

Leading the way

in Asia, Africa and
the Middle East

Leading the way

Standard Chartered aims to be the world’s best international bank. With 70,000 people employed in more than 50 countries, we are well positioned to achieve growth from opportunities in some of the world’s most exciting and diverse markets. We are leading the way through our:

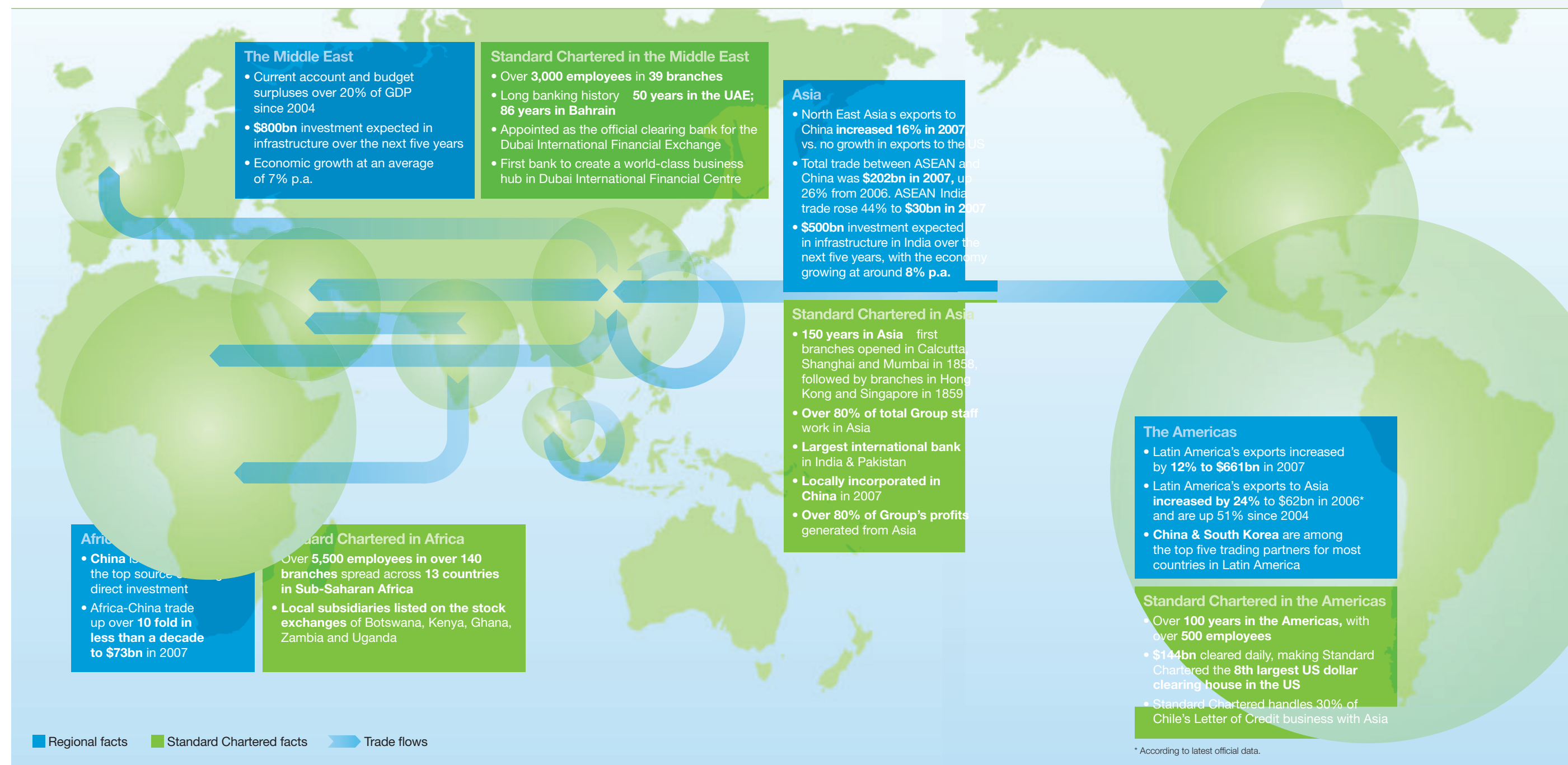
- Growth Markets
- Innovative Products and Services
- Talented and Diverse Teams
- Sustainable Business Strategy

 For more information visit: www.standardchartered.com

What we stand for

Strategic Intent				
To be the world's best international bank Leading the way in Asia, Africa and the Middle East				
Brand Promise				
Leading by Example to be The Right Partner				
Values				
Trustworthy	Responsive	Creative	International	Courageous
Approach				
Participation Focusing on attractive, growing markets where we can leverage our relationships and expertise		Competitive Positioning Combining global capability, deep local knowledge and creativity to outperform our competitors	Management Discipline Continuously improving the way we work, balancing the pursuit of growth with firm control of costs and risk	
Commitment to Stakeholders				
Customers Passionate about our customers success, delighting them with the quality of our service	Our People Helping our people to grow, enabling individuals to make a difference and teams to win	Communities Trusted and caring, dedicated to making a difference	Investors A distinctive investment delivering outstanding performance and superior returns	Regulators Exemplary governance and ethics wherever we are

At the core of global trade flows



Standard Chartered is well positioned to capitalise on the growing international trade flows as a result of our broad geographical footprint, the depth of our customer relationships, delivery of our product capabilities and the expertise of our people. The Group is investing in dynamic markets and benefiting from the shift in economic power from West to East.

