Standard Chartered

Annual Report 2009

Leading the way

in Asia, Africa and the Middle East

Standard Chartered has consistently delivered record results through a difficult period for the global economy and banking industry

Financial highlights

Operating income

$15,184m

2008: $13,968m / 2007: $11,067m

Profit before taxation

$5,151m

2008: $4,568m[1] / 2007: $4,035m

Total assets

$437bn

2008: $435bn / 2007: $330bn

Normalised earnings per share[2]

179.8cents

2008: 174.9cents / 2007: 173.0cents

Normalised return on equity[2]

14.3%

2008: 15.2% / 2007: 15.6%

Dividend per share

66.03cents

2008: 61.62cents[3] / 2007: 59.65cents[3]

Non-financial highlights

Employees

77,326

2008: 80,557[4] / 2007: 77,162[4]

Markets[5]

71

2008: 75 / 2007: 57

Nationalities

125

2008: 125 / 2007: 115

Operational highlights

Record income and operating profits delivered despite significant foreign exchange and interest rate headwinds

2009 is the seventh successive year of record income and profits and fourth year of generating over $1 billion of incremental organic income

Diversified sources of income in Consumer and Wholesale Banking, across multiple products and geographies

Tight control of the expense base and disciplined investment in both businesses

A continued disciplined and proactive approach to risk management with loan impairment falling in both businesses in the second half of 2009

Strong capital position with Core Tier 1 ratio of 8.9 per cent further strengthened by strong organic equity generation and capital raising

Highly liquid with an improving mix of liabilities and Group advances to deposit ratio of 78.6 per cent

Increased leadership capabilities, with 68 per cent of senior management roles filled by internal promotions

Launched and implemented 13 sector lending position statements to ensure a consistent approach to the management of environmental and social risks across our business

Ensured a smooth transition for our new Chairman and refreshed our Board with the appointment of three additional non-executive and two executive directors

[1] Restated as explained in note 50 to the financial statements.
[2] Standard Chartered uses non-GAAP measures, where measures are not defined under IFRS or they have been adjusted. See page 204.
[3] On a post-rights issue basis as explained in note 12 to the financial statements.
[4] See note 8 to the financial statements.
[5] The number of markets has decreased by four as a result of closing four representative offices in Europe.

Business review

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About Standard Chartered

Standard Chartered PLC is listed on both London and Hong Kong stock exchanges. It ranks among the top 25 companies in the FTSE100 by market capitalisation.

Consumer Banking

Offers innovative products and services to meet the needs of Private, Premium, Small and Medium Enterprises (SME) and Personal customers through lending, wealth management, protection and transactional services. A customer-focused approach enables deeper understanding of customers' evolving needs.

Operating income

$5,629m

-5% 2008: $5,952m / 2007: $5,806m

Operating profit

$867m

-22% 2008: $1,116m / 2007: $1,677m

Wholesale Banking

Helps clients facilitate trade and finance across the fastest growing markets in today's global economy, using our cross-border network. We are at the heart of all principal international trade flows offering the knowledge of a local bank with the capabilities of an international financial institution.

Operating income

$9,291m

+24% 2008: $7,489m / 2007: $5,243m

Operating profit

$4,076m

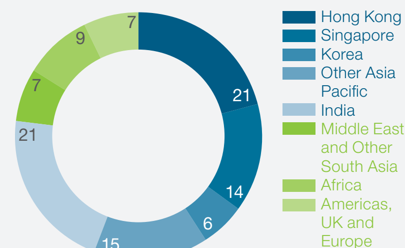
+36% 2008: $3,001m / 2007: $2,347m

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

Profit before taxation by region (%)



Further information

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, 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
A world-class management team

"The Bank has used its strong capital and liquidity position and its increasingly powerful brand to capture market share from competitors and to deepen relationships with customers and clients."

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

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

The Board is recommending a final dividend of 44.80 cents per share making a total annual dividend of 66.03 cents per share, up 7 per cent, on a post-rights issue basis.

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

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

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

Normalised earnings per share

179.8cents

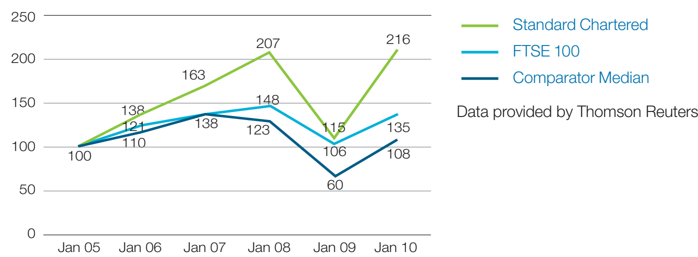
2008: 174.9cents

Dividend per share

66.03cents

2008: 61.62cents[1]

Total shareholder return
Percentage change over five year period



Data provided by Thomson Reuters

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

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

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

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

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

We fully support the Financial Services Authority code on remuneration, to which we were already broadly aligned last year and we have gone still further this year. So we will continue to reward performance within that framework.

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

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

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

We have appointed two new executive directors. Mike Rees was appointed Group Executive Director in August 2009. Mike has been Chief Executive Officer (CEO) of Wholesale Banking since 2002 and has done an exceptional job in transforming and growing that business. Jaspal Bindra, our CEO Asia, was appointed Group Executive Director on 1 January 2010. He has wide-ranging international experience, including previous roles as Global Head of Client Relationships and CEO, India.

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

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

I would like to again thank Sunil Mittal for the valuable role he played on the Board. He stepped down in July 2009 having been a non-executive director for two years.

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

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

John Peace
Chairman
3 March 2010

[1] On a post-rights issue basis as explained in note 12 to the financial statements

Group Chief Executive's review
A clear strategy and strong brand

"The breadth of our business across diverse, fast-growing markets gives us enormous resilience. We did not let the crisis interrupt our track record of consistently delivering for our shareholders."

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

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

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

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

Challenges

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

This is a brief update on progress since then. Korea delivered much better performance in the second half of 2009 and we expect even stronger results in 2010. In MESA, we anticipate continued challenges, given the political and security situation in Pakistan, the well publicised problems in

Dubai and credit issues elsewhere in the region. However, it is important to keep these issues in perspective. We are well-provisioned, have limited exposure to commercial real estate and the underlying business is strong. Income in MESA was up 25 per cent in 2009. Whilst not underestimating the near-term challenges, we remain firmly committed to the region and are investing for growth. We plan to open for business in both Saudi Arabia and Libya this year.

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

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

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

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

Global economic outlook

There is no doubt that the global economy started 2010 looking better than it did 12 months ago. After a contraction of nearly 2 per cent in 2009, global growth will return in 2010. We expect a modest recovery of perhaps 2 per cent, or just over, this year. However, there is a sharp disparity between the prospects for our markets and those for Western economies.

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

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

Regulation

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

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

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

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

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

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

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

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

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

Group strategy

Back in 2003 we said we wanted to be the world's best international bank, leading the way in Asia, Africa and the Middle East. Last year we reflected on our strategy, asking ourselves whether or not we should change it in light of the crisis. Should we expand in the West? Should we be more acquisition driven? The fundamentals of our strategy are organically-led growth, a focus on Asia, Africa and the Middle East and a balance sheet driven, conservative business model, running ourselves as One Bank. We concluded that, if anything, they are even more compelling today than before the crisis.

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

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

Our commitment

Here for good

Standard Chartered will launch its new brand promise – Here for good – in 2010. On the back of robust and sustained performance, we will use our history, tradition, performance, and culture to significantly increase awareness and knowledge of the Bank, across our footprint and beyond, to drive business growth.

Here for good embodies all that Standard Chartered was, is and will be. It's about our commitment to our footprint – **Here for the long run**: continually leading the way in Asia, Africa and the Middle East and delivering the benefit of that knowledge and experience to our customers and clients; our commitment to responsible conduct – **Here for progress**: consistently striving to do the right thing and maintaining a high standard of conduct; and lastly, our commitment to our customers and clients – **Here for people**: genuinely committing to long-term relationships with people and businesses.

Here for good will launch globally in major media and together with our sponsorship of Liverpool Football Club, we expect a robust return on investment; for many more people to know and understand how we deliver to our customers and clients; and for the brand to play an ever stronger role in delivering out strategic agenda.

These are some of the highlights:

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

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

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

Wholesale Banking

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

We are deepening our relationships by getting closer to our clients. We are also expanding the product capabilities and solutions we provide to them.

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

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

Consumer Banking

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

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

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

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

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

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

For both businesses, the depth and quality of our client and customer relationships are critical to our strategy and success. This focus on clients and customers, the obsession with the basics of banking, the emphasis on acting as One Bank, on doing the right thing: these are key elements of our culture, key aspects of our brand.

Brand

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

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

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

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

Outlook

2010 has started well for both businesses.

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

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

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

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

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

Summary

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

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

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

Peter Sands
Group Chief Executive
3 March 2010

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 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 16

Consumer Banking

Our objective is to:
- provide fast, friendly and accurate service
- provide solutions to financial needs
- recognise and reward the overall relationship
- become the bank that customers recommend to friends and colleagues

For further details see page 22

Wholesale Banking

Our objective is to:
- be the core bank to our clients, deepening and broadening relationships in our key markets
- build scale in our key local markets and increase cross-border opportunities across our network

For further details see page 30

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 capability

For further details see page 14

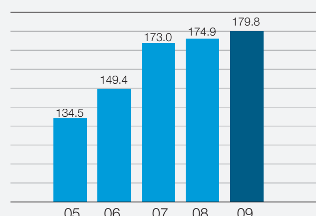
Our approach
A strategy for sustainable performance

Our strategic intent	To be the world's best international bank	A healthy global economy needs international banks to: • facilitate trade across our markets • enable our multinational clients to conduct complex business transactions • service the needs of an increasingly international consumer base
How we deliver	Focusing on Asia, Africa and the Middle East	These are growth markets and we know them intimately. In the past two years we have celebrated 150 years in China, Hong Kong, India and Singapore
	Building long-term, deep relationships with our customers and clients	The shift to a customer-focused model in Consumer Banking reinforces this approach, whilst becoming a core bank to more of our clients is at the heart of our Wholesale Banking strategy
	Continuing to manage our balance sheet conservatively	Our capital position, allied with strong liquidity, has enabled us to remain open for business, support our clients and seize business opportunities
	Focusing on organic growth as the primary driver of value creation	Acquisitions play an important but secondary role in our strategy
	Continuing to nurture and reinforce our distinctive culture	We have a presence in more than 70 markets yet our unique culture and our values bind us together
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 40

Key performance indicators
A track record of discipline

To be the world's best international bank

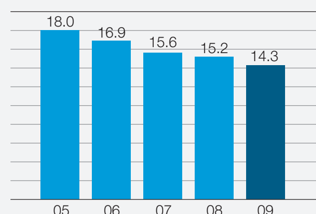
Normalised earnings per share
179.8cents



Aim To deliver consistent year on year growth in normalised earnings per share.

Analysis During 2009, normalised earnings per share grew 2.8 percent.

Normalised return on shareholders' equity
14.3%

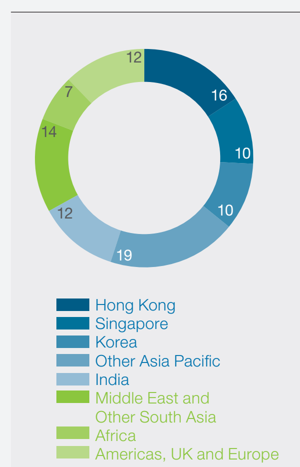


Aim To deliver mid-teen returns whilst balancing the long term objective of having strong yet efficient levels of capital.

Analysis The normalised return on shareholders' equity was 14.3 per cent, down from 15.2 per cent reflecting the further strengthening of our capital position.

Focusing on Asia, Africa and the Middle East

Operating income by region (%) 2009

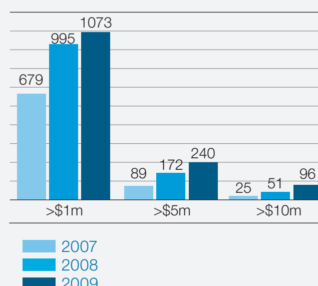


Aim To deliver diversified income growth.

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

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

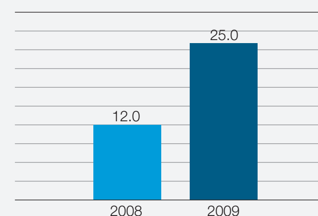
Wholesale Banking clients



Aim To grow the total number of relationships which deliver revenues in excess of $1 million, $5 million and $10 million.

Analysis As we achieve core bank status, relationships increasingly become multi-country and multi-product resulting in growth of total global revenues. We have increased the number of leading clients that generate revenues in excess of $1 million per year, demonstrating strong progress against our Wholesale Banking strategy of becoming the core bank to more clients.

Consumer Banking Net Promoter Score (NPS) Index
25.0



Aim To increase customer satisfaction with the products and services provided by Consumer Banking.

Analysis Our 2008 score was impacted by negative customer sentiment, due to the global economic recession, especially in relation to investment earnings. This year, NPS recovered to double the 2008 score.

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 number of shares in issue during the year.

Source This measure is reported in the Group's audited financial statements within note 13.

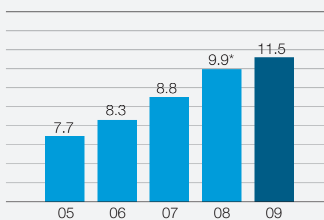
Normalised return on shareholders' equity
Normalised return on shareholders' equity is calculated as the normalised profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

Source This measure is derived from information within the Group's audited financial statements, being normalised earnings (note 13) as a percentage of average shareholders' equity (excluding preference shares).

Continuing to run our balance sheet conservatively

Tier 1 capital ratio

11.5%



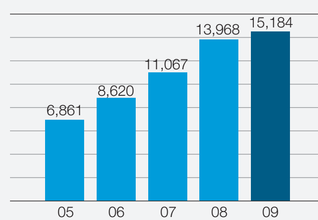
Aim To maintain a strong capital base, targeting a Tier 1 capital ratio within a range of 7 to 9 per cent.

Analysis In 2009, our Tier 1 ratio was 11.5 per cent, well above our stated target range, with a strong capital position further strengthened by strong organic equity generation and an additional issue of shares. In light of the uncertain economic and regulatory environment, we consider it appropriate to remain strongly capitalised above our target range.

Focusing on organic growth as the primary driver of value creation

Operating income

$15,184m



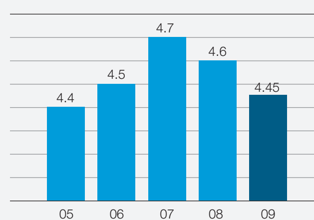
Aim To sustain organic momentum within growing revenues.

Analysis Operating income grew by $1,216 million, or 9 per cent, to $15,184 million from diverse streams across products and geographies.

Continuing to nurture and reinforce our distinctive culture

Q12 staff engagement ratio

4.45:1



Aim To foster a culture of high employee engagement as we continue to grow and change.

Analysis In a turbulent year for the industry, we maintained a strong employee engagement ratio at 4.45:1. Additionally, the grand mean engagement score increased from 3.99 to 4.03 on a 5 point scale.

Operating income by region
Source This information is discussed in note 2 segmental information on page 129.

Wholesale Banking clients
This metric charts our progress towards becoming the core bank to our clients by measuring the number of client relationships where total global revenues exceed the threshold amount. The bar chart shows growth in Wholesale Banking clients over a two-year period.

2008 data did not include client revenues from American Express Bank (AEB), which we acquired that year. Now AEB is fully integrated into our organisation, 2009 data includes AEB and 2008 data has been restated accordingly.

Source Standard Chartered client revenues.

Consumer Banking Net Promoter Score (NPS) Index
Net Promoter Score (NPS) replaces the Loyal and Positive Index as the non-financial KPI of Consumer Banking. This supports the shift in our Consumer Banking strategy towards greater customer focus.

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 2009.

Tier 1 capital ratio
Tier 1 capital, the components of which are summarised on page 70, is measured by the ratio of Tier 1 capital to risk weighted assets.
* Restated and explained on page 68.

Source This measure is reported in the Capital section on page 68.

Operating income
Operating income is calculated as the sum of the 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.

Q12 staff engagement ratio
The ratio identifies the proportion of our staff who responded positively to the survey items. The average engagement figure quoted is the Q12 Grand Mean; the average score of all our staff to 12 highly researched questions that differentiate high performing from low performing teams. Over the last year this has become the primary measure of engagement we use internally.

Source The Gallup Organisation, Q12 Employee Engagement Survey.

Business environment
We are cautious but confident

The outlook for our markets is dependent upon the interaction of three factors:

1. Economic fundamentals

We expect Asian economies to rebound more strongly than those in the West

2. Policy stimulus

We are supportive of regulatory change, as long as it is consistently implemented and well thought through

3. Confidence

Our markets are well placed to benefit from the shift in the balance of economic power from the West to the East

2009 GDP Growth[1]

India[2]
6.8%
2008: 6.7%

China
8.5%
2008: 9.0%

Indonesia
4.5%
2008: 6.1%

Korea
0.2%
2008: 2.2%

Economic landscape

As a result of the internationally synchronised policy stimulus, the global economy has recovered from the position it was in two years ago. Our markets successfully weathered the greatest global economic crisis since the 1930s and suffered a far milder recession than previously expected. Indeed, Bangladesh, China, India, Indonesia, Pakistan, Sri Lanka and Vietnam and many economies in the Middle East and Africa, notably Qatar and Nigeria, managed to maintain strong growth throughout 2009. Here we discuss the reasons behind this resilience, the challenges that we still face, the economic outlook for the year ahead and the policies that governments need to adopt to ensure a sustainable recovery. We conclude with the key regulatory developments in our markets during the year.

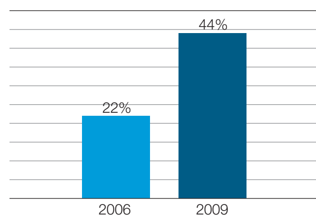
Fundamentally strong economies

The resilience of our markets is attributed to several factors. Many countries, particularly those in Asia which learned many lessons from the 1997 and 1998 financial crisis, had built up their currency reserves and, in a significant number of cases, had strong fiscal positions. Their central banks were proactive in keeping inflation in check while providing stimulus to their economies. The Asian financial crisis has also altered the behavioural patterns of households and companies, who have spent the past decade consolidating balance sheets, keeping debt levels low and building up savings.

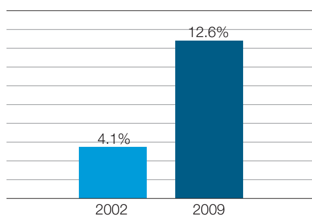
When the trade and financial shock waves did hit, our markets were not spared a collapse in exports and in confidence. The timely support by governments, which came in the form of a fiscal boost to both maintain jobs and further improve infrastructure, proved a welcome shock absorber.

[1] Source: Standard Chartered Research.
[2] Estimate based on financial year 1 April 2009 to 31 March 2010.

China retail sales as % of US retail sales[1]



Market capitalisation of Shanghai, Hong Kong and Shenzhen stock exchanges as % of global market capitalisation[2]



Total infrastructure spending in the Middle East in 2009[3]

$168bn

2008: $166bn

Foreign investment in India 2010[4]

$51bn

2009: $3.4bn[5]

Challenges

Despite the strong rebound, it is important to note that the global economy is still some way off its previous peak. To understand why that is so, we must consider the relative scale of the world's leading economies. The West accounts for about two-thirds of the $61 trillion global economy. If the West is not booming then, inevitably, the world will not boom.

The biggest economy in the West, the US, is not in a position to drive a worldwide recovery. American consumers face sluggish wages, high unemployment, house prices that are well off their peak and concerns about their pensions. Unprecedented government debt levels in the West coupled with consumers seeking to reduce their personal debt burdens will impact any global recovery. It is also not possible to predict the effect of withdrawing the extraordinary central bank stimuli to money markets.

Economic outlook

The final outcome will depend on the interaction between the fundamentals, policy and confidence. Of these, confidence, which is the hardest to call, may turn out to be the most positive. We expect that the recovery in the West will be either U or L-shaped, and may vary between countries, while the stronger underlying fundamentals of Asia suggest that its recovery will be V-shaped as economies rebound more strongly than those in the West.

Over the longer term, our footprint markets in Asia, Africa and the Middle East are well placed to benefit from the most significant theme shaping the world economy: the shift in the balance of economic power from the West to the East. We believe that the countries that succeed in this new world order will fit into one of three categories. They will have financial resources, such as China. They will have natural resources, such as water, energy and commodities, and include Brazil, Canada, Indonesia and many countries across Africa and the Middle East. The third group comprises those with the ability to adapt and change and will include the US and the UK.

Whilst we anticipate that 2010 will show a modest recovery, there is uncertainty over how the withdrawal of policy stimulus will impact global growth. We forecast that the world economy will grow 2.7 per cent in 2010, after contracting 1.9 per cent in 2009. The strongest growth rates will be seen across emerging economies, particularly Asia, Africa and the Middle East. Asian growth may accelerate to 7 per cent, from 4.5 per cent in 2009. China may grow 10 per cent and India 7.5 per cent in the year ahead. Companies and institutional savers in the West will look to invest in these fast-growing, low cost economies.

Policy goals

This transfer of funds to emerging economies means that governments in Asia, Africa and the Middle East need to focus on deepening their capital markets and developing domestic economies. This will be vital to establish an upward cycle in private investment. But the imbalance in the world economy will need to be addressed. The West will need to spend less and save more, while Asia, in particular, will need to spend more and save less.

Authorities must be proactive to ensure a sustainable recovery. Policymakers will also need to time the withdrawal of their expansionary fiscal and monetary policy carefully, making sure that their action is not premature and ultimately damaging.

Regulatory developments

Reform of banking regulations remained a high priority for many governments through 2009. Meetings of the G20 formed the backbone of inter-governmental discussions to ensure a coordinated and consistent response. Targets and benchmarks for national authorities have been set by the G20, while the revitalised Financial Stability Board has been given responsibility for overseeing their implementation.

The inter-governmental proposals have been supplemented by national and regional initiatives in many of our markets. Across Asia, there is a common focus on issues such as stress testing and implementation of the Basel II Accord, remuneration policies, strengthening protection for individual investors, particularly for wealth management, and enhancing regulation for more complex products, such as derivatives.

In the European Union (EU), proposals are being taken forward to reform the overarching supervisory architecture, to strengthen the ability of the EU system to resolve conflicts between national supervisors, consistently enforce EU rules and ensure a coordinated reaction to financial crises, particularly for cross border firms. New legislation dealing with Credit Rating Agencies and the Large Exposures regime of the Capital Requirements Directive (CRD) has been introduced and further proposals to regulate over-the-counter (OTC) derivatives, changes to accounting rules and additional capital and liquidity requirements, over and above those that Basel has proposed, are being brought forward.

Additionally, the UK's Financial Services Authority (FSA) and the Basel Committee are taking forward proposals aimed at improving the quality and quantity of capital held by financial institutions and for improving liquidity management. The UK Government has introduced draft legislation that will require banks to produce living wills, also known as recovery and resolution plans.

Overall we are supportive of regulatory change, as long as it is measured, consistently implemented and well thought through.

[1] Source: Bloomberg.
[2] Source: World Federation of Exchanges.
[3] Source: Middle East Economic Digest Research.
[4] Source: Reserve Bank of India and Standard Chartered.
[5] Estimate: Financial year 1 April 2009 to 31 March 2010.

Our performance in our markets

Dynamic markets with greater growth potential

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 individual markets delivering over $1 billion income
- All geographies, with the exception of Other Asia Pacific, delivered positive income growth
- Americas, UK and Europe, MESA, Africa and Singapore delivered double digit income growth
- In Korea, operating profits on a dollar basis were down, affected by the depreciation of the won, but on a constant currency basis, they grew 13 per cent
- India saw profits grow by 19 per cent in 2009, generating profits of over $1 billion for the first time

Our markets

	Number of markets	Operating income $million	Operating income growth %
Hong Kong	2	2,370	5
Singapore	1	1,592	21
Korea	1	1,554	0
Other Asia Pacific Key markets include China, Indonesia, Malaysia, Taiwan and Thailand	14	2,888	-2
India	2	1,813	7
Middle East & Other South Asia Key markets include Bahrain, Qatar and UAE	11	2,078	25
Africa	13	1,089	20
Americas, UK and Europe	27	1,800	11
Total	**71**[1]	**15,184**	**9**

[1] The number of markets has decreased by four as a result of closing four representative offices in Europe.

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 each delivering over $1 billion of income.

Hong Kong
One of our oldest franchises, we celebrated our 150th anniversary in Hong Kong this year. With a network of 77 branches and 223 ATMs, Hong Kong continues to be among the largest geographies in terms of both operating income and profits, which rose 7 per cent to $1.1 billion. Income streams are diversified with both Wholesale and Consumer Banking contributing to profits. Wholesale Banking has a strong client base and has continued to build on it through the expansion of product capabilities, including the acquisition of Cazenove Asia Limited, and the execution of its focused strategy. Consumer Banking is a significant income contributor. This year the focus was on balance sheet growth with successful market share gains in deposits and mortgages.

Singapore
Singapore is a key geography for us, with the headquarters of both our global Wholesale Banking and Consumer Banking businesses and 7 per cent of our headcount. This year we invested in new office property at prime locations such as Marina Bay Financial Centre and Changi Business Park. Wholesale Banking, building on its people and product capabilities, grew operating income by 37 per cent and was positioned well to take advantage of volatile market conditions, particularly during the first half of the year. Consumer Banking had a good year and continued to build and gain market share through customer-focused

Lagos at night: Although Nigeria continues to be our leading African market, Ghana, Kenya, South Africa, Uganda and Zambia also registered impressive growth

product innovation, such as the innovative pan-bank reward programme and the re-launch of its Priority Banking business, offering focused and flexible solutions tailored to the needs of customers.

Korea

We have a significant presence in Korea with one of our largest distribution networks, including 421 branches and 1,685 ATMs. The business is well diversified. We were the first international bank in Korea to set up a Financial Holding Company, which is expected to provide further opportunities for cross-sell and synergy, and we are the only bank in Korea to receive the Advanced Internal Ratings Based (AIRB) status under Basel II. Profits on a dollar basis were down 2 per cent, affected by the depreciation of the won. On a constant currency basis, however, profits grew 13 per cent.

Other Asia Pacific

Our presence in this region spans operations across 14 markets, including China, Indonesia, Malaysia and Taiwan. Business is diversified with a strong distribution network, especially in China (54 outlets and 114 ATMs) and Taiwan (86 branches and 359 ATMs). In Indonesia our significant branch network is enhanced by our 44.5 per cent stake in PermataBank which has around 300 branches across more than 50 cities. In China, we were the first bank to open onshore trade settlement accounts for offshore companies under the RMB cross-border trade settlement pilot scheme. Wholesale Banking increased profits across the region by 19 per cent primarily as a result of re-pricing and Private Equity gains.

India

India saw operating profits grow by 19 per cent, joining Hong Kong as the only other stand-alone market to generate profits in excess of $1 billion. Wholesale Banking, which was involved in several landmark Corporate Finance deals during the year, contributed significantly to this growth. Between banking operations and SCOPE, our shared service centre in Chennai, India accounts for nearly 25 per cent of our headcount. Across India, we also have a distribution network of 94 branches across 37 cities and 243 ATMs.

MESA

Whilst the UAE remains the largest of our MESA markets, others such as Bahrain and Qatar have also demonstrated tremendous potential. Our Islamic banking offering is managed from this region and has shown consistent growth over the past few years, with income doubling, growing by $60 million since 2008.

Africa

We have had a presence in Africa for 147 years and are a highly respected, well established household name, with deep-rooted local knowledge and experience across our 13 markets. Africa generated a record 54 per cent increase in profits. Although Nigeria continues to be our leading market, other countries such as Ghana, Kenya, South Africa, Uganda and Zambia registered impressive growth. Wholesale Banking delivered an exceptional performance, growing income by 30 per cent and deepening client relationships across the region. Consumer Banking growth was driven by SME and Wealth Management, whilst liability products benefited from the flight to quality in the wake of the financial crisis.

Americas, UK and Europe

Headquartered in London in close proximity to our lead regulator, the Financial Services Authority, this region is strategically important for the Bank's corporate governance. Wholesale Banking activities dominate operations in this region, which originates cross-border business with clients into our footprint countries. The Private Bank, which expanded through the acquisition of American Express Bank in 2008, focused on transformation and cost control amid challenging conditions in the private banking industry. Operating income in this region has increased by 11 per cent.

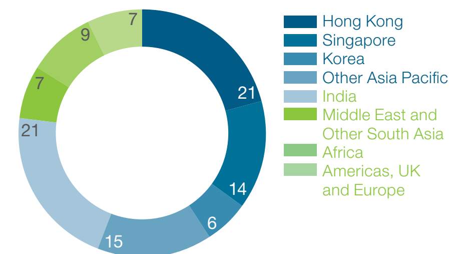
Number of branches and outlets

1,691

Number of ATMs

5,679

Profit before taxation by region (%) 2009



The Group in 2009
Sustained growth and financial discipline

Our highlights and achievements in 2009

- Record income and operating profits delivered despite significant foreign exchange and interest rate headwinds
- The seventh successive year of record income and profit growth and fourth year of $1 billion incremental organic income growth
- Diversified sources of income in both businesses, across multiple products and geographies
- Tight control of the expense base and disciplined investment in both businesses; improved cost to income ratio
- A continued disciplined and proactive approach to risk management with loan impairment falling in both businesses in the second half
- Strong capital position with Core Tier 1 ratio of 8.9 per cent further strengthened by strong organic equity generation and capital raising
- Highly liquid with an improving mix of liabilities and a Group advances to deposits ratio of 78.6 per cent

Our priorities in 2010

- Sustain our organic momentum and ensure we continue to grow income from a wide and diverse array of products
- Continued focus on the basics of banking: liquidity, capital, risk management and expenses
- Become increasingly important for our customers and clients Wholesale Banking will continue the disciplined and successful execution of its client-focused strategy
- Consumer Banking will continue on its strategic journey to a customer-focused model

Our performance

Operating income

$15,184m

2008: $13,968m

Profit before taxation

$5,151m

2008: $4,568m[1]

[1] Restated as explained in note 50 to the financial statements

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

Richard Meddings
Group Finance Director

Focus on the basics of banking

We have never lost sight of these key disciplines:

1 Liquidity
For further details see page 65

We have always taken a conservative approach to liquidity management and have further increased our liquidity during the recent crisis

2 Capital
For further details see page 68

We have taken a proactive approach to managing our capital position, raising capital as and when necessary, to support our business

3 Risk
For further details see page 44

We maintain a proactive approach to risk management

4 Costs

We continue to manage expenses tightly in the face of continued economic uncertainty

A strong performance against a backdrop of continuing economic uncertainty and significant regulatory change. The Group has diverse earning streams, is controlling expenses whilst investing selectively. Impairment trends are improving. We are well positioned for the opportunities and challenges of 2010.

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

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

The normalised cost to income ratio improved from 56.1 per cent in 2008 to 51.3 per cent. Normalised earnings per share increased by 2.8 per cent to 179.8 cents. Further details of basic and diluted earnings per share are provided in note 13 on page 136.

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

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

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

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

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

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

Operating income and profit

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

Group performance

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

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

Net interest income grew $236 million or 3 per cent. In Consumer Banking net interest income fell $331 million, or 8 per cent, as net margins on deposits remained some 60 basis points lower than in 2008, reflecting the low interest rate environment. Wholesale Banking net interest income rose $567 million or 17 per cent. The Cash Management and Custody businesses were also impacted by low margins and income here fell 24 per cent despite a 24 per cent growth in balances. However, the Trade and Lending businesses more than compensated for this reduction, growing income 26 per cent and 54 per cent respectively with re-pricing actions serving to increase asset margins. The Group's net interest margin fell from 2.5 per cent in 2008 to 2.3 per cent, with higher asset margins more than offset by compressed liability margins.

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

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

150 years in China: We are committed to our footprint

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

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

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

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

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

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

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

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

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

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

Acquisitions

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

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

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

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

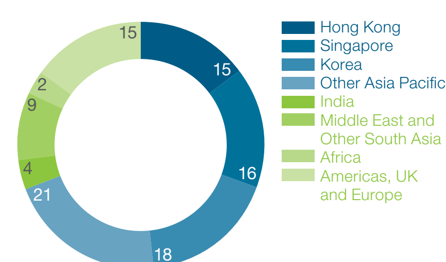
Geographic reporting

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

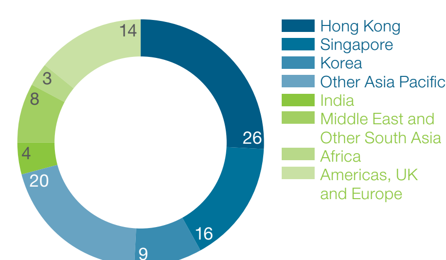
Balance sheet

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

Advances to customers by region (%) 2009



Customer deposits by region (%) 2009



Leading the way in Asia, Africa and the Middle East: We are committed to responsible business practices

Balance sheet

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

Advances, deposits, investments and borrowings

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

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

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

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

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

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

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

Assets and liabilities held at fair value

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

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

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

Equity

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

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

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

There were no significant movements in minority interests within equity.

Summary

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

Consumer Banking
Positioned for sustainable growth

Our objective

Our Customer Charter aims to:

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

Our strategy

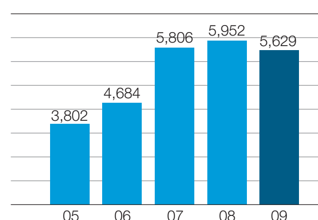
Our strategy is based on three pillars:

- 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 2010

- Continue to implement our new customer-focused transformation designed to drive sustainable competitive advantage
- Continue implementation of country models
- Deepen customer relationships by delivering on our Customer Charter
- Roll out new customer value propositions for all segments
- Deliver strong asset and deposit growth
- Further enhance efficiencies and productivity through re-engineering projects
- Maintain disciplined risk, cost and performance management

Operating income $million



Net Promoter Score Index

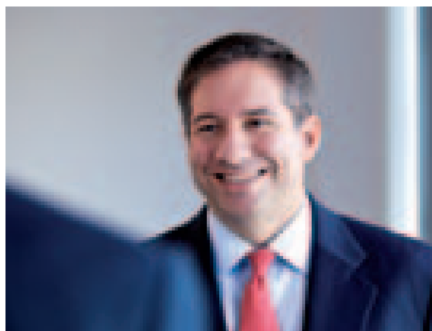
25.0

2008: 12.0
For further details see page 10

Secured lending as a % of total book

more than

75%



"The implementation of our strategy is on track and we are seeing early success. Our strategic shift towards becoming a more customer-focused consumer bank is helping us gain market share in our chosen markets and segments."

Steve Bertamini
Group Executive Director and Chief Executive
Consumer Banking

Measuring the success of our strategy

Eighteen months ago, Consumer Banking embarked on a major strategic transformation, shifting the emphasis from products to customers, adopting a more disciplined market participation model while enhancing efficiencies and productivity through re-engineering projects.

The transformation of the business is on track and progressing well, despite a continued difficult market environment with record low interest rates, weak currencies and significant margin compression, which have impacted results. While assets and liabilities grew at 20 per cent and 12 per cent respectively, liability margin compression and foreign exchange weakness have impacted income by about $1 billion.

The business regained momentum through 2009. Our franchise is now better positioned relative to competitors, as we continue to grow our balance sheet, gain market share, deliver better customer service, invest in strengthening our distribution network, hire more relationship managers and deepen customer relationships by increasing the number of products we sell per customer, through a needs-based approach.

Focusing on our customers

We are developing more differentiated and distinct value propositions for our customer segments. In the second half we relaunched Priority Banking across nine markets. As part of the relaunch, we introduced a market leading pan-bank relationship programme through our Visa Infinite credit card that rewards customers for their total banking relationship across products such as current and savings accounts, mortgages and investments in addition to credit card spending. Our customers have welcomed the new comprehensive offering, which has led to an increase in monthly customer acquisitions, helping drive market share in mortgages, cards and deposits.

Our enhanced focus on our customers is helping us deepen relationships and acquire more new-to-bank customers. We are reinforcing this through the introduction of a Customer Charter which has been developed after listening to customers to find out what they really want from a bank. Our Customer Charter objective is to provide fast, friendly and accurate service, solutions to our customers' financial needs, and recognise our customers' overall banking relationship, enabling us to become the Bank that customers recommend to their friends and colleagues.

We have had a very successful employee payroll campaign in partnership with Wholesale Banking, with more than 100,000 new customers acquired. We are cross-selling more products to our existing customers while creating exciting product bundles to attract new customers. Our focus on main bank relationships through more payroll accounts and enhancing online capabilities has resulted in growth in current and savings accounts (CASA) as a percentage of liabilities from 40 per cent to 55 per cent and payroll customers as a percentage of CASA doubling to 30 per cent.

Customer service has been materially enhanced and we have seen a 50 per cent reduction in customer complaints and 11 per cent increase in call centre productivity leading to a material increase in our Net Promoter Scores (NPS) across our key markets.

Investing for sustainable growth

Our proactive approach towards managing risk and our strong cost discipline, combined with continued quarter on quarter income and profit recovery, has enabled us to invest in our franchise over the second half. We are transforming our distribution network, enhancing remote banking capabilities, hiring more relationship managers, and investing to scale up technology and operations.

Distinctive customer-focused value propositions: Our enhanced focus on our customers is helping us deepen relationships

During 2009, 279 branches were either upgraded or opened in better locations. We also added 200 ATMs and replaced another 500, reducing the age of the ATM fleet, thereby providing a better customer experience. Our internet and mobile banking offering has been substantially strengthened with online banking now available in 29 markets and mobile banking in 30 countries.

To better serve the needs of our customers we hired an additional 700 relationship managers and over the next three years we plan on hiring an additional 1,000 relationship managers each year to support the growth of our Premium, Private and Small and Medium Enterprises (SME) segments.

We have continued to grow our Private Bank franchise and have seen 26 per cent growth in assets under management (AUM) in Asia with the number of customers growing by 25 per cent over last year. This was partially offset by a decline in AUM in Americas, UK and Europe. Our deposit led SME strategy has also shown resilience which combined with supporting government programmes has resulted in increased lending of $1.7 billion to this economically critical sector across markets.

With our new strategy in place, we made significant progress towards our goal to transform our business and to lay a solid platform for sustainable long-term growth. In 2010, the launch of our Customer Charter to our staff is a key milestone in our journey to become a world class customer-focused consumer bank.

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

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

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

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

Net interest income dropped $331 million, or 8 per cent, to $3,815 million. There was good growth in mortgage lending with balances up 21 per cent over the year and improved margins on 2008. However, even though liability balances were up 12 per cent on 2008, liability margins remained 60 basis points lower, pushing down net interest income.

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

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

Loan impairment increased by $115 million, or 12 per cent, to $1,052 million. In the first half of 2009, difficult credit conditions continued driving up impairment across all markets, mainly in the unsecured and SME portfolios. The portfolios have been actively de-risked and with an improving economic environment delinquency rates also improved in the second half of the year. Loan impairment was 13 per cent down on the first half.

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

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

"The second half of 2009 was more encouraging for the Consumer Banking business. Demand for Wealth Management products continued to recover, secured lending volumes were up and margins improved."

Consumer Banking

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	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**

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

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

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

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

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

Product performance

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

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

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

Geographic performance

Hong Kong

Income was down $81 million, or 7 per cent, to $1,082 million. To compensate for a subdued Wealth Management contribution the business focused on growing secured lending. Mortgage balances, including in the SME book, grew $2 billion, or 16 per cent, driven by successful HIBOR-linked mortgage campaigns. Income from these mortgages was also supported by a widening of the Prime-HIBOR spread. The Group captured approximately 17 per cent of all new Mortgage business booked in Hong Kong, up from 15.5 per cent in 2008. SME lending increased by 28 per cent. Fee income from unit trust sales started to pick up in the latter part of the year amongst signs of an increase in demand for structured products. Operating expenses were marginally higher at $604 million. Discretionary spend was carefully managed and headcount fell primarily through natural attrition. Working profit was down $98 million, or 17 per cent, to $478 million. Loan impairment remained flat at $104 million. In the latter part of 2008 loan impairment from the SME segment had increased. The upward trend was stopped by the Hong Kong government's SME loan guarantee scheme which now covers all our new SME exposures in Hong Kong. Personal bankruptcies peaked in April 2009 but have since reduced. Operating profit fell $66 million, or 15 per cent, to $379 million.

Singapore

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

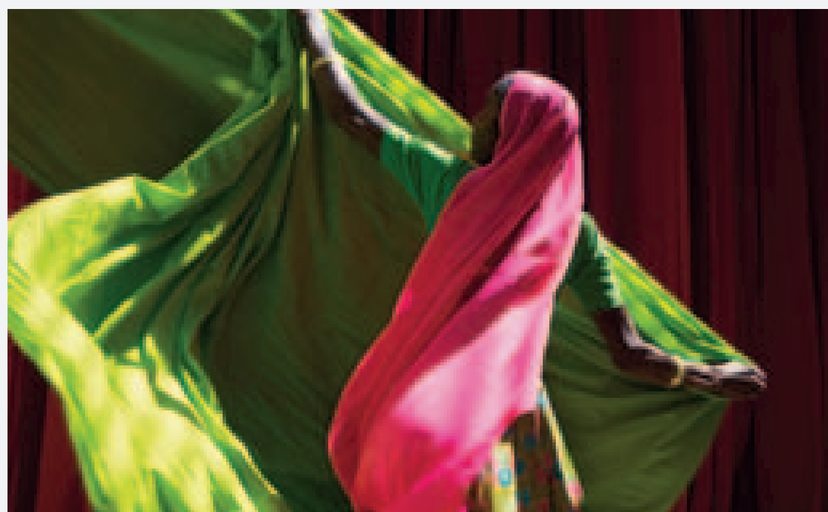
Korea

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

41 per cent on the first half as the SME portfolio continued to be de-risked and the environment improved. Operating profit was down $22 million, or 17 per cent, to $108 million, equating to a 10 per cent fall on a constant currency basis.

