global Deal of the Year 2010 (Singapore Sportshub)

Risk Magazine Awards 2010

Best Structured Products in India and China

Structured Products Awards 2010

Structured Products for Best in India

Trade Finance Deals of the Year 2010

Deal of the Year (Huawei Tech Investment)

Wealth Management Banking Top Forum 2010

The Most Trusted Wealth Management Brand (FX Brand) in China

World Finance 2010

Best Institutional FX Provider in the Middle East

Index

Designed and produced by Addison, www.addison.co.uk

Printed by Park Communications on FSC certified paper. Park is an EMAS Certified CarbonNeutral® company and its Environmental Management System is certified to ISO14001. 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled and on average 99% of any waste associated with this production will be recycled.

This document is printed on Revive 50:50. Revive 50:50 contains 50% recycled waste and 50% virgin fibre and is fully recyclable, biodegradable, Elemental Chlorine Free (ECF) and contains fibre from well managed forests. The laminate consists of cellulose acetate biodegradable film made of wood pulp, also from sustainable managed forests.

This document is fully recyclable.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

NAPM RECYCLED 50% APPROVED

Standard Chartered

www.standardchartered.com

Seeing is Believing is our global initiative to help tackle avoidable blindness. Visit our dedicated website for more information and ways to support the programme.

www.seeingisbelieving.org.uk