For more information visit: www.standardchartered.com

Our Offices

Standard Chartered 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. Our Wholesale Banking team in London plays a key role in serving corporate clients and financial institutions doing business in our markets.

Asia

Afghanistan
Australia
Bangladesh
Brunei
Cambodia
China
Hong Kong
India
Indonesia
Japan
Laos
Macau
Malaysia
Mauritius

Nepal
Pakistan
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

The Middle East

Bahrain
Jordan
Lebanon
Oman
Qatar
UAE

Africa

Botswana
Cameroon
Cote d'Ivoire
Ghana
Kenya
Nigeria
Sierra Leone
South Africa
Tanzania
The Gambia
Uganda
Zambia
Zimbabwe

Europe

Ireland
Jersey
Switzerland
Turkey
UK

The Americas

Argentina
Bahamas
Brazil
Canada
Colombia
Falkland Is.
Mexico
Peru
US
Venezuela

Contents

Business Review

- 2 2007 Highlights
- 4 Group Overview: Our Business
- 6 Group Overview: Performance by Geography
- 8 Chairman's Statement
- 10 Group Chief Executive's Review
- 16 Key Performance Indicators
- 18 Business Review: Performance
- 26 Business Review: People
- 30 Business Review: Sustainability

Financial and Risk Review

- 34 Financial Review
- 43 Risk Review
- 60 Capital

Corporate Governance

- 62 Board of Directors
- 64 Senior Management
- 65 Report of the Directors
- 68 Corporate Governance
- 73 Directors' Remuneration Report
- 86 Statement of Directors' Responsibilities

Financial Statements and Notes to the Accounts

- 87 Independent Auditor's Report
- 88 Consolidated Income Statement
- 89 Consolidated Balance Sheet
- 90 Statement of Recognised Income and Expense
- 91 Cash Flow Statement
- 92 Company Balance Sheet
- 93 Notes to the Accounts
- 160 Supplementary Financial Information

Supplementary Information

- 165 Shareholder Information
- 167 Index
- 168 Major Awards 2007



Get More On Line

Please visit us on line at www.standardchartered.com for more information on the Group and its full range of banking services. Sign up to receive our latest press releases to stay up to date with all our latest news.

Our Sustainability Review

We take a long-term view of the consequences of our actions and have identified seven pillars to build a sustainable business. These are outlined in our Sustainability Review 2007. This is available in HTML and for download at www.standardchartered.com/sustainability

Environment-friendly Report

This report is printed on recycled paper by a CarbonNeutral® printer. As part of our ongoing policy to reduce our environmental impact we encourage all interested parties to review our on-line Annual Report at <http://investors.standardchartered.com>



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protecting our climate

A year of growth and

The Group achieved record income and profit in 2007, reflecting the resilience of our businesses amidst the financial market turmoil. Our strong balance sheet and healthy liquidity profile has put us in a strong position to seize the business opportunities that are unfolding in the financial services industry.

 For more information visit: www.standardchartered.com

Operational highlights

- Record earnings: Operating income exceeded \$11 billion and profit before tax surpassed \$4 billion, both for the first time
- Broad-based growth: Headline income grew 28 per cent, with organic income growth accelerating to 23 per cent, a record high
- EPS growth: Normalised earnings per share increased 15.8 per cent to 197.6 cents
- Strong markets: For the first time, profit before tax surpassed \$1 billion from Hong Kong and \$500 million each from India and the MESA region
- Strong balance sheet: The Group's liquidity and capital positions remain comfortably above targets, despite market turbulence
- Private banking: Launched The Standard Chartered Private Bank, with offices now spread across 11 locations in seven markets
- Acquisition of American Express Bank to give a further boost to the Private Bank and Transaction Banking
- Islamic Banking: Launched Saadiq, our global Islamic Banking brand, in the UAE, Malaysia, Pakistan and Bangladesh
- China: Incorporated in China and launched local renminbi banking services
- Sustainable business strategy: Committed \$8 –10 billion over the next five years to finance renewable and clean energy projects

strong performance

Financial highlights

Operating income

\$11,067m

2006: \$8,620m
2005: \$6,861m

Profit before taxation

\$4,035m

2006: \$3,178m
2005: \$2,681m

Total assets

\$329bn

2006: \$266bn
2005: \$215bn

Normalised earnings per share

197.6cents

2006: 170.7 cents
2005: 153.7 cents

Normalised return on equity

15.6%

2006: 16.9%
2005: 18.0%

Dividend per share

79.35cents

2006: 71.04 cents
2005: 64.00 cents

For more information on our Key Performance Indicators, please turn to pages 16 and 17.

Non-financial highlights

Employees

70,000

2006: 59,000
2005: 44,000

Countries and territories

57

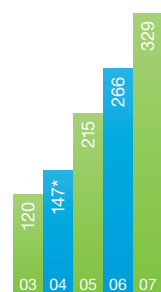
2006: 56
2005: 56

Nationalities

115

2006: 105
2005: 89

Five-year review



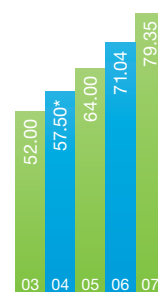
Total assets
(\$bn)



Operating income
(\$m)



Profit before taxation
(\$m)



Dividend per share
(cents)

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

* Figures for 2004 have been restated under IFRS, excluding IAS32 and IAS39.