Other Asia Pacific

Income was down $110 million, or 8 per cent, to $1,283 million. All countries in Other Asia Pacific (Other APR) were adversely impacted by the slow down in Wealth Management. Income in China was up 20 per cent to $172 million driven by strong volume growth in personal loans and mortgages and improved asset margins. Income in Taiwan was severely affected by margin compression. However, there was strong double digit growth in Mortgage income as balances grew 10 per cent year on year. Income in Malaysia was down 7 per cent to $246 million, adversely impacted by the low interest rates. Operating expenses in Other APR were up $39 million, or 4 per cent, to $1,046 million. Expenses across the region were generally flat or down, with Taiwan driving the increase. This was due to the $170 million charge for the buy back of structured notes issued by the PEM Group, partly offset by a reduction in retirement obligations of $52 million. Efficiency gains in China enabled expenses to be held 4 per cent lower at $228 million whilst investing in four new outlets. Other APR working profit was down $149 million, or 39 per cent, to $237 million. Loan impairment was down $71 million, or 23 per cent, to $240 million. Taiwan delivered a $57 million reduction and Thailand a $22 million reduction in impairment as enhanced collection efforts took effect and delinquency rates improved. Loan impairment in China also reduced by $11 million to $3 million as portfolios improved, resulting in a reduction in the operating loss in Consumer Banking China to $60 million. Other APR delivered an operating loss of $5 million against a profit of $73 million in 2008.



Case study: SME Banking

Small and medium enterprises (SMEs) play a vital role in the growth of the world's economies. It is estimated that they employ almost two-thirds of the labour force and contribute between 30 to 65 per cent of gross domestic product (GDP) of countries. In China for example, SMEs employ about eight out of every ten workers and in India it is estimated that SMEs comprise more than 80 per cent of the total number of registered enterprises, which could be more than 450 million businesses.

While this segment has grown at approximately twice the rate of GDP in most markets, they largely remain under-banked and under-served across our footprint. Standard Chartered is committed to SME Banking in 30 countries across Asia, Africa and the Middle East, serving the needs of two segments – small businesses (turnover of up to $10 million) and medium enterprises (turnover between $10 and $25 million).

Our customer-focused approach enables us to understand the distinct needs of these segments and tailor appropriate solutions and products, combining expertise from Consumer Banking and Wholesale Banking. These include transactional services, lending, trade services, cash management and foreign exchange hedging. As bilateral trade grows and SMEs expand, they face many challenges related to international expansion, from overseas enterprise recognition to access to credit and from seamless opening of international accounts to conducting routine banking transactions. We understand these challenges and are uniquely positioned across the major trade corridors of Asia, Africa and the Middle East to serve the cross-border ambitions of our customers.

Based on our experience and customer feedback, we provide insights and know how to SMEs that go beyond products and services. We share our knowledge on trends in currencies and foreign exchange through economic updates, interest rate outlooks and sector-specific reports at seminars and conferences, organised for our SME customers in many countries. We have invested in building an online resource centre that has 11 simple modules ranging from cash flow analysis, strategies for penetrating new markets, leveraging technology and improving softer skills like influencing and negotiating.

Our customers tell us that these insights have proved invaluable for arming them with the knowledge to make informed decisions about their overseas plans.

During the recent economic downturn, we have partnered several governments to ensure continued flow of credit to this economically critical sector. The steady flow of credit during the crisis was considered absolutely essential and we have worked closely with institutions across markets including Hong Kong, Korea, Malaysia, Taiwan, Thailand and Singapore to help our customers during the crisis. Being open for business during this period demonstrates our commitment to our customers as well as to the markets in which we operate.

"Our efficiency measures created room for investments in relationship managers, infrastructure and products."

India

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

MESA

Income was down $22 million, or 3 per cent, to $678 million. The reduction in total MESA income was largely driven by Pakistan, where customer lending was significantly reduced and margin compression offset strong deposit growth. In the UAE, income was flat year on year and was impacted by a reduction in the high-yield personal loan portfolio in light of economic stress and tighter underwriting criteria. Wealth Management had a difficult first half, but recovered in the latter part of the year. Operating expenses in MESA were lower by $15 million, or 4 per cent, at $395 million. In Pakistan, expenses fell by $21 million, or 16 per cent, mainly due to exchange rate movements and efficiency initiatives. UAE expenses were up by $14 million, or 9 per cent, with investment in the Private Bank and branch refurbishment. Working profit for MESA was down $7 million, or 2 per cent, to $283 million. Loan impairment was higher at $285 million, 60 per cent up on 2008. This was predominantly in UAE where loan impairment more than doubled as unemployment increased. This resulted in higher delinquency on unsecured lending and some stress in the mortgage book. MESA delivered an operating loss of $2 million, compared to an operating profit of $112 million in 2008.

Africa

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

Americas, UK and Europe

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

Case study: Priority Banking

While the recent economic crisis has affected markets in which we operate, it has also demonstrated their resilience. Wealth in Asia is expected to sustain its growth momentum in the next three years at a rate of 10 per cent per annum – more than twice the projected rate for western economies. In addition over 40 per cent of the affluent population in the next few years will be new to the segment, providing significant opportunity to add value in managing their new wealth.

Standard Chartered's Priority Banking has a presence in 26 markets across Asia, Africa and the Middle East, offering a relationship programme to cater to the financial needs of affluent individuals having investible assets with the Bank of $100,000 and above.

Not surprisingly, the recent economic crisis has made customers more discerning about the banks responsible for advising them and placing their investments. They are asking more questions and expect better solutions and advice, advice that takes into account their individual circumstances and holistic needs. Customers are participating more in financial decision making and are likely to consolidate their banking relationships with the few they trust.

This shift in market environment and customer preferences played to our unique strength with its long-standing presence, deep understanding of customer needs and a strong franchise that differentiates us from our competitors. There was no better time for us to take Priority Banking to a new level, consolidating customers in a fragmented market and aspiring for a leadership position in this rapidly growing customer segment.

In the second half of 2009, we rolled out our refreshed Priority Banking value proposition across nine markets in Asia and the Middle East and we plan to expand across the rest of our network from early 2010.

Our new value proposition aims to take customer relationships to an enhanced level by addressing their comprehensive financial needs, rewarding them for their total relationship with us, enabling customers and their family members to access priority services anywhere in our footprint and making our services faster, easier and simpler. This refreshed offering is in line with our Customer Charter objective of providing fast, friendly and accurate service, solutions to our customers' financial needs and recognising our customers' overall banking relationships, enabling us to become the bank that customers recommend to their friends and colleagues.

By taking a customer-focused approach, we are seeing customers voting with their accounts. The number of new customers signing up to Priority Banking has doubled and we have seen a strong inflow of deposits and loan growth since our enhanced service was introduced.

Wholesale Banking
A consistent client-led strategy

Our objective

- Be the core bank to our clients, deepening and broadening relationships in our key markets
- Build scale in key local markets and increase cross-border opportunities across our network

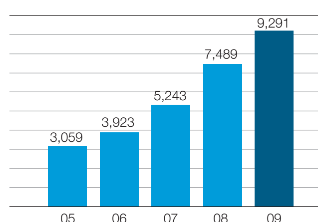
Our strategy

- Deepen client relationships
- Provide clients with a broader range of solutions and services

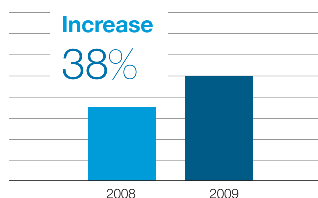
Our priorities in 2010

- Grow product capabilities in our core businesses and scale in key local markets
- Strengthen and deepen relationships to become core bank to key clients
- Increase cross-border opportunities across our international network
- Invest to increase industry coverage and grow our solution delivery capabilities
- Maintain disciplined management of costs, capital, liquidity and risk
- Continue to remain true to our values and culture

Operating income $million

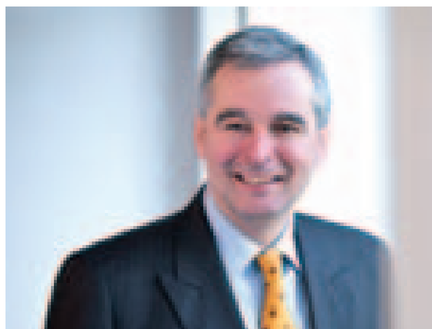


Income from top 50 clients



Client income as % total income

74%



"We continue to build our business by focusing on deepening our relationships with our clients, leveraging our international network to provide our clients with the solutions they need to achieve their ambitions around the world."

Mike Rees
Group Executive Director and Chief Executive
Wholesale Banking

Measuring the success of our strategy

Wholesale Banking achieved superior financial performance across client segments, products and markets, continuing the growth trajectory begun in 2002 which has seen profit double every three years. Our disciplined approach to executing our client-led strategy and supporting our clients has enabled us to outpace the competition and sustain our ability to deliver consistently strong results.

Operating profit for the business rose 36 per cent to $4,076 million. Total income grew to $9,291 million, with client income contributing about three-quarters, consistent with previous years.

We continued to manage expenses tightly, with costs and investments paced to ensure they were both flexible and in line with income growth. Expenses grew 11 per cent, a significantly lower rate than the 24 per cent income growth. Disciplined capital, liquidity and risk management continue to underpin our growth and to be differentiating competitive factors.

Growing core bank client relationships

Wholesale Banking continues to perform strongly in a challenging environment, maximising opportunities to further deepen and broaden our relationships with our clients in our key markets.

Across our client segments – Local Corporates, Global Corporates, Financial Institutions and Commodity Traders – we achieved remarkable results.

Headlining the growth was Global Corporates, which grew in excess of 40 per cent, a measure of the success of our Strategic Client Coverage Group, which was set up to drive our focus on deepening relationships with our top clients.

Local Corporates also delivered significant growth, up 21 per cent, reflecting progress against our goal of strengthening local franchises to grow scale in key markets.

Our focus on supporting our clients by staying open for business and providing them with the products and solutions they need to navigate through the current economic challenges has enabled us to achieve deeper penetration, with income from our top 50 clients growing by 38 per cent and adding another 45 clients, that generate income greater than $10 million.

Delivering the solutions our clients need

Our strong strategic focus on our clients is reflected in our prioritising of investment to increase industry coverage and grow our solution delivery capabilities.

The strength and breadth of our relationships, network and product capabilities has been a key contributor to our ability to support our clients and our success as a business.

Commercial Banking, which includes Lending, Transaction Banking and related Foreign Exchange, forms the core of our client franchise. More than half our client income in 2009 was derived from our Commercial Banking relationships.

Transaction Banking benefited from higher margins in 2009, driven largely by a strong performance in Trade Finance. As local and international competitors weakened, our commitment to clients and markets enabled us to expand our growing recognition as a top transaction bank in Asia, increasing our coverage of leading institutions by another 3 per cent to 31.5 per cent.

Growth in Global Markets, comprising Financial Markets, Corporate Finance and Principal Finance, remained strong despite a cautious market environment. Financial Markets was instrumental in contributing to client income growth as a result of strengthened capabilities and solution selling. Corporate Finance delivered 74 per cent income growth, built on a robust conversion of its pipeline and the build out of its Equities business.

Becoming the core bank to more clients: We are providing our clients with a broader range of solutions and services

In Principal Finance, we took advantage of more favourable equity markets and opportunities in our footprint to make selected investments alongside our clients and realise income gains of 33 per cent. Alternative Investments, in particular, grew by more than 50 per cent compared to the previous year.

In 2009, we also continued to reap the benefits of strategic acquisitions made over the last three years. Our new capabilities, acquired as we integrated Cazenove Asia, Pembroke, Harrison Lovegrove, A Brain and First Africa, enabled us to support our clients' growing needs.

Our international network centred in Asia, Africa and the Middle East continues to be a key competitive advantage. More than 30 per cent of Wholesale Banking's income is cross-border in nature, reflecting the strength of our international network and our success in capturing the growing opportunities to support our clients with the products and solutions they need to achieve their international business ambitions.

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

The market dislocation and volatility in the early part of 2009 enabled Wholesale Banking to drive exceptionally strong income growth. The business made gains in market share and benefited from increased asset margins. Competitors remained distracted and Asset and Liability Management (ALM) benefited from strong accrual income as a result of strategic positioning in late 2008. However low interest rates drove Cash and Custody income down and stressed economic conditions fuelled loan impairment. As economic conditions moderated in the second half so did income growth. Client income remained robust and there was good underlying volume growth in the lending and flow businesses. Loan impairment moderated as the economic conditions improved.

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

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

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

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

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

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

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

Product performance

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

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

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

Within Global Markets, the Financial Markets (FM) business was the largest contributor. Income was up $946 million, or 40 per cent, to $3,311 million. The FM business primarily comprises sales and the trading of exchange and interest rate products. In 2009, there has been diversification of income streams with increased contributions from commodity, equity and credit derivatives. Nearly 70 per cent of FM income was client driven. This included the sale of products to meet clients' hedging requirements, supported through upgraded risk management capabilities. We were favourably positioned to meet client demand for risk management solutions in a volatile and uncertain market, benefiting from wider bid-offer spreads and the rates business had a record year. This FM flow trading arose by virtue of being a market maker and was a key driver for the increase in own account income, which for the Group, also comprises ALM and Principal Finance.

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

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

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

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

Wholesale Banking

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

2009									
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	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**

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

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

[1] Geographic amounts restated as explained in Geographic performance and in note 50 to the financial statements on page 192. There is no change to the Group's total operating income or operating income by product for 2008.

[2] Other APR includes Malaysia: operating income $265 million, operating expenses $(84) million, loan impairment $1 million, other impairment $(21) million, operating profit $161 million.

Income by product is set out below:

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

[1] Global Markets comprises the following businesses: Financial Markets (Foreign Exchange, Interest Rates and other derivatives, Commodities and Equities, Debt Capital Markets, Syndications); ALM; Corporate Finance (corporate advisory, structured trade finance, structured finance and project and export finance); and Principal Finance (corporate private equity, real estate infrastructure and alternative investments).

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

Geographic performance

The Group maintains a Global Booking Unit (GBU) in the UK in which is recorded the income and expenses related to the private equity portfolio, portfolio management and some FM products. In 2008 income and expenses related to the private equity portfolio were apportioned and reported across a number of geographies and the remainder of the GBU was reported in Americas, UK and Europe. In 2009, FM income and expenses also apportioned over other geographies to better align financial reporting with underlying organisational changes. In order to facilitate a more meaningful comparison, the 2008 Wholesale Banking geography split has been restated. The geographic performance commentary is based on the restated 2008 numbers. A comparison of the 2008 results as originally reported and as restated can be found in note 50 on page 191. The restatement does not affect the Group's total operating income.

Hong Kong

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

Singapore

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

Korea

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

Other Asia Pacific

Income was up $38 million, or 2 per cent, at $1,605 million. Across Other APR, lending income increased through higher margins. However, this was offset by lower income from Transaction Banking which was impacted by lower margins in a low interest rate environment and intense competition. In China, a major component of Other APR, income grew by 16 per cent to $566 million with further benefit from the private equity portfolio. In Taiwan, income was down 19 per cent due to margin compression in both cash and custody despite record liability levels. Other APR operating expenses were up $18 million, or 3 per cent, to $732 million. Expenses increased as a result of staff and premises costs and flow through from prior year investments. China operating expenses were up 10 per cent to $252 million. In Taiwan, operating expenses were down 9 per cent reflecting a reduction in retirement obligations. Working profit in Other APR was higher by 2 per cent at $873 million. Loan impairment was up $30 million from $125 million in 2008. The increase was driven by Japan and Thailand. In China, loan impairment reduced by $4 million to $9 million. In Taiwan, the results of recovery actions offset new loan impairment charges. Other impairment benefited from the reversal of prior year provisions on sale of private equity investments. Operating profit was $118 million, or 19 per cent, higher at $746 million. China operating profit was $333 million.

India

Income grew $305 million, or 29 per cent, to $1,369 million. On a constant currency basis, income growth was 43 per cent. Income growth was broad based across all products. Trade and lending income was up through re-pricing and higher margins. Corporate Advisory income grew on the back of cross-border financing and leveraging deal structuring capabilities. This helped offset reduced Cash and Custody income which was impacted by margin compression and sluggish equity markets. Operating expenses of $323 million were flat to 2008. On a constant currency basis, expenses were higher by 8 per cent, driven by staff and premises related costs, partially

offset by a service tax rebate. Working profit was up $311 million, or 42 per cent, at $1,046 million. On a constant currency basis, working profit grew 59 per cent. Loan impairment was up $10 million, or 23 per cent, at $54 million driven by middle market clients. Other impairment release of $14 million reflects a recovery on Private Equity disposals compared to a $17 million charge in 2008. Operating profit was up $332 million, or 49 per cent, to $1,006 million. On a constant currency basis, operating profit grew 67 per cent. This constitutes 20 per cent of the Group's operating profit and makes India the first geography within the Wholesale Banking business to generate profits in excess of $1 billion.

MESA

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

Case study: Employee Banking Programme

Launched in March 2009, the Employee Banking Programme (EBP) highlights our approach to delivering solutions that support our clients and customers.

Combining products and solutions from our Wholesale and Consumer Banking businesses and leveraging the power of our international network, EBP offers access to employees of our corporate clients preferential banking services and benefits our corporate clients through improved end-to-end services and competitive pricing. Through EBP, we can also deliver integrated offerings of cash management services, enabling us to deepen and further extend our existing relationships.

The programme has already yielded impressive results with more than 600 Wholesale Banking and 3,750 Small and Medium Enterprise clients signed up as at the end of 2009, adding more than 100,000 new individual customers.

Africa

Income was up $172 million or 30 per cent, to $738 million. On a constant currency basis, income grew 54 per cent driven by excellent Corporate Finance and Capital Markets performances. Trade and Lending income increased on higher volumes benefiting from Asia trade flows coupled with aggressive re-pricing. This increase in income helped offset a fall in cash income where higher volumes could only partially make up for margin compression. Corporate Finance benefitted from several landmark deals. Whilst South Africa and Ghana registered particularly strong income growth, other major markets such as Kenya, Nigeria, Uganda and Zambia have all delivered broad based income growth. Operating expenses were up $10 million, or 3 per cent, to $324 million. On a constant currency basis, expenses were 18 per cent higher reflecting investments in people and infrastructure. Working profit was up $162 million, or 64 per cent, to $414 million. The loan impairment charge remained low at $26 million. Operating profit was up $150 million, or 63 per cent, to $388 million. On a constant currency basis operating profit doubled.

Americas, UK and Europe

Income was higher by $362 million, or 36 per cent, to $1,375 million. In 2009, there was broad based income growth in Commercial Banking and Trading income. Lending and Trade saw volume increases and re-pricing actions, which helped offset the drop in Cash income. The Fixed Income business was primarily driven by the growth in Rates and Commodities and Equity Derivative business. Trading income benefited from favourable ALM accruals in a low interest rate environment and from sales from the AFS portfolio. Operating expenses were higher by $37 million at $990 million. Staff expense increases were partially offset through a reduction in premises and other costs as synergies from the successful integration of American Express Bank (AEB). Working profit grew $325 million. Impairment was higher by $30 million or 150 per cent. Other impairment was $79 million, down by $83 million from 2008, which reflected write down of strategic investments. Operating profit was $256 million compared to an operating loss of $122 million in the previous year.

Case study: Growing with our clients

The acquisition of Cazenove Asia, a leading equity capital markets and institutional brokerage business, in January 2009 further strengthened our equities offering, enabling us to continue to support our clients' growing requirements for capabilities and solutions in this area.

Through our enhanced platform, we now offer the full spectrum of equity capital raising solutions, including initial public offerings (IPOs), rights issues and share placings, for our clients. Our global distribution capability is also complemented by the addition of an equities research team of some 30 analysts covering more than 270 listed companies across Asia.

The integration of these new capabilities is already delivering results. Clients, particularly those in Hong Kong and Singapore, have taken advantage of our new capabilities with notable successes including: rights issues and placings for Noble Group, Shui On Land, Gome Electrical Appliances, CapitaCommercial Trust and Pacific Andes.

More than $2.5 billion was raised across 22 transactions in 2009. This strong response from clients in taking up our new equities capabilities has also been recognised through our ranking in industry league tables.

People
A distinctive culture for competitive advantage

Our highlights and achievements in 2009

- Our culture and values continue to be a significant source of competitive advantage, with both businesses carrying out work to help people understand how our culture translates into everyday work with colleagues, clients and customers
- Launched online objective-setting globally, strengthening governance, facilitating faster development and cascade of business objectives and creating clearer expectations
- Increased leadership capability by developing senior leaders internally (68 per cent of senior management roles were filled by internal promotions) and capitalised on the current market turmoil to recruit top external talent. Extended our succession planning process to cover almost 600 roles and 69 nationalities are represented at senior management level
- Focused on employee engagement to drive productivity and business performance. Our staff engagement increased during a time of challenging market conditions, with significant increases in key markets
- Our robust remuneration policies, strong governance and the importance we placed on demonstrating the Bank's values, reinforced our emphasis on rewarding for long-term, sustainable performance. We continue to encourage greater differentiation in performance-related compensation, and have built an additional link to values in the operation of our enhanced clawback policy

Our priorities for 2010

- Engage all of our people around our brand, further embedding our unique culture
- Continue to attract, engage and retain superior talent in the context of intensified competition
- Further build diverse leadership capability through accelerated development and promotion of our talent
- Continue to ensure our compensation structures reward sustainable performance and comply with regulation

With 125 nationalities represented among over 75,000 employees, we are truly a diverse organisation. We have on the ground presence in 71 markets and use our in-depth local knowledge and understanding of cultures to provide a unique service to our clients and customers.

Our unique culture and values

Our culture and values are a source of competitive advantage which is hard to replicate. They are a key ingredient in what we believe is a unique emotional connection between the Bank and our employees, and between employees and our customers. In short, they encourage customers and employees to join us and stay with us.

The continued pace of change both externally and within the Bank is a challenge to our culture that we are taking steps to manage carefully. Our culture and values have formed a consistent thread for a number of years in leadership communications, performance management and reward processes. Furthermore, the need to nurture and reinforce our culture and values to help deliver sustained performance and growth across the business has become a sharper focus.

During 2009, the two businesses led the way in the Bank's work to evolve our culture and values as a source of competitive advantage. The emphasis has been on defining how each business and country can uniquely bring the culture and values to life, whilst reinforcing a One Bank approach. For example, in Consumer Banking the new Customer Charter sets very clear expectations to our front line employees on how to treat customers.

Across our most senior 700 leaders, we strengthened the importance of the values in the year-end performance and reward process, through a behaviour checklist designed to promote more detailed discussions about how our values have been brought to life during the year.

Our goal is for all of our employees to live our values more consistently, fully leveraging this important contributor to sustained performance and growth.

Building leadership capabilities

Strong leadership is critical to our success. It is through our leaders that we motivate employees, drive performance and impart our unique culture. We offer emerging leaders a series of programmes and workshops to support their personal development. In 2009, more than 200 of them benefited from one-on-one coaching, almost 2,000 went through our flagship Leadership Development programme and almost 3,000 (about 20 per cent) participated in our Great Managers workshops.

To ensure continued strong leadership and the future success of our organisation, it is vital to build a robust pipeline of talent. Our succession planning process this year covered almost 200 senior leadership positions, including all 44 chief executive positions and all core country management committee roles across 44 markets. We also considered successors for a further 102 pivotal roles, meaning that we now have contingency plans in place for key positions worldwide.

It is important that we not only grow our own talent from within, but also take advantage of our market position and brand strength to bring in new talent. We have deepened local talent in key markets by recruiting talented professionals with high visibility at senior levels, which has then helped us to attract additional new talent. Our staff referral programme is also very successful.

In order to build leadership from within, we have a number of specific programmes targeted at our high potential employees at each level, which help us to grow and develop them into our future leaders by providing mentors, networking opportunities, career discussions and specific learning opportunities. Last year our talent exchange programme between India and China gave over 60 talented individuals the opportunity to work in a very different and exciting markets, for a period of three months before returning to their home country. Our attrition rate for our senior managers is at a very low level and 68 per cent of our management appointments were filled internally.

Engagement

We recognise that an important part of sustaining business performance comes from engaging and motivating our employees. This year, 96 per cent of our staff participated in the Gallup Q^{12} Survey, which we use to measure engagement. This high participation rate reflects a strong commitment from employees to voice their opinions and demonstrates their trust in the process. Our overall score remained strong and Korea, Thailand and Taiwan showed significant increases in employee engagement. Engagement is a key factor in retaining talent and we are pleased to report that our attrition rate in our key markets has reduced by 5 per cent.

Maintaining engagement levels across our footprint is crucial. We ensure that teams create action plans and follow through on their commitments. This involves regular conversations with managers, which clarify what they expect of their teams, addressing concerns and difficult questions. We work closely with our leaders, offering them advice on communicating effectively with their teams to ensure that they bring out their best.

Female representation globally

45%

Number of nationalities represented globally

125

World class engagement in Korea: Our colleagues have led the way in building engagement throughout the business, creating a truly great place to work and driving business performance

As one example, following staff feedback, we launched a network of around 700 engagement champions in Korea. Their widespread presence within the organisation has increased the awareness and understanding of what great teams look like and how they can be created and sustained.

Strengthening performance culture

To reinforce our performance culture, we have launched a new global online system for managing performance which allows all employees to set their annual objectives online. This reinforces the basics of good people management and ongoing performance coaching by ensuring that all employees have stretching objectives in place and are clear of what is expected of them. A cascade process also ensures that all employee objectives are aligned to our agenda.

The system captures all employee performance and values objectives online so that managers and employees can agree and review them at the click of a button throughout the year. It also provides a structured method to capture progress and feedback from colleagues and managers. This is a key factor in high employee engagement and helps reinforce our culture as managers consider the extent to which each employee has lived the values in their roles each day.

Diversity and inclusion

Our diversity provides us with a unique competitive advantage and we work hard to maintain this and support our staff, who speak more than 170 languages. All mandatory employee training programmes are now translated into our core languages, including Bahasa, Chinese, Korean and Thai, and our Global English Programme is available to all staff. This year we also launched a comprehensive online cultural learning resource to help employees learn about different cultures and how to be more effective when working cross-culturally.

In 2010, we will roll out our award-winning flexible working policy to an additional seven key markets. An increasing number of staff now have the opportunity to work more flexible hours, part-time or home-based.

We are proactive in driving gender diversity in a number of specific markets and functions with a range of initiatives. We held four Women in Leadership programmes for talented women at the middle management level from Africa, Korea and the Middle East during the year. These two-day programmes provided an invaluable opportunity to gain relevant knowledge and skills.

Reward and recognition

The changing regulatory environment has made this a challenging year. Partly as a consequence of the review we initiated in 2008, our reward structures and practices are already well aligned with emerging regulatory guidelines. We recognise the importance of long-term performance and have structured our compensation packages to reinforce this longer term outlook. We have a One Bank approach to the structure of compensation, meaning that employees across the globe will be paid in accordance with a common reward philosophy wherever they are based. We aim to comply fully with regulation around remuneration in our markets and we were pleased to receive confirmation from the Financial Services Authority (FSA) that the structure of our 2009 arrangements complied with the FSA remuneration code.

Summary

Our people strategy and priorities have remained consistent over the last three years. We believe that our strong focus on emphasising our unique culture and values will continue to afford us competitive advantage in the market, particularly with the persisting economic uncertainty. Our continued focus on appointing and developing great managers and the right leaders, supported by a relentless focus on rewarding the ‘how’ as well as the ‘what’ are crucial to building sustainable high performance.

Sustainability
Commitment to our communities

Our approach

As an international financial institution, the greatest contribution we can make to the societies in which we operate is through our direct contribution to the real economy. We believe in promoting sustainable finance to contribute to the challenges and opportunities presented by social and environmental risk. We also empower our staff to help tackle the challenges we face in our markets, from environmental degradation to ill health.

Our sustainable business priorities

Our priorities in 2010

- Support innovation by identifying and supporting microfinance institutions and models in new product areas such as micro housing, agri microfinance, micro and small enterprise finance, asset backed financing for income generation and community project financing
- Roll out our Customer Charter to Consumer Banking customers, cementing our commitment to service excellence
- Encourage employee participation in community programmes by using their two-day volunteering entitlement
- Further embed our sector lending position statements and launch a water position statement
- Build depth in local talent pools, especially in key high growth markets
- Develop an action plan until 2013 for country environment committees
- Continue to meet our commitment to invest 0.75 per cent of the previous year's pre-tax operating profit in our community programmes

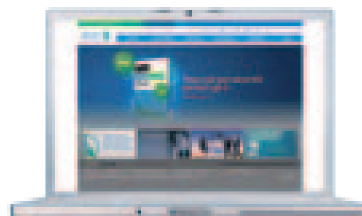
This year we maintained our commitment to building a sustainable business as a bank, simultaneously creating value for our shareholders, supporting our customers and contributing to the communities in which we live and work. This has underpinned our strategy and success for over 150 years across Asia, Africa and the Middle East; and it will be the foundation for our future.

For a bank, the crisis we have just been through means that taking sustainability seriously is no longer optional. We have to prove that our business model is sustainable. We have to demonstrate that we make a positive contribution to sustainable growth and development. We have to show that awareness of sustainability issues is deeply embedded in the way we run the business. We have taken on these challenges.

Banking is vital to restoring a vibrant global economy. Banks can be powerful contributors to economic and social progress. We believe that through building a sustainable business we can deliver, broadly, three positive outcomes: contributing to the real economy; promoting sustainable finance; and leading the way in our communities. Our commitment, to our clients and customers, to our investors, to our regulators, to other stakeholders in our markets and to our staff, is to be Here for good.

Peter Sands
Group Chief Executive

For further information please visit
standardchartered.com



Access to finance: In addition to tailored products and services, we offer technical assistance to the microfinance sector

Responsible selling and marketing: Our Customer Charter promises Consumer Banking customers that they will be treated fairly and receive excellent service, appropriate financing solutions and an enduring relationship

Contributing to the real economy

As an international financial institution, the greatest impact we can make to the societies in which we operate is through our direct contribution to the real economy. By offering products and services that serve the needs of our clients and customers we can enable individuals, corporates and other financial institutions to act as agents of economic activity.

We are committed to offering products that we, and our clients and customers, fully understand. By listening and responding to the needs of our clients and customers, we ensure that our products and services are deployed effectively to facilitate healthy economic activity.

Corruption, money laundering and terrorist activity can undermine the positive benefits of financial services provision and have a potentially devastating effect on our own business performance. We make tackling financial crime a priority, to guard against the risks posed by these corrosive activities.

Access to finance

More than three billion people worldwide currently lack access to basic banking services. Many live within communities in the countries in which we operate, and their inability to raise finance has a direct impact on economic activity.

This year we fulfilled our 2006 Clinton Global Initiative pledge to provide credit and financing worth $500 million to our microfinance partners, two years ahead of schedule. These funds have impacted the lives of more than 3.6 million people in 17 countries. In addition to tailored products and services, we also offer technical assistance to the microfinance and SME sectors, including fulfilling our Millennium Development Goal commitment in Pakistan.

We are also able to use our specialised skill set to provide advanced products and services to populations with very specific financing needs. Forecasts suggest that Islamic banking assets could reach $1 trillion by 2010. Standard Chartered Saadiq, our Islamic banking brand, currently offers more than 50 products and this year we assisted several central banks in the Muslim world to raise affordable finance in their local currencies through Sukuks, Shariah-compliant bonds.

Responsible selling and marketing

Treating customers fairly has moved to the top of the agenda for many financial regulators around the globe. We welcome this development and will monitor and adopt new rules and regulations as they come into force in the markets in which we operate.

In Consumer Banking, we have increased clarity around the segmentation of customers and developed products and services based on clearly identified needs. We have focused on resolving customer complaints in the shortest possible time, increasing our first time resolution rate from 40 per cent in 2008 to 46 per cent this year.

In Wholesale Banking, it is just as important that we treat our clients fairly and ensure that they are sold appropriate products for their needs. It is also central to our strategy to become the core bank for more clients. This year we recorded 9.8 complaints per 1,000 clients, down from 10.3 in 2008. We have focused on training our employees to make them aware of the features, mechanics and all potential risks of the products that they sell.

Tackling financial crime

We tackle financial crime in three ways: we minimise the risk that our products and services can be used by money launderers; we deny suspect terrorists access to our banking systems; and we build robust controls against fraud and corruption. This year we significantly enhanced the detection capability of our automated Norkom anti-money laundering system, resulting in an increase in the proportion of alerts converted to reported cases. In many cases we are reliant upon the awareness of our employees to prevent criminal financing activity. This year we prioritised the training of our staff, by rolling out a new anti-money laundering (AML) eLearning programme which has been completed by more than 42,000 staff. We have also enhanced our internal Speaking Up programme, which will be re-launched in 2010.

Highlights 2009

13
sector lending position statements implemented

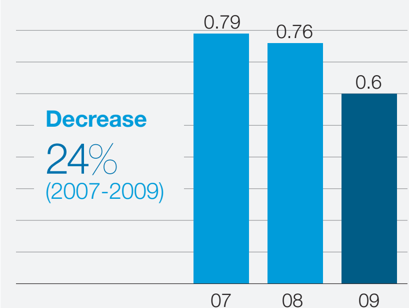
53%
decrease in Consumer Banking complaints ratio

8.3 million
beneficiaries of Seeing is Believing since 2003

42,000
employees completed AML eLearning

3.6 million
lives impacted by our Microfinance business

Air travel emissions/ Full-time employee (FTE) Tonnes CO^2/FTE/year



Promoting sustainable finance

The decisions we make around who and what we finance have a real impact on the sustainable development of our markets and the long term viability of our business. Our approach to sustainable finance includes managing the social and environmental risks associated with our lending decisions as well as seizing the opoprtunities presented by the growth in the renewable energy and environmental finance sector.

In 1997, we introduced an environmental and social risk policy that took into account the environmental and social impacts of lending decisions in our Wholesale Banking business. We have been a signatory to the Equator Principles since 2003 and apply them to all project finance and project advisory transactions irrespective of value. This year we implemented a series of 13 position statements to ensure that we have a consistent and cohesive approach to managing environmental and social risks across our business and financing activities. These provide guidance to all employees, including relationship managers, credit officers and portfolio managers. This year 3,302 employees completed an eLearning module in sustainable finance.

We adopt an approach of constructive engagement to manage social, environmental and governance risks associated with the projects and clients we finance, working with them to encourage progress towards international standards. This starts from the moment we establish contact with a client and continues throughout the duration of our relationship.

The renewable energy market was worth $155 billion in 2008, five times its value in 2004. Our core markets were identified as a major growth area for the industry, with China and India listed in the top five markets. To date, we have provided more than $3.6 billion across all segments of the renewable energy market.

Case study: Sustainable Finance

Working with our clients rather than walking away is our business philosophy. As an organisation committed to sustainable finance, we adopt an approach of constructive engagement with our clients to positively influence their environmental and social management practices.

We were the joint global coordinator, bookrunner, lead manager and sponsor for the Initial Public Offering (IPO) for China Forestry Holdings, one of the country's three largest privately held plantation forests.

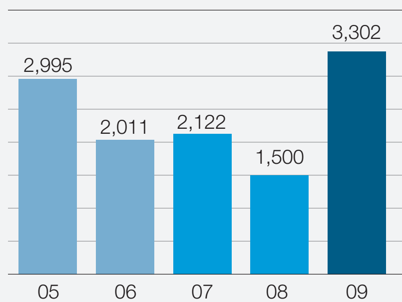
The transaction was the first IPO by a Chinese forestry operator on the Hong Kong Stock Exchange, and its proceeds will be used to acquire new forests and strengthen research and development capabilities.

We assessed the deal using the guidelines of our forestry and palm oil position statement. While China Forestry met the statement's mandatory elements, our deal team and our specialist Sustainability department worked closely to encourage the company to achieve Forest Stewardship Council's (FSC) certification.

As a company whose main business is the management and sustainable development of forestry, including the harvesting and sales of logs for the construction and manufacturing industries, China Forestry acknowledged the benefits of having FSC certification.

China Forestry, which operates forests in the Sichuan and Yunnan provinces, announced its intention to achieve FSC certification within two years of flotation, a move that was welcomed by investors. The commitment highlights the benefits of working proactively with our clients to manage environmental risk and help them meet international standards.

Number of employees trained in Sustainable Finance



13

sector lending position statements made public

Protecting the environment: Employees from our Country Environment Committee in Brunei volunteer at a local beach and promote environmental awareness in the community

Community Investment: A young boy in China removes his bandages after a cataract operation to restore his sight, funded by our Seeing is Believing programme

Leading the way in our communities

Our long heritage across our diverse geographic footprint relies upon a deep understanding of the markets in which we operate, an appreciation of the challenges they face and a commitment to working in partnership with them to overcome these challenges. Our employees across Asia, Africa and the Middle East are crucial in helping us to achieve this, both as ambassadors for our brand and agents of change. We empower our employees to help reduce our operational impacts and participate in our community programmes, through employee volunteering and champion networks. This activity is at the heart of our unique culture and is the reason why many of our people choose to work for us.

Great place to work

For more information on how we make the Bank a great place to work see page 37.

Protecting the environment

We are aware that our carbon footprint has an effect on the global environment. However, we believe that by encouraging behavioural changes at both the institutional and individual level, we can mitigate the environmental impact of our business operations. We have had an environmental strategy in place since 1998, which was updated in 2008 and sets targets to 2011. This is fully supported by our Group Environment Committee (GEC) that formalises our sustainability commitments and manages their delivery through our network of Country Environment Committees.

This year we were responsible for less than 350,000 tonnes of carbon dioxide as a direct result of building energy use and air travel, equating to fewer than five tonnes per full-time employee. We have also made significant steps to embed environmental considerations into our core business operations. For example, we introduced e-statements across Bangladesh, Indonesia, Pakistan, Thailand and the UAE, which led to a 20 per cent reduction in the number of customers requiring printed statements and equates to an annual saving of $3.9 million.

Community investment

This year our three global programmes, Seeing is Believing, Living with HIV and Goal, as well as our regional programme Nets for Life, made significant progress against their respective targets.

Seeing is Believing is a public-private partnership that addresses avoidable blindness. Launched in 2003, the programme has gone from a simple staff-led initiative to raise enough money to carry out 28,000 cataract operations to a $37 million global funding initiative reaching out to more than 30 million people. In 2008 we committed to raise a further $20 million to provide eye care facilities to 20 million people across 20 cities by 2013. This year $3.2 million was raised bringing total fundraising to $5 million since launch.

We have run a workplace HIV education programme, called Living with HIV, since 1999, which currently involves a network of more than 1,150 HIV Champions in 50 countries. Working with local communities, our HIV Champions delivered face-to-face education sessions to 630,000 people in 2008 and 2009. Since committing to educate one million people between 2007 and 2010, we have received pledges totalling 1.125 million people.

Goal, our initiative that uses sport and life skills education to transform the lives of adolescent girls around the world, was launched in India in 2006. This year we changed the lives of more than 1,600 girls in India with Goal programmes in Delhi, Mumbai and Chennai and next year we will expand to a further four countries.

We joined forces with five other donors in 2006 to launch Nets for Life and provide one million long-lasting insecticide treated nets across 15 African countries. We committed a further $5 million in October 2008 to distribute five million more by 2013. Since the programme launched, 1.7 million nets have been distributed and over 3 million people educated on how to use them.

Highlights 2009

1.125million
people pledged to receive our HIV/AIDS education

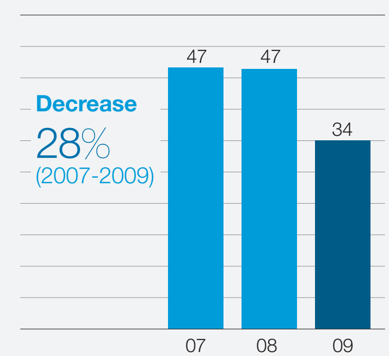
$3.6billion
extended to renewable energy market

68%
of senior level appointments filled with internal candidates

No.1
in international Sukuk league tables

75%
of Wholesale Banking complaints resolved in under 2 days

Total paper consumption/ Full-time employee (FTE) Kg/FTE/year



Risk review
Managing risk responsibly

Risk profile

Diversified portfolio with low exposure to higher risk asset classes and segments

- No individual country 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 no direct exposure to the US sub-prime market
- More than 75 per cent of Consumer Banking assets are secured, and approximately 70 per cent of Wholesale Banking loans and advances are short-term

Strong liquidity position

- We have a strong advances-to-deposit 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 which can be realised if a liquidity stress occurs

Robust risk governance structure and experienced senior team

- We have a clear statement of risk appetite which 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 which assigns accountability and responsibility for the management and control of risk

The following parts of this Risk review form part of the audited financial statements: from the Risk management on page 48 to the end of the Liquid asset ratio section on page 66, with the exception of the Asset backed securities section on page 61 and the Market risk regulatory capital section on page 65.

Risk overview

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

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

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

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in more than 70 countries and there is no single country which accounts for more than 20 per cent of loans and advances to customers, or operating income. Our cross-border asset exposure is diversified and reflects our

"Standard Chartered has a diversified portfolio with low exposure to higher risk asset classes and segments. We have a robust risk governance structure and an experienced risk team. Our balance sheet and liquidity position remain strong."

Gareth Bullock
Group Executive Director

strategic focus on our core markets and customer segments. Approximately half of our loans and advances to customers are of short maturity, and within the Wholesale Bank approximately 70 per cent of loans and advances have a tenor of one year or less. More than 75 per cent of Consumer Banking assets are secured.

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

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

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

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

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

With effect from 4 March 2010, the Board Audit and Risk Committee will be split into a Risk Committee and an Audit Committee, to align with the recommendations of the Walker Review (see page 90 in Corporate governance). Also as of March 2010, the Group Chief Risk Officer will report to the Group Finance Director and to the Risk Committee.