Balanced growth across

Consumer Banking

We delivered strong performance across the business and integrated recent acquisitions. We further consolidated our presence in key markets through significant investments in strengthening distribution, deepening product capability and launching our Private Bank.



“Breadth and balance of businesses across fast-growing and attractive markets drove income and profit growth.”

Mike DeNoma, Group Executive Director, Consumer Banking

Description

Consumer Banking provides innovative financial products and services to over 14 million customers, including individuals and small and medium enterprises ('SME'), in Asia, Africa and the Middle East. We also launched The Standard Chartered Private Bank to serve the growing demand for more specialised products and services tailored for high net worth individuals in our markets. We are focused on continuously improving the benefits and experience of our customers.

For more information visit: www.standardchartered.com

2007 highlights and achievements

- Launched The Standard Chartered Private Bank, with offices now spread across 11 locations in seven markets; we have had significant success in building a strong new team and attracting new clients and assets
- Locally incorporated in China enabling us to serve our customers in local currency; now represented in 13 cities across the nation through 38 outlets
- Launched Consumer Transaction Banking to deepen capability in serving customers' transaction needs through all channels, including the internet and mobile phones
- Agreed to acquire a stake in UTI Securities in India, adding on-line and off-line brokerage capabilities and 39 outlets
- Continued strong growth in Wealth Management driven by product innovation and deeper customer penetration
- Invested significantly in SME Banking across our franchise yielding strong income growth across major markets and product areas
- Continued to drive product innovation; launched over 1,500 global product initiatives across Wealth Management, SME Banking and other product areas
- Conducted over 150 Rapid Improvement Events to improve cycle times, accuracy and costs of key processes

Priorities

- Enhance the overall experience we provide to our customers
- Continue to innovate in products and services across our markets
- Further develop and leverage our network of branches and ATMs
- Strengthen our internet and mobile banking capabilities
- Continue progress on the integration of our acquisitions
- Simplify processes and provide support tools to improve the effectiveness and experience of our frontline staff
- Improve productivity levels across the organisation

Operating income

\$5,806m

2006: \$4,684m

2005: \$3,802m

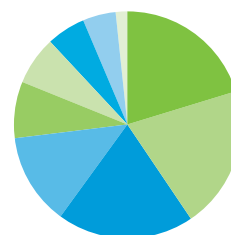
Profit before taxation

\$1,677m

2006: \$1,322m

2005: \$1,273m

Operating income by region (%)



- Hong Kong – 20%
- Other Asia Pacific – 20%
- Korea – 20%
- Middle East and Other South Asia – 13%
- Singapore – 8%
- India – 7%
- Malaysia – 5%
- Africa – 5%
- Americas, United Kingdom and Europe – 2%

our businesses

Wholesale Banking

We reported record income for the year as a result of organic growth and acquisitions that added critical capabilities in key strategic business areas and broadened our geographical coverage. We expanded into new markets and delivered more sophisticated products and solutions to meet client demand.



“We have delivered strong results with growth across all product streams, geographies and client sectors.”

Mike Rees, Chief Executive, Wholesale Banking

Operating income

\$5,243m

2006: \$3,923m

2005: \$3,059m

Description

Wholesale Banking provides a wide range of solutions to help corporate and institutional clients facilitate trade and finance across some of the fastest growing markets and trade corridors in today's global economy. Our focus is on building a client-driven business, being the leading international bank of choice in Asia, Africa and the Middle East and leveraging our in-depth local knowledge and extensive cross-border network.

For more information visit: <http://wholesalebanking.standardchartered.com>

Profit before taxation

\$2,347m

2006: \$1,849m

2005: \$1,444m

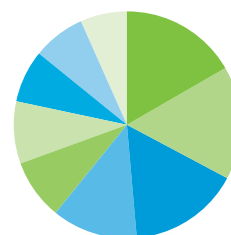
2007 highlights and achievements

- Exceptional year with very strong financial performance across the board, reflecting continued success of our client-led income growth strategy
- Our core markets showed resilience amidst the market turmoil
- Investments were focused on our big engines of growth such as Hong Kong, India and Singapore, among other markets
- Continued to deliver on our acquisitions in Korea, Taiwan, Indonesia and Pakistan
- Significantly strengthened our presence in the UAE to further support growing client demand in the region
- Invested in building our Equity Derivatives, Commodity Derivatives and Convertibles businesses and accelerated Principal Finance
- The acquisition of Pembroke, Harrison Lovegrove and A Brain added strategic capabilities to our business. American Express Bank and UTI Securities acquisitions will further expand our strategic capabilities
- Launched Straight2Bank – our e-banking platform
- Established Wholesale Banking Sustainable Business Council to commercialise environmental opportunities

Priorities

- Continue to build scale in our core businesses
- Continue to strengthen and deepen our client relationships
- Increase focus on our Local Corporates and Financial Institutions businesses
- Expand our product sophistication and provide increasingly strategic and value-added capabilities to clients
- Increase geographical coverage – particularly focusing on our eight key markets

Operating income by region (%)



- Other Asia Pacific – 18%
- Hong Kong – 17%
- India – 17%
- Middle East and Other South Asia – 13%
- Africa – 9%
- Singapore – 8%
- Korea – 8%
- Americas, United Kingdom and Europe – 7%
- Malaysia – 3%

Strong growth across

The Group's strong results in 2007 were a product of excellent performances in our biggest markets such as Hong Kong, India and Singapore as well as in our emerging markets such as China and Nigeria. Our business surpassed new milestones on the back of strong economic growth and rising demand for banking and financial services.

 For more information visit: www.standardchartered.com



Africa

Our franchise in Africa benefited from the region's strong economic growth. Income and profit increased across the region on the back of a boom in commodity prices and Africa's growing trade links with Asia. In 2007, Nigeria and Botswana each contributed more than \$100 million in income to the Group for the first time. In Nigeria, we doubled the number of branches to 12 in 2007, increased the number of employees to about 350 and now offer services as diverse as i-Banking and Corporate Finance.

Operating income

\$795m +24%

2006: \$640m
2005: \$553m



Americas, UK and Europe

Standard Chartered is headquartered in London where it is regulated by the Financial Services Authority. The Group's head office provides guidance on governance and regulatory standards. Our Wholesale Banking team in London plays a key role in serving corporate and financial institutional clients doing business in our markets. The acquisition of Pembroke and Harrison Lovegrove and that of American Express Bank, once completed, will add specialist capabilities to the Group and help expand our Private Bank network and Transaction Banking capabilities.

Operating income

\$452m -22%

2006: \$579m
2005: \$556m



Middle East and Other South Asia (MESA)

Our business across MESA performed strongly on the back of growth in Wealth Management and SME Banking business. The region is benefiting from high oil prices, large trade surpluses, increased income from tourism and heavy investments in construction and infrastructure building. In Pakistan, as in the Middle East, we leveraged our Islamic Banking platform to win 10 out of a total 18 mandates for issuing Islamic Sukuk.

Operating income

\$1,428m +33%

2006: \$1,070m
2005: \$812m

our regions



Asia

Hong Kong

Hong Kong reinforced its position as Standard Chartered's biggest market by becoming the first to report profit before tax of more than \$1 billion. It made more profit in 2007 than the entire Group made in 2001. Consumer Banking in Hong Kong, the Group's biggest single source of income, achieved double-digit income growth for the first time in seven years on rising revenues from Wealth Management and SME businesses. Wholesale Banking saw broad-based contribution from across client groups and products.

Operating income

\$2,068m +28%

2006: \$1,615m
 2005: \$1,484m

Korea

SC First Bank benefited from strong growth in Wealth Management and SME Banking income. Excluding one-off charges, both Wholesale Banking and Consumer Banking reported double-digit profit growth.

During the year, the Group recruited more relationship managers, opened new branches and upgraded ATMs. We had 364 outlets and 6,000 employees in Korea at the end of 2007.

Operating income

\$1,564m +3%

2006: \$1,522m
 2005: \$957m

Singapore

Singapore had another record year of profits. Deposits grew strongly as a result of our successful and innovative eSaver and BusinessSaver campaigns. The Standard Chartered Private Bank added clients and assets since its launch in May. Wholesale Banking profits got a boost from loan syndications, structured finance transactions, private equity gains and higher revenues from foreign exchange and interest rate derivative sales.

Operating income

\$892m +43%

2006: \$622m
 2005: \$514m

Malaysia

In Malaysia, Standard Chartered invested in a new flagship branch and seven SME centres during the year. Our Consumer Banking business benefited from higher credit card balances and personal lending. Wholesale Banking income was boosted by higher fees from syndications, debt financing and corporate advisory, besides higher income from custody and securities services.

Operating income

\$459m +24%

2006: \$371m
 2005: \$335m

Other Asia Pacific

Standard Chartered continued with its organic-led growth strategy in other markets in Asia Pacific. In China, we were one of the first four international banks to locally incorporate their operations. During the year, we started renminbi business in the country, doubled the number of staff and increased the number of outlets to 38. In Taiwan, we have made good progress since the amalgamation with Hsinchu International Bank in June.

Operating income

\$2,101m +52%

2006: \$1,384m
 2005: \$1,057m

India

Standard Chartered earned more profit in India in 2007 than in the previous two years combined. Already the largest international bank in the country, in terms of our branch network, we added two more branches to take the network to 83 across 33 cities. We participated in several high-profile cross-border acquisitions, advising and funding both Indian and foreign multinationals. We also agreed to acquire a strategic stake in UTI Securities, a securities brokerage.

Operating income

\$1,308m +60%

2006: \$817m
 2005: \$593m

Building the strong foundations for growth



I am delighted to report that Standard Chartered has delivered another year of record income and profits in 2007, showing the results of our investment programme over the last few years in our key growth markets of Asia, Africa and the Middle East.

- Profit before taxation rose 27 per cent to \$4,035 million
- Income increased 28 per cent to \$11,067 million
- Normalised earnings per share climbed 15.8 per cent to 197.6 cents

The Board is recommending an annual dividend of 79.35 cents per share.