Risk performance review

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

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

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

Principal uncertainties

- Changing macroeconomic conditions in footprint countries
- Changes in regulations and laws
- Financial markets dislocation
- Geopolitical events
- Reduced access to funding
- Exchange rate movements

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

Elsewhere, the portfolio remained resilient. There were non-material levels of impairment on the ABS portfolio in 2009. The carrying value of the ABS portfolio reduced, primarily as a result of redemptions and some sales. The overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. Our net exposure to ABS represents less than 1 per cent of total Group assets and has had limited impact on our performance.

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

Uncertainties	Description	Mitigants
Changing macroeconomic conditions in footprint countries	• Changes in 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 • Our risk management processes are proactive and dynamic, allowing us to respond quickly to changes in economic conditions or outlook
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 have low exposure to risky assets • 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
Reduced access to funding	• Liquidity risk is the risk that we either do not have sufficient financial resources available to meet all our obligations and commitments as they fall due, or can access funding only at excessive cost	• We seek to manage our liquidity prudently in all geographical locations and for all currencies • Our customer deposit base is diversified both by type and maturity, and we have a low dependence on wholesale funding • We also hold a portfolio of liquid assets that can be realised if a liquidity stress event occurs
Exchange rate movements	• Changes in exchange rates affect the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar-denominated branches and subsidiaries • A fall in the value of the US dollar could also impact trade flows and the wealth of our clients that hold US dollar-denominated assets, 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 judgements and predictions about the future.

A description of our principal risk types and our approach to managing them are set out in our Risk management section starting on page 48. The key uncertainties we face in the coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that we may experience.

Changing macroeconomic conditions in footprint countries

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

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

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

Regulatory changes and compliance

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

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

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

Both unilaterally and through our participation in industry forums, we 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.

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

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

On 29 February 2008, the Group completed the acquisition of American Express Bank (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.

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

Financial markets dislocation

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

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

We have low exposure to risky asset classes and segments. We also maintain robust appropriateness and suitability processes to mitigate the risk of customer disputes. We 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, and conduct stress tests of the impact of extreme but plausible geopolitical events on our performance and the potential for such events to jeopardise our ability to operate within our stated risk appetite.

Reduced access to funding

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

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

Exchange rate movements

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

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

	2009	2008
Indian rupee		
Average	**48.35**	43.50
Period end	**46.54**	48.65
Korean won		
Average	**1,276.62**	1,101.82
Period end	**1,164.47**	1,259.91
Singapore dollar		
Average	**1.45**	1.42
Period end	**1.40**	1.44

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

Risk management

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

Risk management framework

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

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

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

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

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

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

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

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

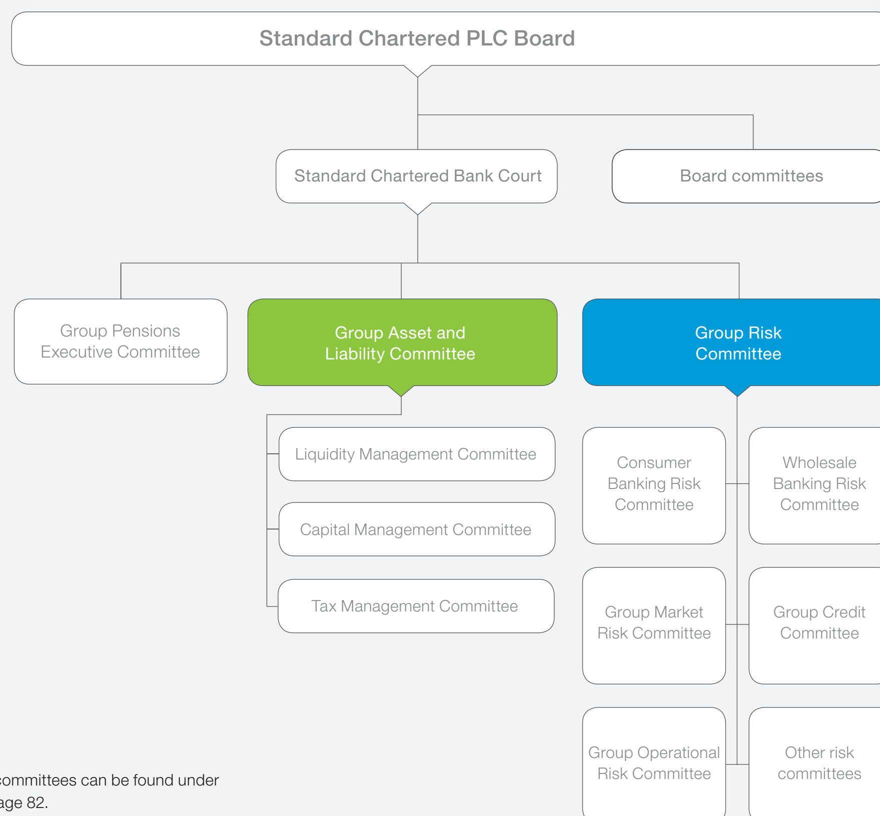
The Group Pensions Executive Committee is responsible for the management of pension risk.

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

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

Acting within an authority delegated by the Board, the Audit and Risk Committee (ARC), whose members are all non-executive directors of the Group, reviews specific risk areas and monitors the activities of the GRC and GALCO. The ARC receives regular reports on risk management, including our portfolio trends, policies and standards, adherence with

Group risk committee structure[1]



[1] More information on board committees can be found under Corporate governance on page 82.

Risk policy framework

internal controls, regulatory compliance, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. As of 4 March 2010, the ARC will be split into a Risk Committee and an Audit Committee (see page 90).

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

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

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

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

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

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

The Risk function is also responsible for maintaining the Group's Risk Management Framework (RMF), ensuring it remains appropriate to the Group's activities, and is effectively communicated and implemented across the Group. The Risk function also administers our risk-related governance and reporting processes.

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

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

Risk appetite

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

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

We define our risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. We also define a risk appetite with respect to liquidity 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 is responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing

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

Our stress testing framework is designed to:

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

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

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

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

Credit risk

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

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

Credit policies

Group-wide credit policies and standards are considered and approved by the 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 judgement and experience, in informing risk taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

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

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

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

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

Credit approval

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

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

Concentration risk

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

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

Credit monitoring

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

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

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

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

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

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

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

Credit mitigation

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

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

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

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

Traded products

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

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

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

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

Securities

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

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

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

Loan portfolio

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

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

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

Growth in the Wholesale Banking customer portfolio was $9.6 billion, or 10 per cent. Growth was spread across several regions, with Singapore particularly strong at $6.9 billion, or 72 per cent of that growth. The growth in Singapore is primarily in trade loans, due to business growth and the acquisition of new clients, receivables financing and other corporate loans.

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

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

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

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

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

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

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

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

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

Maturity analysis

Approximately half of our loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short-term, with 70 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 61 per cent of the portfolio is in the mortgage book, traditionally longer term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

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

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

	2008			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	2,357	6,883	38,327	47,567
Other	11,575	7,118	2,756	21,449
Small and medium enterprises	6,780	2,653	2,215	11,648
Consumer Banking	20,712	16,654	43,298	80,664
Agriculture, forestry and fishing	1,008	259	137	1,404
Construction	1,943	356	26	2,325
Commerce	15,732	1,477	142	17,351
Electricity, gas and water	1,108	345	1,233	2,686
Financing, insurance and business services	19,057	6,026	480	25,563
Governments	4,476	43	163	4,682
Mining and quarrying	3,238	1,449	1,133	5,820
Manufacturing	18,300	5,293	1,266	24,859
Commercial real estate	2,186	4,064	107	6,357
Transport, storage and communication	2,988	1,743	1,054	5,785
Other	1,271	337	59	1,667
Wholesale Banking	71,307	21,392	5,800	98,499
Portfolio impairment provision				(651)
				178,512

Problem credit management and provisioning

Consumer Banking

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

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

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

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

The procedures for managing problem credits for the Private Bank and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 58).

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

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing. This metric should be considered in conjunction with other credit risk and collateral information including that contained in note 48 to the financial statements.

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

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

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

2009

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

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

2008

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

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

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

2009

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

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

2008

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

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

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 $1.1 billion since 2008, and this is driven by a small number of individually significant accounts, the largest of which are two closely linked customers in Saudi Arabia, included within the MESA region.

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

The total net impairment charge in Wholesale Banking has increased by $564 million, largely driven by the increase in the MESA region. A significant individual impairment charge has been taken against two closely linked customers in Saudi Arabia. To address the exceptional amount of economic stress still being experienced in the region, and the unusual level of uncertainty, the Group has significantly increased the portfolio impairment provision in 2009.

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

2009

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

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

2008

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

[1] Other APR includes Malaysia: Gross non-performing $16 million and Individual impairment provision $(16) million.

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

2009

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

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

2008

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

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

Movement in Group individual impairment provision

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

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

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

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

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

Asset backed securities

Total exposure to asset backed securities

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

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

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

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

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

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

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

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

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

The Group reclassified some asset backed securities from trading and available-for-sale to loans and receivables with effect from 1 July 2008. The securities were reclassified at their fair value on the date of reclassification. Note 14 on page 143 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in the twelve months to 31 December 2009.

Writedowns of asset backed securities

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

Country cross-border risk

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

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

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

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

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

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

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

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

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

Market risk

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

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

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

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

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

Value at Risk (VaR)

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

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

We apply two VaR methodologies:

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

In both methods an historical observation period of one year is chosen and applied. VaR is calculated as our exposure as at the close of business, generally London time. Intra-day risk levels may vary from those reported at the end of the day.

Back testing

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

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

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

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

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The 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 rose in 2009 against 2008. This stemmed mainly from the non-trading book VaR, and reflected sharp increases in the volatility of credit spreads that followed the collapse of Lehman Brothers in September 2008. The one year historic data window applied as an input to the VaR model continued to reflect this period of particularly high credit spread volatility throughout most of 2009. Average trading book VaR rose slightly in 2009, with Commodities and Equities VaR increasing as these businesses continue to expand their activities.

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

Market risk VaR coverage

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

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

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

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. Equity shareholdings are detailed in note 22 to the financial statements on page 151.

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

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

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

Average daily income earned from market risk related activities

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

Market risk regulatory capital

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

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

Derivatives

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

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

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

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

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate customers. This is covered in more detail in the Credit risk section on page 51.

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

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

Structural currency exposure management

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

Liquidity risk

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

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

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

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

Policies and procedures

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

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

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

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

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

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

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

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

Primary sources of funding

A substantial portion of our assets is funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The Asset and Liability Committee (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. This seeks to ensure that we have flexibility around maturity transformation, have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities.

Liquidity metrics

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

Advances to deposit ratio

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

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

[1] Refer to note 18 to the financial statements on page 148.
[2] Refer to note 30 to the financial statements on page 161.

Liquid asset ratio

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

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

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

Operational risk

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

The Group Operational Risk Committee (GORC) oversees the management of operational risks across the Group, supported by business, functional, and country-level committees. This formal structure of governance provides the 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. An independent assurance function, separate from the business and functions, is responsible for assuring adherence to our operational risk controls.

Regulatory risk

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

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

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

Reputational risk

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

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

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

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

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

Pension risk

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

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

Tax risk

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

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

Capital

Conservatively managing capital levels and mix, to ensure strong foundations

Capital as a source of competitive advantage#

- 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, has enabled us to remain open for business, support our clients and seize business opportunities
- Capital implications of regulatory reform are uncertain but with a strong capital position and low exposure to higher-risk asset classes and segments we engage from a position of strength

Except where indicated (#) this information is an integral part of the audited financial statements.

Capital management

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

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

The capital plan takes the following into account:

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

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

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

Current compliance with Capital Adequacy Regulations

Our lead supervisor is the 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 44 to 67.

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

The table on page 70 summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital increased by $5,823 million during the year. The issue of shares in August 2009 increased ordinary share capital by $65 million and the $5,073 million increase in eligible reserves is primarily on account of retained profits less dividends paid. We issued $1,500 million of Innovative Tier 1 securities in the period and gave notice of redemption of EUR500 million of Preferred Securities in full. Qualifying subordinated liabilities, net of associated amortisations, decreased on account of the redemption of a variety of Upper and Lower Tier 2 securities amounting to approximately $1,000 million, the impact of which was partially offset by the issuance of TWD10 billion and KRW300 billion Lower Tier 2 subordinated debt.

Basel II

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

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

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

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

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

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

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

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

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

	2009 $million	2008[1] $million
Core Tier 1 capital:		
Called-up ordinary share capital	**1,013**	948
Eligible reserves[2]	**25,001**	19,928
Minority interests	**256**	228
Less: excess expected losses[3]	**(502)**	(483)
Less: securitisation	**(97)**	(85)
Goodwill and other intangible assets	**(6,620)**	(6,361)
Other regulatory adjustments	**51**	5
Total Core Tier 1 capital#	**19,102**	14,180
Innovative Tier 1 securities	**2,860**	1,974
Preference shares	**2,694**	2,664
Tax on excess expected loss	**163**	130
Less: material holdings	**(237)**	(216)
Total Tier 1 capital	**24,582**	18,732
Tier 2 capital:		
Eligible revaluation reserves	**253**	107
Portfolio impairment provision	**242**	251
Less: excess expected losses[3]	**(502)**	(483)
Qualifying subordinated liabilities:		
Perpetual subordinated debt	**1,535**	1,823
Other eligible subordinated debt[4]	**9,547**	10,520
Less: amortisation of qualifying subordinated liabilities	**-**	(1,126)
Less: material holdings and securitisations	**(335)**	(301)
Total Tier 2 capital	**10,740**	10,791
Deductions from Tier 1 and Tier 2 capital	**(57)**	(81)
Total capital base	**35,265**	29,442
Risk weighted assets#		
Credit risk	**173,315**	161,276
Operational risk	**20,696**	18,340
Market risk	**19,912**	9,205
Total risk weighted assets#	**213,923**	188,821
Capital ratios		
Core Tier 1 capital#	**8.9%**	7.5%
Tier 1 capital#	**11.5%**	9.9%
Total capital ratio#	**16.5%**	15.6%

[1] The capital for December 2008 has been restated in accordance with the definitions of core Tier 1 capital as advised by the FSA on 1 May 2009.
[2] The tax benefit on excess expected losses is included 50 per cent in eligible reserves and 50 percent in tax on excess expected losses.
[3] Excess expected losses are shown gross.
[4] Subsequent to the reporting date, notice was given for the redemption of $500 million from other eligible subordinated debt.

Risk weighted assets#

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

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

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

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

Credit risk RWA increased by $12 billion, or 7 per cent, largely driven by downgrades in Wholesale Banking resulting in an increase of $13 billion as a result of credit migration. The rate of credit migration eased in the second half of the year, accounting for $2 billion of the $13 billion during the year.

Asset growth was muted resulting in an RWA increase of $1.6 billion whereas savings through RWA efficiencies ($5.2 billion) were higher through collaterals, better data capture and lower risk weighting of the product mix. Against this, savings through the use of CDOs decreased by $1.6 billion due to challenging market conditions. In Consumer Banking the RWA growth was more muted and mainly driven by increases in Other APR, secured on real estate property and Small and Medium Enterprises (SME) portfolios, and Singapore, due to the increase in cards, mortgages, SME and private banking, partly offset by a decline in retail and personal loans.

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

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

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, a fellow of the Royal Society of Arts and chairman of The Work Foundation. 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 61.

2. Peter Sands
Group Chief Executive
Appointed Group Chief Executive on 20 November 2006. Peter 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 & Co, where he was a director working in the banking and technology sectors in a wide range of international markets. Age 48.

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. and a member of the board of the Financial Reporting Council. He is also non-executive chairman of Moorfields Eye Hospital and a member 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. He has demonstrated a detailed understanding of financial, risk and governance issues in the nine years that he has served on our Board. Rudy has demonstrated excellent stewardship as Chairman of the Audit and Risk 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 and Risk Committee and the Nomination Committee. Age 63.

4. Richard Meddings

Group Finance Director

Richard was appointed 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, 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 51.

5. Steve Bertamini

Group Executive Director

Appointed Chief Executive, Consumer Banking on 1 June 2008, Steve 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 45.

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 Group 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 second largest market in the Group today. Age 49.

7. Gareth Bullock

Group Executive Director

Gareth joined the Group in 1996 to head Corporate Banking and Governance in the UK before moving to run what is now Wholesale Banking in Hong Kong, China and North East Asia. During this time, the Group enjoyed unprecedented growth in this franchise and laid the foundations for the China business. Subsequently, he held a number of senior positions including Chief Executive Officer, Africa, where he modernised our African business and opened our successful Nigerian business. As Group Head, Technology and Operations, he led the development of our Global Shared Service Centres in Chennai and Kuala Lumpur and during his tenure as Head, Group Strategy, the Group made significant strides in implementing its current strategy, including key acquisitions.

After a long and distinguished career with Standard Chartered, Gareth will be stepping down from the Board with effect from 30 April 2010. His responsibilities for the Risk function will move from 4 March 2010, to Richard Meddings, Group Finance Director. Age 56.

8. Richard Delbridge

Non-Executive Director

Richard joined the Board on 1 January 2010. Richard has been senior independent director of Tate & Lyle PLC since December 2003.

In 1976, he joined JP Morgan 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 director positions include JP Morgan Cazenove, Fortis N.V., 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 extensive banking and financial accounting knowledge. Age 67.

9. Jamie Dundas

Non-Executive Director

Appointed to the Board on 15 March 2004. He is chairman of Jupiter Investment Management Holdings Limited and will be stepping down as non-executive director of Drax Group plc on 21 April 2010. He is also chairman of Macmillan Cancer Support. Over his career, Jamie has been 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 59.

10. 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 on the UN Secretary-General's Advisory Board on Water and Sanitation as well as founding chair of the High-Level Expert Panel on Water and Disaster/UNSGAB. Dr Han brings with him valuable knowledge of Asia and economics. Age 73.

11. Val Gooding, CBE
Non-Executive Director
Appointed to the Board on 1 January 2005. Val is a non-executive director of J Sainsbury plc, the Lawn Tennis Association and the BBC and a trustee of the British Museum. 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 59.

12. Simon Lowth
Non-Executive Director
Simon will be 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 48.

13. Ruth Markland
Non-Executive Director
Ruth was appointed to the Board on 3 November 2003. Ruth 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 57.

14. 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 and 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 55.

15. 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 54.

16. Paul Skinner
Non-Executive Director
Appointed to the Board on 3 November 2003. Paul is chair 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. 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 65.

17. Oliver Stocken
Non-Executive Director
Appointed to the Board on 1 June 2004. Oliver is chairman of Home Retail Group plc, Oval Limited and Stanhope Group Holdings Limited. He is also chairman of the MCC, trustee director of the Cricket Foundation 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 our Board. Age 68.

18. Annemarie Durbin
Group Company Secretary

Senior management

Group Management Committee
The Group Management Committee as at 3 March 2010, 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 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 43.

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 the Old Mutual Group Financial Services and before that was a member of the global executive board of UBS investment banking division. Age 50.

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, vice president, organisation and resourcing at the Chartered Institute of Personnel and Development and chairman of the Governing Body of the School of Oriental and African Studies. Age 52.

4. V Shankar
Joined Standard Chartered in 2001. Shankar is Group Head of Origination and Client Coverage and is Executive Chairman of Principal Finance and Chairman of The Standard Chartered Private Bank. He has previously held the position of Group Head, Corporate Finance. He is a member of the board of the Inland Revenue Authority of Singapore and a member of the Economic Strategies Committee, National Integration Council and on the board of trustees of Sinda, Singapore. Age 52.

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 non-executive director of Scope International Private Limited and Standard Chartered Bank (China) Limited, and is a non-executive director of Monitise Plc. Prior to joining the Group he was chief information officer – EMEA at Dell. Age 46.

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Report of 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 2009.

Business review

We are required to present a fair review of our business during the financial year ended 31 December 2009, 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 2 and 3, the Group Chief Executive's review on pages 4 to 7, the Group, Consumer Banking and Wholesale Banking sections of the Business review on pages 16 to 36, the Risk review section of the Operating and financial review on pages 44 to 67 and the Key performance indicators on pages 10 and 11, 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 more than 1,600 branches and outlets 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 44.80 cents (2008: 42.32 cents) on 3 March 2010 for the year ended 31 December 2009. This, together with the interim dividend already paid, makes a total dividend for 2009 of 66.03 cents (2008: 61.62 cents on a post-rights issue basis). The final dividend, if approved at the 2010 Annual General Meeting (AGM), will be paid on 13 May 2010 to shareholders on the register as at 12 March 2010.

Ordinary shareholders will be offered the choice to receive their cash dividends in either sterling, Hong Kong dollars or US dollars. A share dividend alternative to the cash dividend will also be offered during 2010.

Going concern

Having made appropriate enquiries, we consider that the Company and the Group as a whole have adequate resources to continue 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.

Share capital

The issued ordinary share capital of the Company was increased by 129,022,533 during the year. 12,594,749 ordinary shares were issued under the Company's employee share plans at prices between nil and 1,088.03 pence. 41,427,784 ordinary shares were issued under the Company's share dividend scheme, and 75,000,000 ordinary shares were issued through a placing of shares announced on 4 August 2009. Further details can be found in note 37 on page 171.

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 76.09 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.

The Company's memorandum and articles of association contain details relating to the rules that the Company has about the appointment and removal of directors or amendment to the Company's articles of association which are incorporated into this report by reference.

Authority to purchase own shares

At the AGM held in May 2009, our shareholders renewed the Company's authority to make market purchases of up to 189,697,263 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 20 March 2009, 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 2009. 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 laws and regulations 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.

Major interests in shares and voting rights

As far as the directors are aware as at 2 March 2010, 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*	369,468,445	–	18.38
Blackrock, Inc	124,942,939	–	6.18
Legal & General Group Plc	80,535,095	3.98	–

* The Company has been notified that Temasek's interest in its total voting rights is held indirectly through Fullerton Management Pte Ltd, Dover Investments Pte Ltd and other subsidiaries of Fullerton Management Pte Ltd.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in note 34 on pages 164 to 165.

Board members

The present members of the Board, together with their biographical details, are shown on pages 72 to 74.

Mike Rees and Jaspal Bindra joined the Board as executive directors on 4 August 2009 and 1 January 2010, respectively. Dr Han Seung-soo, KBE, and Richard Delbridge joined the Board as non-executive directors with effect from 1 January 2010 and Simon Lowth will join the Board as a non-executive director with effect from 1 May 2010.

Sunil Mittal resigned from the Board on 31 July 2009 and Gareth Bullock will be stepping down from the Board on 30 April 2010.

On 14 January 2009, Lord Davies retired as Chairman following his appointment as Minister for Trade and Investment to the UK government. John Peace was appointed Acting Chairman on 14 January, and Chairman of the Board on 2 July 2009. Rudy Markham was appointed as acting Senior Independent Director on 14 January 2009 and as Senior Independent Director on 8 December 2009.

Re-election of directors

In accordance with the Company's articles of association, Jaspal Bindra, Richard Delbridge, Dr Han Seung-soo, KBE, and Mike Rees, who were appointed since the last AGM, and Simon Lowth who will be appointed on 1 May 2010, will offer themselves for election at the forthcoming AGM. Jamie Dundas, Val Gooding, John Peace, Peter Sands, Paul Skinner and Oliver Stocken will retire by rotation and, being eligible, will offer themselves for re-election at this year's AGM. The Company's articles of association require that any director holding office for a continuous period of nine years or more should retire at all subsequent AGMs. Rudy Markham will therefore offer himself for re-election at this year's AGM.

The following non-executive directors are standing for election or re-election at this year's AGM and have letters of appointment rather than service contracts:

- Mr R Delbridge
- Mr J F T Dundas
- Miss V F Gooding, CBE
- Dr Han Seung-soo, KBE
- Mr S J Lowth
- Mr R H P Markham
- Mr P D Skinner
- Mr O H J Stocken

Directors' interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2009 are shown in the Directors' remuneration report on pages 94 to 109.

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 102 and 103 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 2009, 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 44 to 67 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 51 on page 193.

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 the subject to a specific waiver, they may require a combination of announcements, reporting, shareholder approval and/or additional disclosure. To ensure transparency, the Rules also impose additional reporting and disclosure requirements on the Company in respect of certain non-exempt and other transactions with Temasek or its associates.

On 10 January 2008, the Company and HSBC Institutional 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.

During the year, the Group also entered into certain non-exempt continuing connected transactions with Temasek and its associates in the normal course of its business for which shareholder authority was obtained at the 2007 AGM. A new waiver has been granted by The Stock Exchange of Hong Kong Limited that is subject to shareholders' approval at the AGM on 7 May 2010.

Further details of the above-mentioned Framework Agreement and continuing connected transactions are set out in the Supplementary financial information on pages 197 to 201.

The Group has stringent internal systems, processes and procedures in place to identify and monitor the continuing connected transactions. These are reviewed and updated periodically and their adequacy and effectiveness is assessed by Group Internal Audit on an annual basis to ensure all requirements are complied with. In addition, a rigorous review of these systems, processes and procedures has been undertaken by an independent financial adviser appointed as part of the new waiver approval process.

In accordance with the Listing Rules of the Stock Exchange of Hong Kong Limited (The Hong Kong Listing Rules), each year the independent non-executive directors of the Company carry out a review of the continuing connected transactions. On the basis of this, 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) has performed certain agreed-upon procedures on the aforementioned continuing connected transactions for the year ended 31 December 2009, in accordance with International Federation of Accountants Related Services 4400 'Engagement to Perform Agreed-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; (iii) they have been entered into in accordance with the relevant agreement governing the transaction; and (iv) they have not exceeded the relevant annual caps disclosed in previous announcements.

Business acquisitions

On 2 February 2009, the Company, through its subsidiary Standard Chartered Bank (Hong Kong) Limited, fully acquired Cazenove Asia Limited, (which changed its name to Standard Chartered Securities (Hong Kong) Limited on 14 December 2009) a leading Asian equity capital markets, corporate finance and institutional brokerage business, from JP Morgan Cazenove.

On 1 July 2009, the Group completed the acquisition of its remaining shareholding in First Africa Group Holdings Limited, a leading pan-African mergers and acquisitions advisory firm, raising its holding to 100 per cent.

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 and Risk Committee (ARC) has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2009 and reported on its findings 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 ARC, the Chairman and to the Group Chief Executive. The findings of all adverse audits are reported to the ARC, the Chairman and to the Group Chief Executive where immediate corrective action is required.

With effect from 4 March 2010, as a result of the internal governance review conducted in 2009, the Board has decided to separate the existing ARC into two committees.

The Risk Committee will have 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 will monitor the integrity of the Company's financial reporting, compliance and internal control environment.

The Risk review on pages 44 to 67 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 employed 77,326 people in 71 countries and territories. The average number of people that we employed in the UK during the year was 1,610 and their total remuneration for the year was $397 million.

As part of our approach to employee engagement, we operate Group-wide 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 100 and in note 39 on pages 174 to 180.

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 nine years using the Gallup Organisation's Q^{12} survey. The annual 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 voluntarily took part in the survey during 2009.

Major customers

Our five largest customers together accounted for 3.58 per cent of our total interest income and other operating income in the year ended 31 December 2009.

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 2009. For our operation in the UK, there were 44 days' purchases outstanding as at 31 December 2009.

Draft Code for Financial Reporting Disclosure

In October 2009, the British Bankers' Association published a draft Code for Financial Reporting Disclosure. The draft 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 voluntarily adopted the draft Code in their 2009 financial statements. The Group's 2009 financial statements have therefore been prepared in compliance with the draft 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 our 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 we operate.

Social, ethical and environmental 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 social, ethical and environmental (SEE) 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 SEE matters.

Designated policy owners monitor risks in their area. They also work with line management to assist them in designing procedures to ensure compliance with these requirements. In every country, the country management committee (MANCO), supported by the country operational risk group (CORG), is responsible for ensuring there are risk management frameworks in place to monitor, manage and report SEE risk. The country chief executives chair both the MANCOs and CORGs.

Compliance with these policies and procedures is the responsibility of all managers. In assessing, incentivising and rewarding performance, guidance to managers was published during 2002. This explicitly states that account should be taken of adherence to all relevant policies, including those associated with SEE risk. Significant exceptions and emerging risks are escalated to senior management through clearly documented internal reporting procedures such as the MANCOs.

Key areas of risk are those associated with customers' activities, potential impact on the natural 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. We have adopted the revised Equator Principles 2 that set procedures, based on the International Finance Corporation guidelines, for recognising and mitigating the environmental and social impacts associated with Project Finance. The principles have been embedded in the Group's Project Finance lending policy and procedures.

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 $38.3 million (2008: $48.5 million) to charities, community organisations and causes across our footprint during the year. This sum included direct financial support of $20.3 million (2008: $30.4 million), and indirect contributions, such as employees' time, the donation of non-monetary goods and donations worth $13.3 million (2008: $14.4 million) raised by our employees.

Community investment activity focuses on a number of major programmes – Living with HIV, Seeing is Believing, Nets for Life and Goal – 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 pages 40 to 43.

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 secured partnerships reaching 1.125 million people as part of our commitment to the Clinton Global Initiative to educate one million people on HIV and AIDS. A copy of our HIV/AIDS policy is available on our website.

Environmental policy

We are committed to minimising any adverse impact of the conduct of business on the environment. We manage the use of resources by our business by setting targets to reduce energy, water and paper consumption and on air travel by encouraging our customers to ensure that their products, processes and businesses do not unnecessarily damage the environment; and by taking environmental considerations into account when making financing decisions.

A copy of our environmental policy is available on www.standardchartered.com

Environment and climate change policy

As part of our commitment to sustainability and protecting the environment, we take a long term view of the environmental 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 – managing the direct impact of our operations, including air travel, paper use and energy consumption
- commercial opportunities and sustainable finance – managing environmental risk and integrating climate change considerations into our products and services; 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

A report on our ECC responsibilities can be found on page 40 and 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 203. 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 pm London time (7.00 pm Hong Kong time) on Friday 7 May 2010 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 AGM.

Auditor

The ARC reviews the appointment of the external 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 external auditor, a resolution will be proposed at the 2010 AGM to reappoint KPMG. Each director believes that there is no relevant information of which our 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 is made aware of any pertinent information.

By order of the Board

Annemarie Durbin
Group Company Secretary
3 March 2010

Corporate governance

Strong corporate governance is essential for delivering sustainable shareholder value

Our highlights

- Undertook a highly professional process to identify and appoint the new Chairman and there was a smooth transition for him
- Refreshed the Board with the appointment of three additional non-executive and two executive directors
- Reviewed the composition and chairmanship of the board committees and the role of the Senior Independent Director
- Introduced an individualised engagement plan for each non-executive director
- Refreshed the letters of appointment signed by all non-executive directors and recognised their increased time commitment
- Adopted a more formalised approach to assessing individual director effectiveness
- Contributed proactively in the Walker and Financial Reporting Council Reviews of corporate governance
- Conducted an extensive review of our Risk Appetite Statement so as to ensure that it is multi-dimensional in terms of the risks included

Our priorities in 2010

- Continue to enhance our focus on key strategic and risk issues
- Ensure the smooth integration of the new Board members
- Embed the corporate governance changes announced in 2009, including:
  - enhancing the already strong links that exist between the Board and its committees following the creating of additional board committees
  - separating the Audit and Risk Committee
  - expanding the remit of and renaming the Sustainability and Responsibility Committee to the Brand and Values Committee
  - establishing a Governance Committee
  - implementing the Walker Review and Financial Reporting Council Review recommendations
  - continuing to create more informal opportunities for the Board to discuss strategic issues
  - enhancing further our approach to directors' induction and ongoing development
  - using external facilitation to assess the Board's effectiveness

Core principles

An effective corporate governance framework comprises many different components. Our executive directors successfully manage the operation of Standard Chartered while providing comprehensive yet succinct information to the Board. Simultaneously, the non-executive directors constructively challenge the executive and contribute alternative perspectives. These Board discussions are managed by John Peace as Chairman who encourages challenging and productive debate. It is vital to have Board members that, in aggregate, have the requisite skills and expertise supported by a structure that enables delegation, where appropriate, between the Board and committees, whilst ensuring that the main Board retains overall understanding and control.

However, complying with corporate governance standards is not enough. Effective governance also requires that our culture and values fully support them. We regularly review corporate governance principles and continuously improve our practices. To this end, over the past year we conducted a full and comprehensive internal review of corporate governance leading to various changes that enable our Board to spend more time focusing on the key strategic, risk and people issues.

We aim for the highest standards of corporate governance, and in pursuit of this objective, follow an approach that complies with all of the provisions of the UK Financial Reporting Council's Combined Code on Corporate Governance (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 major shareholders as part of their induction programmes. However, Rudy Markham, our Senior Independent Director met with a number of institutional investors and John Peace, our Chairman, had regular meetings with institutional shareholders. Our Board

"A company's long term success results from the combination of a high quality executive team that is stimulated, challenged and supported by non-executive directors, underpinned by an open, accessible environment and values of exemplary corporate governance."

John Peace
Chairman

received regular updates on the views of our insitutional shareholders and stakeholders including a presentation from one institutional shareholder on its view of the Company as an investment. Our Board openly seek the views of our shareholders and during the year, the Chairman, Group Chief Executive and Group Finance Director met 23 out of our top 25 investors.

As part of our regulatory obligations, we have in place a code of conduct related to securities transactions by directors the terms of which are no less exacting than required by Appendix 10 of the Hong Kong Listing Rules and we can confirm that the directors were in compliance.

The Board

Board of Directors

We have reviewed our Board composition and, as a result, we have made five new appointments. We believe that our Board has the right level of knowledge and technical understanding of our business which, combined with a diversity of cultures and industry backgrounds, contributes fresh perspectives to discussions.

Our Board currently has 16 members: the Chairman, six executive directors and nine non-executive directors. A list of the individual directors and their biographies are set out on pages 72 to 74. Details of board committee membership are set out on pages 89 to 93 of this report.

We welcomed Mike Rees and Jaspal Bindra to the Board as executive directors on 4 August 2009 and 1 January 2010 respectively. The Board would like to express its thanks to Sunil Mittal who stepped down on 31 July 2009, for his valuable contribution over the last two years and to Gareth Bullock who will be stepping down on 30 April 2010.

We also welcomed Dr Han Seung-soo, KBE and Richard Delbridge to the Board as non-executive directors on 1 January 2010 and would like to welcome Simon Lowth to the Board as a non-executive director with effect from 1 May 2010.

In July, following a thorough and extensive selection process which involved a review of the characteristics of the Chairman's role, John Peace was appointed Chairman. John brings with him a depth and breadth of leadership experience. His appointment has ensured that we have a Board environment where challenge and open debate is actively encouraged.

Role and responsibilities

The Board is ultimately 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 providing guidance whilst setting the strategic direction. It is also the primary decision-making body for all matters considered as material to Standard Chartered.

Over the last 12 months the Board has been particularly focused on making time to focus on key strategic risk and people issues. We have a firm belief in having a unitary Board with a diverse representation of directors. We believe that having 16 members on our Board is appropriate given the complex nature, scope and the geographic footprint of our business.

There is a good chemistry and a strong working relationship between our executive and non-executive directors and this mirrors the open culture that permeates Standard Chartered. There is a healthy level of challenge and debate among the executives, and then, in turn, between the executive and non-executive directors.

We offer our non-executive directors unrestricted access to management at all levels, and encourage them to take advantage of this opportunity both domestically and overseas. There are open invitations to attend key management meetings and many senior leadership team gatherings. Our non-executive directors travel widely to engage with local management teams and country leaders, while acting as ambassadors for Standard Chartered in meetings with customers and international regulators. This 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.

Over the year, amongst other things, the Board reviewed strategic capital, liquidity, cost and risk management and appetite, along with employee engagement and corporate governance. It also considered strategic opportunities arising from the market turmoil while evaluating our overall performance, including in those markets where acquisitions were made. Several country, regional, business segment and product reviews were also undertaken.

The Board has a rolling agenda to ensure that the right strategic areas are reviewed over the course of the year and is constantly mindful of acting in the best interests of our stakeholders.

The full schedule of matters reserved for the Board together with the board committee terms of reference are available on www.standardchartered.com

Chairman and Group Chief Executive

The separate roles and objectives of the Chairman, and the Group Chief Executive are clearly defined in written role descriptions which have been approved by the Board and are available on our website.

These roles were reviewed as part of the Nomination Committee process for the appointment of the new Chairman. In addition, in 2009, we reviewed the role of the Senior Independent Director to reflect the fact that part of his role is to act as a sounding board for the Chairman.

Independent non-executive directors

The Board considers all the non-executive directors to be independent and free of any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment. To determine their independence, the Board reviews all directors' interests that may give rise to a potential or perceived conflict, and any circumstances relevant to their current or ongoing independence as set out in the UK Combined Code (the Code). Each non-executive director submits an annual confirmation of independence as required under the Hong Kong Listing Rules.

When considering the appointment of Simon Lowth to the Board, our Nomination Committee considered the fact that both Rudy Markham and Simon Lowth are directors on the AstraZeneca board with the former being a non-executive director and the latter being an executive director responsible for Finance. As part of those discussions, it was emphasised that neither director has any position of influence over the other arising from this cross directorship. On this basis, the Nomination Committee concluded that, despite this cross-directorship, neither Simon's nor Rudy's independence was adversely impacted.

Review of performance

Non-executive directors are initially appointed for a three year term. Under the Code, anyone who is proposed for re-appointment for more than two consecutive three year periods should be subject to particularly rigorous review.

In this context, the Nomination Committee discussed the contribution that Rudy has made to the Board during his nine year tenure. This included his ability to simultaneously challenge and support the executive, combined with the benefit of his in-depth knowledge and experience of Standard Chartered, his effective chairmanship of the Audit and Risk Committee over a number of years, and the other valuable contributions he had made to both the Board and the Nomination Committee. The Nomination Committee unanimously agreed that Rudy continues to display independence of character and mindset and that this has not been dimmed in any way by the length of his tenure on the Board. Given that five new directors have been appointed, the Board believes that there is real value to retaining Rudy as a director given the longevity of his experience with the Company.

Our Chairman is aware of the other commitments of our non-executive directors and is satisfied that these do not conflict with their duties and time commitments as directors of Standard Chartered. Non-executive directors must also give advance notice of any changes to their commitments, and confirm to the Chairman that these will not affect the time devoted to their duties at Standard Chartered.

During the year we reviewed the time commitment for our non-executive directors. We concluded that this ranged from 30–35 days per annum for a Board member without any committee responsibilities up to 100 days or more for directors who sat on multiple committees. This increased time commitment has been reflected both in directors' letters of appointment and fees payable for the role.

We believe that a highly effective executive team is the single most important factor to ensure successful corporate governance. It does not matter how strong our non-executives may be, either collectively or individually, if the executive team is weak. Non-executive directors perform a vital role in ensuring that the strongest possible executive team is in place and that it operates highly effectively. We achieve this by having robust discussions at Nomination Committee meetings, and during 2009 more time was spent by the Board discussing this issue as part of the review of corporate governance practices.

2009 Observations

Priorities for the coming year include strengthening the Board through the appointment of additional directors.

The re-introduction of two overseas Board meetings and the introduction of more individualised engagement plans, briefing sessions and informal lunches and dinners are considered important and should continue.

The diversity of the Board could be further enhanced by the appointment of a director from our footprint.

More focus on the effectiveness and structure of board committees and the interaction of these with the full Board.

Summary of some of the board effectiveness observations and actions taken

Actions taken/to be taken	2008 Observations	Actions taken
Our Board has been strengthened with the appointment of three non-executive and two executive directors. There will be an increased focus and emphasis on risk, competitor analysis, succession planning and the implications on future regulatory changes.	**Additional time should be spent discussing the future of the industry and our position within it.**	The Board had a number of discussions over the course of 2009, on the future of the industry and our position within it both formally at Board meetings and informally as well as with management in local markets.
Two overseas Board meetings will be held in June (Korea) and November (Shanghai) 2010. Structured engagement plans have been introduced. During 2010 there will be more opportunities for the Board to meet outside formal meetings at informal dinners and other gatherings.	**More time to be spent on strategic issues.**	2009 has seen a continued and ongoing debate upon the strategic issues that Standard Chartered is facing. There was a general strategic debate at the January Board; in March at the Dubai Board meeting, Consumer Banking and the strategy of shaping the future of banking was considered. In April, inorganic strategy was considered as well as during the year when considering specific inorganic opportunities. Over the course of the year, capital and liquidity management has been extensively debated. This took place in addition to the normal two day strategy offsite and led to some specific capital raising initiatives during the year. Reflections from the strategy offsite were discussed by the Board at the September Board meeting at which time the 12 month rolling agenda was also refreshed. The Head of Strategy met with each non-executive director to consider topics for the strategy offsite.
We appointed Jaspal Bindra and Dr Han Seung-soo, KBE on 1 January 2010.	**Increased emphasis upon the importance of topics from the board committees being discussed at Board level.**	A number of briefing sessions were held covering risk control and remuneration policy issues. These were aimed at updating all non-executive directors on key issues that were being addressed by various board committees.
The separation of the Audit and Risk Committee into two separate committees will take effect in 2010. The remit for the Sustainability and Responsibility Committee will be enhanced and a Governance Committee will be created. These board committees will be the enhancement of the interaction between these committees and the Board.	**More visibility regarding executive succession planning.**	The focus for the first half of 2009, was on the appointment of a new Chairman. Also, the Nomination Committee has spent considerable time focusing on executive succession planning culminating most recently in the appointment of two executive as well as three non-executive directors to the Board.
	More frequent interaction between executive directors and non-executive directors outside formal Board meetings.	There have been more informal opportunities for discussion outside the board room. One to one meetings have occurred on a regular basis between the executive directors and non-executive directors and a number of informal lunches and dinners have been held.

Senior Independent Director

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.

Since his appointment as Acting Senior Independent Director in January 2009, it was recognised that Rudy performed the role effectively and had played an important role in liaising with institutional investors in relation to the appointment of the Chairman.

It was also agreed that, given the refresh of the Board's composition, it was imperative to appoint a Senior Independent Director with a depth of knowledge and understanding of the Company. There was unanimous support from the directors for Rudy's appointment as Senior Independent Director on an ongoing basis.