These outstanding results are a reminder of Standard Chartered's transformation over the last few years and its enormous potential. Peter Sands and his team have done a great job in delivering these numbers against a backdrop of turmoil and dislocation in the global financial markets.

These are extraordinary times to be chairman and it has been a very unusual time for the banking and financial services industry: unprecedented losses; huge volatility; the recapitalisation of major banks. No international securities firm, investment company, insurance company or bank – ourselves included – has been unscathed.

My reflections are that the industry as a whole has learnt quite a few lessons: firstly, the overwhelming importance of liquidity; secondly, the need to price properly for risk; and, thirdly, the danger of over-complexity.

I am often asked for my views on what this turbulence will mean for our markets in Asia, Africa and the Middle East and the degree to which they have decoupled from western markets.

“Standard Chartered has shown how its position in the world's growth markets and the strength of its balance sheet can deliver record results during turbulent times.”

Mervyn Davies, CBE, Chairman

The global economy

What is clear is that the US economy is now facing a period of weaker growth. While there is some evidence of decoupling across our markets, a US slowdown will impact the rest of the world, dampen global growth, slow the pace of trade and will take the heat out of commodity markets.

If we look back at the last US slowdown in 2001, the export-oriented economies of Asia such as Hong Kong, Singapore and Malaysia were significantly impacted. Although growth rates in Asia will slow this time, the region now enjoys a degree of insulation and resilience due to stronger domestic demand, economic resurgence in China, growing trade links within Asia and strong policy response from governments and authorities.

It is easy to focus on China as the growth engine but we should not underestimate the diversification of the ASEAN economies, the catch-up potential of India, huge wealth creation in the Middle East and the infrastructure boom across the regions. The emergence of sovereign wealth funds in Asia and the Middle East is emblematic of the shift in wealth that is underway.

So while we forecast GDP growth rates will soften slightly in these markets in 2008, these economies will remain robust and their growth will be significantly higher than those expected in the US and eurozone.

Standard Chartered today is extraordinarily well positioned to seize these new realities thanks to its growing geographical reach, scale and the breadth of its products and capabilities developed in recent years.

We have a loyal and supportive shareholder base and, in my view, an exceptional management. In August, we welcomed John Peace to the board as deputy chairman and senior independent director and Sunil Bharti Mittal as an independent non-executive director. We also welcomed Gareth Bullock to the board as group executive director in August.

In September, Kai Nargolwala stepped down from the board after eight years. We would like to thank him for his significant contribution to the Group's success. We are also very grateful to Sir CK Chow, who will retire from the board this year after 10 years of dedicated service as a non-executive director.

In my last report to you I was cautious about the outlook, but I did not anticipate such extremes as we have seen since then. In the past six months we have witnessed big upheavals in our sector.

At Standard Chartered, we know that complacency kills. We are operating in a period of sustained uncertainty. We have learnt lessons in recent months and we are constantly reminded of the importance of preserving our liquidity and capital strength.

Summary

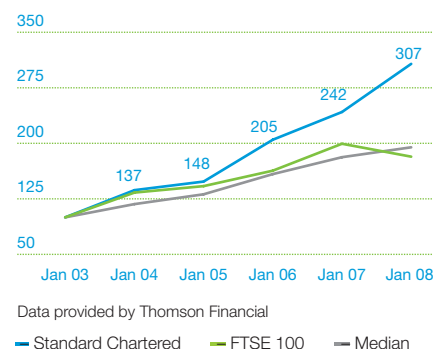
Banking remains a risk-based industry and we will remain prudent in our management and pricing of risk. At the same time, we are well placed to take advantage of the opportunities that will undoubtedly arise.

Standard Chartered has shown how its position in the world's growth markets and the strength of its balance sheet can deliver record results during turbulent times. We are not complacent about the future but are confident that we will deliver another strong performance in 2008.

Mervyn Davies

Mervyn Davies, CBE
Chairman
26 February 2008

Total shareholder return



Normalised earnings per share

197.6cents

2006 – 170.7 cents

2005 – 153.7 cents

Dividend per share

79.35cents

2006 – 71.04 cents

2005 – 64.00 cents

Multiple engines of growth



“Our performance in 2007 was underpinned by firm foundations in the way we manage our liquidity, capital, risk profile and costs.”

Peter Sands, Group Chief Executive

2007 was my first full year as Chief Executive of Standard Chartered and I am delighted by our achievements. Despite the turbulence, financial shocks and uncertainties in the financial services industry, we have again delivered record profits.

We have invested in both our businesses at record levels and stepped up the pace of organic growth: underlying income growth reached 23 per cent. We have also announced six acquisitions since our last set of results.

We have not been unscathed by the financial crisis nor do we expect to be immune as it continues to unfold. But our disciplined approach to running the Group, focusing on our strategic priorities, has stood us in good stead, and will continue to do so.

We start 2008 confident but not complacent. The Group is in great shape and both businesses have begun the year well. It will be a testing year but it will also be exciting, with new opportunities emerging alongside new challenges.

Our performance in 2007 was underpinned by firm foundations in the way we manage our liquidity, capital, risk profile and costs.

Firm foundations

We are a bank with strong liquidity, a well-diversified retail funding base and a conservative balance sheet. We have a healthy A/D ratio – the ratio of customer loans to customer deposits – at 86 per cent; and 24 per cent of our assets are highly liquid.

Many years of managing in highly volatile markets mean we have always taken a proactive approach to managing our liquidity.

We are very well capitalised. The Group's capital ratios are well above our target ranges, reflecting deliberate and effective management of the capital base. In September 2007, we raised \$2 billion in Tier 2 capital which, despite stressed market conditions, was more than five times oversubscribed.

We are very disciplined in the risks we take. We have no direct exposure and very limited indirect exposure to US subprime assets. Our entire exposure to asset-backed securities ('ABS'), including collateralised debt obligations ('CDO'), is under \$6 billion.

We have faced challenges and taken some writedowns as a result of the financial turmoil. On Whistlejacket, the structured investment vehicle, and on our asset securitisation portfolio, the profit and loss account impact was \$300 million in total. On the other hand, we have had an outstanding performance on the corporate loan portfolio and kept a tight grip on consumer credit.

We have also had to take some very difficult decisions – such as on Whistlejacket. We worked very hard since August to find a viable way forward for Whistlejacket and are disappointed that we were ultimately unable to do so.

Overall, I am confident that our strategy for balancing risk and return and the systems and processes that underpin this are working well. We also take a very disciplined approach towards the management of our cost base. We continue to drive for greater efficiency in everything we do and manage our investment programme on a dynamic basis.

We are not going to stop investing for growth. The opportunities in our markets are hugely exciting and now is the time to seize them. But, as always, we will be prepared to pace and scale this investment, taking account of changes in our markets and in our own performance.

Challenges ahead

These firm foundations will prove critical to our continued success as we face the challenges ahead. The turmoil in financial markets is far from over.

We anticipate strains in the global economy, with the slowdown in the US having at least some effect on our markets in Asia, Africa and the Middle East. How profound that effect will be, we do not know.

We also see a range of political risks in our markets. Yet, as a bank that has grown up in emerging markets over more than 150 years, we have plenty of experience in dealing with such issues.

Alongside these external challenges, we also face one major internal challenge: that of managing extremely rapid growth. This is about attracting and developing exceptional talent, ensuring our culture and values remain robust, ensuring our control systems and infrastructure keep pace with the business.

2007: A rewarding year of growth and momentum

It has been a very busy year for the Bank and for me, personally, as I visited our markets around the world to meet our customers, regulators and colleagues to share our vision to become the world's best international bank.



Singapore – First visit as CEO

Visiting Singapore always feels like a homecoming for me as I grew up here. Singapore is also the hub for many of our Group's global businesses and home for many of our clients.



India – Continued growth in Chennai

Chennai, our biggest technology and operations hub, continued to grow. We have 5,500 people in this centre and this number will double over the next five years.

“We said we wanted to be the world's best international bank. That is still our aspiration and we are making good progress on that journey.”

Emerging opportunities

Alongside these challenges, new opportunities are emerging. We are hiring excellent talent from our competitors, attracted by our strength, brand and growth potential. We are seeing a flight to quality, with a good inflow of deposits. We are seeing better pricing and differentiation of risk: the return of more rational pricing for risk is undoubtedly good for us and for the industry.

And we are seeing opportunities to deepen our relationships with our customers.

At times like these, it is critically important to be clear on our strategy and priorities. Standard Chartered has a clear and consistent strategy, well understood by staff, customers and investors. In 2003, we said we wanted to be the world's best international bank, leading the way in Asia, Africa and the Middle East. That is still our aspiration and we are making good progress on that journey.

Organic growth

Our near-term priorities remain consistent. Last year the first item on our management agenda was 'Accelerating organic growth'. We achieved that with an increase of underlying income growth from 18 per cent to 23 per cent.

Our biggest single business, Consumer Banking in Hong Kong, delivered a 22 per cent increase in profits and a 17 per cent increase in income. This is the first time in six years that this business has achieved double-digit income growth.

This performance was driven by strong growth in wealth management, with income up 25 per cent, and in our Small and Medium Enterprise ('SME') Banking business, up 36 per cent. We have opened two dedicated SME Banking centres and now have nearly 40,000 SME customers.

Our investment in Consumer Banking in Hong Kong during 2007 has produced immediate results and we will continue to invest in this business.

Wholesale Banking in Hong Kong also had an outstanding year, with profits up 50 per cent on 46 per cent higher income. In fact, Hong Kong as a whole, with profits up 34 per cent to just under \$1.2 billion, made more than the entire Group did in 2001.

The individual business that contributed the biggest change in profits was Wholesale Banking in India, where profits increased by 91 per cent to \$626 million, on an 82 per cent increase in income. India is Wholesale Banking's largest business.

This is a superb franchise. We have added more than 1,000 clients over the last three years and have more than 100 clients generating income of more than \$1 million.

We are investing in front-line staff, in new products and in infrastructure, seizing the opportunities emerging from India's rapid economic growth and the dynamism of its corporate sector.

With 83 branches across the country, Standard Chartered has the largest network of branches among foreign banks in India. Including our Global Shared Service Centre in Chennai, which provides operational and technology support to our businesses across the world, we employ 18,000 people in India, making it by far our largest operation anywhere.

Overall, including Consumer Banking, India broke through \$1 billion in income for the first time in 2007, growing 60 per cent to \$1.3 billion, with profits up 71 per cent to \$690 million. India generated more profit in 2007 than in 2006 and 2005 together.