Board effectiveness

We believe that board effectiveness reviews should go beyond mere performance evaluation, to assess the suitability of the governance processes that support the work of the Board. The internal governance review was led by our Chairman and supported by our Group Company Secretary, Annemarie Durbin.

Throughout 2009, we conducted a comprehensive internal corporate governance review. The board effectiveness review formed part of that process and culminated in a series of changes which have been agreed by our Board.

In September, we conducted an internal effectiveness review of our Board and board committees. This was devised in conjunction with external professional input and required each director to complete a questionnaire providing feedback on the Board's effectiveness and that of the committees. Directors also provided a self assessment of their individual contributions to the Board's effectiveness.

Each individual director discussed his or her self assessment with the Chairman on a one to one basis. The Chairman also discussed and agreed individualised engagement plans with each director. These plans provide a guideline for the activities that each director will undertake over the next 18 months in order to continue building on their understanding of our business. These plans include visits to markets in our geographic footprint as well as identifying areas where, as a result of a director's background and previous experience he or she can add particular value to the franchise.

We believe that we can gain value from periodically using external parties for our board effectiveness reviews. Going forward, our intention is that the board effectiveness review will be facilitated externally every third year. During 2010 we intend to use external facilitation for the board effectiveness review and, in 2011, to follow this up with an externally facilitated review of the effectiveness of the main board committees.

The Board considered the outcome of the 2009 evaluation at its December meeting. The findings revealed that the Board believes it operates effectively and works well as a team. Our non-executive directors demonstrate a high level of engagement and their interaction with the executive directors is both challenging and constructive. Some of the key points to note were that:

- the atmosphere in the boardroom is open and inclusive and provides a rounded debate at board meetings
- following observations made in 2008, the Board has given greater focus and time to Standard Chartered's strategy (both organic and inorganic) and believes this should continue
- our capital raising exercise in August 2009 was handled well with appropriate levels of challenge and debate
- there was a smooth transition in respect of the Chairman's succession with minimal disruption to the Board and business activity

The Board believes that its effectiveness will be further enhanced going forward through a combination of fresh perspectives added by new Board appointments, the revised board committee structure and our approach to directors' engagement.

Induction and ongoing development

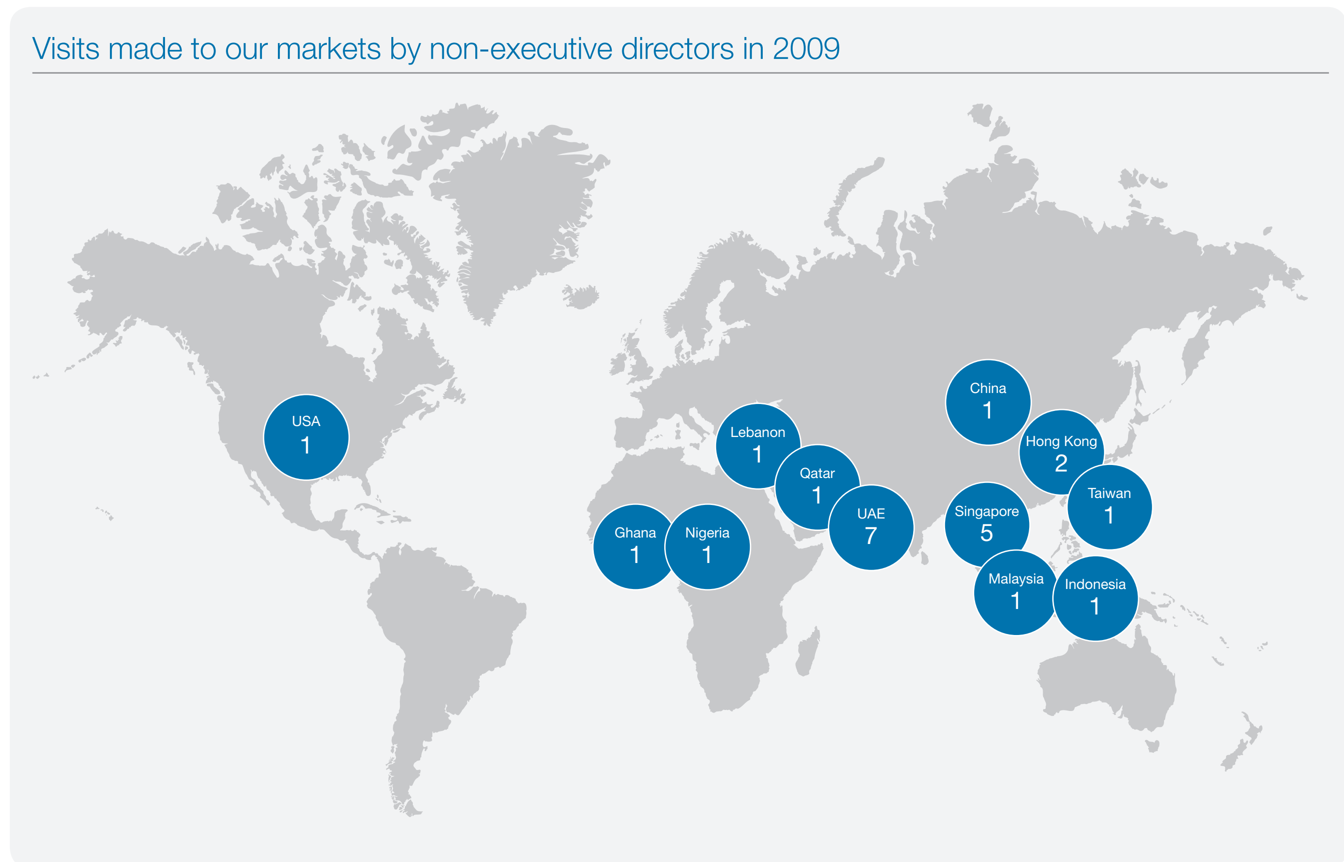
To ensure that directors have the requisite knowledge and understanding to enable them to challenge effectively, we provide them a personalised approach to induction, training and development. On appointment, each director receives a comprehensive and tailored induction covering the Group's business and operations and also the legal regulatory and other obligations of a director of a dual listed company. Each induction programme is tailored to the individual director's specific needs and requirements and further meetings are arranged where a director requires a deeper understanding of a particular area. This approach was formalised in 2009, as each director agreed an individual engagement plan with our Chairman. These plans are dynamic in nature and regularly reviewed and ensure that each director receives the appropriate support to enhance his or her effectiveness.

It also means that non-executive directors are clear about the expectations placed upon them regarding continuing development. The engagement plans provide each non-executive director with key development briefing sessions and deeper dives into certain areas of the business. Although briefing sessions on specific topics are organised, we encourage our non-executive directors to visit our markets to gain an understanding of the opportunities and risks that we face on the ground.

Our non-executive directors have full access to the Corporate Secretariat team. They provide advice and support the facilitation of engagement plans as well as providing guidance as to where additional information can be sourced. This is in addition to organising our non-executive directors' overseas visits to our markets and meetings with local stakeholders and management. Our non-executive directors may take independent professional advice at the expense of Standard Chartered in furtherance of their duties.

We believe that it is vital that director training is tailored to the specific requirements of the individual as well as the key issues affecting Standard Chartered to ensure it is high quality, relevant and of real value. Directors receive briefings from our senior executives, and sessions are arranged with our advisers. For example, during the year, several directors attended sessions on the Turner Review and on the implications of the Walker Review.

Visits made to our markets by non-executive directors in 2009



Board meetings and attendance

Our directors have full access to corporate information and sufficient detail to enable a productive and open discussion. Indeed, we encourage challenge and debate within our Board meetings. The diversity of expertise and experience of our Board members means that these debates can take place at both a detailed and technical standard and at a holistic and strategic level.

Committees play a crucial role in the smooth running of the Board. Where appropriate, topics are delegated to committees to ensure that the Board has time to focus on key strategic issues. It is important that a summary of these committee discussions is provided to the Board so that all directors are aware of any conclusions or actions. Strong links exist between each of the committees, both in terms of reporting and membership and this is designed to ensure that key issues of relevance across committees are shared whilst avoiding any unnecessary duplication. As we adopt our new board committee structure in 2010, one of our key development areas is to ensure that the links between the committees and the Board are enhanced further and that the board committees remain effective.

At scheduled Board meetings, the Chairman of each board committee provides the Board with a summary of key issues considered at the meetings of the board committees. One of our priorities for 2010 is to further enhance the mechanisms by which the various committees update the Board regarding their activities.

All directors have input into 12 month strategic agendas for the Board to ensure that, over the course of the year, all relevant issues are properly debated. Our directors also attend dedicated strategy sessions, participate in overseas board visits, offsite meetings, dinners and informal board gatherings. In addition, appropriate information is circulated well in advance of each Board meeting to allow an open and wide ranging debate.

Our Chairman, John Peace, met regularly with our non-executive directors over the course of the year without the executive directors in attendance. There were also opportunities for the non-executives to meet without either John or the executive directors being present, and particularly in the context of the Chairman selection process, the directors met several times without John being present.

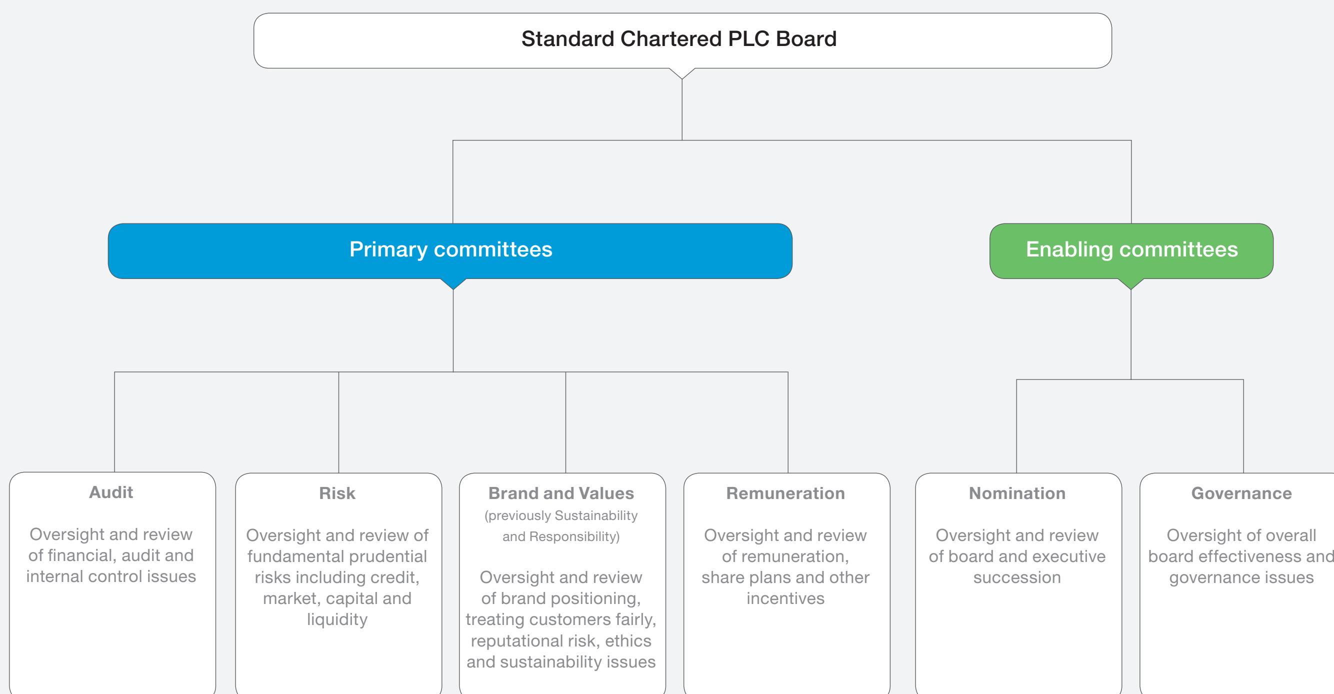
The following table shows the number of Board meetings held during the year and the attendance by directors.

Number of Board meetings held in 2009

	Scheduled	Ad hoc
Number of meetings in 2009	**8**	**5**
J W Peace[1] (Chairman)	**8/8**	**4/5**
P A Sands	**8/8**	**5/5**
R H P Markham	**8/8**	**5/5**
R H Meddings	**8/8**	**5/5**
S P Bertamini	**8/8**	**5/5**
G R Bullock	**8/8**	**5/5**
J F T Dundas	**8/8**	**5/5**
V F Gooding	**8/8**	**5/5**
R Markland	**8/8**	**4/5**
S B Mittal[2]	**0/4**	**1/4**
J G H Paynter	**8/8**	**5/5**
A M G Rees[3]	**3/3**	**0/0**
P D Skinner	**8/8**	**5/5**
O H J Stocken	**7/8**	**4/5**

1 Absent from one ad hoc meeting as it concerned Chairman succession planning.
2 Resigned 31 July 2009.
3 Appointed 4 August 2009. All ad hoc Board meetings in 2009 took place prior to Mike Rees' appointment to the Board.

Group board committee structure (from 4 March 2010)



External directorships

The Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on pages 72 to 74.

Re-election of directors

All directors are subject to election by shareholders at the first Annual General Meeting (AGM) following their appointment, and to re-election thereafter at intervals of no more than three years. At least one-third of directors stand for re-election at each AGM.

In 2011, subject to further regulatory and market developments, we intend to move to annual re-election of all directors. However, for 2010 we will propose that 12 of our directors, selected in accordance with our articles of association, will stand for re-election. Further details are provided in our Notice of AGM and on www.standardchartered.com

Board committees

In 2009, the Board had four board committees: the Audit and Risk Committee; the Nomination Committee; the Remuneration Committee and the Sustainability and Responsibility Committee. Each board committee was responsible for the review and oversight of the activities within its defined terms of reference.

Although we believe that our Board is highly effective, as a result of our internal governance review we will be re-configuring our board committees with effect from 4 March 2010. We believe that these proposals will further enhance the Board's performance and allow more time to be spent on strategic issues. This also demonstrates our proactive approach to corporate governance with:

- 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 Risk Committee)
- an enhanced remit and new name for the Sustainability and Responsibility Committee
- the formation of a Governance Committee

Copies of each board committee's terms of reference can be found on www.standardchartered.com

Audit and Risk Committee

Our highlights

- Received comprehensive and detailed reporting on risk via Risk Information Packs
- Conducted a thorough review of Basel II Pillar 3 disclosures
- Continued to robustly monitor our capital and liquidity position
- Conducted a review of Consumer Banking governance
- Reviewed Consumer Banking's progress to embed Treating Customers Fairly globally
- Reviewed data security and the threat of data loss
- Conducted deeper dives into market risk, risk appetite and credit exposure
- Conducted a review of external financial reporting including the Interim Management Statement
- Considered the market placing which raised £1 billion through the issue of new ordinary shares
- Held in-depth discussions on:
  - internal Ratings Based Approach Models
  - the accounting and valuation implications of various product and client/business segments
  - new products

2010 priorities

- The establishment of separate Audit and Risk Committees
- Ensuring that there are appropriate linkages between the various board committees and between the board committees and the management committees

	Scheduled	Ad hoc
Number of meetings in 2009	**7**	**1**
R H P Markham (Chairman) (3)	7/7	1/1
J F T Dundas (1)	7/7	1/1
R Markland (2)	7/7	1/1
J G H Paynter (4)	7/7	1/1
J W Peace[1]	4/4	1/1

[1] Stepped down from the Committee on 2 July 2009 following appointment as Group Chairman.

Role and focus
The Audit and Risk Committee primarily focuses on the quality and integrity of our external financial reporting, the appropriateness of our accounting policies and the effectiveness of the internal control function and the risk control framework including oversight of risk management.

Whilst vital that non-executive directors have unlimited access to risk information, simply inundating them with large volumes of information does little to enhance risk management. The Committee needs to be able to review all risk areas but, perhaps more importantly, be in a position to identify key risk issues that require Committee and, if appropriate, Board focus. To this end, a Risk Information Pack has been developed. This pack, which is continuously enhanced, is submitted to each Audit and Risk Committee meeting. An extract from the pack is also part of the report that is presented by the Group Finance Director to each Board meeting. The purpose of the pack is to provide our non-executive directors with a consistent set of metrics that they can review regularly in relation to key risk areas. They also receive specialist training, provided by our in-house experts, to help them to understand and interpret the data contained within the packs. These sessions will occasionally focus on specific key risk issues that are particularly topical or current. Our proactive approach to explaining and displaying risk information means that our non-executive directors are fully engaged with the key issues.

The Committee members also receive training sessions on specific key risk issues that Standard Chartered faces. These training sessions are provided internally and tend to be specific in nature involving business and risk personnel or advisors and have included training on the design and uses of the Internal Ratings Based models.

The Committee held seven scheduled meetings during the year and considered all matters under its remit. The Committee's activities included the consideration of reports in respect of risk control and management in general. Particular areas of focus in the year were:

- enhanced reporting on risk leading to a deeper understanding by the Committee
- continual monitoring of the Company's capital and liquidity position

The Committee received regular reports from the Group Heads of Internal Audit, Compliance, Risk and Legal, and on the assurance framework.

The Committee meets separately with our external auditor KPMG Audit Plc and the Group Finance Director and Group Head of Internal Audit, allowing members to discuss freely matters relating to the auditor's remit and issues arising from the audit. Its remit also includes the consideration of the appointment, resignation or removal of our Group Head of Internal Audit.

The Committee monitored and assessed the role and effectiveness of our internal audit function and is comfortable with the effectiveness and speed of the transition of the role of Group Head of Internal Audit that took place in the latter part of 2009. The Committee also reviewed, on behalf of the Board, the resourcing, qualifications and experience of the reporting accountants together with their training programmes and budget. The Committee conducted a review of the performance and effectiveness of the external auditor. The review had many strands. It included an assessment of the independence and objectivity of the external auditor, a survey conducted by our internal audit function and a subjective appraisal of the Committee's own experiences dealing with the external auditor, both in London and at a local level. Committee members met with local external

auditors in Abu Dhabi, Dubai, Ghana, Hong Kong, Indonesia, Lebanon, Nigeria, Singapore and Taiwan. The review also considered the report of the Audit Inspection Unit (part of the Professional Oversight Board of the Financial Reporting Council) of KPMG's audit of our 2008 accounts. As a result, the Committee recommended the re-appointment of KPMG as external auditor.

The Committee Chairman, Rudy Markham, held separate meetings with the external auditor and the Group Heads of our internal audit, compliance, risk and legal functions to discuss matters specifically within their areas of responsibility. The Committee Chairman and two of its non-executive director members also met separately and privately with the Financial Services Authority (FSA).

All of the Committee members have detailed and relevant experience. Details of their experience can be found in their biographies on pages 72 to 74. Accordingly the Board is satisfied that Rudy 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 Committee attended a half-day informal meeting in May to consider the general accounting and valuation implications of various product and client/business segments. A presentation was given on new products available in the marketplace, which provided a demonstration of how our business is structured.

A second half-day informal meeting was held in November to consider compliance risk monitoring processes and the Internal Ratings Based Approach models (IRB).

Auditors independence and objectivity
We have adopted a policy on the use of non-audit services provided by the Company's external auditor, KPMG. The Audit and Risk Committee's pre-approval is required before the Company uses non-audit services that fall within definitions contained in the policy. The non-audit services of KPMG will only be used where the Company benefits in a cost-effective manner and the auditor maintains the necesary degree of independence and objectivity.

In addition to audit-related services, KPMG provided the following types of services in 2009:

- tax advisory and compliance
- advice and support with due diligence exercises
- advice on IFRS accounting
- regulatory reviews and reporting
- risk and compliance advisory services
- reporting accountants work for capital raising

Details of the amounts paid to KPMG during the year for non-audit services are set out in note 8 on pages 132 and 133.

Standard Chartered has committed to adopt the UK Treating Customers Fairly (TCF) standards consistent with our footprint and local considerations. The Committee reviewed progress towards this objective. Senior management within Consumer Banking are committed to TCF, and the standards are being embedded throughout the business. This is particularly demonstrated by the strategic shift within the business, which is moving from a product-led approach to a customer focused one.

Our Speaking Up Policy 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 has reviewed these arrangements and ensured that any matters of concern were investigated appropriately.

Committee effectiveness
In conjunction with the board effectiveness review, a committee effectiveness review was also conducted. The Committee felt that it was effective but that an additional member 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 has been appointed to the Committee with effect from 1 January 2010 bringing with him a wealth of financial experience as part of a wide-ranging banking career including group finance director, HSBC Holdings PLC; group chief finance officer, National Westminster Bank PLC; and group finance director, Midland Bank. During the course of the year, the Committee members met with members of local internal audit senior management teams. And in 2010, as part of overseas trips and board meetings, more opportunities will be made available for the Committee to meet with local internal audit managers.

Establishment of separate Audit and Risk Committees
The splitting of the Audit and Risk Committee will provide the benefit of enabling even more focus on risk issues. The membership of both the Audit Committee and the Risk Committee will be similar, albeit with different chairmen, to ensure that important synergies exist between the committees.

We believe that it is appropriate for the Chairman of the Risk Committee to have deep banking experience. As a result Jamie Dundas will chair this Committee. In addition to the Chairman, Oliver Stocken and Richard Delbridge bring valuable banking experience to the Risk Committee. John Peace will be a permanent attendee at both the Audit Committee and Risk Committee meetings. Four members will sit on both the Risk and Audit Committees providing important linkages between the two committees.

The Risk Committee will be responsible for the oversight and review of fundamental prudential risks including credit, market, capital and liquidity in addition to operational risk policies and management.

Each committee will have six scheduled meetings per annum.

Nomination Committee

Our highlights

- Conducted a rigorous external and internal search and selection process for the new Chairman
- Continued to review the ongoing focus on Board composition with the objective of maximising the balance of skills of the directors appointed to the Board
- Led the process for the appointment of five new directors
- Maintained oversight of executive succession planning
- Undertook a detailed review of the effectiveness of non-executive directors during 2009
- Provided input to Standard Chartered's contribution to the Walker Review
- Led the internal corporate governance review undertaken in 2009

2010 priorities

- We will continuously review the effectiveness of the Board composition particularly in light of the new and revised board committee structure
- We will maintain focus on executive succession planning

	Scheduled	Ad hoc
Number of meetings in 2009	**3**	**7**
J W Peace[1] (Chairman) (4)	3/3	6/7
J F T Dundas (3)	3/3	7/7
R H P Markham (2)	3/3	7/7
R Markland (1)	3/3	7/7

[1] Abstained from one ad hoc meeting as this concerned the selection of the Chairman of the Board.

Role and focus

The Nomination Committee primarily focuses on the existing and future composition and balance of the Board and its committees. It seeks to ensure that the individuals in place are those best able to discharge the responsibilities required by Standard Chartered at all times. It also makes recommendations to the Board concerning the ongoing succession plans of both executive and non-executive directors and other senior executives. In order to achieve this we believe that the Committee should consist of the Group Chairman, Group Chief Executive and the Chair of each board committee.

In response to the 2008 board effectiveness review, the Committee last year identified and recommended two executive director appointments to the Board; Mike Rees with responsibility for Wholesale Banking, and Jaspal Bindra with responsibility for growth and governance in Asia. The Committee also identified and recommended the appointments of Dr Han Seung-soo KBE, Richard Delbridge and Simon Lowth as non-executive directors.

An external search consultant was used to assist in the identification of potential candidates for the Chairman and non-executive director appointments, taking into account the skills, knowledge and experience required to enhance the existing composition of the Board. The Committee spent a considerable amount of time identifying the nature and criteria of the role of Chairman and the appointment of an external agency to assist in the selection process. As part of the process, after an extensive external search, a comprehensive list of candidates was matched by the Committee against the criteria for the role with all the short listed candidates including John Peace being considered by the Committee which recommended a shortlist of candidates to the Board.

The Board unanimously supported John's appointment as Chairman given the depth of his leadership and previous chairmanship experience combined with his financial services experience from his time at Experian plc and his knowledge of many of the markets in which we operate. This is John's primary employment, where his duties take priority over any existing interest.

Over the course of the year, the structure, size and composition of the Board and its ongoing leadership needs were continuously reviewed. Appropriate plans are in place to facilitate orderly succession to the Board and other senior management positions. The plans are designed to ensure our continued ability to compete effectively in the external marketplace.

During 2009 the Committee played an important role in relation to our internal corporate governance review and our proactive contribution to the Walker and the Financial Reporting Council Reviews. Going forward, in order to ensure that the Committee can focus on key composition and succession issues we have decided to establish a separate Governance Committee that will, amongst other things, take over these governance matters.

Therefore, during 2010, the Governance Committee will consider recommendations arising from the Walker Review to which, in addition to the Financial Reporting Council's Review of the Code, Standard Chartered took a proactive role in contributing. The Governance Committee will act to ensure that we have the most effective board and governance structures in place, taking into account the recommendations made by both the Walker Review and Financial Reporting Council's proposed revisions to the Code.

Following our internal corporate governance review and in keeping with the recommendations of the Walker Review, as from 4 March 2010 our Group Chief Risk Officer, Richard Goulding will report to both our Group Finance Director, Richard Meddings and the Risk Committee.

Committee effectiveness

In conjunction with the board effectiveness review, a committee effectiveness review was also conducted. The Committee felt that that it had become more rigorous in terms of process and reporting to the Board and had covered a wide range of issues over the year including a number of debates about good governance.

Sustainability and Responsibility Committee

Our highlights

- Maintained momentum with regard to our sustainability agenda despite turbulent market conditions
- Reviewed the role of banks in society and the need to focus on generating long-term shareholder value through sustainable banking practices in response to the financial crisis
- Enhanced the capacity of the Renewable Energy and Environmental Finance (REEF) team to respond to the strategic opportunities of water, energy security and climate change
- Reviewed the significant progress made towards our community commitments in HIV/AIDS education and Seeing is Believing Phase IV

2010 priorities

- The Committee will be re-named the Brand and Values Committee and we will revise and expand its remit to include reputational risk, our client/customer focus (including Treating Customers Fairly), policy and sector position statements and regulatory relationships
- Focus on the Group's commitment to a new brand promise 'Here for good', oversee its delivery and embed throughout the Group
- Continue to ensure that the Group identifies and manages reputational risk and that it is consistent with the Risk Appetite Statement approved by the Board

	Scheduled
Number of meetings in 2009	**3**
J F T Dundas[1] (acting Chairman) (1)	3/3
V F Gooding (4)	2/3
P A Sands (2)	3/3
O H J Stocken (3)	3/3

[1] Appointed as Acting Chairman on 27 January 2009.

Role and Focus in 2009
During the year, the Sustainability and Responsibility Committee focused on strategic sustainability trends and our response, with renewed emphasis on renewable energy and environmental finance. Detailed discussions were held regarding our approach to responsible selling and marketing in both Consumer and Wholesale Banking, and the Committee continued to focus on environment and climate change. It conducted a review of our progress in delivering high performance through our policies on diversity, along with sustainability communications and engagement. The Committee also reviewed Microfinance, Diversity and Inclusion and our approach to sustainability, which will be taken to the next level with the revision and expansion of the Committee's remit.

In 2009 our work with regard to sustainable initiatives was recognised by a number of award bodies. For a second successive year, Goldman Sachs through their GS SUSTAIN framework, rated Standard Chartered as one of the top seven banks in the world, best positioned to sustain long-term competitive advantage, based on a combination of returns, industry structural positioning and robust management of environmental, social and governance risks. We are included in the FTSE4GOOD index and won the Ability Media International News and Information Media Award for its new portal which was launched to raise

young people's awareness to the threat of HIV. We were also the recipient of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria – Business Excellence Community Investment Award. Further details on our sustainability agenda can be found on our website at www.standardchartered.com

Committee effectiveness

As was the case with the other board committees, in conjunction with the board effectiveness review, a committee effectiveness review was also conducted. The Committee felt that that the work performed to date has created a very good platform from which to enhance focus on those areas to be included with its refreshed remit. Over the course of 2009, the Committee has improved in terms of the quality of the discussion which was consistent with the need to achieve closer linkage between our sustainability priorities and our core business strategy and has been successful in fostering the production of high quality external reporting of our position and actions in terms of corporate responsibility.

Following our internal corporate governance review in 2010, the remit of the Committee will be significantly enhanced to include oversight and review of our brand positioning, reputational risk, customer centricity (including Treating Customers Fairly), policy and sector position statements, regulatory relationships, culture and values, as well as broader sustainability, ethical and social legitimacy issues. The intention is that the Committee will be renamed the Brand and Values Committee. This enhanced Committee will meet five times a year, rather than just three times as the Sustainability and Responsibility Committee previously met.

Paul Skinner will be Chairman of the Brand and Values Committee. Paul has a depth of experience in brand and sustainability management and this will be extremely valuable in optimising our brand value. Dr Han Seung-soo will play an important role in relation to this Committee, particularly given his prior experience as the United Nations Special Advisor on climate change. Paul and Jamie Dundas will provide the linkage between the Risk Committee and the Brand and Values Committee.

Remuneration Committee

The role and focus of the Committee are set out in the Directors' remuneration report on pages 94 to 109.

Governance Committee

We believe there is merit in forming a Governance Committee to provide a more formal and structured mechanism to considering corporate governance issues (such as industry governance reviews) as well as to drive and oversee the annual board effectiveness review process. Its remit will also include oversight of subsidiary governance. The creation of a separate Governance Committee was one of the recommendations from our internal corporate governance review and its creation will allow the Board and our Nomination Committee to spend more time concentrating on areas they cannot delegate.

This Committee will meet three times each year and be chaired by John Peace, our Chairman. The other members will be Peter Sands, our Group Chief Executive, and Rudy Markham, our Senior Independent Director.

Internal control

Our Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can casue loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

To achieve this, the Board has established a process for the identification, evalution and management of the risks faced by Standard Chartered which operated throughout the year ended 31 December 2009 and to 3 March 2010. It should be recognised that such a process can only provide reasonable, not absolute, assurance against material misstatement or loss.

This process is reviewed regularly by the Board and meets the requirements of the guidance entitled Internal Control: Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales in 1999 and revised in 2005. The sytems of internal control of the Group is also subject to regulatory oversight in the UK and overseas.

Exemplary Corporate Governance

When looking at the components that contribute to exemplary corporate governance we believe that it is vital for companies to have an underlying culture with behaviours and values that supports effective corporate governance. Without such an embracing culture there is a higher risk that corporate governance principles will be applied with a strict compliance mentality rather than following the spirit of the principles that underpin strong corporate governance. In this context, Standard Chartered's open, challenging yet cohesive and collaborative culture has been instrumental in supporting our holistic approach to corporate governance. Standard Chartered has an ethos of continuous improvement which facilitates review and improvement of practices and creates an environment where constructive challenge and collaboration is expected and welcomed. It is regarded as the responsibility of all employees to be responsive and vigilant to the environment in which they operate.

John Peace
Chairman

Directors' remuneration report
Committed to long-term shareholder value

Dear Shareholder

This has been another busy year for the Remuneration Committee (the Committee) with dramatic changes occurring in the competitive marketplace and an evolving regulatory landscape across the globe. In making decisions about remuneration, both the Committee and the Board remained mindful of the interests of the many stakeholders and of the broader external environment, including the need to retain top talent in what are fiercly competitive markets. Against the background of our financial results we concluded that it remained appropriate to deliver competitive compensation for key employees which rewarded sustained performance. The global variable compensation pool was appropriately adjusted by the Committee to reflect the impact of the UK Bank Payroll Tax and there was a 65 per cent increase in the proportion of the pool that was deferred into shares that vest over three years.

Alignment with regulatory codes

The pace of regulatory and market change has presented significant challenges. Standard Chartered works to ensure that its remuneration policies are aligned with both new regulatory practices and the long-term interests of shareholders, and also to provide appropriate levels and forms of reward to attract, retain and motivate talented and committed employees. We have signed up to the UK's Financial Services Authority's (FSA) remuneration code and the FSA has confirmed that the structure of our remuneration arrangements comply with it.

Many of the changes to our compensation arrangements this year were prompted by an internal review that began in 2008. As well as adhering to the FSA remuneration code, we monitor new policies and codes emerging from regulatory bodies in our footprint locations, to ensure that we maintain a best practice approach globally.

One Bank approach to reward and performance management

Our One Bank philosophy is central to our remuneration policy and means that we seek to ensure our approach to reward and performance management is consistent for all employees.

We reward not only 'what' is achieved but 'how' it is achieved. Our distinctive culture and the importance we place on our values both play an important role in compensation decision-making and in our robust 'pay for sustained performance' culture (see the Sustainability section on page 40 for more information). Effective risk management is central to how we perform and the risk profile of each business is also taken into account in compensation decisions. Our approach to performance and reward is designed to drive sustainable performance, ensuring that remuneration policies support our business strategy.

Policy changes and actions taken during 2009

A new clawback policy has been launched and our levels of deferral from annual performance awards increased with a new maximum of 65 per cent. The Committee determined that a portion of each executive director's performance award, above and beyond any deferral threshold specified under the FSA code on remuneration, should be deferred into restricted shares vesting over a three year period. In addition, certain executive directors elected to voluntarily waive the balance of their award into the deferred bonus plan.

A comprehensive set of reward plan committees have been introduced by management and the involvement of the Risk function in deciding compensation levels has been strengthened further.

A review of compensation for executives in control functions, such as Risk, was completed to ensure an appropriate balance between fixed and variable compensation. As part of this review, and consistent with the commitment made on their appointment to phase in increases over time, the salaries for our Group Chief Executive and Group Finance Director were increased in July, having been held constant in March. At the same time, we broke the link between salary and performance award for directors – they now have a US dollar denominated target set based on overall financial performance goals, market benchmarks and internal affordability.

2009 remuneration decisions

- The Committee was provided with detailed information on financial performance and control issues from control functions which were considered before any compensation decisions were made
- The variable compensation pool increased, consistent with the increase in profit and the changing business mix, with increasing proportions of profit coming from Wholesale Banking where variable pay comprises a higher proportion of total compensation
- Within Global Markets (GM) the proportion of adjusted economic profit delivered as variable compensation was lower than in 2008. 74 per cent of GM employees had a portion of their bonus deferred (2008: 71 per cent)
- For the directors participating in the Performance Share Plan (PSP) at least 81 per cent of their pay was performance related comprising a cash award, deferred shares and performance shares. Of this performance related pay, at least 70 per cent was deferred. In 2009, the share component of their total pay ranged from 44 to 95 per cent

In 2010 we will be completing a review of our share plans and in due course will seek shareholder approval for changes we believe will continue to strengthen our alignment with legal and regulatory developments whilst supporting our business strategy. Some minor changes are proposed for this year to enable delivery of increased levels of deferral of annual performance awards, in accordance with the requirements of the FSA.

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 2010 Annual General Meeting and, in the meantime, welcome any feedback that you may have.

Ruth Markland
Chairman of the Remuneration Committee

Benchmarking Standard Chartered's compensation arrangements against emerging regulatory best practice

Regulatory benchmarking

Emerging regulatory best practice	Standard Chartered practice
Pay structures consistent with effective risk management	✓ Risk management is central to all business decisions
Pay for performance	✓ 7 per cent of eligible employees did not receive a bonus in 2009
Meaningful levels of deferral	✓ Deferral applied across the Group with 65 per cent top marginal rate. 70 per cent of directors' annual performance award deferred ✓ In line with the new FSA requirements, executives will have at least 60 per cent of their variable compensation deferred
Clawback	✓ Enhanced policy introduced in 2009
Risk adjusted compensation pools	✓ 60 per cent of the 2009 spend derived directly from risk adjusted formula ✓ All variable compensation pools driven by both performance and risk profile
No multi-year guarantees	✓ Comply
Strong governance	✓ Committee oversees all material variable compensation plan spend and reviews the most highly paid and those subject to FSA requirements ✓ Group Chief Risk Officer attends Committee meetings ✓ Control function variable compensation pools managed separately from the businesses they control ✓ Comprehensive set of reward plan committees ✓ Control functions provide input into plan meetings on compensation within the business units

Remuneration Committee meetings

Members	Scheduled	Ad hoc
R Markland (Chairman) (3)	5/5	2/2
V F Gooding (1)	5/5	2/2
J W Peace (4)	5/5	2/2
P D Skinner (5)	5/5	2/2
O H J Stocken (2)	5/5	2/2

Role of the Committee

The Committee has oversight of the reward policies for Standard Chartered employees. In particular, the Committee:

- recommends to the Board the reward policy for Standard Chartered and agrees the reward packages of the Chairman, Group Chief Executive, executive directors and other senior executives as it is designated to consider
- reviews and approves any major changes in employee reward throughout Standard Chartered, including the continuous review of performance award arrangements to ensure that they remain appropriate, seeking input from the Audit and Risk Committee where necessary. The Committee's terms of reference are available at www.standardchartered.com

Advisors

In September, following a rigorous selection process, the Committee appointed Watson Wyatt, which merged with Towers Perrin on 1 January 2010 to become Towers Watson, to replace Kepler Associates as its independent adviser. In line with existing policy, this appointment is subject to an annual review. The Committee would like to thank Kepler Associates for the advice and support received since they were first appointed in 2004.

Towers Watson also provides pensions and actuarial and Human Resource services to companies in the Group, but we are satisfied that the consultants advising the Remuneration Committee are significantly independent of other Towers Watson activities in the Company. Towers Watson, and previously Watson Wyatt, is committed to following the 'code of conduct for remuneration consultants in the UK'.

The Committee also received advice from the Group Head of Human Resources and the Group Head of Reward. The Chief Risk Officer attended Committee meetings held during the compensation review and he will be invited to further meetings at which material changes to our broader reward arrangements are discussed.

Towers Perrin MGMC provided formal reward survey data and previously advised Standard Chartered on executive reward issues as well as on retirement consulting issues. Clifford Chance LLP and Deloitte & Touche LLP advised on the design and operation of our share plans. Clifford Chance LLP also advised on issues relating to executive directors' contracts. McLagan Partners provided formal reward survey data and advice on market practice in variable compensation plans within the wholesale banking sector.

Reward policy

Standard Chartered's success depends upon the performance and commitment of talented employees. Our reward policy supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite and effective risk management. The reward policy is designed to:

- support a strong performance-oriented culture, ensuring that individual rewards and incentives relate directly to the performance of the individual, the operations and functions in which they work or for which they are responsible, Standard Chartered as a whole and shareholders' interests
- maintain competitive rewards that reflect our international nature and enable us to attract and retain talented executives. Many of our employees bring international experience and expertise, and we recruit from a global marketplace

The Committee reviews the reward policy on a regular basis against significant regulatory developments, market practice and shareholder expectations.

Performance-oriented culture

Our One Bank philosophy, whereby risk management, behaviour and values are rewarded as well as performance, applies to all employees. We believe that reward depends as much on 'how' performance is delivered as 'what' is delivered and this intangible factor is taken into account in every performance assessment and reward decision made within Standard Chartered.

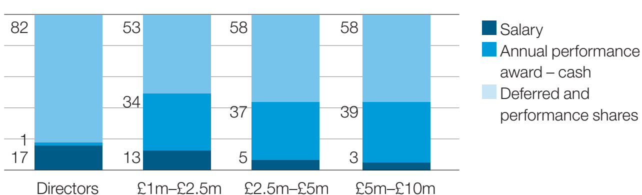
Our strong performance-oriented culture ensures that employees are motivated to focus on business and personal objectives and deliver and sustain outstanding performance while acting in accordance with our values.

Individual rewards and incentives therefore relate directly to an individual employee's performance, to that of the business unit in which they operate and also to our overall performance. Target total compensation is benchmarked to the relevant market in which each individual is employed, while the potential total compensation is set at upper quartile or higher for excellent individual and business performance.

All employees have the potential to receive an element of performance-related compensation. Typically, the higher the total compensation is, the greater the proportion delivered in variable form (either through a cash award, deferred shares and/or performance shares). The chart shows the breakdown of actual compensation between base salary, cash bonus and deferred and performance shares as a percentage of total compensation for executive directors and other highly paid individuals.

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 later in this report.

Breakdown of actual compensation between base salary, cash bonus and shares[1] for directors and highly paid individuals[2] (As a percentage of total compensation)



1 Performance shares based on expected value.

2 'Highly paid' is defined with reference to Sir David Walker's review of governance of remuneration practices and includes employees with total compensation above £1 million.

Reward arrangements for all

We employed 77,326 people in 71 countries and territories at the end of 2009. While we have a One Bank approach to remuneration, compensation does have to be structured to reflect differing local market and statutory 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	Programme details
Fixed	• Base pay • Reviewable allowances	• To attract and retain talent by ensuring that salaries are competitive in the relevant market in which the individual is employed	• Cash • Pensionable (typically only base pay element)	• Reviewed annually taking account of the latest available market data • Any increases typically take effect from 1 April
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	• Reviewed periodically taking account of local market practice
Benefits	Sharesave schemes	• To encourage employee share ownership at all levels throughout the Bank • 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 or five year savings contract • Option price is set at a discount of up to 20 per cent on 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	• 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
Total 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 which is performance related • To ensure that the proportion of variable compensation (which might be delivered through a cash award and deferred shares) increases with seniority and quantum	• Awards are in two components: cash and deferred shares. Awards in excess of $50,000 have a proportion deferred into shares and this proportion satisfies FSA 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	• Deferral levels are reviewed annually taking account of the latest regulatory and market practice. In 2009 the deferral framework was strengthened with new higher percentages of deferral to a maximum marginal rate of 65 per cent • The unvested deferred element is normally forfeited in the event of a voluntary resignation or termination for cause. Deferred awards are subject to clawback in exceptional circumstances such as a material restatement of Group financials or where, as a result of an appropriate accountability review, an individual has been deemed to have caused in full or in part a material loss for the Group, as a result of (i) reckless, negligent or wilful actions or (ii) inappropriate values or behaviour
Total variable compensation	Performance share plan	• 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	• 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

Reward plans for the Group

Governance of reward and plan committees

The role of business specific Reward Plan Committees (RPC), which formalise the involvement of the risk, compliance and human resources functions in compensation decision-making, expanded over the year.