It is not only our biggest businesses and markets that saw accelerated growth in 2007.

We also saw the benefits from the investments made to build new engines of growth.



Taiwan – Setting the pace

I encouraged over 500 of our staff to be great ambassadors for the Group as we become a new force in Taiwan's banking industry.



New York – Well done Americas team!

I met all our staff in New York and took the opportunity to congratulate everyone for their success in building our Americas business.

In China, income was up 73 per cent to \$498 million. About three quarters of income was generated by the Wholesale Banking business. We have been investing significantly to build a business of scale and breadth.

In 2007, we more than doubled the number of permanent staff from 2,100 to over 4,300 and our local network expanded from 21 to 38 locations. Despite investing over \$60 million in the Consumer Banking business, profits from China increased by 72 per cent in 2007 and are now in excess of some \$180 million.

Nigeria is another example. It is a country with around six per cent GDP growth, 140 million people and a rapidly growing middle class. Over the past three years we have invested in building a full range of products in both Consumer Banking and Wholesale Banking.

In 2007, we doubled the number of branches to 12 and now employ about 350 people. As a result of this investment, our income in Nigeria increased by over 62 per cent to over \$140 million and profits increased by 87 per cent. In 2008, subject to approval, we plan to double again the size of our branch network in Nigeria.

Another new engine of organic growth is The Standard Chartered Private Bank. Launched just nine months ago, the Private Bank is making excellent progress. With 11 offices across seven markets and 118 relationship managers, the Private Bank has \$10 billion of assets under management ('AUM'), of which 28 per cent is from 1,300 clients who are entirely new to Standard Chartered.

Whilst it is still early days, we are already seeing that our unique combination of local heritage and international capability, our ability to offer a broad range of onshore and offshore wealth products and our distinctive

brand are proving enormously appealing to our customers.

The acquisition of American Express Bank, announced in September, will turbo-charge the growth of our private banking business, adding over \$22 billion in AUM, new booking centres, investment products and capabilities and another 120 experienced relationship managers.

Korea, Pakistan and Taiwan

In 2008, delivering on our acquisitions will remain a top priority. 2007 was undoubtedly a challenging year for our business in Korea. Whilst reported performance was adversely affected by a number of one-off items, we are still not satisfied with our performance, even after adjusting for these effects.

I have changed the management team in Korea and we are now executing a range of strategic initiatives to reshape the business – to accelerate income growth, to improve productivity and to enhance return on capital.

We are confident that SC First Bank is fundamentally a great business and a large growth platform in a very big, growing economy. It will be a powerful engine of sustained profit growth for the Group.

In Pakistan we have made rapid progress with the integration of Union Bank. Today we are the sixth largest bank in the country in terms of profits with over 170 branches in 39 cities. However, the political environment has had a negative impact, particularly on loan impairment, and we enter 2008 with a somewhat cautious stance.

In Taiwan, we have made good progress since amalgamating the businesses in June. We are on course to meet our target of delivering double-digit return on investment and earnings-per-share accretion in 2008.

2008 Management Agenda

- Sustain organic momentum
- Deliver growth from our acquisitions
- Continuously improve the way we work
- Build leadership
- Reinforce the brand



Hong Kong – Keeping busy

My Hong Kong visit was the busiest yet. I shared the Group's priorities with our staff and opened our newest branch and Priority Banking Centre.



China – Cultural highlights of the job

'Dotting the eye of the lion' in Tianjin as we celebrated the opening of our first Shared Service Centre in China. It was the cultural highlight of my trip.

“Over the last few years we have built a track record of consistent delivery, of superior financial performance. We are committed to build on that record.”

Capability acquisitions

While our acquisitions in Korea, Pakistan and Taiwan were primarily about achieving critical mass and distribution in key geographies, the rationale for the acquisition of American Express Bank was to reinforce our capabilities and scale in two key businesses across the world: private banking and financial institutions. I have already outlined the benefits to private banking.

In financial institutions, American Express Bank will double the size of our US dollar clearing business, give us direct yen- and euro-clearing capability, as well as a sophisticated sales and service model. American Express Bank will also extend our reach into a number of new countries. Following completion of the transaction, Standard Chartered will be represented in over 70 markets.

We expect to complete this transaction shortly and look forward to welcoming American Express Bank's 2,800 staff into Standard Chartered. Our detailed planning for the integration is going very well and has confirmed our initial view of both the scale and cost of the integration task as well as the magnitude of the synergies.

This is a highly complex integration, spanning 47 countries and involving the integration of high-volume transaction systems, but the prize is also very significant. We anticipate that 2008 integration costs are likely to be around \$150 million, so the acquisition is likely to be slightly dilutive this year, net of underlying earnings and early synergies.

We remain confident that American Express Bank will increase earnings per share in 2009 and will deliver a double-digit return on investment. This is a great deal, strategically compelling and financially attractive. We are bringing on board some highly talented international bankers and there is a strong cultural fit.