Risk and Finance representatives jointly oversee the compilation and accuracy of the financial data used to calculate the award pool for each RPC, while representatives from Human Resources provide independent input to minimise potential conflicts of interest. Control functions also provide input into bonus plan committee meetings on compensation.

To ensure consistency across the organisation, the business specific RPCs are overseen by a Group Reward Plan Committee (GRPC) that formalises the discussions on total variable compensation spend that take place between the Group Chief Executive, Group Finance Director, Group Head of Human Resources and Group Chief Risk Officer.

The GRPC also ensures that compensation decision-making is in accordance with our established reward strategy, and acts as a link with the Committee, which has complete oversight on the overall spend under all material variable compensation plans.

The GRPC provides feedback to the other plan committees as necessary. Decisions on rewards for control function employees are determined independently of the business and control function, and they do not personally participate in any business specific performance plan.

The Board oversees reward issues and delegates oversight of our reward policies to the Committee.

Variable compensation funding

Trading profit is used as a starting point to determine the proposed overall variable compensation pool. The Committee then exercises discretion to determine the final pool. The initial proposed pool is then formally assessed using a range of measures such as risk management, bad debts, total shareholder return, performance against budget, performance against peers and other non-financial measures. In addition to agreeing the variable compensation pool for the Group, the Committee also approves the allocation to each business and to the support functions. The Committee also considered bank payroll tax when determining the bonus pools this year.

The starting point for the allocation of the variable compensation pool to each business is a profit measure. The award pool for our GM plan is based on adjusted economic profit, which takes into account economic capital plus the higher of actual or expected losses. The pool is currently capped at a pre-determined percentage for asset and liability management generated economic profit and a pre-determined percentage for all other GM generated economic profit. The final pool for GM is determined after assessment of a similar range of measures as described above, including risk management.

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.

About 60 per cent of our discretionary variable compensation was delivered under adjusted economic profit-based plans this year.

The GRPC is responsible for allocating the approved pools to each business specific RPC, who then oversee the allocation of variable compensation spend within their areas.

Determining individual variable compensation awards

We aim to achieve a high performance culture in which each employee has a clear set of objectives, receives ongoing feedback on their performance and behaviour and is appropriately rewarded for their individual contribution.

Individual annual performance awards depend on an assessment of the employee's performance against their objectives, the extent to which they have demonstrated our values and the performance of their team, business and Standard Chartered.

There is no direct formulaic link between business income generated by an individual and that individual's reward.

How is variable compensation delivered?

We deliver variable compensation to employees in up to three ways depending on the sum involved and the individual's role:

cash award
deferred shares } annual performance award
performance shares

Deferred awards

Annual discretionary performance awards above $50,000 are subject to deferral. The percentage deferred increases as the award level rises, to a maximum of 65 per cent.

The deferral is entirely delivered in shares, and includes a premium in recognition of the loss of potential dividends. Deferred awards made in relation to the performance year ending 2009 and onwards will be subject to our new clawback arrangements.

74 per cent of GM employees had a portion of their performance award deferred this year, compared to 71 per cent in 2008.

The deferred portion of this year's annual performance awards will vest in equal tranches over a one, two and three year period, reflecting higher overall levels of deferral. We use the Restricted Share Scheme (RSS) and the Supplementary Restricted Share Scheme (SRSS) to deliver these awards.

In order to comply with FSA guidelines, executives and other senior management may receive a higher proportion of their total variable compensation deferred in shares than through our underlying deferral framework.

Performance shares

Outline of the 2001 Performance Share Plan (PSP)

The PSP is an intrinsic element of total remuneration for our executive directors and executive population. Its significance as a percentage of these individuals' total potential remuneration is one of the strongest indicators of our commitment to paying for sustainable performance. The variation in the levels of share awards made to executive directors is demonstrated in the table on page 107 and highlights the importance we place on individual performance. A performance test is applied both at the time of award and upon vesting.

Given that the PSP is currently under review, awards to the majority of senior executives for 2009 will be made by way of the RSS at the equivalent expected value.

Performance conditions

Half the award is dependent upon our total shareholder return (TSR) performance compared to that of a group of peers at the end of a three year period. The other half is subject to a target for earnings per share (EPS) growth applied over the same three year period.

The Committee reviewed the performance conditions this year and concluded that, in aggregate, the combination of these measures and targets was appropriate and provided a balance between driving stretching performance and having an effective retention and motivation tool. The rationale for the selection of TSR and EPS 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

A review of our performance conditions is currently being undertaken and the Committee is considering proposing to the shareholders that a measure relating to economic profit is included in the design of our PSP.

TSR element

The constituents of our comparison peer group for awards made in 2007 and 2008 are set out below:

For awards made prior to 2009

ABN AMRO [1, 2]	ICICI [2]
Bank of America	JP Morgan Chase
Bank of East Asia	Lloyds TSB
Barclays	Overseas Chinese Banking Corporation
Citigroup	
DBS Group	Royal Bank of Scotland
Deutsche Bank	United Overseas Bank
HBOS [3]	Standard Chartered
HSBC	

[1] Following the acquisition of ABN AMRO (ABN), for awards granted in 2007, ABN was replaced with a 'synthetic' company comprising the median TSR performance of the remaining comparison companies.

[2] For awards granted in 2008, ABN was removed from the comparison group and substituted with ICICI.

[3] For unvested awards granted in 2007 and 2008, HBOS was replaced by another 'synthetic' company, in view of its acquisition by Lloyds TSB.

A comprehensive review of the comparison group was made in June 2008 by the Committee, which decided 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 used a combination of measures, including size, business scope and geographic spread, to identify the most appropriate companies before agreeing the constituents.

For awards made in 2009

Banco Santander	JP Morgan Chase
Bank of America	Kookmin
Bank of China	Lloyds Banking Group
Bank of East Asia	Overseas Chinese Banking Corporation
Barclays	
Citigroup	Royal Bank of Scotland
DBS Group	Standard Bank
Deutsche Bank	State Bank of India
HSBC	Unicredito
ICBC	United Overseas Bank
ICICI	Standard Chartered

Following the increase in the number of constituents, the vesting schedule has been recalibrated to ensure the vesting level at median and upper quintile remains broadly unchanged. The percentage of awards exercisable at the end of the relevant three year performance period is calculated on a straightline basis. Minimum vesting occurs if we achieve median ranking, with full vesting achieved if we are ranked in the upper quintile or above position in our comparison group.

Comparison group for awards from 2010 onwards

In December 2009, the Committee reviewed the continued appropriateness of our comparison peer group and decided to make a minor refinement to the constituents, which resulted in the replacement of Lloyds Banking Group by Credit Suisse. This will affect awards made in 2010 and onwards.

The Committee believes that it is preferable to measure TSR performance using a local currency approach. This reflects the international composition of the comparison group, but also takes into account that a significant proportion of each company's profits 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.

EPS element

The percentage of award which is normally exercisable at the end of the relevant three year performance period 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*
More than 30 per cent	50

* Calculated on a straightline basis.

Vesting of 2007 awards

The Committee recently reviewed whether the performance conditions for awards granted in 2007 were satisfied at the end of December 2009. The table below sets out EPS and TSR performance over the three-year period and the percentage of the 2007 awards that has now vested.

Element	Performance	2007 Awards
EPS growth	20.35%	27.48%
TSR ranking	1 out of 15	50.00%
Total		77.48%

For awards granted in 2009, normalised EPS of 179.8 cents has been used as a base figure.

Executive Share Option Scheme (ESOS)

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

Restricted Share Scheme (RSS)

The RSS is used as a vehicle for deferring part of annual performance awards to employees and as an incentive plan to motivate and retain high performing staff. Except where used for deferral purposes, executive directors are not generally eligible to participate in the RSS. However, awards may be made on an exceptional basis at the time of their appointment. For example, RSS may be used to compensate a newly appointed executive director for share awards forfeited when they left their previous employer. No such awards have been made since 2003.

Under the RSS, the value of shares awarded in any year to any individual may not exceed two times their base salary. Half of the award vests two years after the date of grant and the balance after three years.

Supplementary Restricted Share Scheme (SRSS)

We also operate a SRSS, which is similar to the RSS. This scheme is principally used for Global Markets employees but is also used to defer one third of an employee's deferred annual performance award which vests after one year. Executive directors are specifically prohibited from this scheme. New shares cannot be issued to satisfy awards. There is no individual annual limit.

Both the RSS and SRSS, in line with similar schemes operated by our competitors, do not have performance conditions.

Deferred Bonus Plan (DBP)

Under the DBP, shares are conditionally awarded in order to defer one third of a director's deferred annual performance award which vests after one year. The DBP is used for directors only instead of the SRSS as under the scheme rules directors are unable to participate in the SRSS.

The use of both the RSS and the DBP is necessary for us to be able to satisfy both our and the regulator's deferral requirements, but creates complexity which we aim to address as part of the review of our share plans in 2010. Any proposed changes will be tabled at the next AGM.

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.

It is not possible to offer Sharesave schemes in some countries in which we operate because of local securities laws or regulatory issues. We offer an equivalent cash-based scheme to these employees as an alternative.

As at 31 December 2009, 37 per cent of employees globally participated in our all employee Sharesave schemes (2008: 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 39 to the financial statements.

Shareholding guidelines

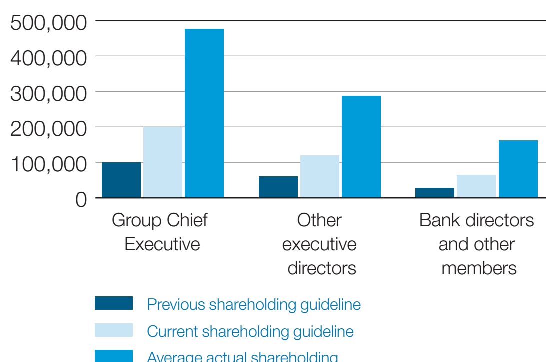
We operate a shareholding guideline policy that aims to align the interests of executives with those of our shareholders by ensuring that they build up a significant equity stake in Standard Chartered. Following the increase in minimum guidance levels made in February for directors, the Committee also increased the minimum guideline levels that members of our Group Management Committee are required to hold this year.

The key aspects of these guidelines are as follows:

- a single shareholding target for employees at specific levels
- executives expected to retain any shares acquired on the exercise of awards granted under the PSP and any deferred shares until such time as the shareholding guideline is satisfied. However, executives may sell sufficient shares to pay for any tax and exercise price (if any). Unexercised RSS awards and interests under the DBP count towards the guideline level
- the Committee will review the progress made by executives in terms of meeting their guideline targets on an annual basis. It will also continually review the guideline levels to ensure they remain challenging and appropriate

The chart below highlights the minimum number of shares that members of the Group Management Committee are expected to hold. All members of the Group Management Committee hold shares in excess of their respective guideline levels:

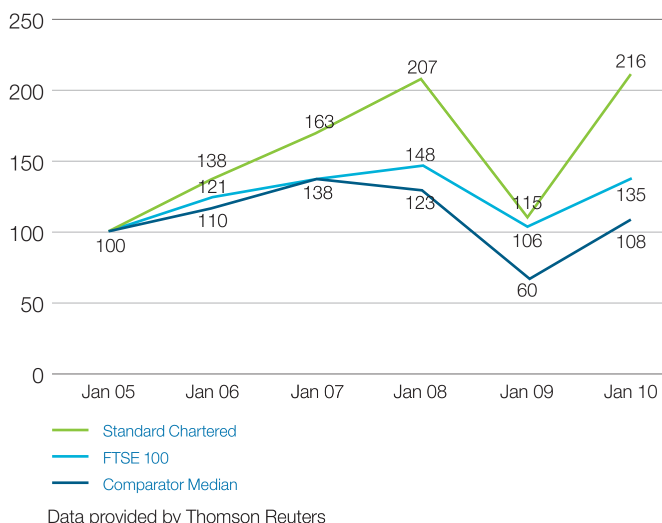
Shareholding guidelines and average actual shareholding
Number of shares



Performance graph

The graph below shows our TSR 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.

Total shareholder return
Percentage change over five year period



Data provided by Thomson Reuters

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 DBP 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 are as follows:

	31 December 2009	31 December 2008
1995 trust	7,589,615	2,949,563
2004 trust	498,127	480,166

As each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 1985, to have an interest in the trusts' shares.

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 which provides that awards under any plan cannot be granted (whether to be satisfied through the issue of new shares or market purchased shares) which would cause the total number of shares under option (all schemes) to exceed 10 per cent of issued share capital at that time.

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.

International financial reporting standards

Details on how share awards have been expensed under IFRS 2 are set out in note 39 to the financial statements to the accounts.

General

The middle market price of an ordinary share at the close of business on 31 December was 1575 pence. The share price range over the year was 587 pence to 1689 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 £1:$1.5613 (2009) and £1:$1.8377 (2008).

Reward arrangements for executive directors

Each executive director has written 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 105 for further details.

Target remuneration levels for executive directors are set with reference to the market, individual experience levels and internal affordability. The annual performance award targets are now set as defined US dollar amounts. This breaks the link to salary and provides the Committee with increased flexibility to deliver an appropriate balance between fixed and variable compensation. The Committee aims to ensure that the balance of target remuneration places greatest weighting on performance-related elements.

The market information draws on our international banking peers and the FTSE 30. These two groupings have business characteristics, such as international scope of operations, complexity and size, which are similar to ours, and represent organisations that we compete alongside for talent.

Base salaries

The compensation review at the end of 2008 was tightly managed and no salary increases were awarded to any executive directors or Band 1 employees. This reflected the Board's decision to manage the cost base at a time of extreme market turbulence and an uncertain economic outlook. We maintained this prudent approach to increases in fixed compensation across the whole business. However, following a review of salaries for employees in control functions and market movement in compensation levels for senior banking executives, the Committee reviewed the base salaries for executive directors.

As part of this review and consistent with the commitment made on their appointment in November 2006 to phase in increases over time, the salaries for our Group Chief Executive, Peter Sands and Group Finance Director, Richard Meddings, were increased with effect from 1 July. This was to ensure an appropriate balance between fixed and variable compensation and to ensure that their total remuneration was appropriately calibrated given the size, performance and complexity of the Bank. This was also felt by the

Committee to be a better approach than implementing a larger one-off increase to align their base salary with the market level. A further small increase for Richard Meddings has been approved effective 1 January to reflect his broader portfolio. In addition to managing the Finance function, he now has global responsibility for Strategy and Risk.

The changes in the annual base salary levels of executive directors from 31 December 2008 were as follows:

	31 December 2008	1 July 2009	1 January 2010	Percentage increase at 1 January 2010
P A Sands	$1,562,045 (£850,000)	$1,561,300 (£1,000,000)	$1,561,300 (£1,000,000)	0.0%
S P Bertamini[1]	$900,000	$900,000	$900,000	0.0%
J Bindra[2]	n/a	n/a	$780,650 (£500,000)	–
G R Bullock	$918,850 (£500,000)	$780,650 (£500,000)	$780,650 (£500,000)	0.0%
R H Meddings	$1,148,563 (£625,000)	$1,131,943 (£725,000)	$1,170,975 (£750,000)	3.4%
A M G Rees[3]	n/a	$702,585 (£450,000)	$936,780 (£600,000)	33.3%

1 Steve Bertamini has a US dollar denominated base salary, whereas other executive directors have sterling denominated base salaries.
2 Jaspal Bindra was appointed as an executive director with effect from 1 January 2010.
3 Mike Rees was appointed as an executive director with effect from 4 August 2009.

2009 TVC award

At its meeting in February 2010, the Committee awarded the following TVC awards for executive directors in respect of the 2009 performance and financial year:

	Annual performance award[1] ($'000)				
	Cash	Deferred	Sub total	Performance shares (EV) ($'000)	2009 TVC award ($'000)
P A Sands	– 0%	3,200 59%	3,200	2,179 41%	5,379 100%
S P Bertamini	– 0%	1,400 54%	1,400	1,173 46%	2,573 100%
G R Bullock	420 30%	980 70%	1,400	– 0%	1,400 100%
R H Meddings	– 0%	2,200 62%	2,200	1,341 38%	3,541 100%
A M G Rees	– 0%	11,000 87%	11,000	1,609 13%	12,609 100%

General Notes
a) The Committee determined that a portion of each executive director's performance awards, above and beyond any deferral threshold specified under the FSA code on remuneration should be deferred into shares vesting over a three year period. This resulted in a minimum of 70 per cent of any performance award being delivered in restricted shares. In addition, certain executive directors elected to voluntarily waive additional amounts into the deferred bonus plan.
b) 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.

The Committee approved a change in policy in 2009 such that the link between salary and performance award for directors is broken. Each director will now have a US dollar denominated target set based on overall financial performance goals, market benchmarks and internal affordability. With the exception of Group Executive Director and CEO Wholesale Banking, Mike Rees, the maximum annual performance award opportunity for all directors for 2010 will be set as 250 per cent of their target performance award. For Mike Rees, the annual performance award will depend on the performance of Wholesale Banking and of the Group. The target performance awards for 2010 are as follows:

P A Sands	$2,000,000
S P Bertamini	$1,125,000
G R Bullock	$375,000
R H Meddings	$1,500,000
A M G Rees	$10,000,000

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 geographic location. Executive directors are given the opportunity to waive a proportion of the cash element of any potential annual performance award to enhance their unfunded unapproved retirement benefits. Any amounts waived in respect of this year are shown on page 108; our actuary has calculated the additional pension benefits using assumptions adopted for IAS 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 secured by a charge, in the name of an independent trustee, over specific assets. The unapproved unfunded retirement benefit scheme provides that part of the executive's benefit which 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
G R Bullock	19 October 2004
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 where 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 72 to 74. Details of non-executive fees of the executive directors are shown below:

Name	Organisation	Current annual fees
P A Sands	The Roundhouse Trust	No fees payable
	The Hong Kong Association	No fees payable
	Institute of International Finance	No fees payable
G R Bullock	Fleming Family & Partners Limited	No fees payable
	Spirax-Sarco Engineering plc	$ 52,000*
R H Meddings	3i Group Plc	$ 55,341*

* 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 £500,000 effective from 1 January 2010, and his contract of employment, dated 1 March 2008 which has similar provisions to those outlined above, in relation to other executive directors.

In addition, Gareth Bullock has decided to step down from the Board with effect from 30 April 2010. However, Gareth will remain employed 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 to 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. His 2009 annual performance award (disclosed on page 105) will be paid as normal and subject to the standard deferral requirements. Should Gareth find alternative employment prior to 30 April 2011, we would not expect to hold him unreasonably to the full 12 months' notice and would seek agreement from the Committee to renegotiate terms with him. Any such changes will be reflected in next year's Directors' remuneration report.

In addition, please refer to page 83 for details of the changes to non-executive directors.

Chairman's and non-executive directors' reward

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' structure 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 base fees from 1 September 2009. The committee fees will be revised following the committee restructure in March 2010. The current and proposed fees post the committee restructure are set out in the table below. The increased fees, particularly for involvement in committees, reflect the growing regulatory and governance responsibilities, which require an increased time commitment from all non-executive directors.

Element	Current (£)	From 4 March 2010 (£)
Base fee[1]	100,000	Unchanged
Audit and Risk Committee[2]		
Chair	65,000	N/A
Committee Member	30,000	N/A
Audit Committee[2]		
Chair	N/A	65,000
Committee Member	N/A	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
Risk Committee[2]		
Chair	N/A	65,000
Committee Member	N/A	30,000
Sustainability and Responsibility Committee[3]		
Chair	N/A	50,000
Committee Member	7,500	25,000
Senior Independent Director	30,000	Unchanged

1 The base fee for non-executive directors was reviewed in 2009 and increased from £75,000 to £100,000 with effect from 1 September 2009.

2 On 4 March 2010 the Audit and Risk Committee will separate into two committees: the Audit Committee and the Risk Committee.

3 Shall become the Brand and Values Committee on 4 March 2010.

With effect from 1 September 2008, UK-based non-executive directors are able to take up to 50 per cent of their monthly post-tax base fees to acquire shares in Standard Chartered. Non-executive directors do not participate in any performance-related remuneration arrangements.

Group Chairman

As reported last year, Lord Davies resigned from the Board on 14 January 2009 in order to take up the appointment of trade minister with the UK government. Lord Davies was paid a base fee of $1,014,839 (£650,000) per annum. In addition he also received a car and driver, private healthcare provision and life assurance coverage.

John Peace was initially appointed Acting Chairman following Lord Davies' resignation from the Board. He was formally appointed Chairman on 2 July 2009.

Contract

John's contract of employment, dated 2 July 2009, 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 Peace received an all-inclusive fee of $1,014,839 (£650,000) for performing the role of Acting Chairman. During this period, he did not receive a fee for his role as Deputy Chairman.

John's compensation as Chairman comprises two key parts. He receives an annual base fee, part delivered in cash $1,014,839 (£650,000) and part delivered in restricted shares $780,645 (£500,000) being 41,528 restricted shares. In 2010 he will receive a restricted share award of 20,764 restricted shares and from 2011 onwards, will be eligible for future share awards at the discretion of the Committee. This structure mirrors market practice and aligns his interests with those of shareholders. It also demonstrates the Chairman's commitment and confidence in our future. The restricted share award was translated into a fixed number of shares based on the average share price over a two-month period up until 30 June (£12.04). 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 were benchmarked against comparable banking roles in both the UK and international marketplace. The arrangements ensure that John is appropriately compensated for his contribution and reflect 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 will also be provided with a car and driver and private healthcare provision. He is not eligible to receive discretionary PSP awards or to participate in either our annual performance award or retirement plans.

Audited information

Remuneration of Group Chairman

	2009[4]				2008		
Chairman	**Cash fee $'000**	**Shares based fee $'000**	**Benefits $'000**	**Total $'000**	Fees $'000	Benefits $'000	Total $'000
J W Peace[1, 2, 3]	**988**	**781**	**2**	**1,771**	276	–	276

Notes

1 The above cash fee includes pro rating of the annual fee of $1,014,839 which was payable to John when he was Acting Chairman between 15 January 2009 and 30 June 2009.

2 Following his appointment as Chairman, John now receives part of his annual fee in restricted shares. Accordingly he was granted an initial award over 41,528 shares in the Company on 28 September 2009.

3 John was a member of the Audit and Risk Committee until 2 July 2009, and remains a member of the Nomination Committee and Remuneration Committee.

4 Payment to a former director - Lord Davies resigned as an employee and stepped down from the Board, Nomination Committee and Sustainability and Responsibility Committee on 14 January 2009. He received emoluments in 2009 of $38,000 (2008: $1,195,000) in respect of this base fee and $7,000 (2008: $41,000) in respect of core benefits.

Remuneration of non-executive directors

	2009			2008		
Non-Executive Directors	**Fees $'000**	**Benefits $'000**	**Total $'000**	Fees $'000	Benefits $'000	Total $'000
J F T Dundas[1, 2, 4]	**204**	**–**	**204**	214	–	214
V F Gooding[3, 4]	**173**	**–**	**173**	180	–	180
R H P Markham[1, 2, 5]	**292**	**–**	**292**	263	–	263
R Markland[1, 2, 3]	**255**	**–**	**255**	270	–	270
J G H Paynter[1]	**177**	**–**	**177**	44	–	44
P D Skinner[3]	**161**	**–**	**161**	168	–	168
O H J Stocken[3, 4]	**173**	**–**	**173**	180	–	180
S B Mittal[6]	**68**	**–**	**68**	133	–	133
Total	**1,503**	**–**	**1,503**	1,452	–	1,452

Notes

1 Member of the Audit and Risk Committee.

2 Member of the Nomination Committee.

3 Member of the Remuneration Committee.

4 Member of the Sustainability and Responsibility Committee.

5 Senior Independent Director.

6 Sunil Mittal stepped down from the Board on 31 July 2009.

General notes

(a) Any base salary/fee or benefit item in the table above has been converted using the average foreign exchange rates throughout the relevant financial year as shown on page 101.

Remuneration of executive directors

	2009							
	Fixed ($'000)		Total Variable Compensation ($'000)					
			Annual Performance Award					
Directors	**Salary/fees**	**Benefits[1]**	**Cash bonus[2]**	**Deferred shares[3]**	**Voluntary Deferred Shares**	**Sub Total**	**PSP[4]**	**Total**
P A Sands	**1,444**	**97**	**–**	**2,240**	**960**	**3,200**	**2,179**	**6,920**
S P Bertamini[6]	**1,113**	**772**	**–**	**980**	**420**	**1,400**	**1,173**	**4,458**
G R Bullock	**781**	**65**	**420**	**980**	**–**	**1,400**	**–**	**2,246**
R H Meddings	**1,054**	**69**	**–**	**1,540**	**660**	**2,200**	**1,341**	**4,664**
A M G Rees[7]	**625**	**37**	**–**	**7,700**	**3,300**	**11,000**	**1,609**	**13,271**
Total	**5,017**	**1,040**	**420**	**13,440**	**5,340**	**19,200**	**6,302**	**31,559**

	2008							
	Fixed ($'000)		Total Variable Compensation ($'000)					
			Annual Performance Award					
Directors	Salary/fees	Benefits	Cash bonus	Deferred shares	Voluntary Deferred Shares	Sub Total	PSP	Total
P A Sands	1,516	97	1,051	878	697	2,626	1,799	6,038
S P Bertamini[5, 6]	701	467	563	1,746	266	2,575	1,270	5,013
G R Bullock	907	76	189	327	279	795	740	2,518
R H Meddings	1,096	68	913	558	355	1,826	1,112	4,102
A M G Rees[7]	643	38	4,383	3,911	472	8,766	623	10,070
Total	4,863	746	7,099	7,420	2,069	16,588	5,544	27,741

Notes

1 The benefits column includes amounts relating to car allowances and medical and life assurance benefits. Steve Bertamini carries out his duties overseas and his remuneration was adjusted to take local living costs into account. This adjustment was to put Steve in a position, after taxation differentials, where he would be no worse off as a result of carrying out his duties overseas. The benefits column for Steve also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. The 2008 benefits column has been restated to include life assurance benefit as follows: Peter Sands $32,057 (2009: $30,692), Steve Bertamini $5,252 (2009: $3,737), Gareth Bullock $22,716 (2009: $18,453), Richard Meddings $24,912 (2009: $25,624), and Mike Rees $3,717 (2009: $5,416).

2 The cash element of the annual performance award is shown net of any amounts waived to provide additional pension benefits. See page 102 for further details. Gareth Bullock waived $415,000 of his 2008 performance award into his pension arrangement. This was disclosed in the 2008 annual report and accounts.

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 2009, the Committee determined that a portion of each executive director's performance awards, above and beyond any deferral threshold specified under the Financial Services Authority code on remuneration should be deferred into restricted shares vesting over a three year period. This resulted in a minimum of 70 per cent of any performance award being delivered in restricted shares. In addition, certain executive directors elected to voluntarily waive additional amounts into the deferred bonus plan in both 2008 and 2009, as shown in the voluntary deferred shares columns.

4 The expected value of any performance share awards granted in March 2010 in respect of the 2009 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 a total 2008 discretionary annual performance award of $1,125,000 of which $296,250 and $266,000 is deferred into restricted shares under the 2006 RSS and the DBP respectively. In addition, in recognition of the substantial elements of deferred compensation and share awards which he forfeited on leaving his previous employer, he was also awarded, as part of his joining arrangements, a one-off award of deferred shares of $1,449,300 (£1,000,000) granted in March 2009. This will vest in March 2010. No guarantee was made to Steve in the respect of the 2009 performance and financial year.

6 Steve Bertamini received cash allowances of $315,000 (2008: $140,905) 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 108.

7 Mike Rees was appointed to the Board on 4 August 2009. His 2008 compensation has been provided for comparison purposes.

General notes

(a) 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 101.

(b) Any performance award (both cash and deferred elements) are determined in US dollars and shown as such in the table. The proposed PSP awards in respect of the 2009 performance year are determined in pounds sterling, but for the purposes of the table converted into US dollars using the exchange rate at the time of award £1:$1.5593 (2009: £1:$1.4493).

2004 DBP

Directors	Shares held in trust at 1 January 2009*	Shares awarded during the period[1]	Shares awarded in respect of notional dividend[2]	Shares vested during the period[1]	**Shares held in trust at 31 December 2009**
P A Sands	34,270	70,532	338	34,608	**70,532**
S P Bertamini	–	170,081	–	–	**170,081**
G R Bullock	17,820	28,283	175	17,995	**28,283**
R H Meddings	23,303	35,923	229	23,532	**35,923**
A M G Rees	47,814	–	–	–	**47,814**

* Or at date of appointment to the Board, if later.

Notes
[1] Market value on date of awards/vesting (9 March 2009) was 698.50 pence.
[2] Under the 2004 DBP, 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.

Subsequent pages contain information on share options and share awards.

Long term incentives

Share options

Director	Scheme	Grant date	As at 1 January 2009*	Exercise price (pence)	Exercised	Lapsed	**As at 31 December 2009****	Period of exercise
P A Sands	ESOS	20 May 2002	234,638	754.35	234,638[1]	–	**–**	–
	ESOS	5 March 2003	223,357	604.41	223,357[1]	–	**–**	–
	ESOS	4 March 2004	109,908	818.86	109,908[1]	–	**–**	–
	ESOS	9 March 2005	111,772	849.94	111,772[1]	–	**–**	–
	Sharesave	26 September 2007	1,543	1,088.03	–	–	**1,543**	2012–2013
S Bertamini	Sharesave	9 October 2009	1,356	1146	-	-	**1,356**	2014–2015
G R Bullock	Sharesave	29 September 2008	943	1,017.12	–	–	**943**	2011–2012
R H Meddings	ESOS	4 March 2004	74,798	818.86	74,798[1]	–	**–**	–
	Sharesave	8 September 2006	1,003	931.34	1,003[2]	–	**–**	–
A M G Rees	ESOS	9 March 2005	61,768	818.86	–	–	**61,768**	2009–2015
Lord Davies	ESOS	9 March 2005	3,662	818.86	–	–	**3,662**	2009–2010[3]

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

Notes
[1] Market value on date of exercise (3 November 2009) was 1467.30 pence.
[2] Market value on date of exercise (1 December 2009) was 1523.00 pence.
[3] Lord Davies has entered into a personal arrangement with an independent trustee under which he has agreed that such awards cannot be exercised without the written authority of such trustee for the duration of any appointment that he might have in the UK government. This award was exercisable at the time Lord Davies stepped down from the Board. It will remain exercisable until 15 February 2010 at which point any unexercised award will lapse.

Share awards*

Director	Scheme	Grant date	As at 1 January 2009**	Exercised	Lapsed	**As at 31 December 2009*** **	Period of exercise
J W Peace	RSS	28 September 2009[1]	41,528	–	–	**41,528**	2011–2018
P A Sands	PSP	09 June 2004	41,863	41,863[3]	–	**–**	–
	PSP	09 March 2005	111,772	111,772[4]	–	**–**	–
	PSP	14 March 2006	83,592	71,052[5]	12,540[7]	**–**	–
	PSP	11 May 2006	41,079	32,452[5]	8,627[7]	**–**	–
	PSP	12 March 2007	162,389	–	–	**162,389**	2010–2017[8]
	PSP	11 March 2008	184,774	–	–	**184,774**	2011–2018
	PSP	11 March 2009[2]	356,481	–	–	**356,481**	2012–2019
	Deferred RSS	11 March 2009[2]	84,231	–	–	**84,231**	2011–2016
S P Bertamini	PSP	16 September 2008	59,337	–	–	**59,337**	2011–2018
	PSP	11 March 2009[2]	159,033	–	–	**159,033**	2012–2019
	Deferred RSS	11 March 2009[2]	28,437	–	–	**28,437**	2011–2016
G R Bullock	PSP	14 March 2006	55,728	47,368[3]	8,360[7]	**–**	–
	PSP	11 May 2006	20,539	16,226[5]	4,313[7]	**–**	–
	PSP	12 March 2007	93,102	–	–	**93,102**	2010–2017[8]
	PSP	11 March 2008	108,665	–	–	**108,665**	2011–2018
	PSP	11 March 2009[2]	146,604	–	–	**146,604**	2012–2019
	Deferred RSS	11 March 2009[2]	31,292	–	–	**31,292**	2011–2016
R H Meddings	PSP	14 March 2006	68,466	58,196[3]	10,270[7]	**–**	–
	PSP	11 May 2006	25,235	19,935[5]	5,300[7]	**–**	–
	PSP	12 March 2007	100,385	–	–	**100,385**	2010–2017[8]
	PSP	11 March 2008	125,646	–	–	**125,646**	2011–2018
	PSP	11 March 2009[2]	220,370	–	–	**220,370**	2012–2019
	Deferred RSS	11 March 2009[2]	53,514	–	–	**53,514**	2011-2016
A M G Rees	RSS	9 March 2005	29,414	29,414[6]	–	**–**	–
	RSS	14 March 2006	55,728	55,728[6]	–	**–**	–
	RSS	12 March 2007	55,113	27,556[6]	–	**27,557**	2010–2017
	RSS	11 March 2008	126,701	–	–	**126,701**	2010–2015
	Deferred RSS	11 March 2009[2]	86,419	–	–	**86,419**	2011–2016
	Deferred SRSS	11 March 2009[2]	288,939	–	–	**288,939**	2011–2016
	PSP	9 March 2005	51,473	51,473[6]	–	**–**	–
	PSP	14 March 2006	55,728	47,368[6]	8,360[7]	**–**	–
	PSP	12 March 2007	55,113	–	–	**55,113**	2010–2017[8]
	PSP	11 March 2008	55,432	–	–	**55,432**	2011–2018
	PSP	11 March 2009[2]	123,456	–	–	**123,456**	2012–2019
Lord Davies	PSP	14 March 2006	127,379	108,272	19,107	**–**	[9, 10]
	PSP	11 May 2006	93,898	74,178	19,720	**–**	[9, 10]
	PSP	12 March 2007	204,708	–	–	**204,708**	2010[10, 11]

* Details of performance conditions for PSP awards are described on page 99.
** Or at a date of appointment to the Board or date of grant if later.
*** Or date of resignation from the Board, if earlier.

Notes
1 Market value on date of award (28 September 2009) was 1509.00 pence.
2 Market value on date of award (11 March 2009) was 798.50 pence.
3 Market value on date of exercise (16 March 2009) was 859.94 pence.
4 Market value on date of exercise (30 June 2009) was 1152.9 pence.
5 Market value on date of exercise (11 May 2009) was 1223.95 pence.
6 Market value on date of exercise (6 August 2009) was 1374.84 pence.
7 The performance conditions were partially met for those PSP awards granted in March and May 2006. Therefore the number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions.
8 The performance conditions attached to these awards have been partially met (77.48 per cent).
9 Lord Davies entered into a personal arrangement with an independent trustee under which he has agreed that such awards cannot be exercised without the written authority of such trustee for the duration of any appointment that he might have in the UK government.
10 The performance conditions attached to these awards have been partially met (85 per cent for March awards and 79 per cent for May and September awards) and the awards can now be exercised. Market value on the dates of exercise (6 April 2009) was 1014.00 pence and (14 May 2009) 1187.00 pence.
11 The 2010 performance conditions attached to these awards have been partially met (77.48 per cent). The award will be exercisable from 12 March 2010 and will remain exercisable until 31 December 2010 at which point any unexercised award will lapse.

Directors' interests in ordinary shares

Director	At 1 January 2009 Total interests*	**Personal interests**	**Family interests**	**At 31 Dec 2009 Total interests****
J W Peace	6,648	**6,648**	**–**	**6,648**
P A Sands	108,237	**321,532**	**–**	**321,532**
S P Bertamini	40,659	**41,133**	**–**	**41,133**
G R Bullock	180,471	**120,000**	**–**	**120,000**
J F T Dundas	2,792	**2,792**	**–**	**2,792**
V F Gooding	2,753	**2,804**	**–**	**2,804**
R H P Markham	3,312	**3,462**	**–**	**3,462**
R Markland	2,997	**3,135**	**–**	**3,135**
R H Meddings	208,030	**183,611**	**–**	**183,611**
J G H Paynter	2,659	**5,000**	**–**	**5,000**
A M G Rees[1]	286,781	**160,297**	**–**	**160,297**
P D Skinner	5,328	**8,565**	**–**	**8,565**
O H J Stocken	14,221	**15,820**	**–**	**15,820**
S B Mittal[2]	2,000	**2,000**	**–**	**2,000**
Lord Davies[3]	33,184	**2,659**	**30,525**	**33,184**

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

Notes
1 Mike Rees was appointed to the Board on 4 August 2009.
2 Sunil Mittal stepped down from the Board on 31 July 2009.
3 Lord Davies resigned from the Board with effect from 14 January 2009.

General notes
(a) 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.
(b) 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.
(c) No director had any corporate interests in the Company's ordinary shares.

Retirement benefits of executive directors

	Accrued pension $'000			Transfer value of accrued pension $'000[1, 2]				Increase in accrued pension (net of inflation and waiver) during 2009 $'000[4]	
Director	At 1 January 2009	Increase during the year	At 31 December 2009	At 1 January 2009	Increase during the year net of waiver	At 31 December 2009	2009 waiver $'000[3]	Annual pension	Transfer value
P A Sands	241	79	350	3,635	1,703	5,809	–	79	1,331
G R Bullock	270	31	332	4,575	1,309	6,698	–	30	608
R H Meddings	249	68	347	3,911	1,713	6,127	–	67	1,209
A M G Rees	170	40	230	2,687	973	3,999	–	39	738

Notes
1 The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.
2 The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using our pension accounting methodology and assumptions.
3 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 2009 are shown in the table.
4 The increase in the accrued pension (net of inflation and performance award waiver) during the year is the difference between the accrued pension at the end of 2008 increased by an allowance for inflation of 0.3 per cent (2008: 3.0 per cent) and the accrued pension at the end of 2009 excluding any performance award waiver.

General notes
(a) The ages of the executive directors are shown on pages 72 to 74.
(b) In addition to the amounts identified in the table above Standard Chartered paid $449,612 (2008: $605,996) in retirement benefits to former directors and their dependants.
(c) The amounts included in the table above as at 1 January and 31 December 2009 are calculated using the exchange rates at the end of 2008 (£1:$1.4493) and 2009 (£1:$1.6142) respectively. The other entries are calculated using the exchange rates shown on page 101.
(d) 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 105.

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 allocated into an interest bearing account, and all or part of the account may be invested in alternative assets at his discretion. The original allocation (together with the accrued interest and investment returns) will vest 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.

	Grant date	Allocation	Value as at 31 December 2008	Vested	**Value as at 31 December 2009**	Vesting period
S P Bertamini	19 May 2008	$6,500,000	$6,606,978	–	**$7,756,150**	2010–2014

Remuneration of 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 (none of whom were executive directors), whose emoluments* were the highest in the year ending 31 December 2009:

Components of remuneration	**$**
Basic salaries, allowances and benefits in kind	1,429,686
Pension contributions	839,022
Annual performance award paid or receivable*	46,166,029
Payments made on appointment	–
Compensation for loss of office	
– contractual	–
– other	–
Total**	**48,434,737**

* Excluding performance awards or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

** Equal to HKD375,454,300.

The emoluments were in the following bands:

HKD (approx. $ equivalent)	**Number of employees**
HKD60,500,001 – HKD61,000,000 ($7,804,683 – $7,869,184)	3
HKD96,000,001 – HKD96,500,000 ($12,384,290 – $12,448,791)	1
HKD97,000,001 – HKD97,500,000 ($12,513,293 – $12,577,794)	1

By order of the Board

Annemarie Durbin
Group Company Secretary
3 March 2010

Statement of directors' responsibilities

in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the 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 Company and of their profit or loss for that period. In preparing each of the Group and 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 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 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 complies 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

The directors confirm to the best of their knowledge:

1. the financial statements prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole
2. the management reports, which are incorporated into the Report of the directors, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with the principal risks and uncertainties they face

By order of the Board

R H Meddings
Group Finance Director
3 March 2010

Independent Auditor's report to the members of Standard Chartered PLC

For the year ended 31 December 2009

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 2009 as set out on pages 112 to 196. 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 110, 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 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 web-site at www.frc.org.uk/apb/scope/UKP

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 2009 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
- 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
- the information given in the Directors' report, 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 82 to 93 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
- 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
- certain disclosures of directors' remuneration specified by law are not made
- 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 76 to 81, in relation to going concern; and
- the part of the Corporate governance section on pages 82 to 93 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

M StJ Ashley
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
3 March 2010

Consolidated income statement

For the year ended 31 December 2009

	Notes	**2009 $million**	2008[1] $million
Interest income	3	**12,926**	16,378
Interest expense	4	**(5,303)**	(8,991)
Net interest income		**7,623**	7,387
Fees and commission income	5	**3,824**	3,420
Fees and commission expense	5	**(454)**	(479)
Net trading income	6	**2,890**	2,405
Other operating income	7	**1,301**	1,235
Non-interest income		**7,561**	6,581
Operating income		**15,184**	13,968
Staff costs	8	**(4,912)**	(4,737)
Premises costs	8	**(698)**	(738)
General administrative expenses	8	**(1,822)**	(1,711)
Depreciation and amortisation	9	**(520)**	(425)
Operating expenses		**(7,952)**	(7,611)
Operating profit before impairment losses and taxation		**7,232**	6,357
Impairment losses on loans and advances and other credit risk provisions	20	**(2,000)**	(1,321)
Other impairment	10	**(102)**	(469)
Profit from associates		**21**	1
Profit before taxation		**5,151**	4,568
Taxation	11	**(1,674)**	(1,224)
Profit for the year		**3,477**	3,344
Profit attributable to:			
Minority interests	38	**97**	103
Parent company shareholders		**3,380**	3,241
Profit for the year		**3,477**	3,344
Earnings per share:			
Basic earnings per ordinary share (cents)	13	**167.9**	192.1
Diluted earnings per ordinary share (cents)	13	**165.3**	191.1

[1] Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	**2009 $million**	2008[1] $million
Profit for the year		**3,477**	3,344
Other comprehensive income:			
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity		**600**	(2,794)
Actuarial losses on retirement benefit obligations	36	**(150)**	(229)
Share of other comprehensive income from associates		**19**	–
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity		**455**	(738)
Reclassified to income		**(580)**	(198)
Cash flow hedges:			
Net gains/(losses) taken to equity		**14**	(176)
Reclassified to income		**106**	(18)
Taxation relating to components of other comprehensive income	11	**62**	218
Other comprehensive income for the year, net of taxation		**526**	(3,935)
Total comprehensive income for the year		**4,003**	(591)
Attributable to:			
Minority interests	38	**111**	(3)
Parent Company shareholders		**3,892**	(588)
		4,003	(591)

[1] Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 form an integral part of these financial statements.

Consolidated balance sheet

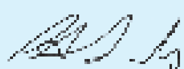
As at 31 December 2009

	Notes	**2009 $million**	2008 $million
Assets			
Cash and balances at central banks	14, 41	**18,131**	24,161
Financial assets held at fair value through profit or loss	14, 15	**22,446**	15,425
Derivative financial instruments	14, 16	**38,193**	69,657
Loans and advances to banks	14, 17, 20	**50,885**	46,583
Loans and advances to customers	14, 18, 20	**198,292**	174,178
Investment securities	14, 22	**75,728**	69,342
Other assets	14, 23	**17,201**	20,374
Current tax assets		**203**	764
Prepayments and accrued income		**3,241**	3,466
Interests in associates	24	**514**	511
Goodwill and intangible assets	26	**6,620**	6,361
Property, plant and equipment	27	**4,103**	3,586
Deferred tax assets	28	**1,096**	660
Total assets		**436,653**	435,068
Liabilities			
Deposits by banks	14, 29	**38,461**	31,909
Customer accounts	14, 30	**251,244**	234,008
Financial liabilities held at fair value through profit or loss	14, 15	**14,505**	15,478
Derivative financial instruments	14, 16	**36,584**	67,775
Debt securities in issue	14, 31	**29,272**	23,447
Other liabilities	14, 33	**16,139**	17,363
Current tax liabilities		**802**	512
Accruals and deferred income		**4,113**	4,132
Subordinated liabilities and other borrowed funds	14, 34	**16,730**	16,986
Deferred tax liabilities	28	**193**	176
Provisions for liabilities and charges	35	**184**	140
Retirement benefit obligations	36	**506**	447
Total liabilities		**408,733**	412,373
Equity			
Share capital	37	**1,013**	948
Reserves		**26,327**	21,192
Total parent company shareholders' equity		**27,340**	22,140
Minority interests	38	**580**	555
Total equity		**27,920**	22,695
Total equity and liabilities		**436,653**	435,068

The notes on pages 119 to 196 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 3 March 2010 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 2009

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

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

[2] Amounts have been restated as explained in note 50.

[3] Comprises actuarial losses, net of taxation.

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

The notes on pages 119 to 196 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2009

	Notes	Group		Company	
		2009 $million	2008[1] $million	**2009 $million**	2008[1] $million
Cash flows from operating activities					
Profit before taxation		**5,151**	4,568	**373**	2,243
Adjustments for:					
Non-cash items included within income statement	40	**1,385**	1,995	**(228)**	(2,080)
Change in operating assets	40	**2,962**	(88,103)	**(227)**	62
Change in operating liabilities	40	**(11,219)**	105,913	**3,703**	1,295
Contributions to defined benefit schemes		**(124)**	(95)	**–**	–
UK and overseas taxes (paid)/refunded		**(1,210)**	(1,400)	**(25)**	2
Net cash (used in)/from operating activities		**(3,055)**	22,878	**3,596**	1,522
Net cash flows from investing activities					
Purchase of property, plant and equipment		**(261)**	(579)	**–**	–
Disposal of property, plant and equipment		**218**	73	**–**	–
Acquisition of investment in subsidiaries, net of cash acquired		**(68)**	6,209	**(2,500)**	–
Disposal of investment in subsidiaries		**–**	159	**–**	–
Purchase of investment securities		**(129,739)**	(109,938)	**(1,800)**	(925)
Disposal and maturity of investment securities		**126,678**	97,756	**–**	–
Dividends received from subsidiaries and associates		**11**	–	**331**	1,880
Net cash (used in)/from investing activities		**(3,161)**	(6,320)	**(3,969)**	955
Net cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		**1,817**	2,753	**1,817**	2,753
Purchase of own shares		**(103)**	(76)	**(103)**	(76)
Exercise of share options through ESOP		**22**	9	**22**	9
Interest paid on subordinated liabilities		**(361)**	(718)	**(129)**	(185)
Gross proceeds from issue of subordinated liabilities		**2,063**	3,667	**–**	960
Repayment of subordinated liabilities		**(2,440)**	(1,436)	**–**	(640)
Dividends paid to minority interests and preference shareholders		**(188)**	(257)	**(101)**	(110)
Dividends paid to ordinary shareholders, net of scrip		**(638)**	(815)	**(638)**	(815)
Net cash from financing activities		**172**	3,127	**868**	1,896
Net (decrease)/increase in cash and cash equivalents		**(6,044)**	19,685	**495**	4,373
Cash and cash equivalents at beginning of year		**73,699**	55,338	**5,303**	930
Effect of exchange rate movements on cash and cash equivalents		**418**	(1,324)	**–**	–
Cash and cash equivalents at end of year	41	**68,073**	73,699	**5,798**	5,303

[1] Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 form an integral part of these financial statements.

Company balance sheet

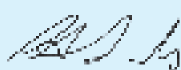
As at 31 December 2009

	Notes	**2009 $million**	2008 $million
Non-current assets			
Investments in subsidiary undertakings	24	**12,906**	10,406
Current assets			
Derivative financial instruments	14, 16	**291**	–
Debt securities	14, 22	**2,725**	925
Amounts owed by subsidiary undertakings		**5,798**	5,303
Taxation		**38**	54
Other assets	23	**–**	64
		8,852	6,346
Current liabilities			
Derivative financial instruments	14, 16	**25**	26
Other creditors		**229**	79
Deferred income	51	**18**	40
		272	145
Net current assets		**8,580**	6,201
Total assets less current liabilities		**21,486**	16,607
Non-current liabilities			
Subordinated liabilities and other borrowed funds	14, 34	**1,751**	1,736
Debt securities in issue	14, 31	**4,770**	1,372
Deferred income	51	**91**	231
		6,612	3,339
Total assets less liabilities		**14,874**	13,268
Equity			
Share capital	37	**1,013**	948
Reserves		**13,861**	12,320
Total equity		**14,874**	13,268

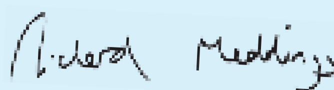
The notes on pages 119 to 196 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 3 March 2010 and signed on its behalf by:

J W Peace
Chairman



P A Sands
Group Chief Executive



R H Meddings
Group Finance Director

Company statement of changes in equity

For the year ended 31 December 2009

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Retained earnings $million	Total $million
At 1 January 2008	705	4,713	18	3,149	661	9,246
Profit for the year	–	–	–	–	2,282	2,282
Shares issued, net of expenses	237	36	–	2,468	–	2,741
Rights issue option (net of tax)	–	–	–	(167)	–	(167)
Net own shares adjustment	–	–	–	–	(67)	(67)
Share option expense	–	–	–	–	158	158
Capitalised on scrip dividend	6	(6)	–	–	–	–
Dividends, net of scrip	–	–	–	–	(925)	(925)
At 31 December 2008 as previously stated	**948**	**4,743**	**18**	**5,450**	**2,109**	**13,268**
Restatement[2]	**–**	**–**	**–**	**167**	**(167)**	**–**
At 31 December 2008 as restated	**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**

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million at 1 January 2008, 31 December 2008 and 2009.
2 Amounts have been restated as explained in note 50.

The notes on pages 119 to 196 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 International Financial Reporting Interpretation 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 44 to 67, Capital on pages 68 to 71, except where indicated as not audited and in the notes to the financial statements.

New accounting standards adopted

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

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

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

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

On 1 January 2009 the Group and Company prospectively adopted amendments to IFRS 7 Financial Instruments: Disclosures, and the required disclosures are presented in notes 14 and 46 to these financial statements. Where permitted, comparatives have not been provided.

On 1 January 2009, the Group and Company adopted Improvements to IFRSs (2008), a collection of amendments to a number of IFRSs. The amendments to IAS 19, IAS 20, IAS 28, IAS 31, IAS 32, and IAS 40 were applied on a prospective basis and the amendments to IAS 1, IAS 7, IAS 16, IAS 19, IAS 23, IAS 27, IAS 29, IAS 36, IAS 38 and IAS 39 were applied on a retrospective basis. None of these amendments has had a material impact on the Group's financial statements. However, the amendment to IAS 7 resulted in a reclassification in the cash flow statement of cash flows between investing and operating activities. Further details are provided in note 50.

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

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 judgement in the process of applying the Group's accounting policies.

The accounting policies set out below have been applied consistently across the Group and to all periods presented in these financial statements.

1. Accounting policies continued

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 the 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 purchase 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 costs directly attributable to the acquisition. Identifiable net assets and contingent liabilities acquired are fair valued at the acquisition date. 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, any adjustments arising from their subsequent finalisation are made as of the date of acquisition and amounts restated as appropriate.

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 26 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 which 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

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.

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.

1. Accounting policies continued

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.

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 which 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 which 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 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.

1. Accounting policies continued

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 to profit or loss; b) loans and receivables; c) held-to-maturity investments, and available-for-sale financial assets. 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.

Initial recognition
Purchases and sales of financial assets and liabilities held at fair value through profit or loss, financial assets 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 which 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.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

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.

Reclassifications
Reclassifications of financial assets, other than as set out below, or of financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss 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

1. Accounting policies continued

Financial assets and liabilities (excluding derivatives) continued

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 in the income statement 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 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.

1. Accounting policies continued

Impairment of financial assets continued

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.

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. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which 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: a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or c) 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 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.

(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.

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.

1. Accounting policies continued

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. Whilst not the primary driver of the business, country performance is an important part of the Group's matrix structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the businesses because of the one-off nature of these items.

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

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

By class of business

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

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

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

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

4 Relates to gain on buy-back of subordinated debt, disposal of businesses, 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:

	2009 $million	2008 $million
Consumer Banking		
Cards, Personal Loans and Unsecured Lending	**1,992**	2,106
Wealth Management and Deposits	**2,232**	2,789
Mortgage and Auto Finance	**1,244**	928
Other	**161**	129
Total operating income by product	**5,629**	5,952
Wholesale Banking		
Lending and Portfolio Management	**849**	551
Transaction Banking	**2,537**	2,663
Global Markets		
Financial Markets	**3,311**	2,365
Asset and Liability Management (ALM)	**963**	912
Corporate Finance	**1,294**	745
Principal Finance	**337**	253
Total Global Markets	**5,905**	4,275
Total operating income by product	**9,291**	7,489

2. Segmental information continued

Entity-wide information
By geography

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

	2009								
	Asia Pacific								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific[1] $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[2] $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
Loans and advances to customers – average	29,194	25,938	32,372	38,972	8,351	18,972	3,316	31,336	188,451
Net interest margins (%)	1.8	1.7	1.8	2.3	3.8	3.7	4.8	1.0	2.3
Loans and advances to customers – period end	29,973	31,399	36,804	41,992	8,866	18,484	4,029	30,256	201,803
Loans and advances to banks – period end	19,453	5,085	2,780	7,232	511	1,864	300	15,708	52,933
Total assets employed[3]	91,739	62,137	63,222	83,191	31,719	44,275	13,633	91,149	481,065
Capital expenditure[4]	24	164	63	32	49	19	37	673	1,061

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

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

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

[4] Includes capital expenditure in Americas, UK & Europe of $631 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment (note 27) and software related intangibles (note 26) including any post-acquisition additions made by the acquired entities.

2. Segmental information continued

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

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

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

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

[4] Includes capital expenditure in Americas, UK & Europe of $852 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment (note 27) and software related intangibles (note 26) including any post-acquisition additions made by the acquired entities.

[5] Restated as explained in note 50.

3. Interest income

	2009 $million	2008 $million
Balances at central banks	**6**	32
Treasury bills	**656**	835
Loans and advances to banks	**755**	1,382
Loans and advances to customers	**9,370**	11,397
Listed debt securities	**885**	1,147
Unlisted debt securities	**1,196**	1,545
Accrued on impaired assets (discount unwind)	**58**	40
	12,926	16,378

Total interest income from financial instruments held at amortised cost in 2009 is $8,195 million (2008: $10,124 million) and from financial instruments held as available-for-sale is $2,093 million (2008: $2,820 million).

4. Interest expense

	2009 $million	2008 $million
Deposits by banks	**854**	1,268
Customer accounts:		
Interest bearing current accounts and savings deposits	**785**	1,009
Time deposits	**2,394**	4,328
Debt securities in issue	**769**	1,338
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	**37**	389
Other	**464**	659
	5,303	8,991

Total interest expense on financial instruments held at amortised cost in 2009 is $4,065 million (2008: $7,405 million).

5. Fees and commissions

	2009 $million	2008 $million
Fee income:		
Arising from financial instruments that are not fair valued through profit or loss	**1,480**	1,475
Arising from trust and other fiduciary activities	**80**	113
Other	**2,264**	1,832
	3,824	3,420
Fee expense:		
Arising from financial instruments that are not fair valued through profit or loss	**142**	261
Arising from trust and other fiduciary activities	**15**	21
Other	**297**	197
	454	479

6. Net trading income

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

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

7. Other operating income

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

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

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

8. Operating expenses

	2009 $million	2008 $million
Staff costs:		
Wages and salaries	**3,634**	3,793
Social security costs	**98**	93
Other pension costs (note 36)	**138**	172
Share based payment costs (note 39)	**375**	121
Other staff costs	**667**	558
	4,912	4,737
Premises and equipment expenses:		
Rental of premises	**338**	337
Other premises and equipment costs	**341**	376
Rental of computers and equipment	**19**	25
	698	738
General administrative expenses	**1,822**	1,711

The following tables summarise the number of employees within the Group as at 31 December 2009 and 31 December 2008 respectively.

	2009			
	Consumer Banking	Wholesale Banking	Support Services	Total
Period end	**47,522**	**17,379**	**12,425**	**77,326**
Average for the period	**47,789**	**16,612**	**13,196**	**77,597**

	2008[1]			
	Consumer Banking	Wholesale Banking	Support Services	Total
Period end	50,660	15,950	13,947	80,557
Average for the period	51,048	14,672	14,330	80,050

[1] The period end number of employees for 2008 has been restated to primarily 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 2009 (2008: nil) and it incurred costs of $3 million (2008: $3 million).

8. Operating expenses continued

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 94 to 109. Transactions with directors, officers and other related parties are disclosed in the related parties note 51.

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to $4.1 million (2008: $5.0 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together KPMG):

	2009 $million	2008 $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	**4.1**	5.0
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	**9.1**	9.9
Fees relating to prior year	**–**	0.8
Total audit and audit related fees	**13.2**	15.7
Other services pursuant to legislation	**3.4**	2.8
Tax services	**1.6**	1.3
Services relating to information technology	**–**	0.1
Services relating to corporate finance transactions	**0.3**	1.4
All other services	**1.2**	3.3
Total fees payable	**19.7**	24.6

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. In 2008 this included $1.3 million in respect of the rights issue
- 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 (2008: $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

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

10. Other impairment

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

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

11. Taxation

Analysis of taxation charge in the year:

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

1 Amounts have been restated as explained in note 50.

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

11. Taxation continued

The taxation charge for the year is higher than the standard rate of corporation tax in the UK, 28 per cent.

The differences are explained below:

	2009 $million	2008[1] $million
Profit on ordinary activities before taxation	**5,151**	4,568
Tax at 28% (2008: 28.5%)	**1,442**	1,302
Effects of:		
Tax free income	**(179)**	(117)
Lower tax rates on overseas earnings	**(119)**	(130)
Higher tax rates on overseas earnings	**216**	207
Adjustments to tax charge in respect of previous periods[2]	**287**	(192)
Other items	**27**	154
Tax on profits on ordinary activities	**1,674**	1,224

[1] Amounts have been restated as explained in note 50.

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

	2009			2008		
	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	**52**	**(6)**	**46**	97	7	104
Cash flow hedges	**–**	**(21)**	**(21)**	–	54	54
Retirement benefit obligations	**–**	**37**	**37**	–	60	60
Other	**(22)**	**22**	**–**	–	–	–
	30	**32**	**62**	97	121	218
Other tax recognised in equity						
Share based payments	**–**	**35**	**35**	16	(46)	(30)
	–	**35**	**35**	16	(46)	(30)
Total tax credit recognised in equity	**30**	**67**	**97**	113	75	188

12. Dividends

	2009		2008	
Ordinary equity shares	**Cents per share**	**$million**	Cents per share	$million
Final dividend declared and paid during the period	**42.32**	**801**	42.27	793
Interim dividend declared and paid during the period	**21.23**	**425**	19.30[1]	364
	63.55	**1,226**	61.57	1,157

[1] The interim dividend declared in August 2008 was 25.67 cents per share. This has been restated on a post-rights issue basis and adjusted by the ratio of shares outstanding immediately before the rights issue to the number of shares outstanding immediately following the rights issue. The total dividend declared for 2007 on a pre-rights issue basis was 79.35 cents per share and on a post-rights issue basis was 59.65 cents per share.

Preference shares		2009 $million	2008 $million
Non-cumulative irredeemable preference shares:	7³/₈ per cent preference shares of £1 each[2]	**11**	15
	8¹/₄ per cent preference shares of £1 each[2]	**13**	16
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each[2]	**75**	32
	7.014 per cent preference shares of $5 each	**53**	62
	6.409 per cent preference shares of $5 each	**48**	48

[2] Dividends on these preference shares are treated as interest expense and accrued accordingly.

12. Dividends continued

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

13. Earnings per ordinary share

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

Normalised earnings per ordinary share

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

The table below provides a reconciliation.

	2009 $million	2008 $million
Profit attributable to ordinary shareholders	**3,279**	3,131[4]
Amortisation of intangible assets arising on business combinations	**69**	81
Profit on sale of property, plant and equipment[5]	**–**	(10)
Gains arising on repurchase of subordinated liabilities	**(264)**	(384)
Loss/(profit) on sale of businesses	**2**	(146)
Loss on PEM Group structured notes	**170**	–
Pre-incorporation costs of Korean principal holding company	**5**	–
UK bank payroll tax	**58**	–
Day one loss on strategic investment	**–**	3
Impairment of associates and other strategic investments	**19**	77
One-off settlement with the UK tax authority (note 11)[6]	**190**	–
Tax on normalised items	**(17)**	98
Normalised earnings	**3,511**	2,850
Normalised basic earnings per ordinary share (cents)	**179.8**	174.9
Normalised diluted earnings per ordinary share (cents)	**177.0**	174.0

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after minority interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 12).
2 The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 Earnings Per Share.
3 There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculation had they been issued prior to the end of the balance sheet date.
4 Amounts have been restated as explained in note 50.
5 In 2009, the Group has prospectively re-evaluated its definition of normalised earnings and as a consequence profits or losses on sale of Consumer Banking branches are no longer considered to be normalising items as they relate to an ongoing programme of branch renovation and relocation and as a consequence are considered part of normal business operations.
6 This amount represents $192 million one-off tax settlement with the UK tax authority, net of post tax interest income on tax receivables $2 million.

14. Financial instruments

Classification

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

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

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

The Company has investment in debt securities of $2,725 million (2008: $925 million) measured as loans and receivables and derivative financial assets of $291 million (2008: $nil million) held for hedging.

14. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: 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	**432**	**–**	**50**	**–**	**–**	**482**
Customer accounts	**1,886**	**–**	**3,616**	**–**	**–**	**5,502**
Debt securities in issue	**2,618**	**–**	**1,369**	**–**	**–**	**3,987**
Short positions	**4,534**	**–**	**–**	**–**	**–**	**4,534**
	9,470	**–**	**5,035**	**–**	**–**	**14,505**
Derivative financial instruments	**36,007**	**577**	**–**	**–**	**–**	**36,584**
Deposits by banks	**–**	**–**	**–**	**38,461**	**–**	**38,461**
Customer accounts	**–**	**–**	**–**	**251,244**	**–**	**251,244**
Debt securities in issue	**–**	**–**	**–**	**29,272**	**–**	**29,272**
Other liabilities	**–**	**–**	**–**	**8,513**	**7,626**	**16,139**
Subordinated liabilities and other borrowed funds	**–**	**–**	**–**	**16,730**	**–**	**16,730**
Total at 31 December 2009	**45,477**	**577**	**5,035**	**344,220**	**7,626**	**402,935**
Financial liabilities held at fair value through profit or loss						
Deposits by banks[1]	4,028	–	49	–	–	4,077
Customer accounts	1,207	–	3,376	–	–	4,583
Debt securities in issue	2,128	–	1,494	–	–	3,622
Short positions	3,196	–	–	–	–	3,196
	10,559	–	4,919	–	–	15,478
Derivative financial instruments	67,212	563	–	–	–	67,775
Deposits by banks	–	–	–	31,909	–	31,909
Customer accounts	–	–	–	234,008	–	234,008
Debt securities in issue	–	–	–	23,447	–	23,447
Other liabilities	–	–	–	9,401	7,962	17,363
Subordinated liabilities and other borrowed funds	–	–	–	16,986	–	16,986
Total at 31 December 2008	77,771	563	4,919	315,751	7,962	406,966

[1] Trading deposits by banks at 31 December 2008 included $3,093 million in respect of a repo transaction which was eligible for netting under IAS 32 with balances within trading loans and advances to customers. At 31 December 2009, the net balance of $63 million has been presented within trading loans to customers.

The Company has derivative financial liabilities of $25 million (2008: $26 million) held for hedging, debt securities in issue of $4,770 million (2008: $1,372 million) and subordinated liabilities and other borrowed funds of $1,751 million (2008: $1,736 million) measured at amortised cost.

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 is independent of the Front Office. Market data that is not fully independent receives a zero or low weighting.

14. 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 derivative contracts with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	OTC derivatives	Highly structured OTC derivatives with unobservable parameters

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 and simulation models and other standard models commonly used by market participants. 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 these products, the Group uses the Advanced IRB (AIRB) approach to manage its credit risk. All assets under the AIRB approach have sophisticated probability of default (PD), loss given default (LGD) and exposure at default or credit conversion factor models developed to support the credit decision making process. 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 loss.

In addition to periodic reassessment of the counterparties, credit exposures and external trends which 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 (short) levels. 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. The resulting valuation is then reflective of the fair value of that instrument in the market.

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. Similar bucketing also takes place to account for different bid-offer levels for options which are at the money, out of the money and in the money.

Level 3 portfolio

The primary products classified as Level 3 are as follows:

Investment securities – asset backed securities

The majority of these positions are valued using third party sources. However, 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, the portfolio asset classes are monitored against market conditions using broker reports in order to establish which asset classes are seeing some levels of activity and which are completely illiquid. The latter are classified as Level 3. Where third party pricing is not available, Standard Chartered dealer prices are used with the asset classified as Level 3.

14. Financial instruments continued

Level 3 portfolio continued

Equity shares - Private Equity

Unlisted Private Equity investments are generally valued based on earning multiples (Price-to-earnings (P/E) or Enterprise Value (EV) or Earnings before income tax, Depreciation and Amortisation (EBITDA)) of comparable listed companies together with the application of a liquidity discount. 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. 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 some form of observable inputs are available, for example, OTC prices) are classified as Level 3 on the grounds that the valuation methods involve significant judgements ranging from determining comparable companies to liquidity discounts.

Derivatives

These trading derivatives are classified as Level 3 if there are parameters which 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 to historical levels or benchmark data. Other derivatives are classified as Level 3 if the trading is illiquid, such as some emerging market convertible bonds and structured credit products.

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	12,794	6,164	–	18,958
Debt securities	16,366	31,630	437	48,433
Equity shares	595	298	756	1,649
	29,755	38,092	1,193	69,040
At 31 December 2009	41,311	86,332	2,036	129,679

Liabilities	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

There were no significant transfers between Level 1 and Level 2 in 2009.

As at 31 December 2009, the Company has derivative financial assets of $291 million and derivative financial liabilities of $25 million classified as Level 2.

14. Financial instruments continued

Level 3 movement tables

Financial assets

Assets	Held at fair value through profit or loss		Derivative financial instruments $million	Investment securities		Total $million
	Debt securities $million	Equity shares $million		Debt securities $million	Equity shares $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**
Issues	**–**	**–**	**–**	**–**	**–**	**–**
Sales	**–**	**–**	**(1)**	**(193)**	**(5)**	**(199)**
Settlements	**–**	**–**	**–**	**–**	**–**	**–**
Transfers out	**(2)**	**–**	**–**	**(22)**	**–**	**(24)**
Transfers in	**–**	**–**	**6**	**–**	**–**	**6**
At 31 December 2009	**129**	**576**	**138**	**437**	**756**	**2,036**
Total (losses)/gain recognised in the income statement relating to assets held at 31 December 2009	**(5)**	**28**	**39**	**6**	**(31)**	**37**

Financial liabilities

Liabilities	Derivative financial instruments $million	Total $million
At 1 January 2009	**181**	**181**
Total gains recognised in income statement	**(70)**	**(70)**
Total losses recognised in other comprehensive income	**16**	**16**
Purchases	**–**	**–**
Issues	**–**	**–**
Sales	**–**	**–**
Settlements	**23**	**23**
Transfers out	**–**	**–**
Transfers in	**–**	**–**
At 31 December 2009	**150**	**150**
Total losses recognised in the income statement relating to liabilities held at 31 December 2009	**(31)**	**(31)**

There were no significant transfers into or out of Level 3 fair value in 2009.

Sensitivities in respect of the fair values of Level 3 assets and liabilities

At 31 December 2009	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	**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**
Total	**693**	**766**	**630**	**1,193**	**1,287**	**1,103**

14. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities continued

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more insignificant inputs which are based on unobservable market data, we apply stresses on these unobservable parameter inputs. A 10 per cent increase or decrease in correlation and credit sensitivities generates a range of reasonably possible alternative valuations. As of 31 December 2009, these stresses could have increased fair values of financial instruments held at fair value through profit or loss by $73 million and available-for-sale by $94 million, or decreased fair values of financial instruments held at fair value through profit or loss by $63 million and available-for-sale by $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.

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

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 over 50 per cent 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.

14. Financial instruments continued

Reclassification of financial assets

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

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

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

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

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

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

15. 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, 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 $239 million (2008: $243 million).

The net fair value loss on loans and advances to customers designated at fair value through profit or loss was $5.9 million (2008: $0.1 million). Of this, $nil million (2008: $3 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3.4 million (2008: $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.

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

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:

	2009 $million	2008 $million
At 1 January	**8**	9
Additional amount deferred	**–**	2
Recognised in income	**(4)**	(3)
At 31 December	**4**	8

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

Investment securities held at fair value through profit or loss

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

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

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

Financial liabilities held at fair value through profit and loss

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

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

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

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 gain on liabilities designated at fair value through profit or loss was $70 million for the year (2008: loss of $118 million). Of this, a gain of $6.0 million (2008: loss of $11.2 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 (2008: a loss of $16.4 million).

As at 31 December 2009, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was $505 million higher (2008: $407 million higher) than the carrying amount at fair value.

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.

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

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

The Group and Company 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 note 48, under maximum exposure to credit risk.

The Derivatives and Hedging sections of the Risk review on page 65 explain the Group's and the Company's risk management of derivative contracts and application of hedging.

Group

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

16. Derivatives financial instruments continued

Company

Total derivatives	2009 Notional principal amounts $million	2009 Assets $million	2009 Liabilities $million	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million
Foreign exchange derivative contracts						
Currency swaps	**3,189**	**291**	**–**	1,044	–	26
	3,189	**291**	**–**	1,044	–	26
Interest rate derivative contracts						
Swaps	**1,539**	**–**	**25**	–	–	–
	1,539	**–**	**25**	–	–	–
Total derivatives	**4,728**	**291**	**25**	1,044	–	26

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 and Company hold for hedge accounting.

Group

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

Company

	2009 Notional principal amounts $million	2009 Assets $million	2009 Liabilities $million	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million
Derivatives designated as fair value hedges						
Currency swaps	**4,728**	**291**	**25**	1,044	–	26
Total derivatives held for hedging	**4,728**	**291**	**25**	1,044	–	26

16. Derivatives financial instruments continued

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, losses arising on the hedging instruments during the year were $462 million (2008: gains of $1,142 million) compared to gains arising on the hedged items of $454 million (2008: losses of $1,138 million). For the Company, losses arising on fair value hedging instruments were $29 million (2008: $26 million) compared to gains arising on the hedged items of $75 million (2008: $26 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 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, $4 million (2008: $4 million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges. During the year net losses of $106 million (2008: net gains of $18 million) were reclassified to profit and loss from the cash flow hedging reserve, of which losses of $123 million (2008: gains of $2 million) were recognised within operating costs and gains of $17 million (2008: $16 million) recognised within net interest income.

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	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)**

	2008						
	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	716	335	268	203	154	144	1,820
Forecast payable cash flows	(1,439)	(586)	(208)	(158)	(121)	(118)	(2,630)
	(723)	(251)	60	45	33	26	(810)

Net investment hedges

The Group uses foreign exchange contracts 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 (2008: $nil million) was recognised in the income statement in respect of ineffectiveness arising on net investment hedges.

17. Loans and advances to banks

	2009 $million	2008 $million
Loans and advances to banks	**53,067**	47,969
Individual impairment provision (note 20)	**(132)**	(17)
Portfolio impairment provision (note 20)	**(2)**	(6)
	52,933	47,946
Of which: loans and advances held at fair value through profit or loss (note 14)	**(2,048)**	(1,363)
	50,885	46,583

18. Loans and advances to customers

	2009 $million	2008 $million
Loans and advances to customers	**204,530**	180,470
Individual impairment provision (note 20)	**(1,853)**	(1,307)
Portfolio impairment provision (note 20)	**(874)**	(651)
	201,803	178,512
Of which: loans and advances held at fair value through profit or loss (note 14)	**(3,511)**	(4,334)
	198,292	174,178
Loans and advances sold subject to sale and repurchase transactions	**231**	106

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

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $15.4 billion (2008: $15.7 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

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

19. Assets leased to customers

Finance leases and instalment credit

	2009 $million	2008 $million
Finance leases	**399**	468
Instalment credit agreements	**706**	784
	1,105	1,252

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 $228 million (2008: $154 million).

	2009 $million	2008 $million
Minimum lease receivables under finance leases falling due:		
Within one year	**52**	47
Later than one year and less than five years	**389**	354
After five years	**–**	125
	441	526
Interest income relating to future periods	**(42)**	(58)
Present value of finance lease receivables	**399**	468
Of which:		
Falls due within one year	**35**	46
Falls due later than one year and less than five years	**364**	321
Falls due after five years	**–**	101

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft which are included within property, plant and equipment in note 27. At 31 December 2009 these assets had a net book value of $1,606 million (2008: $1,029 million).

	2009 $million	2008 $million
Minimum lease receivables under operating leases falling due:		
Within one year	**175**	111
Later than one year and less than five years	**679**	451
After five years	**386**	297
	1,240	859

20. Impairment provisions on loans and advances

	2009 $million	2008 $million
At 1 January	**1,981**	1,809
Exchange translation differences	**70**	(179)
Acquisitions	**–**	109
Amounts written off	**(1,332)**	(1,119)
Recoveries of acquisition fair values	**(39)**	(78)
Recoveries of amounts previously written off	**191**	180
Discount unwind	**(58)**	(40)
Other	**53**	13
New provisions	**2,613**	1,796
Recoveries/provisions no longer required	**(618)**	(510)
Net charge against profit	**1,995**	1,286
Provisions held at 31 December	**2,861**	1,981

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

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

The following table shows impairment provisions on loans and advances by each principal category of borrowers' business or industry:

	2009 $million	2008 $million
Loans to individuals		
Mortgages	**107**	88
Other	**201**	191
Small and medium enterprises	**230**	263
Consumer Banking	**538**	542
Agriculture, forestry and fishing	**59**	39
Construction	**36**	18
Commerce	**425**	134
Electricity, gas and water	**7**	28
Financing, insurance and business services	**130**	31
Mining and quarrying	**6**	–
Manufacturing	**590**	458
Commercial real estate	**13**	21
Transport, storage and communication	**24**	24
Other	**25**	12
Wholesale Banking	**1,315**	765
Individual impairment provision against loans and advances to customers (note 18)	**1,853**	1,307
Individual impairment provision against loans and advances to banks (note 17)	**132**	17
Portfolio impairment provision (note 17, 18)	**876**	657
Total impairment provisions on loans and advances	**2,861**	1,981

21. Individually impaired loans and advances

	2009				2008			
	Consumer Banking $million	Wholesale Banking – Loans to customers $million	Wholesale Banking – Loans to banks $million	Total $million	Consumer Banking $million	Wholesale Banking – Loans to customers $million	Wholesale Banking – Loans to banks $million	Total $million
Individual impaired loans	**1,030**	**2,474**	**286**	**3,790**	1,062	1,576	35	2,673
Individual impairment provisions	**(538)**	**(1,315)**	**(132)**	**(1,985)**	(543)	(764)	(17)	(1,324)
Net impaired loans	**492**	**1,159**	**154**	**1,805**	519	812	18	1,349
Estimated fair value of collateral held	**601**	**557**	**–**	**1,158**	631	205	–	836

Collateral held as security against impaired loans primarily relates to property, equipment and guarantees. Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans.

22. Investment securities

	2009					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables[1] $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**	**–**	**105**	**–**	**5,285**
Listed elsewhere	**29**	**17,451**	**1,287**	**289**	**5,241**	**24,297**
Unlisted	**2**	**25,802**	**5,370**	**1,255**	**13,717**	**46,146**
	31	**48,433**	**6,657**	**1,649**	**18,958**	**75,728**
Market value of listed securities	**29**	**22,631**	**1,270**	**394**	**5,241**	**29,565**
Investment securities sold subject to sale and repurchase transactions	**–**	**618**	**–**	**72**	**547**	**1,237**

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

22. Investment securities continued

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

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

Equity shares largely comprised investments in corporates.

The change in the carrying amount of investment securities comprised:

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

[1] In 2008, reclassifications for equity shares relates to a security held by the Group's private equity business which became eligible to be designated at fair value through profit or loss as permitted by IAS 28. The remainder of the reclassifications are in respect of securities reclassified as disclosed in note 14.

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

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

22. Investment securities continued

The change in impairment provisions is as follows:

	2009				2008			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	**158**	**311**	**1**	**470**	54	22	2	78
Exchange translation differences	**1**	**1**	**–**	**2**	(4)	–	(2)	(6)
Amounts written off	**(49)**	**(68)**	**(1)**	**(118)**	(1)	(26)	–	(27)
Impairment, net of recoveries on disposals[1]	**81**	**(8)**	**–**	**73**	109	315	1	425
At 31 December	**191**	**236**	**–**	**427**	158	311	1	470

[1] Impairment charge includes recoveries of impairment on disposal of equity investment of $57 million (2008: $nil million). Of the new provisions raised of $130 million (2008: $425 million), $7 million (2008: $8 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 reported within 'Other Impairment'

Loans and receivables debt securities held by the Company of $2,725 million (2008: $925 million) comprises corporate securities issued by Standard Chartered Bank with a fair value of $2,743 million (2008: $698 million).

23. Other assets

	2009 $million	2008 $million
Financial assets held at amortised cost (note 14)		
Hong Kong SAR government certificates of indebtedness (note 33)	**3,414**	3,097
Cash collateral	**4,557**	9,102
Acceptances and endorsements	**3,080**	2,574
Other	**130**	–
	11,181	14,773
Non-financial assets		
Other assets	**6,020**	5,601
	17,201	20,374

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

The Company has $nil million (2008: $64 million) of other assets.

24. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings	**2009 $million**	2008 $million
At 1 January	**10,406**	10,406
Additions	**2,500**	-
At 31 December	**12,906**	10,406

At 31 December 2009, 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	100
Standard Chartered Bank Kenya Limited	Kenya	74.3
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

Joint ventures

The Group has a 44.51 per cent interest through a joint venture company which holds a majority investment in PT Bank Permata Tbk (Permata), in Indonesia. The Group has a 74.9 per cent interest in Standard Chartered STCI Capital Markets (STCI). STCI is a retail brokerage and its main operations are in India. Although the Group's investment in STCI is greater than 50 per cent of the share capital, the Group contractually shares control of the strategic financial and operating policies of STCI and accordingly it is accounted for as a joint venture.

The Group proportionately consolidates its share of the assets, liabilities, income and expense of these joint ventures on a line by line basis. Contingent liabilities set out in note 44, include $102 million (2008: $59 million) relating to these joint venture arrangements. These mainly comprise banking guarantees and irrevocable letters of credit. There are no capital commitments related to the Group's investments in these joint ventures. Related party transactions are disclosed in note 51.

24. Investments in subsidiary undertakings, joint ventures and associates continued

The following amounts have been included in the consolidated accounts of the Group:

	2009 $million	2008 $million
Current assets	**1,094**	863
Long-term assets	**1,759**	1,467
Total assets	**2,853**	2,330
Current liabilities	**(2,183)**	(1,722)
Long-term liabilities	**(151)**	(233)
Total liabilities	**(2,334)**	(1,955)
Net assets	**519**	375
Income	**168**	159
Expenses	**(113)**	(111)
Impairment	**(20)**	(6)
Operating profit	**35**	42
Tax	**(13)**	(16)
Share of post tax result from joint ventures	**22**	26

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2009 $million	2008 $million
At 1 January	**511**	269
Translation	**(2)**	–
Additions	**41**	306
Disposals	**(6)**	–
Dividends	**(11)**	(13)
Transfer to subsidiary	**–**	(5)
Impairment	**(19)**	(46)
At 31 December	**514**	511

The following amounts represent the total profit, assets and liabilities of the Group's associated undertakings:

	2009 $million	2008 $million
Profit for the year	**163**	25
Total assets	**25,324**	14,589
Total liabilities	**(23,954)**	(13,319)
Net assets	**1,370**	1,270

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
MCashback Limited	UK	30.0
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 2009 is $236 million (2008: $211 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.

25. Business combinations

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

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

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

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

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

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

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

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

25. Business combinations continued

2008 acquisitions

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

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

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

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

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

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

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

26. Goodwill and intangible assets

	2009				2008			
	Goodwill $million	**Acquired intangibles**	**Software $million**	**Total $million**	Goodwill $million	Acquired intangibles	Software $million	Total $million
Cost								
At 1 January	**5,745**	**490**	**595**	**6,830**	5,785	477	533	6,795
Exchange translation differences	**188**	**15**	**21**	**224**	(752)	(75)	(24)	(851)
Acquisitions	**83**	**14**	**–**	**97**	712	88	–	800
Additions	**–**	**–**	**172**	**172**	–	–	163	163
Disposals	**–**	**–**	**(2)**	**(2)**	–	–	(4)	(4)
Amounts written off	**–**	**–**	**(136)**	**(136)**	–	–	(73)	(73)
At 31 December	**6,016**	**519**	**650**	**7,185**	5,745	490	595	6,830
Provision for amortisation								
At 1 January	**–**	**204**	**265**	**469**	–	160	261	421
Exchange translation differences	**–**	**12**	**9**	**21**	–	(37)	(17)	(54)
Amortisation for the period	**–**	**69**	**139**	**208**	–	81	94	175
Amounts written off	**–**	**–**	**(133)**	**(133)**	–	–	(73)	(73)
At 31 December	**–**	**285**	**280**	**565**	–	204	265	469
Net book value	**6,016**	**234**	**370**	**6,620**	5,745	286	330	6,361

At 1 January 2008, the net book value was: goodwill, $5,785 million; acquired intangibles, $317 million; and software, $272 million.

At 31 December 2009, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $69 million (2008: $69 million).

	2009 $million	2008 $million
Acquired intangibles comprise:		
Core deposits	**51**	68
Customer relationships	**117**	144
Brand names	**60**	67
Licences	**6**	7
Net book value	**234**	286

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)), Pembroke, Harrison Lovegrove and AEB. The acquired intangibles are amortised over periods from 4 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**	**2009 $million**	2008 $million
SCFB, A Brain and Yeahreum	Korean business	**1,700**	1,534
Union Bank	Pakistan business	**312**	332
Hsinchu and Asia Trust	Taiwan business	**1,220**	1,192
Manhattan Card Business	Credit card and personal loan - Asia, India & MESA	**896**	896
Grindlays (India) and STCI	India business	**410**	387
Grindlays (MESA)	MESA business	**363**	368
Standard Chartered Bank (Thai)	Thailand business	**310**	298
Permata	Group's share of Permata (Indonesia business)	**163**	138
American Express Bank	Financial Institutions and private banking business	**396**	396
Harrison Lovegrove, Pembroke, Cazenove Asia and First Africa	Corporate advisory business	**64**	23
Other		**182**	181
		6,016	5,745

26. 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 (four years), Korea business (four years), Thailand business and Permata (four years). 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 2013 will take place at a steady rate of 3.5 per cent (2008: 3.7 per cent) in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 19.9 per cent (2008: 17.2 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 4.3 per cent (2008: 5.6 per cent) in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 28.4 per cent (2008: 25.9 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 2013 will increase at a steady rate of 3.4 per cent (2008: 4.1 per cent) in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 16.7 per cent (2008: 22.3 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 3.8 per cent (2008: 3.0 per cent) in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.9 per cent (2008: 13.7 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.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 7.6 per cent (2008: 6.8 per cent) in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 18.5 per cent (2008: 18.6 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 3.8 per cent (2008: 3.0 per cent) in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 20.9 per cent (2008: 19.6 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 2013 will increase at a steady rate of 4.3 per cent (2008: 4.6 per cent) in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 17.7 per cent (2008: 21.5 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 2013 will increase at a steady rate of 6.4 per cent (2008: 5.9 per cent) in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 27.8 per cent (2008: 24.3 per cent) was used.

26. 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 3.8 per cent (2008: 3.0 per cent), in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.9 per cent (2008: 13.7 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 leading, 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 3.8 per cent (2008: 3.0 per cent), in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.9 per cent (2008: 13.7 per cent) was used.

27. Property, plant and equipment

	2009			2008		
	Premises $million	**Equipment $million**	**Total $million**	Premises $million	Equipment $million	Total $million
Cost or valuation						
At 1 January	**2,576**	**1,784**	**4,360**	2,711	822	3,533
Exchange translation differences	**82**	**23**	**105**	(407)	(95)	(502)
Additions	**134**	**755**	**889**	363	1,068	1,431
Acquisitions	**–**	**1**	**1**	38	19	57
Disposals and fully depreciated assets written off	**(197)**	**(98)**	**(295)**	(11)	(74)	(85)
Reclassification	**5**	**(5)**	**–**	(44)	44	–
Transfers from/(to) assets held for re-sale	**47**	**–**	**47**	(74)	–	(74)
At 31 December	**2,647**	**2,460**	**5,107**	2,576	1,784	4,360
Depreciation						
Accumulated at 1 January	**327**	**447**	**774**	261	380	641
Exchange translation differences	**5**	**15**	**20**	(32)	(64)	(96)
Charge for the year	**119**	**193**	**312**	98	152	250
Attributable to assets sold or written off	**(28)**	**(74)**	**(102)**	–	(21)	(21)
Accumulated at 31 December	**423**	**581**	**1,004**	327	447	774
Net book amount at 31 December	**2,224**	**1,879**	**4,103**	2,249	1,337	3,586

At 1 January 2008, the net book value was: premises, $2,450 million and equipment, $442 million.

Equipment includes operating lease assets of $1,606 million (2008: $1,029 million) (see note 19).

Assets held under finance leases have the following net book amount:

	2009		2008	
	Premises $million	**Equipment $million**	Premises $million	Equipment $million
Cost	**45**	**16**	45	15
Aggregate depreciation	**(7)**	**(11)**	(6)	(7)
Net book amount	**38**	**5**	39	8

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2009 $million	2008 $million
Minimum lease payments under finance leases falling due:		
Within one year	**3**	5
Later than one year and less than five years	**5**	7
	8	12
Future finance charges on finance leases	**(1)**	(2)
Present value of finance lease liabilities	**7**	10

28. 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 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)**

	At 1 January 2008 $million	Exchange & other adjustments $million	Acquisitions/ disposals $million	Charge/ (credit) to profit $million	Charge/ (credit) to equity $million	At 31 December 2008 $million
Deferred taxation comprises:						
Accelerated tax depreciation	(56)	(3)	3	27	–	(29)
Impairment provisions on loans and advances	(275)	12	(3)	92	–	(174)
Tax losses carried forward	(52)	9	–	(102)	–	(145)
Available-for-sale assets	79	–	(4)	(5)	(7)	63
Premises revaluation	17	–	–	–	–	17
Cash flow hedges	20	(1)	–	–	(54)	(35)
Unrelieved foreign tax	(57)	–	–	23	–	(34)
Retirement benefit obligations	(41)	(1)	–	13	(60)	(89)
Share based payments	(88)	–	–	21	46	(21)
Other temporary differences	(107)	–	(10)	80	–	(37)
Net deferred tax assets	(560)	16	(14)	149	(75)	(484)

Deferred taxation comprises assets and liabilities as follows:

	2009			2008		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(193)**	**(214)**	**21**	(29)	(57)	28
Impairment provisions on loans and advances	**(131)**	**(227)**	**96**	(174)	(249)	75
Tax losses carried forward	**(277)**	**(277)**	**–**	(145)	(143)	(2)
Available-for-sale assets	**75**	**61**	**14**	63	32	31
Premises revaluation	**1**	**–**	**1**	17	15	2
Cash flow hedges	**–**	**(3)**	**3**	(35)	(42)	7
Unrelieved foreign tax	**(53)**	**(53)**	**–**	(34)	(34)	–
Retirement benefit obligations	**(119)**	**(120)**	**1**	(89)	(93)	4
Share based payments	**(149)**	**(140)**	**(9)**	(21)	(21)	–
Other temporary differences	**(57)**	**(123)**	**66**	(37)	(68)	31
	(903)	**(1,096)**	**193**	(484)	(660)	176

28. Deferred tax continued

	2009 $million	2008 $million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Unrelieved foreign tax	**715**	738
Unremitted earnings from overseas subsidiaries[1]	**(296)**	(484)
Foreign exchange movements on investments in branches	**(48)**	(6)
Tax losses	**130**	38
Held over gains on incorporations of overseas branches	**(494)**	(418)

1 Unremitted earnings from overseas subsidiaries includes $296 million (2008: $99 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.

29. Deposits by banks

	2009 $million	2008 $million
Deposits by banks	**38,461**	31,909
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 14)	**482**	4,077
	38,943	35,986

30. Customer accounts

	2009 $million	2008 $million
Customer accounts	**251,244**	234,008
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 14)	**5,502**	4,583
	256,746	238,591

Included in customer accounts were deposits of $1,109 million (2008: $1,299 million) held as collateral for irrevocable commitments under import letters of credit.

31. Debt securities in issue

	2009			2008		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	**10,611**	**18,661**	**29,272**	13,284	10,163	23,447
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 14)	**865**	**3,122**	**3,987**	460	3,162	3,622
	11,476	**21,783**	**33,259**	13,744	13,325	27,069

The Company has other debt securities in issue at 31 December 2009 of $4,770 million (2008: $1,372 million).

32. Structure of deposits

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

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

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

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

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

The debt securities in issue held by the Company of $4,770 million (2008: $1,372 million) are within Americas, UK & Europe.

33. Other liabilities

	2009 $million	2008 $million
Financial liabilities held at amortised cost (note 14)		
Notes in circulation	**3,414**	3,097
Acceptances and endorsements	**2,963**	2,539
Cash collateral	**2,136**	3,765
	8,513	9,401
Non-financial liabilities		
Cash-settled share based payments	**104**	31
Other liabilities	**7,522**	7,931
	16,139	17,363

Hong Kong currency notes in circulation of $3,414 million (2008: $3,097 million) which are secured by the Hong Kong SAR government certificates of indebtedness of the same amount included in other assets (note 23).

34. Subordinated liabilities and other borrowed funds

	2009 $million	2008 $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)	**658**	1,064
£600 million 8.103 per cent Step Up Callable Perpetual Preferred Securities (Callable and floating rate from 2016)	**1,164**	1,085
£700 million 7.75 per cent Subordinated Notes 2018	**1,201**	1,090
£300 million 6.0 per cent Subordinated Notes 2018 (Callable and floating rate from 2013)	**530**	486
£300 million 6.75 per cent Subordinated Notes 2009	**–**	390
£200 million 7.75 per cent undated Step Up Subordinated Notes (Callable and floating rate from 2022)	**390**	360
£30 million Floating Rate Subordinated Notes 2009	**–**	44
€1,100 million 5.875 per cent Subordinated Notes 2017	**1,701**	1,609
€750 million 3.625 per cent Subordinated Notes 2017 (Callable and floating rate from 2012)	**1,113**	1,066
€675 million Floating Rate Subordinated Notes 2018 (Callable 2013)	**972**	951
€600 million 5.375 per cent Subordinated Notes 2009	**–**	755
€500 million 8.16 per cent non-cumulative Trust Preferred Securities (Callable 2010)	**723**	711
$1.5 billion 9.5 per cent Step Up Perpetual Preferred Securities (Callable 2014)	**1,509**	–
$1 billion 6.4 per cent Subordinated Notes 2017	**1,101**	1,203
$700 million 8.0 per cent Subordinated Notes 2031	**574**	1,022
$500 million Floating Rate Subordinated Notes 2016 (Callable 2011)	**499**	499
$500 million Floating Rate Subordinated Notes 2015 (Callable 2010)	**499**	499
$350 million 4.375 per cent Subordinated Notes 2014 (Floating rate from 2009)	**–**	358
$300 million Floating Rate Subordinated Notes 2017 (Callable 2012)	**298**	297
$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**	–
BWP 75 million Floating Rate Subordinated Notes 2017 (Callable 2012)	**11**	10
BWP 50 million Floating Rate Subordinated Notes 2015 (Callable 2010)	**8**	7
HKD 670 million Floating Rate Notes 2014	**–**	77
HKD 500 million 3.5 per cent Notes 2014 (Floating rate from 2009)	**–**	66
IDR 500 billion Floating Rate Notes 2016	**22**	20
JPY 10 billion 3.35 per cent Subordinated Note 2023 (Callable 2018)	**116**	116
KRW 300 billion 7.05 per cent Subordinated debt 2019	**259**	–
KRW 260 billion 6.08 per cent Subordinated debt 2018	**227**	219
KRW 205 billion 6.01 per cent Subordinated debt 2009	**–**	158
KRW 90 billion 6.05 per cent Subordinated debt 2018	**78**	81
KRW 30 billion Floating Rate Subordinated debt 2011	**26**	24
KRW 3 billion 6.11 per cent Subordinated debt 2011	**2**	2
MYR 500 million 4.28 per cent Subordinated Bonds 2017 (Callable 2012)	**149**	150
PKR 1 billion Floating Rate Notes 2013	**12**	13
PKR 750 million Floating Rate Notes 2011	**6**	9
SGD 450 million 5.25 per cent Subordinated Notes 2023	**325**	334
TWD 10 billion undated Floating Rate Notes	**312**	305
TWD 10 billion 2.9 per cent Subordinated debt 2019 (Callable 2014)	**310**	–
TZS 8 billion Floating Rate Subordinated Notes 2015	**6**	6
	14,923	15,186
Subordinated loan capital – issued by company:		
Primary capital floating rate notes		
$400 million	**58**	58
$300 million (Series 2)	**82**	82
$400 million (Series 3)	**84**	84
$200 million (Series 4)	**52**	52
£150 million	**242**	217
Other borrowings – issued by company[1, 2]	**1,289**	1,307
	1,807	1,800
Total for Group	**16,730**	16,986
Total for Company	**1,751**	1,736

1 In the balance sheet of the Company the amount recognised is $1,233 million (2008: $1,243 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.

34. Subordinated liabilities and other borrowed funds
continued

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

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

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

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

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

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

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

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

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

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

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

On 4 February 2010, SCB exercised its right to redeem its $500 million subordinated floating rate note in full on the first optional date.

35. Provisions for liabilities and charges

	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January 2009	**26**	**114**	**140**
Exchange translation differences	**1**	**1**	**2**
Acquisitions	**–**	**–**	**–**
Charge against profit	**(2)**	**264**	**262**
Provisions utilised	**(3)**	**(217)**	**(220)**
At 31 December 2009	**22**	**162**	**184**

Provision for credit commitments comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations. Other provisions charged against profit include a provision of $170 million (2008: $nil million) for the buy back of structured notes issued by the PEM Group in Taiwan and sold by Hsinchu International Bank (HIB) prior to its acquisition by the Group in 2006, which were fully utlised during the year following the buy-back of the affected notes.

36. Retirement benefit obligations

Retirement benefit obligations comprise:

	2009 $million	2008 $million
Defined benefit schemes obligation	**498**	433
Defined contribution schemes obligation	**8**	14
Net book amount	**506**	447

	2009 $million	2008 $million
At 1 January	**447**	322
Exchange translation differences	**17**	(55)
Acquisitions	**2**	47
Charge against profit (net of finance income)	**138**	172
Change in other comprehensive income	**150**	229
Net payments	**(248)**	(268)
At 31 December	**506**	447

Retirement benefit charge comprises:

	2009 $million	2008 $million
Defined benefit schemes	**30**	45
Defined contribution schemes	**108**	127
Charge against profit (note 8)	**138**	172

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 $6 million were paid during 2009. Total contributions of $68 million are payable over the four years to 31 December 2013.

Contributions paid to the Fund during 2009 were $21 million (2008: $18 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, the current service cost will increase as a percentage of pensionable pay as the members approach retirement.

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 2009. Pension costs for the purpose of these accounts were assessed using the projected unit method and the assumptions set out below were based on market data at the date of calculation.

Employer contributions to defined benefit plans over 2010 are expected to be $133 million.

Separate figures are disclosed for the UK Fund, Overseas Funded Defined Benefit, Post-retirement Medical and Other Unfunded Schemes.

36. Retirement benefit obligations continued

The financial assumptions used at 31 December 2009 were:

	Funded defined benefit schemes			
	UK Fund[1]		Overseas Schemes[2]	
	2009 %	2008 %	**2009 %**	2008 %
Price inflation	**3.50**	2.90	**1.50–4.50**	1.50–4.50
Salary increases	**3.50**	4.40	**3.50–5.00**	3.50–6.00
Pension increases	**3.30**	2.90	**0.00–3.30**	0.00–2.90
Discount rate	**5.70**	6.40	**1.50–7.50**	1.20–7.50
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 (2008: 27 years) and a female member 29 years (2008: 30 years) and a male member currently aged 40 will live for 29 years (2008: 28 years) and a female member 31 years (2008: 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.

	Unfunded schemes			
	Post-retirement medical[1]		Other[2]	
	2009 %	2008 %	**2009 %**	2008 %
Price inflation	**3.10**	2.70	**1.50–7.50**	1.50–9.50
Salary increases	**3.10**	4.00	**3.50–9.00**	3.50–11.00
Pension increases	**N/A**	N/A	**0.00–3.30**	0.00–2.90
Discount rate	**5.75**	5.50	**1.50–10.00**	2.00–13.00
Post-retirement medical rate	**10% in 2009 reducing by 1% per annum to 5% in 2014**	8% in 2008 reducing by 1% per annum to 5% in 2011	**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 2009 were:

	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	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	269	8.00–8.75	158	N/A	N/A	N/A	N/A
Bonds	3.75	787	5.25–5.75	166	N/A	N/A	N/A	N/A
Property	N/A	–	N/A	1	N/A	N/A	N/A	N/A
Others	8.00	176	1.20–5.30	164	N/A	N/A	N/A	N/A
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)

36. Retirement benefit obligations continued

	Funded defined benefit schemes		Unfunded schemes	
	UK Fund	Overseas schemes	Post-retirement medical	Other
At 31 December 2007	Value $million	Value $million	Value $million	Value $million
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)
At 31 December 2005				
Total market value of assets	1,550	380	N/A	N/A
Present value of the schemes' liabilities	(1,785)	(403)	(11)	(196)
Net pension liability	(235)	(23)	(11)	(196)

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.

The pension cost for defined benefit schemes was:

	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	**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 against 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.

The total cumulative amount recognised directly in the statement of comprehensive income before tax to date is a loss of $194 million (2008: loss of $43 million).

36. Retirement benefit obligations continued

Year ending 31 December 2008	Funded defined benefit schemes UK Fund $million	Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Other $million	Total $million
Current service cost	12	58	–	18	88
Past service cost	3	1	–	1	5
Loss/(gain) on settlements and curtailments	1	–	–	(55)	(54)
Expected return on pension scheme assets	(104)	(36)	–	-	(140)
Interest on pension scheme liabilities	103	30	1	12	146
Total charge/(credit) to profit before deduction of tax	15	53	1	(24)	45
Loss on assets against 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

1 The actual return on the UK fund assets was $99 million and on overseas scheme assets was $94 million.

Year ending 31 December 2007	Funded defined benefit schemes UK Fund $million	Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Other $million	Total $million
Gain on assets in excess of expected return[1]	(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[2]	(23)	(27)	–	–	(50)
Experience (gain)/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)
Year ending 31 December 2005					
Gain on assets in excess of expected return[3]	(91)	(20)	–	–	(111)
Experience loss on liabilities	256	5	–	–	261
Total loss/(gain) recognised directly in statement of comprehensive income before tax	165	(15)	–	–	150
Deferred taxation	(50)	5	–	–	(45)
Total loss/(gain) after tax	115	(10)	–	–	105

1 The actual return on the UK fund assets was $128 million and on overseas scheme assets was $34 million.
2 The actual return on the UK fund assets was $116 million and on overseas scheme assets was $50 million.
3 The actual return on the UK fund assets was $184 million and on overseas scheme assets was $48 million.

36. 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)**

	Funded defined benefit schemes		Unfunded schemes		
Year ending 31 December 2008	UK Fund $million	Overseas schemes $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2008	(18)	(27)	(11)	(257)	(313)
Contributions	23	72	–	54	149
Current service cost	(12)	(58)	–	(18)	(88)
Past service cost	(3)	(1)	–	(1)	(5)
Settlement/curtailment costs	(1)	–	–	55	54
Other finance income/(charge)	1	6	(1)	(12)	(6)
Actuarial loss	(60)	(165)	–	(4)	(229)
Acquisitions	–	(43)	–	(4)	(47)
Exchange rate adjustment	6	12	–	34	52
Deficit at 31 December 2008	(64)	(204)	(12)	(153)	(433)

Movement in pension schemes and post-retirement medical gross assets and obligations during the year comprise:

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. Retirement benefit obligations continued

Year ending 31 December 2008	Assets $million	Obligations $million	Total $million
Deficit at 1 January 2008	2,488	(2,801)	(313)
Contributions	149	–	149
Current service cost	–	(88)	(88)
Past service cost	–	(5)	(5)
Settlement/curtailment costs	–	54	54
Interest cost	–	(146)	(146)
Expected return on scheme assets	140	–	140
Benefits paid out	(185)	185	–
Actuarial (loss)/gain	(333)	104	(229)
Acquisitions	22	(69)	(47)
Exchange rate adjustment	(560)	612	52
Deficit at 31 December 2008	1,721	(2,154)	(433)

37. Share capital, reserves and own shares

Share capital

The authorised share capital of the Company at 31 December 2009 was $6,118 million (2008: $4,933 million) made up of 3,632 million ordinary shares of $0.50 each, 500 million non-cumulative irredeemable preference shares of £1 each, 300 million non-cumulative redeemable preference shares of $5 each and one million non-cumulative redeemable preference shares of €1,000 each, 100 million Non-Cumulative Preference Shares of AED 1.00 each, 100 million Non-Cumulative Preference Shares of HKD 1.00 each, 100 million Non-Cumulative Preference Shares of INR 10.00 each, 100 million Non-Cumulative Preference Shares of KRW 5,000.00 each and 100 million Non-Cumulative Preference Shares of SGD 1.00 each.

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 2009, 477,500 $5 non-cumulative redeemable preference shares were in issue, of which 462,500 are classified within subordinated liabilities and other borrowed funds 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. None of the other classes of preference shares which form part of the Company's authorised share capital have been issued.

Group and Company

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

37. Share capital, reserves and own shares 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 1088 pence.

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

2008

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

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

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

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

Reserves

Group

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

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2008: $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 pounds 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 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 rights issue 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 of a cash flow hedge. Gains and losses are deferred in this reserve until such time as the underlying hedged item affects profit and loss or 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 are the carried forward recognised income and expenses of the Group plus current period recognised comprehensive income less dividend distribution, treasury shares and share option expenses.

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.

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.

37. Share capital, reserves and own shares continued

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

38. Minority interests

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

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

39. 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 $375 million (2008: $121 million) of which $275 million (2008: $152 million) relates to equity-settled awards, and $100 million (2008: $31 million credit) relates to cash-settled awards. After deferred tax, the total charge to the income statement was $340 million (2008: $89 million). The scheme lives referred to below relate to the remaining period in which options may be granted under the schemes.

1994 Executive Share Option Scheme (closed)

No awards have been made under this scheme since August 1999 as the scheme was replaced by the 2000 Executive Share Option Scheme. Awards made under this scheme are not subject to the valuation criteria of IFRS 2, as all awards were granted prior to 7 November 2002, and were all vested as at that date. Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth anniversary of the date of grant. The exercise price is the share price at the date of grant and options can only be exercised if EPS increases by at least 15 per cent over three consecutive years. There are no outstanding options in this scheme.

2000 Executive Share Option Scheme

The 2000 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. The remaining life of the scheme is one year after which options will not be granted under this scheme.

2001 Performance Share Plan

The Performance Share Plan 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 which need to be met are set out in the Directors' remuneration report on page 99. Awards of nil price options to acquire shares are granted to the executives and will normally be exercisable between three and ten 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 two years.

1997/2006 Restricted Share Scheme (RSS)

The RSS is used as a vehicle for deferring part of annual performance awards for certain employees and as an incentive plan to motivate and retain high performing staff. Except where used for bonus deferral purposes, executive directors are not generally eligible to participate in the RSS. However upon recruitment to the Group, awards may be made on an exceptional basis, for example to newly appointed directors to compensate for share awards forfeited on leaving their previous employer. Under the RSS, the value of shares awarded in any year to any individual may not exceed two times their base salary. Generally half of the award vests two years after the date of grant and the balance after three years. However, the deferred element of the 2009 annual performance award will vest in three equal tranches over one, two and three years with the RSS used wherever possible for the portion of the award vesting after two and three years. The remaining life of the scheme is seven years.

2007 Supplementary Restricted Share Scheme

The Group operates a Supplementary Restricted Share Scheme which is similar to the RSS. This scheme is principally used for Global Market employees but is also used to defer one third of an employee's deferred annual performance award which vests after one year. Otherwise 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 eight years.

2004 Deferred Bonus Plan

Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of all or part of the executive directors' and certain senior executives' annual cash bonus. Further details are contained in the Directors' remuneration report on page 100. The remaining life of the plan is five 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 all the employee 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 six years.

39. Share based payments continued

1994 Executive Share Option Scheme (1994 ESOS)

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	–	–	10,806	£6.20
Lapsed	–	–	–	–
Exercised	–	–	(10,806)	£6.20
Outstanding at 31 December	–	–	–	–

The weighted average share price at the time the options were exercised in 2008 was £17.23.

2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2009 or 2008.

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	7,485,925	£7.18	8,575,209	£8.28
Additional shares for rights issue	–	–	937,283	–
Lapsed	(5,253)	£8.19	(3,348)	£6.05
Exercised	(4,076,707)	£7.08	(2,023,219)	£7.47
Outstanding at 31 December	3,403,965	£7.29	7,485,925	£7.18
Exercisable at 31 December	3,403,965	£7.29	7,485,925	£7.18

	2009		2008	
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
£6.05/£9.10 (2008: £6.05/£9.10)	£7.29	3.2 years	£7.18	4.0 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2009 was $3 million (2008: $0.8 million). The weighted average share price at the time the options were exercised during 2009 was £14.28 (2008: £17.23).

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 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.

	2009				2008		
Grant date	3 December	15 September	23 June	11 March	16 September	24 April	11 March
Share price at grant date	£15.51	£14.44	£11.75	£8.10	£13.86	£17.82	£16.26
Vesting period (years)	3	3	3	3	3	3	3
Expected dividend yield (%)	3.43	3.43	3.41	3.41	2.60	2.60	2.60
Fair value (EPS) (£)	7.13	6.63	5.40	3.73	12.83	16.50	15.06
Fair value (TSR) (£)	2.81	2.61	2.13	1.46	5.04	6.49	5.89

The expected dividend yield is based on the historical dividend yield over the three years prior to grant.

39. Share based payments continued

A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	8,458,895	–	5,885,597	–
Granted	4,583,187	–	2,625,696	–
Additional shares for rights issue	–	–	1,067,755	–
Lapsed	(528,627)	–	(105,828)	–
Exercised	(1,737,903)	–	(1,014,325)	–
Outstanding at 31 December	10,775,552	–	8,458,895	–
Exercisable at 31 December	938,782	–	683,870	–

Of the 2,475,008 options granted in 2007 and outstanding as at 31 December 2009, the EPS condition is not expected to be met on 557,372 options. As a result, it is considered that these options will not vest.

	2009		2008	
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
n/a	–	8.2 years	–	8.1 years

The intrinsic value of vested cash-settled awards as at 31 December 2009 was $2 million (2008: $0.3 million).

The weighted average share price at the time the options were exercised during 2009 was £11.48 (2008: £15.74).

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.

	2009					2008		
Grant date	3 December	28 September	15 September	23 June	11 March	16 September	24 April	11 March
Share price at grant date	£15.51	£14.98	£14.44	£11.75	£8.10	£13.86	£17.82	£16.26
Vesting period (years)	2/3	2/3	2/3	2/3	2/3	3	3	3
Expected dividend yield (%)	3.45	3.45	3.45	3.73	3.73	2.40	2.40	2.40
Fair value (£)	14.25	13.76	13.27	10.72	7.39	8.25	8.25	8.25

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 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	7,285,927	–	6,275,898	–
Granted	12,675,994	–	2,137,992	–
Additional shares for rights issue	–	–	925,127	–
Lapsed	(528,860)	–	(294,595)	–
Exercised	(2,155,899)	–	(1,758,495)	–
Outstanding at 31 December	17,277,162	–	7,285,927	–
Exercisable at 31 December	1,986,203	–	1,900,102	–

The weighted average share price at the time the options were exercised during 2009 was £11.98 (2008: £15.69).

39. Share based payments continued

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
n/a	**–**	**5.6 years**	–	5.0 years

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2009 was $12 million (2008: $3 million).

2007 Supplementary Restricted Share Scheme (2007 SRSS)

Valuation

The first awards under this scheme were made on 12 March 2007. 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.

	2009				2008	
Grant date	**3 December**	**15 September**	**23 June**	**11 March**	16 September	11 March
Share price at grant date	**£15.51**	**£14.44**	**£11.75**	**£8.10**	£13.86	£16.26
Vesting period (years)	**2/3**	**2/3**	**2/3**	**2/3**	2/3	2/3
Expected dividend yield (%)	**3.45**	**3.45**	**3.73**	**3.73**	2.4	2.4
Fair value (£)	**14.25**	**13.27**	**10.72**	**7.39**	13.06	12.41

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 2009 is shown below:

	2009 No. of shares	2009 Weighted average exercise price	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	**2,442,096**	**–**	187,602	–
Granted	**5,172,293**	**–**	2,020,181	–
Additional shares for rights issue	**–**	**–**	307,805	–
Lapsed	**(51,909)**	**–**	(45,549)	–
Exercised	**(147,948)**	**–**	(27,943)	–
Outstanding at 31 December	**7,414,532**	**–**	2,442,096	–
Exercisable at 31 December	**53,580**	**–**	–	–

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
n/a	**–**	**5.9 years**	–	6.2 years

The weighted average share price at the time the options were exercised during 2009 was £14.62 (2008: £nil).

1994/1996 UK and International Sharesave Scheme

Grants made under these schemes which had not vested as at 7 November 2002 are fair valued under IFRS 2. A reconciliation of option movements over the year to 31 December 2009 and 2008 is shown below:

	2009 No. of shares	2009 Weighted average exercise price	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	**162,982**	**£5.61**	561,107	£5.82
Additional shares for rights issue	**–**	**–**	36,060	–
Lapsed	**–**	**–**	(227,613)	£4.92
Exercised	**(127,062)**	**£5.61**	(206,572)	£5.35
Outstanding at 31 December	**35,920**	**£5.61**	162,982	£5.61
Exercisable at 31 December	**35,920**	**£5.61**	162,982	£5.61

39. Share based payments continued

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
£5.61	**£5.61**	**0 years**	£5.61	0.3 years

The weighted average share price at the time the options were exercised was £10.86 (2008: £13.89) for 1994 UK Sharesave Schemes and £10.28 (2008: £13.89) for 1996 International Sharesave schemes.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2009 was $nil million (2008: $0.1 million).

2008 Irish Sharesave Scheme

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

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	2009 5 October	2008 29 September
Share price at grant date	**£14.92**	£14.52
Exercise price	**£11.46**	£11.62
Vesting period (years)	**3/5**	3/5
Expected volatility (%)	**52.9/42.6**	39.6/48.7
Expected option life (years)	**3.33/5.33**	3.33/5.33
Risk free rate (%)	**1.8/2.5**	2.32/2.53
Expected dividend yield (%)	**3.3/3.2**	2.5/2.73
Fair value (£)	**5.9/5.8**	2.99/3.04

The expected dividend yield is based on the historical dividend for three years prior to grant. A reconciliation of option movements over 2009 and 2008 is shown below:

	2009 No. of shares	2009 Weighted average exercise price	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	**14,290**	**£10.18**	–	–
Granted	**4,581**	**£11.46**	12,510	£10.18
Additional shares for rights issue	**–**	**–**	1,780	–
Lapsed	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Outstanding at 31 December	**18,871**	**£10.48**	14,290	£10.18
Exercisable at 31 December	**–**	**–**	–	–

Range of exercise price for options outstanding	2009 Weighted average exercise price	2009 Weighted average remaining contractual life	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
£10.18 – £11.46	**£10.48**	**3.6 years**	£10.18	5.3 years

39. 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:

	2009		2008	
Grant date	**9 October**	**5 October**	3 October	16 September
Share price at grant date	**£15.57**	**£14.92**	£14.52	£14.52
Exercise price	**£11.46**	**£11.46**	£11.62	£11.62
Vesting period (years)	**3/5**	**3/5**	3/5	3/5
Expected volatility (%)	**52.9/43.7**	**52.9/42.6**	39.6/48.7	39.6/48.7
Expected option life (years)	**3.33/5.33**	**3.33/5.33**	3.33/5.33	3.33/5.33
Risk free rate (%)	**1.8/2.5**	**1.8/2.5**	2.32/2.53	2.32/2.53
Expected dividend yield (%)	**3.3/3.2**	**3.3/3.2**	2.5/2.73	2.5/2.73
Fair value (£)	**6.4/6.2**	**5.9/5.8**	2.99/3.04	2.99/3.04

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 2009 and 2008 is shown below:

	2009		2008	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
Outstanding at 1 January	**20,229,858**	**£9.69**	14,266,731	£10.91
Granted	**3,881,940**	**£11.46**	6,241,929	£10.18
Additional shares rights issue	**–**	**–**	2,579,391	–
Lapsed	**(2,160,450)**	**£10.26**	(2,574,039)	£10.14
Exercised	**(4,484,911)**	**£8.81**	(284,154)	£7.04
Outstanding at 31 December	**17,466,437**	**£10.28**	20,229,858	£9.69
Exercisable at 31 December	**2,018,787**	**£9.17**	3,588,924	£9.69

	2009		2008	
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
£6.51/£11.46	**£10.28**	**2.2 years**	£9.69	1.9 years

The weighted average share price at the time the options were exercised during 2009 was £14.16 (2008: £13.92) for the UK Sharesave Scheme and £12.73 (2008: £13.92) for the International Sharesave Scheme.

The intrinsic value of vested UK and International Sharesave cash-settled awards as at 31 December 2009 was $7 million (2008: $0.4 million).

39. Share based payments continued

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 2009 and 2008 is shown below:

	2009 No. of shares	2008 No. of shares
Outstanding at 1 January	352,857	351,340
Shares vested	(347,836)	(324,002)
Shares awarded	352,633	307,760
Additional shares for rights issue	–	43,756
Shares lapsed	(7,073)	(25,997)
Outstanding at 31 December	350,581	352,857

Notes:
a) The market value of shares on the date of awards (6 March 2009) was £6.98 (2008: £16.45).
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.

40. Cash flow statement

Adjustment for non-cash items and other accounts

	Group		Company	
	2009 $million	2008[1] $million	2009 $million	2008[1] $million
Depreciation and amortisation	520	425	–	–
Gain on disposal of property, plant and equipment	(40)	(10)	–	–
Gain on disposal of investment securities and loan and receivable financial assets	(592)	(322)	–	–
Gain arising on repurchase of subordinated liabilities	(264)	(384)	–	(384)
Gain arising on initial recognition and partial sale of Visa Inc. shares	–	(17)	–	–
Writedowns relating to asset backed securities	4	49	–	–
Movement in fair value hedges on available-for-sale assets	6	26	–	–
Amortisation of discounts and premiums of investment securities	(762)	(390)	–	–
Pension costs for defined benefit schemes	30	45	–	–
Impairment losses on loans and advances and other credit risk provisions	2,000	1,321	–	–
Dividend income from subsidiaries	–	–	(331)	(1,880)
Other impairment	102	469	–	–
Profit from associates	(21)	–	–	–
Loss/(gain) on sale of businesses	2	(146)	–	–
Recoveries of acquisition fair values and discount unwind	(101)	(120)	–	–
Interest expense on subordinated liabilities	501	1,049	103	184
Total	1,385	1,995	(228)	(2,080)

[1] Amounts have been restated as explained in note 50.

Change in operating assets

	Group		Company	
	2009 $million	2008[1] $million	2009 $million	2008 $million
Decrease/(increase) in derivative financial instruments	32,293	(47,138)	(291)	–
Net (increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(6,331)	7,590	–	–
Net increase in loans and advances to banks and customers	(21,801)	(39,160)	–	–
Decrease in pre-payments and accrued income	286	213	2	–
(Increase)/decrease in other assets	(1,485)	(9,608)	62	62
Total	2,962	(88,103)	(227)	62

[1] Amounts have been restated as explained in note 50.

40. Cash flow statement continued

Change in operating liabilities

	Group		Company	
	2009 $million	2008[1] $million	**2009 $million**	2008 $million
(Decrease)/increase in derivative financial instruments	**(31,941)**	44,943	**(1)**	26
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**21,398**	59,798	**3,398**	1,372
(Decrease)/increase in accruals and deferred income	**(121)**	1,025	**(12)**	(63)
(Decrease)increase in other liabilities	**(555)**	147	**318**	(40)
Total	**(11,219)**	105,913	**3,703**	1,295

[1] Amounts have been restated as explained in note 50.

41. 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	
	2009 $million	2008 $million	**2009 $million**	2008 $million
Cash and balances at central banks	**18,131**	24,161	**–**	–
Less restricted balances	**(4,971)**	(4,615)	**–**	–
Treasury bills and other eligible bills	**7,748**	9,303	**–**	–
Loans and advances to banks	**37,127**	33,913	**–**	–
Trading securities	**10,038**	10,937	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**5,798**	5,303
Total	**68,073**	73,699	**5,798**	5,303

42. Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2009 $million	2008 $million
Contracted	**36**	46

43. Operating lease commitments

	2009		2008	
	Premises $million	**Equipment $million**	Premises $million	Equipment $million
Commitments under non-cancellable operating leases expiring:				
Within one year	**271**	**8**	258	2
Later than one year and less than five years	**477**	**11**	470	2
After five years	**487**	**–**	509	–
	1,235	**19**	1,237	4

During the year $277 million (2008: $240 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 sublease payments expected to be received under non-cancellable subleases at 31 December 2009 is $4 million (2008: $5 million).

44. Contingent liabilities and commitments

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

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

	2009 $million	2008 $million
Contingent liabilities[1]		
Guarantees and irrevocable letters of credit	**28,731**	28,051
Other contingent liabilities	**9,927**	11,494
	38,658	39,545
Commitments[1]		
Documentary credits and short term trade-related transactions	**6,695**	5,270
Forward asset purchases and forward deposits placed	**874**	40
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	**20,616**	14,450
Less than one year	**20,729**	14,903
Unconditionally cancellable	**45,344**	42,388
	94,258	77,051
Risk weighted amount:		
Contingent liabilities	**13,422**	12,827[2]
Commitments	**8,856**	6,967[2]

1 Includes amounts relating to the Group's share of its joint ventures.
2 Amounts have been adjusted to present consistency with 2009, as a result of continuing refinements in Basel II. This has not had an impact on the Group's total risk weighted assets.

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.

45. 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

	2009 Reverse repurchase agreements $million	2008 Reverse repurchase agreements $million
Banks	**1,192**	1,578
Customers	**1,603**	4,833
	2,795	6,411

45. Repurchase and reverse repurchase agreements continued

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

	2009 $million	2008 $million
Securities and collateral which can be repledged or sold (at fair value)	**2,624**	5,707
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	**1,696**	4,030

Balance sheet liabilities

	2009 Repurchase agreements $million	2008 Repurchase agreements $million
Banks	**1,567**	5,053
Customers	**380**	5,177
	1,947	10,230

Collateral pledged against these liabilities is disclosed in note 18 and note 22. The terms and conditions relating to the collateral pledged typically permits the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

46. Liquidity risk

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

The Risk review on pages 65 and 66 explains the Group's and Company's risk management with respect to asset and liability management.

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

[1] Amounts include financial instruments held at fair value through profit or loss (see note 14).

46. Liquidity risk continued

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

[2] Amounts include financial instruments held at fair value through profit or loss (see note 14).

The Company has financial assets of $2,475 million (2008 : $925 million) and financial liabilities of $1,504 million (2008: $2,835 million) maturing in five years or more.

Within the tables above 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.

Behavioural maturity of financial liabilities on a discounted basis

As discussed in the Risk review on pages 44 to 67 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 in the tables above reflect the cash flows which 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:

	2009[1]				
Group	**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	**34,764**	**3,252**	**812**	**115**	**38,943**
Customer accounts	**128,958**	**53,844**	**44,032**	**29,912**	**256,746**
Total	**163,722**	**57,096**	**44,844**	**30,027**	**295,689**

[1] As permitted by IFRS 7: Financial Instruments: Disclosure no comparatives have been presented.

46. Liquidity risk continued

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 $3,583 million (2008: $4,309 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.

	2009				2008			
Group	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	34,548	2,930	982	84	28,449	3,612	1,160	205
Customer accounts	219,763	25,469	4,351	536	208,355	22,792	4,698	1,628
Financial liabilities at fair value	8,763	2,644	2,508	1,676	9,396	2,212	3,438	1,885
Debt securities in issue	9,012	6,976	5,893	5,336	12,572	5,870	4,921	6,405
Subordinated liabilities and other borrowed funds	1,437	985	7,072	22,851	156	2,353	6,046	20,876
Other liabilities	14,838	1,046	387	7,991	13,258	1,903	170	7,065
Total liabilities	288,361	40,050	21,193	38,474	272,186	38,742	20,433	38,064
Gross loan commitments	45,910	12,751	18,552	539	40,005	9,871	13,265	1,053

	2009				2008			
Company	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	52	206	1,083	4,405	–	54	90	1,317
Subordinated liabilities and other borrowed funds	2	109	670	1,957	–	118	723	1,940
Other liabilities	–	–	–	138	863	–	–	–
Total liabilities	54	315	1,753	6,500	863	172	813	3,257

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 receive leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

	2009				2008			
Group	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five year $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	224,831	119,179	119,009	17,328	529,175	251,250	138,445	17,593

	2009				2008			
Company	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	12	36	279	–	26	–	–	–

47. Currency risk

Foreign exchange risk is managed and measured as set out in the Market risk section of the Risk review on pages 62 to 65.

Foreign exchange risk arising within the non-trading portfolio, excluding structural positions, is minimised by match funding assets and liabilities in the same foreign currency.

Structural foreign exchange risks arise from net investments in currencies other than US dollars. The Group has made net investments in Group undertakings in a number of currencies.

The resulting foreign exchange exposures are managed on an individual basis, and are assessed regularly taking account of foreign exchange rate expectations. The positions are treated as long-term embedded exposures, and are not treated as trading positions. Hedges of the foreign exchange exposures may be considered in certain limited cases.

At 31 December 2009, the Group had taken net investment hedges of $644 million (2008: $600 million) to partly cover its exposure to Korean won and $94 million (2008: $nil 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 at 31 December 2009 and 2008:

	2009 $million	2008 $million
Hong Kong dollar	**5,852**	4,985
Korean won	**5,133**	4,469
Indian rupee	**2,828**	2,369
Taiwanese dollar	**2,071**	2,112
Thai baht	**1,291**	991
UAE dirham	**1,008**	1,075
Singapore dollar	**986**	532
Malaysian ringgit	**834**	731
Chinese yuan	**795**	883
Indonesian rupiah	**595**	428
Pakistani rupee	**562**	563
Other	**2,293**	1,985
	24,248	21,123

An analysis has been performed on these exposures to assess the impact of a one 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 $176 million (2008: $143 million). Changes in the valuations of these positions are taken to reserves.

The Company's assets and liabilities are mainly in US dollars. It has assets of $4,309 million (2008: $1,633 million) and liabilities of $4,270 million (2008: $782 million) denominated in currencies other than US dollars.

48. Credit risk

Maximum exposure to credit risk
The tables below present the Group and Company's maximum exposure to credit risk of their balance sheet and off-balance sheet financial instruments at 31 December 2009, 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.

As set out in note 18, the Group has entered into synthetic loan securitisations and synthetic trade receivable securitisations on which it has mitigated certain of the credit risks. In respect of derivative financial instruments, $30,539 million (2008: $45,896 million) is available for offset as a result of master netting agreements which do not, however, meet the criteria under IAS 32 to enable these balances to be presented on a net basis in 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. Further details of the credit risk mitigation undertaken by the Group are contained within the Risk review on page 52.

The Group's maximum exposure to credit risk has increased by $21 billion compared to 2008, primarily due to growth in lending to banks and customers and credit commitments, offset by a decline in derivatives. Growth in lending of $28.4 billion was split between loans to banks, which increased $4.9 billion, Consumer Banking, which increased by $13.9 billion compared to 2008 as mortgage balances increased, and Wholesale Banking, which increased $9.6 billion largely through increased lending to the Transport and Commerce sectors. Credit commitments increased $12.0 billion as corporate credit lines were increased. Offsetting this, derivatives declined $31.5 billion, driven by reduced volatility as notionals remained largely flat.

Group	2009 $million	2008 $million
Financial assets held at fair value through profit or loss[1]	**21,229**	14,800
Derivative financial instruments	**38,193**	69,657
Loans and advances to banks and customers	**249,177**	220,761
Investment securities[1]	**74,079**	67,749
Contingent liabilities	**38,658**	39,545
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	**41,345**	29,353
	462,681	441,865

[1] Excludes equity shares.

Company	2009 $million	2008 $million
Derivative financial instruments	**291**	–
Debt Securities	**2,725**	925
Amounts owed by subsidiary	**5,798**	5,303
	8,814	6,228

Summary analysis of the loan portfolio

	2009				2008			
	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Individually impaired loans, net of provisions	**154**	**492**	**1,159**	**1,651**	18	519	812	1,331
Past due but not impaired loans	**2**	**3,389**	**538**	**3,927**	53	4,391	791	5,182
Neither past due nor impaired loans	**52,779**	**90,702**	**106,397**	**197,099**	47,881	75,754	96,896	172,650
Total loans and advances	**52,935**	**94,583**	**108,094**	**202,677**	47,952	80,664	98,499	179,163
Portfolio impairment provision	**(2)**	**(519)**	**(355)**	**(874)**	(6)	(449)	(202)	(651)
	52,933	**94,064**	**107,739**	**201,803**	47,946	80,215	98,297	178,512
Of which:								
Loans and advances held at fair value	**2,048**	**–**	**3,511**	**3,511**	1,363	–	4,334	4,334

The Company has loans neither past due nor impaired of $5,798 million (2008: $2,706 million) and has no individually impaired or past due but not impaired loans. Details of loan loss provisions and individually impaired loans are disclosed in notes 20 and 21.

48. Credit risk continued

Loans and advances past due but not individually impaired

The following table sets out the ageing of loans and advances which are past due and for which no individual impairment provision has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired.

Individual impairment provisions are generally raised at 90 days past due, with the exception of mortgages in Consumer Banking, where individual impairment provisions are raised after 150 days past due. Individual impaired loans for Consumer Banking will therefore not equate to those loans reported as non-performing on page 57. As described on page 56 prior to the raising of an individual impairment provision, impairment on these loans is captured within the portfolio impairment provision.

	2009				2008			
	Loans to banks $million	**Loans to customers – Consumer Banking $million**	**Loans to customers – Wholesale Banking $million**	**Total loans to customers $million**	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Up to 30 days past due	**2**	**2,522**	**369**	**2,891**	44	3,268	566	3,834
Between 31 – 60 days past due	**–**	**406**	**98**	**504**	–	515	75	590
Between 61 – 90 days past due	**–**	**239**	**71**	**310**	–	283	150	433
Between 91 – 150 days past due	**–**	**222**	**–**	**222**	9	325	–	325
	2	**3,389**	**538**	**3,927**	53	4,391	791	5,182
Estimated fair value of collateral held	**–**	**1,980**	**458**	**2,438**	–	1,961	185	2,146

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

Loans and advances neither past due nor impaired

The following table sets out an analysis of loans and advances by internal credit grading which are not past due and for which no individual impairment provision has been raised. The credit gradings set out in the table below are based on a probability of default measure as set out on page 51 of the Risk review. The banding reflects management's segmentation of the credit risk grades.

The increase in loans and advances to banks compared to 2008 is a result of the placement of excess liquidity with high quality sovereign and bank counterparties: the credit grade profile of this portfolio is largely unchanged from 2008 to 2009.

The credit grade profile of Consumer Banking loans to customers has improved since 2008, with a larger proportion of the portfolio in credit grades 1 to 5. This is primarily a result of the business strategy to focus on high quality client segments for new bookings. The increase in grade 12 loans is as a result of higher rates of credit grade migration experienced on the existing book which was a feature of slowing economic conditions.

There was also some credit grade migration amongst Wholesale banking customers in 2009, as the impact of the economic recession became more evident in our footprint markets; however the pace of grade migration slowed in the latter part of the year. The $1.6 billion increase in credit grade 12 loans was largely concentrated in the Middle East.

	2009				2008			
Total loans and advances neither past due or impaired	**Loans to banks $million**	**Loans to customers – Consumer Banking $million**	**Loans to customers – Wholesale Banking $million**	**Total loans to customers $million**	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Grades 1 – 5								
– at amortised cost	**45,342**	**44,158**	**41,719**	**85,877**	41,864	33,212	41,134	74,346
– at fair value	**1,192**	**–**	**2,092**	**2,092**	710	–	3,888	3,888
Grades 6 – 8								
– at amortised cost	**4,630**	**21,570**	**37,505**	**59,075**	4,066	19,969	35,604	55,573
– at fair value	**855**	**–**	**870**	**870**	649	–	239	239
Grades 9 – 11								
– at amortised cost	**729**	**22,728**	**21,628**	**44,356**	575	21,294	15,400	36,694
– at fair value	**1**	**–**	**549**	**549**	4	–	207	207
Grade 12								
– at amortised cost	**30**	**2,246**	**2,034**	**4,280**	13	1,279	424	1,703
Total – at amortised cost	**50,731**	**90,702**	**102,886**	**193,588**	46,518	75,754	92,562	168,316
Total – at fair value	**2,048**	**–**	**3,511**	**3,511**	1,363	-	4,334	4,334
Grand Total	**52,779**	**90,702**	**106,397**	**197,099**	47,881	75,754	96,896	172,650
Of which: renegotiated loans	**–**	**687**	**1,397**	**2,084**	–	682	365	1,047

48. Credit risk continued

Loans and advances neither past due nor impaired continued

Renegotiated loans in the above table represent the carrying amount of loans that would otherwise be past due or impaired if their terms had not been renegotiated. Although not considered to be non-performing in nature, these loans continue to be monitored in the same way as non-performing loans until a minimum number of payments have been received under the new terms.

Within Wholesale Banking, renegotiated loans increased by $1 billion compared to 2008, primarily arising in the Middle East within the financing and real estate sectors.

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) as detailed in the table below. Repossessed properties are sold in an orderly fashion. Where the proceeds are excess of the outstanding loan balance they are returned to the borrower. Certain of the equity securities acquired continue to be held by the Group for investment purposes and are classified as available-for-sale, and the related loan derecognised.

	2009			2008		
	Consumer Banking $million	**Wholesale Banking $million**	**Total $million**	Consumer Banking $million	Wholesale Banking $million	Total $million
Property	**135**	**7**	**142**	150	1	151
Debt securities and equity shares	**–**	**2**	**2**	2	4	6
Guarantees	**25**	**–**	**25**	28	–	28
Other	**91**	**42**	**133**	54	1	55
	251	**51**	**302**	234	6	240

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2009			2008		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
Impaired securities	**231**	**–**	**231**	185	106	291
Impairment provisions	**(191)**	**–**	**(191)**	(158)	(1)	(159)
Net impaired securities	**40**	**–**	**40**	27	105	132
Securities neither past due nor impaired	**65,192**	**24,517**	**89,709**	57,405	19,315	76,720
	65,232	**24,517**	**89,749**	57,432	19,420	76,852
Of which:						
Held at fair value	**10,111**	**5,559**	**15,670**	6,396	2,707	9,103

The Company has $2,725 million (2008: $925 million) of debt securities, issued by Standard Chartered Bank, a wholly owned subsidiary undertaking.

Movements in provisions on impaired securities are disclosed in note 22. The impaired debt securities largely include the Group's holdings of ABS CDOs, on which a $73 million (2008: $41 million) impairment charge was taken in 2009.

Collateral is held against impaired securities and primarily consist of properties. The undiscounted fair value of collateral held relating to impaired securities is estimated at $30 million (2008: $22 million).

Where the fair value of collateral held exceeds the outstanding securities obligations, any excess is paid back to the customers and is not available for offset against other securities obligations.

Securities neither past due nor impaired

The following table analyses debt securities and treasury bills which are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poors or their equivalent. Debt securities held which have a short-term rating are reported against the long-term rating of the issuer. For securities which are unrated, the Group applies an internal credit rating as described under Loans and Advances.

48. Credit risk continued

	2009			2008		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
AAA	**10,706**	**630**	**11,336**	9,551	18	9,569
AA- to AA+	**21,246**	**9,618**	**30,864**	22,522	5,269	27,791
A- to A+	**17,770**	**10,757**	**28,527**	14,361	10,862	25,223
BBB- to BBB+	**7,243**	**1,930**	**9,173**	4,939	2,246	7,185
Lower than BBB-	**2,422**	**1,193**	**3,615**	2,367	615	2,982
Unrated	**5,805**	**389**	**6,194**	3,665	305	3,970
	65,192	**24,517**	**89,709**	57,405	19,315	76,720

Unrated securities primarily relate to corporate issues. Using internal credit ratings, $5,674 million (2008: $3,525 million) of these securities are considered to be investment grade and $520 million (2008: $445 million) sub-investment grade.

Derivative financial instruments

The Group measures all derivatives at fair value with the gains or losses on derivatives taken to income except where derivatives are used as hedging instruments for cash flow hedges where the effective portion of the hedge is taken through to cash flow hedge reserve. The credit quality of derivative assets is assessed and monitored on a regular basis. The Group mitigates credit risk on derivative assets where possible through netting arrangements as set out on page 52. Where netting agreements are not in place the Group obtains collateral from counter parties depending on the nature of transaction or the credit worthiness of the counter party. Collateral obtained is normally cash or liquid government securities.

49. Special purpose entities

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

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see note 18).

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

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

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

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

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

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

50. Restatement of prior periods

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

At 31 December 2009 the Group has early adopted the amendment to IAS 32 Financial Instruments in advance of its effective date as explained in note 14.

The impact of this change has been to reclassify the $233 million gain and associated tax of $66 million in respect of the rights issue option recognised in the income statement in the 2008 Annual Report into equity in these financial statements. Details of the restatement are set out below:

	As reported at 2008 $million	Adjustment $million	Restated at 2008 $million
Group			
Income statement			
Profit before taxation	4,801	(233)	4,568
Taxation	1,290	(66)	1,224
Profit attributable to parent company shareholders	3,408	(167)	3,241
Profit attributable to ordinary shareholders	3,298	(167)	3,131
Basic earnings per share (cents)	202.4	(10.3)	192.1
Diluted earnings per share (cents)	201.3	(10.2)	191.1
Statement of changes in equity			
Merger reserve	5,450	167	5,617
Retained earnings	12,853	(167)	12,686
Cash flow statement			
Profit before taxation	4,801	(233)	4,568
Non-cash items in income statement	1,762	233	1,995
Company			
Statement of changes in equity			
Merger reserve	5,450	167	5,617
Retained Earnings	2,109	(167)	1,942
Cash flow statement			
Profit before taxation	2,476	(233)	2,243
Non-cash items in income statement	(2,313)	233	(2,080)

Cash flow statement

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

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

Entity-wide information

By Geography

In 2009 the Group has re-aligned its geographic reporting with underlying organisational changes to better reflect asset and income distribution and management. In order to facilitate a more meaningful comparison, the 2008 numbers in the geography segmental information have been restated so as to be on a consistent basis with 2009. The Group has a Global Booking Unit (GBU) within its Wholesale Banking business which comprises the private equity portfolio, portfolio management and some Financial Markets (FM) products. In 2008 income and expenses related to the private equity portfolio were reported in the geography of the underlying investment and the remainder of the GBU was reported within Americas, UK & Europe. In 2009, the income and expenses on both the private equity portfolio and FM products in the GBU have been allocated, the latter to geographies where dealers are based. Portfolio management continues to be reported within Americas, UK & Europe.

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

50. Restatement of prior periods continued

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

	Restatement								
	Asia Pacific								
	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
Net trading income	(12)	(109)	(29)	7	(52)	(76)	1	270	–
Operating income	(12)	(109)	(29)	7	(52)	(76)	1	270	–
Operating expenses	(13)	(27)	–	–	–	(8)	–	48	–
Profit before taxation	(25)	(136)	(29)	7	(52)	(84)	1	318	–
Net interest margin (%)	–	0.5	(0.2)	–	0.1	0.7	0.1	0.7	–
Total assets employed	1,465	(6,176)	(6,088)	(474)	907	(3,830)	(50)	(17,211)	(31,457)

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

None of these restatements impacted the Group balance sheet as at 1 January 2008.

51. Related party transactions

Directors and officers

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 94 to 109.

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

	2009 $million	2008 $million
Salaries, allowances and benefits in kind	**16**	20
Pension contributions	**6**	6
Bonuses paid or receivable	**9**	18
Share based payments	**37**	25
	68	69

Transactions with directors, officers and others

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

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

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

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

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

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

Associates

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

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $3 million at 31 December 2009 (2008: $5 million), and deposits of $16 million (2008: $16 million). The Group has loans and advances with STCI totalling $12 million (2008: $12 million). The Group has investments in subordinated debt issued by PT Bank Permata Tbk of $50 million (2008: $nil million).

Company

The Company has received $171 million (2008: $105 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2009, it had loans to and debt instruments issued by Standard Chartered Bank of $5,038 million (2008: $3,036 million), derivative financial assets of $291 million (2008: $nil million) and derivative financial liabilities of $25 million (2008: $26million) with Standard Chartered Bank, loans of $1,737 million (2008: $1,724 million) to Standard Chartered Holdings Limited, and loans of $27 million (2008: $1 million) to other subsidiaries.

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. Effective 1 January 2009, the Company agreed to pay a rebate of $144 million to SCSBM relating to the unamortised portion of the license in respect of the licensing rights for certain jurisdictions, which were withdrawn by the Company. At 31 December 2009, $109 million (2008: $271 million) has been included as deferred income in the Company balance sheet in relation to this licence. On 1 January 2009 the Company re-issued the rights to license these jurisdictions to Standard Chartered Bank for a nominal consideration.

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.

52. Significant accounting estimates and judgements

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 judgements 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 judgement, 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 notes 14 and 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 2009, Level 3 assets with a market value of $2,036 million were held in respect of which there was no observable market data. For these instruments, a sensitivity analysis is presented in note 14 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.

Goodwill impairment

An annual assessment is made, as set out in note 26, 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 judgement.

Pensions

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 36 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 which 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 $55 million, and vice versa. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

52. Significant accounting estimates and judgements continued

Taxes
Determining income tax provisions involves judgement 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 judgements 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 judgements 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 2009 would increase by approximately £0.37 for three year grants, and by £0.43 for five year grants (or decrease by approximately £0.37 for three year grants, and by £0.43 for five year grants).

53. Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2009 but have effective dates for periods beginning after 31 December 2009. 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 27 Consolidated and Separate Financial Statements	This amendment changes the treatment for part disposals, both when control is retained (which is accounted for as an equity transaction, generating no profit or loss in the income statement) and when control is lost (where the residual holding is measured at fair value with any changes reflected in income).	1 January 2010
IFRS 3 Revised Business Combinations	IFRS 3 Revised requires acquisition costs to be expensed and not capitalised; an estimate of cash contingent consideration to be made at the date of acquisition, with any future changes recognised in income; provides the option to recognise 100 per cent of the goodwill of an acquired entity in a partial acquisition.	1 January 2010
Amendment to IFRS 2 Share-based Payment	The amendments clarify that where employees in a subsidiary are given share options in the parent company's shares the subsidiary would account for those options as equity settled in its separate financial statements.	1 January 2010
Amendment to IAS 39 – Financial Instruments: Hedging	The amendment clarifies the 'portions' of cash flows or fair values that can be hedged.	1 January 2010
Improvements (issued 2009)[1]	Amendments to IFRS 2 (scope), IFRS 8 (disclosure about segment assets), IAS 1 (current/non-current classification of convertible instruments), IAS 7 (classification of land and buildings), IAS 18 (principal or agent), IAS 39 (treating loan prepayment penalties as closely related embedded derivatives), and IFRIC 16 (any entity within the Group that can hold hedging instruments including the foreign operation that is itself being hedged). These amendments are to be applied retrospectively. Amendments to IFRS 5 (disclosure of non-current assets held for sale), IAS 36 (unit of account for goodwill impairment), IAS 38 (measuring fair value of intangible acquired in a business combination), and IFRIC 9 (scope). These amendments are to be applied prospectively.	1 January 2010
Amendment to IAS 24: Related party transactions[1, 2]	Change to IAS 24 to clarify the definition of related parties and to provide exemption from the disclosure of certain transactions with government entities.	1 January 2011
IFRS 9 – Financial Instruments[1, 2]	IFRS 9 replaces certain elements of IAS 39 in respect of the classification and measurement of financial assets. 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.	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 2010 financial statements those pronouncements marked in the table above.

54. 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 53, 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 sheet 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 2009 and 31 December 2008. 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.

	2009			
	Average non-interest earning balance $million	**Average interest earning balance $million**	**Interest income $million**	**Gross yield %**
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**

	2008			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Assets				
Cash and balances at central banks	6,796	4,563	32	0.7
Gross loans and advances to banks	2,805	40,860	1,382	3.4
Gross loans and advances to customers	57	182,582	11,436	6.3
Impairment provisions against loans and advances to banks and customers	(379)	(1,289)	–	–
Investment securities	4,495	72,523	3,528	4.9
Property, plant and equipment and intangible assets	3,219	–	–	–
Prepayments, accrued income and other assets	90,866	–	–	–
Total average assets	107,859	299,239	16,378	5.5

Average balance sheet and yield continued

	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**
Minority 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**

	2008			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	17,489	–	–	–
Interest bearing current accounts and savings deposits	102	84,490	1,231	1.5
Time and other deposits	6,711	146,680	5,373	3.7
Debt securities in issue	2,594	28,189	1,338	4.7
Accruals, deferred income and other liabilities	82,114	–	–	–
Subordinated liabilities and other borrowed funds	–	16,637	1,049	6.3
Minority interests	619	–	–	–
Shareholders' funds	21,473	–	–	–
Total average liabilities and shareholders' funds	131,102	275,996	8,991	3.3
Net yield				2.2
Net interest margin				2.5

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.

	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)**

	2008 versus 2007		
	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	10	(17)	(7)
Loans and advances to banks	318	(911)	(593)
Loans and advances to customers	1,970	(1,346)	624
Investment securities	311	(133)	178
Total interest earning assets	2,609	(2,407)	202
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	381	(143)	238
Interest bearing current accounts and savings deposits	283	(560)	(277)
Time and other deposits	1,077	(1,753)	(676)
Debt securities in issue	(122)	(83)	(205)
Total interest bearing liabilities	1,619	(2,539)	(920)

Continuing connected transactions

As noted in the Report of directors on page 77 the Group is required to include in this Annual Report information regarding certain transactions with Temasek.

On 10 January 2008, the Company and HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaCommercial Trust (CCT) (a Temasek associate), entered into a Framework Agreement for three years ending 11 January 2011 in relation to continuing connected transactions for the leasing of premises. Pursuant to the Framework Agreement, the Group will continue to enter into leases and licence agreements with CCT provided that the maximum aggregate annual value to be paid under such leases and licences shall not exceed SGD70 million. The maximum aggregate annual value has been calculated based on a significant increase in the rental rate in line with market conditions and projections of new space that the Group could secure between 2008 and 2010.

During the year to 31 December 2009, members of the Group have entered into certain non-exempt continuing connected transactions (as defined by reference to the HK Listing Rules) with Temasek or its associates in the ordinary and usual course of its 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). These transactions are detailed in the following tables on page 200. Additional details are provided on page 77 of the Report of the directors.

Continuing connected transactions continued

		Year to 31 December 2009[1]				
Transaction Category	**Notes**	**Aggregate notional value/ principal amounts during the year $million**	**Notional value of outstanding transactions or principal amounts as at 31 December 2009 $million**	**Fair value of outstanding transactions as at 31 December 2009 $million**	**Total number of transactions during the year**	**Total number of Temasek associates with whom transactions were entered**
Foreign exchange	i	**226,680**	**14,482**	**(24)**	**32,695**	**97**
Derivatives	ii	**91,002**	**47,739**	**(102)**	**7,336**	**53**
Capital markets dealing	iii	**32,486**	**–**	**–**	**3,939**	**27**
Financial assistance by non-banking licensed subsidiaries	v	**–**	**297**	**–**	**–[2]**	**1**

		Year to 31 December 2008				
Transaction Category	Notes	Aggregate notional value/ principal amounts during the year $million	Notional value of outstanding transactions or principal amounts as at 31 December 2008 $million	Fair value of outstanding transactions as at 31 December 2008 $million	Total number of transactions during the year	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	323,940	15,386	(553)	29,147	89
Derivatives	ii	94,402	53,910	(141)	6,848	39
Capital markets dealing	iii	8,403	–	–	2,177	7
Financial assistance by non-banking licensed subsidiaries	v	378	350	–	5	1

		Year to 31 December 2009[1]		Year to 31 December 2008	
Transaction Category	Notes	**Gross fee revenue to the Group $million**	**Total number of Temasek associates with whom transactions were entered**	Gross fee revenue to the Group $million	Total number of Temasek associates with whom transactions were entered
Securities services	vi	**3.2**	**18**	3.4	16
Cash management services	vii	**1.7**	**137**	0.5	120
Trade services	viii	**0.3**	**34**	3.2	67
Advisory and arranging services	ix	**0.3**	**6**	37.9	12
Brokerage services	x	**–[3]**	**2**	–	–
Underwriting	xi	**3.2**	**2**	–	–

1 This data reflects transactions with Temasek or its associates (as defined by the HK Listing Rules) which the Group was able to identify within the extensive Temasek group of companies as at 15 December 2009.
2 The notional value outstanding as at 31 December 2009 relates to transactions entered into in 2008.
3 During the year the bank entered into Brokerage transactions with Temasek or its associates which amounted to $31,564 (Received) and $11,072 (Paid).

Notes
i Foreign exchange includes spot, forward and foreign exchange swap transactions.
ii Derivatives include over-the-counter derivatives (including swaps, forwards, options and combinations thereof) on currencies, interest rates, commodities, credit risk, bonds, equities and any other classes of underlying prices, rates, indices or instruments.
iii Capital markets dealing includes sales, purchases and participations of securities, loans and other financial instruments.
iv Physical commodity dealing relates to financing transactions, such as inventory finance in which a member of the Group takes title to the relevant commodities, and have the benefit of the financial assistance exemptions in the HK Listing Rules. However, transactions entered into for hedging purposes in connection with commodity derivatives and some other transactions in physical commodities are not connected with a financing and are not, therefore, exempt under the HK Listing Rules.
v Financial assistance by non-banking subsidiaries include the granting of credit, lending money, providing security for or guaranteeing a loan and transactions of a similar nature or directly related to the same, by members of the Group which are not licensed as banking companies which would otherwise have allowed them to benefit from the exemption for such transactions as is available to licensed banking companies under the HK Listing Rules.
vi Securities services include custody, escrow agency, receiving bank, trustee, transfer agency, paying agency and funds administration services, derivatives clearing services and facilities for custody clients to lend their securities.
vii Cash management services include account services (payments and collections), liquidity management services and clearing services.
viii Trade services include trade services not involving credit exposure, such as export bills collection, advising of letters of credit, document preparation, processing and checking services and safekeeping of documents.
ix Advisory and arranging services include corporate finance advisory services, arranging and advising on loans from third party lenders and public and private placements of securities (where the Group does not participate as lender, underwriter or subscriber).
x Brokerage services include the provision and use of brokerage services.
xi Underwriting involves acting as underwriter on issues of equity securities and associated activities including sponsor, bookrunner, global co-ordinator and stabilisation agent.

Five year summary

	2009 $million	2008[4] $million	2007 $million	2006 $million	2005 $million
Operating profit before impairment losses and taxation	**7,232**	6,357	4,852	3,824	3,050
Impairment losses on loans and advances and other credit risk provisions	**(2,000)**	(1,321)	(761)	(629)	(319)
Other impairment	**(102)**	(469)	(57)	(15)	(50)
Profit before taxation[1]	**5,151**	4,568	4,035	3,178	2,681
Profit attributable to shareholders[1]	**3,380**	3,241	2,841	2,278	1,946
Loans and advances to banks[1]	**50,885**	46,583	35,365	19,724	21,701
Loans and advances to customers[1]	**198,292**	174,178	154,266	139,300	111,791
Total assets	**436,653**	435,068	329,871	266,102	215,096
Deposits by banks[1]	**38,461**	31,909	25,880	26,233	18,834
Customer accounts[1]	**251,244**	234,008	179,760	147,382	119,931
Shareholders' equity	**27,340**	22,140	20,851	16,853	11,882
Total capital resources[2]	**44,650**	39,681	37,192	30,094	22,682
Information per ordinary share					
Basic earnings per share[6]	**167.9c**	192.1c	176.0c	148.0c	130.0c
Normalised earning per share[3,6]	**179.8c**	174.9c	173.0c	149.4c	134.5c
Dividends per share[1]	**66.03c**	61.62c	59.65c	53.40c	48.1c
Net asset value per share	**1,281.6c**	1,091.1c	1,374.2c	1,208.5c	897.3c
Ratios					
Post-tax return on ordinary shareholders' equity – normalised basis[3]	**14.3%**	15.2%	15.6%	16.9%	18.0%
Basic cost-income ratio	**52.4%**	54.5%	56.2%	55.6%	55.5%
Cost-income ratio – normalised basis[3]	**51.3%**	56.1%	56.0%	55.2%	54.5%
Capital ratios:					
Tier 1 capital[5, 6]	**11.5%**	9.9%[7]	8.8%	8.3%	7.7%
Total capital[5, 6]	**16.5%**	15.6%[7]	15.2%	14.2%	13.6%

1 Excludes amounts held at fair value through profit or loss.
2 Shareholders funds, minority interests and subordinated loan capital.
3 Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, profits and losses of a capital nature, and profits and losses on repurchase of subordinated liabilities.
4 Amounts have been restated as explained in note 50 on page 191.
5 Unaudited.
6 For 2009, 2008 and 2007, on a Basel II basis, 2005 and 2006, on a Basel I basis.
7 Restated as explained on page 70.

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend	Interim dividend (provisional only)
Results and dividend announced	3 March 2010	3 August 2010
Ex dividend date	10 March 2010	11 August 2010
Record date for dividend	12 March 2010	13 August 2010
Last date to elect for share dividend or to change standing instructions	29 April 2010	22 September 2010
Dividend payment date	13 May 2010	5 October 2010

Preference shares	1st half yearly dividend	2nd half yearly dividend
7⅜ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2010	1 October 2010
8¼ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2010	1 October 2010
6.409 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2010	30 July 2010
7.014 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2010	30 July 2010
8.125 per cent Non-cumulative redeemable preference shares of $5 each	27 May 2010	27 November 2010

Annual General Meeting
The annual general meeting (AGM) will be held at 12 pm London time (7.00 pm Hong Kong time) on Friday 7 May 2010 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 at http://investors.standardchartered.com on 10 May 2010.

Interim Results
The interim results will be announced to the London Stock Exchange, the Stock Exchange of Hong Kong Limited 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 (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/$10.215
Final 2002	13 May 2003	32.9c/20.692p/HK$2.566	£6.884/$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK$1.205	£8.597/$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK$2.8448	£8.905/$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.2760/$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

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, The Pavilions, Bridgwater Road, Bristol, BS99 7ZY or contact the shareholder helpline number 0870 702 0138. If you hold your shares on the Hong Kong branch register please contact Computershare Hong Kong Investor Services Limited at 17M, 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 2009 Report and Accounts please contact:

Computershare Hong Kong Investor Services Limited at
17M, 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 US will be sent to you with your dividend documents.

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

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

www.standardchartered.com

Glossary

Advances to deposit ratio
The ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

Asset backed securities (ABS)
Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Obligation (CDOs), the reference pool may be ABS.

Alt-A
Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.

Attributable profit to ordinary shareholders
Profit for the year after minority interests and the declaration of dividends on preference shares classified as equity.

Collateralised debt obligations (CDOs)
Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.

Collateralised loan obligation (CLO)
A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).

Commercial mortgage backed securities (CMBS)
Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Commercial real estate
Commercial real estate includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

Contractual maturities
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Cost income ratio
Represents the proportion of total costs to total income.

Cover ratio
Represents the extent to which non-performing loans are covered by impairment allowances.

Commercial paper (CP)
An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.

Core Tier 1 capital
Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus minority interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's FSA (Financial Services Authority).

Core Tier 1 capital ratio
Core Tier 1 capital as a percentage of risk weighted assets.

Credit default swaps (CDSs)
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit risk spread
The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Customer deposits
Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.

Debt restructuring
This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans are considered to be delinquent when consecutive payments are missed.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.

Exposures
Credit exposures represent the amount lent to a customer, together with an undrawn commitments.

First/Second Lien
First lien: debt that places its holder first in line to collect compensation from the sale of the underlying collateral in the event of a default on the loan.

Second lien: debt that is issued against the same collateral as higher lien debt but that is subordinate to it. In the case of default, compensation for this debt will only be received after the first lien has been repaid and thus represents a riskier investment than the first lien.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded. Represents exposures where there is a commitment to provide future funding is made but funds are not released.

Guaranteed mortgages
Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.

Home Loan
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.

Impaired loans
These are loans where individual identified impairment allowance has been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment allowances
Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual or collective.

Individually/collectively assessed
Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. Typically assets within the Wholesale Banking business of the Group are assessed individually whereas assets within the Consumer Banking business are assessed on a portfolio basis.

Internal ratings based (IRB) approach
The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.

Leveraged finance
Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA) typically arising from private equity sponsor led acquisitions of the businesses concerned.

Liquidity and credit enhancements
Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through overcollateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper.

Loans and advances
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a Home loan.

Loan-to-value ratio
The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

Mortgage backed securities (MBS)
Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Mortgage related assets
Assets which are referenced to underlying mortgages.

Medium term notes (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 number of shares outstanding.

Net interest income
The difference between interest received on assets and interest paid on liabilities. Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short term interest rate movements on equity and customer balances that do not re-price with market rates.

Net interest margin
The margin is expressed as net interest income divided by the sum of the average interest earning assets.

Net interest yield
Invest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.

Net principal exposure
Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.

Normalised earnings
Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

Prime
Prime mortgages have a higher credit quality and would be expected to satisfy the criteria for inclusion into government programmes.

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.

Profit attributable to ordinary shareholders
Profit for the year after minority interests and dividends declared in respect of preference shares classified as equity.

Renegotiated loans
Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Repo/Reverse repo
A repurchase agreement, or repo, is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Retail Loans
Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.

Return on equity
Represents the ratio of the current year's profit available for distribution to the weighted average shareholders equity over the period under review.

Risk weighted assets
A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.

Residential 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, which is used to back new securities. A company sells assets to an SPE (special purpose entity) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.

Special purpose entities (SPEs)
SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.

Transactions with SPEs take a number of forms, including:

- The provision of financing to fund asset purchases, or commitments to provide finance for future purchases
- Derivative transactions to provide investors in the SPE with a specified exposure
- The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties
- Direct investment in the notes issued by SPEs

Structured finance/notes
A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Student loan related assets
Assets which are referenced to underlying student loans.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Sub-prime
Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.

Tier 1 capital
Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserve arising from the fair valuation of equity instruments held as available-for-sale.

VaR
Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Write downs
The depreciation or lowering of the value of an asset in the books to reflect a decline in their value, or expected cash flows.

Major awards

Alpha Southeast Asia

Best Debut Bond Deal of the Year in Southeast Asia – San Miguel's PHP38.8B Bond

Asia Banking and Finance Award 2009

Best International Bank of the Year – Singapore

Best Retail Bank of the Year – Singapore

Best Core Banking Initiative (Virtual Banking Relationship Centre) – Singapore

Best Branch Initiative (VivoCity Branch) – Singapore

Best Self-Service Initiative (Online Banking) – Singapore

Asiamoney Best Country Deals of the Year 2009

Deal of the Year: Republic of Indonesia, $650 million 8.8% sukuk due 2014 – Indonesia

Deal of the Year: San Miguel, P38.8 billion ($802 million) multi-tranche bond issue – Philippines

Best Leveraged Financing Deal: Oriental Brewery, $912 million – equivalent acquisiton financing

Best Syndicated Loan: Noble Group, $2.4 billion three-tranche revolving loan facility

Best Domestic Currency Bond: San Miguel Beverage, P38.8 billion ($801 million) three-tranche bond issue

Asiamoney FX Poll 2009 as voted by Corporates

First for Best Overall FX Services – India

First for Best for Competitive and Prompt Spot and Forward Pricing – India

First for Best FX (Vanilla) Options Provider for Non-Asian and Local (Asian) Currencies – India

First for Best Innovative FX Products and Structured Ideas – India

First for Best Currency Strategy – India

First for Best Macroeconomic Research – India

First for Best Technical Analysis – India

First for Best Post-Trade Services – India

First for Best Customer Service – India

First for Best FX (Vanilla) Options Provider for Non-Asian Currencies – Singapore

First for Best FX Products and Services Provider for Offshore NDFs, KRWNDF

First for Best FX (Vanilla) Options Provider for Local (Asian) Currencies – Hong Kong

First for Best Innovative FX Products and Structured Ideas – Hong Kong

First for Best Macroeconomic Research – Hong Kong

First for Best Technical Analysis – Hong Kong

AsiaRisk Corporate End-User Survey 2009

First for Currency Derivatives - Asia

First for Cross-Currency Swaps in IDR, INR, KRW, RMB & TWD

First for Currency Options in MYR

First for Currency Forwards in SGD

First for Interest Rate Swaps in RMB, IDR, SGD, TWD

First for Interest Rate Options in RMB, MYR, SGD, TWD

AsiaRisk Institutional End-User Survey 2009

First for Currency Derivatives - Asia

First for Cross-Currency Swaps in IDR, INR, KRW, RMB & TWD

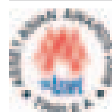
First for Currency Options in MYR

First for Currency Forwards in SGD

First for Interest Rate Swaps in RMB, IDR, SGD, TWD

First for Interest Rate Options in RMB, MYR, SGD, TWD

The Asset Triple A Asian Awards 2008



Best Cash Management specialist: Payment and Receivables – Indonesia

The Asset Triple A Country Awards 2009

Best Deal China: GOME Fundraising

Best Deal Indonesia: Republic of Indonesia $650 million Global Sukuk

Best Deal Korea: Oriental Brewery Acquisition Financing

Best Deal Pakistan: PMCL Eurobond Buy-back

Best Deal Thailand: Bangkok Mass Transit System Plc

Best Deal Philippines: San Miguel

The Asset Triple A Regional Awards 2009

Best Cross-border M&A/Best LBO: KKR, together with Affinity Equity Partners, $1.8 billion acquisition and leveraged buyout of Oriental Brewery

Best Domestic Securitization: National Home Mortgage Finance Corporation, 2.06 billion pesos BahayBonds RMBS

Best Syndicated Loan: Noble Group, $2.4 billion credit facilities

Best Local Currency Bond: San Miguel Brewery, 38.8 billion pesos bonds

Best Domestic M&A Deal: Oriental Brewery $912 million-equivalent acquisiton financing

The Asset Triple A Islamic Finance Awards 2009

Highly Commended: Best Sovereign Sukuk: AED1 billion Sukuk al-Ijara from Ras Al Khaimah government

Best Islamic Project Finance Deal: Saudi Arabia: Ma'aden Phosphate, $1.764 billion Islamic project finance deal

Best Structured Islamic Financing: $505 million Islamic financing facility for Brunei Gas Carriers

Most Innovative Islamic Finance Deal: $505 million Islamic financing facility for Brunei Gas Carriers

Most Innovative Islamic Finance Deal: Tadamun Services 300 million ringgit Islamic Trust Certificates

The Banker – Deals of the Year 2009

Africa Best Bonds: Sovereigns, supras and agencies: African Development Bank

Highly Commended: Africa Best Loans: Kenya Power and Lighting

Africa Best Structured Finance: Milaa Microfinance

Highly Commended: Asia Best Bonds: Sovereigns, supras and agencies: Government of Pakistan

Highly Commended: Asia Best Structured Finance: China Citic Bank Xin Yin 2008-1 CLO

Highly Commended: Asia Best Islamic Finance: Brunei Gas Carriers

The Banker

Bank of the Year Award 2009 – Brunei

Outstanding SME Banking Award – Hong Kong

Brands Council Award

Brand of the Year – Pakistan

Cards and Payments Europe Global Awards 2009

Best New Debit Card – India

CARRE

Best Regular Banking Services: Multinational Banking – Indonesia

Consumers Association of Pakistan: Consumers Choice Award 2009

Best Credit Card – Pakistan

Diamond Service Quality Award 2009

Regular Consumer Banking Service: International bank category from Carre foundation and Marketing magazine

Emeafinance 2009

Best Islamic Bond (sukuk) House

Best Syndicated Loan House – EMEA

African Banking Achievement Awards: Best Bank – Gambia

Best Local Currency Bond Deal: KenGen KES25 billion

Best Foreign Bank – Bahrain

Euromoney

Euromoney Cash Management Poll

FinanceAsia

Best Private Equity Deal/Best Leveraged Financing: KKR's $1.8 billion takeover of Oriental Breweries

Best Islamic Financing Deal: $650 million global Sukuk – Indonesia

Best Deal: Kirin's sale of a 19.9% stake in San Miguel Corporation and acquisition of 43% stake in San Miguel Brewery – Philippines

Best Deal: Bangkok Mass Transit System, $353 million bond – Thailand

Best Trade Finance Solution: IFC, $50 billion Global Trade Liquidity Programme

Best Local Currency Bond: Tata Steel's Rs6.5 billion ($139 million) 10 year unsecured dual-rated bond

The Founder

SME: Most Respected Start-Up Angels: Best Financial

Global Finance 2010

Best Bank for Liquidity Management – Africa and Middle East

Best Trade Finance Provider – Africa, Asia and Singapore

Best Foreign Exchange Provider – Africa, Asia Pacific, Southeast Asia, Gambia, India and Singapore

Global Trade Review 2009

Best Deal: Global Trade Liquidity Programme/IFC: IFC's $1.75 billion liquidity programme supporting revival in trade finance

Best Deal: Kogas: $631 million refinancing LNG carriers – Korea

Best Deal: Prosperity Group: $40 million structured trade finance term loan supporting cement projects – China

Best Deal: Dolphin Energy: Multi-billion dollar refinancing in support of Dolphin gas pipeline – Qatar

Best Deal: PT Telkomunikasi Selular: $318 million buyer credit deal for Indonesian telecoms deal – Sweden

Best Deal: BicBanco TFFP: First deal signed under IADB's new trade finance faciliation programme – Latin America

First in Leading Trade Services and Supply Chain Providers Poll – Asia Pacific and Saharan Africa

Leaders in Trade: First in Best Trade Finance bank – Asia Pacific

Global Custodian

Award for Excellence: Lending clients commended and Cross – Vietnam.

Structure Products Asia Award – Vietnam

HRM Awards 2009

Employer of Choice – Hong Kong

Best HR Young Gun – Hong Kong

Best Corporate & Employee Citizenship Award – Singapore

ICSA Awards 2009

Company Secretarial Team of the year: Group Corporate Secretariat

IFR

Asia-Pacific Loan of the Year: Oriental Brewery

Emerging Asia Bond of the Year: San Miguel Brewery

Subordinated Financial Bond of the Year

IFR Asia

Loan of the Year (ex- Japan, including Australasia): Oriental Brewery's $900 million LBO Financing

South Korea Capital Markets Deal of the Year: Oriental Brewery's US$900m LBO Financing

Islamic Deal of the Year: Republic of Indonesia's $650 million five-year global sukuk

Singapore Capital Markets Deal of the Year: Noble Group and its $2.4 billion three-tranche loan

Domestic Bond Deal of the Year: San Miguel Brewery's Ps38.8 billion three-tranche bond

Philippines Capital Markets Deal of the Year: San Miguel Brewery's Ps38.8 billion three-tranche bond

Interactive Media Awards 2009

Outstanding Achievement in Banking

Outstanding Achievement in Financial Services

Investor Magazine

Best International Bank – Indonesia

Infobank Magazine

Best International Bank – Indonesia

Islamic Finance News 2009

Country Deal of the Year: Perusahaan Penerbit SBSN Indonesia $650 million Global Sukuk – Indonesia

Country Deal of the Year: Pakistan International Airline Corporation Domestic Sukuk Ijarah – Pakistan

Country Deal of the Year: Qatar Airways Syndicated Islamic Finance Facility – Qatar

Cross Border Deal of the Year: IDB Trust Services SGD200 million Investment Sukuk

Sovereign Deal of the Year: Perusahaan Penerbit SBSN Indonesia $650 million Global Sukuk – Indonesia

Ijarah Deal of the Year: Qatar Airways Syndicated Islamic Finance Facility – Qatar

Country Deal of the Year: Monetary Authority of Singapore Sukuk Ijarah Program – Singapore

Most Innovative Deal of the Year: Cagamas RM915 million Medium Term Notes

Tawarruq Deal of the Year: Cagamas RM915 million Medium Term Notes

Sukuk Deal of the Year: GE Capital Sukuk

Real Estate Deal of the Year: TDIC Sukuk Limited

Country Deal of the Year: TDIC Sukuk Limited Trust Certificates – UAE

Jane's Transport

Shipping Debt Deal of the Year 2009: Bumi Armada Berhad – Asia, Grindrod Shipping Ltd – Africa and Lamnalco Group – Middle East
Aircraft Equity Deal of the Year

Marine Money Asia

Bank Debt Deal of the Year: Bumi Armada Berhad
IPO Deal of the Year: Otto Marine Limited

Money Weekly

Best Mortgages Product Design and Innovation Team – China

Products Magazine

Wealth Management: Structured Products – Best in China

Project Finance 2009

African Oil & Gas Deal of the Year
African Telecoms Deal of the Year
African Industrial Deal of the Year
African Infrastructure Deal of the Year

PFI

African Oil & Gas Deal of the Year: Kosmos
Asia Pacific Oil & Gas Deal of the Year: Cairn India
Americas Oil & Gas Deal of the Year Manzanillo LNG
Middle Eastern Oil & Gas Deal of the Year: Dolphin
Gulf Power Deal of the Year: Shuweihat Z
Middle Eastern Power Deal of the Year: Rabigh
Environment Deal of the Year: GAT Waste to Energy
Asia Pacific Deal of the Year: PNG LNG
Corporate Deal of the Year: Tullow Oil

Private Banker International 2009

Outstanding Private Bank Asia Pacific
Editor's Special Award: Peter Flavel
Outstanding Young Private Banker Asia Pacific: Zubin Dabu
Outstanding Young Private Banker Asia Pacific: Feroze Sukh

RAM Ratings League Awards 2009

Outstanding Deal of the Year-Gulf: Investment Corp

Seatrade

Deal of the Year: Lamnalco Group $125 million loan facility

Structure Products Asia Awards 2009

Best in Taiwan
Distribution & Design: Best in India

Treasury management International (TMI) Awards for Innovation & Excellence

Best Bank Risk Management – Middle East and Africa
Best Bank Cash management – Middle East and Africa
Best Bank SWIFT for Corporates – Asia
Best Bank Financial Supply Chain – Asia and greater China

Web Marketing

Association Award: Best Financial Services Website

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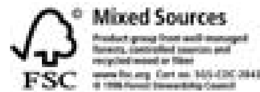

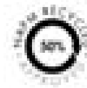

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