In the second half of 2007 we announced four other capability-driven acquisitions, all much smaller than American Express Bank:

- Pembroke, a specialist in aviation finance, which will reinforce our ability to play a part in the rapid growth of aviation across our markets
- Harrison Lovegrove, an oil and gas advisory boutique, which adds to our existing strengths in the energy business

- A Brain, a securities services company in Korea, which brings new capabilities and customers to our securities services business
- UTI Securities, an equity brokerage and advisory firm in India, which will enable us to provide a broader range of wealth management products to our retail and private banking clients

In January 2008, we also announced the acquisition of Yeahreum, a mutual savings bank in South Korea, which will enable us to broaden the current product offering.

The logic behind all these capability-driven acquisitions is to extend and deepen our product range and expertise, enabling us to serve our clients more effectively across a broader range of needs. They add fuel to our organic growth.

Sustainable business strategy

Building a sustainable business is an integral part of our long-term strategy to enhance shareholder value. At Standard Chartered, we are determined to lead by example within the markets in which we operate. As well as finding ways to drive economic growth, we also want to help protect the environment and to have a positive impact on the societies where we live and work.

We are constantly challenging ourselves on how we can contribute in a distinctive way in the countries where we operate. For example, at the Clinton Global Initiative in September, Standard Chartered committed \$8-10 billion financing over the next five years in renewable and clean energy projects in Asia, Africa and the Middle East. By making our commitment public, we hope to be a catalyst for change, influencing businesses to invest in the transition to a low-carbon and more sustainable future.



India – Helping communities grow

While in India I had the privilege to visit Goal, our pilot for a women's empowerment initiative which uses sport to help women become leaders in their communities.



South Korea – At the World Knowledge Forum

It was an honour to speak at the World Knowledge Forum in Seoul. I spoke about the drivers of change and Seoul's future as a global financial centre.

The year ahead

In the year ahead we will stick to our strategy. We will continue to focus on deepening our relationships with our clients. And we will continue to be proactive and disciplined in managing our liquidity, our capital, our risk profile and our costs.

We will keep investing to sustain our organic growth momentum. In China, for example, subject to regulatory approval, we anticipate having at least 60 locations by the end of this year. This year we celebrate 150 years of being in China and India: we have deep roots in these markets and they are a huge part of our future.

We will deliver on our acquisitions: make progress in Korea; deliver earnings-per-share growth from Taiwan; and complete the American Express Bank transaction and drive its integration.

Outlook

We ended 2007 with strong momentum in both businesses and the Group has had an excellent start to 2008, particularly in Wholesale Banking which had a record January. The Bank is in great shape. The foundations are firm. We are extraordinarily well-placed to capture the huge opportunities in our markets. There is more breadth and scale in the Group and our strong performance in 2007 is well spread across multiple products and multiple geographies.

The level of risk and uncertainty in the external environment makes the horizon more difficult to read. However, we know what our shareholders expect us to deliver: double-digit income growth, double-digit earnings growth and mid-to-high-teens return on equity ('ROE'). Over the last few years we have been building a track record of consistent delivery of superior financial performance. We are committed to keep building on that track record.

We will not stop investing given the opportunities we are seeing in our markets. But we will remain vigilant in our management of risk, and we will continue to flex the pace of investment to ensure costs grow broadly in line with income growth.

2007 was a year of strong performance, a year of delivery despite the external turmoil. We enter 2008 amid almost unprecedented market volatility and uncertainty, but in great shape and with great momentum.

Summary

2007 was a great year for the Group. We were not unscathed by the financial crisis, but we delivered record results. I thank all our customers and shareholders for their support and the Group's staff for playing their part in our growth story in 2007. Standard Chartered has never been in a better shape.



Peter Sands,
Group Chief Executive
26 February 2008



UK – My volunteering day

Volunteering is a hugely rewarding way to support our community. I volunteered at Terrence Higgins Trust, a leading HIV/AIDS charity in the UK, and encourage staff to volunteer their time for the community.



Singapore – Business Leadership Team meeting

My message to all 450 attending managers was that we can deliver our dream if we work together as a team and be courageous, creative, daring and disciplined.

Setting high standards

2007 has been another excellent year as we turbo-charged growth in income and profit, bolstered capital, increased return to our shareholders, enhanced service quality to customers and improved staff engagement. Our Key Performance Indicators reflect the substantial improvement we have made on several fronts.

 For more information visit: www.standardchartered.com

Financial			
	Normalised earnings per share	Operating income	Tier 1 capital ratio
Description	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.	Operating income is calculated as the sum of the net interest income, net commission income, and net trading income.	Tier 1 capital, the components of which are summarised on page 61, is measured by the ratio of Tier 1 capital to risk-weighted assets and contingents.
Aim	To consistently deliver year-on-year growth in normalised earnings per share.	To sustain organic momentum.	To maintain Tier 1 capital ratio between 7 and 9 per cent.
Analysis	During 2007, we had growth of 16 per cent, with strong contributions from both businesses.	During 2007, operating income grew by 28 per cent compared with 2006, and underlying operating income increased by 23 per cent.	During 2007, the Group maintained a strong Tier 1 capital ratio at 9.8 per cent, which increased from 8.3 per cent at the end of 2006.
Source	This measure is reported in the Group's audited financial statements within note 13.	This measure is reported in the Group's audited financial statements.	This measure is reported in the audited Capital section of the Risk Review on page 61 of the Annual Report.
Trend	Normalised EPS 197.6cents 2006: 170.7 cents 2005: 153.7 cents 2004: 124.6 cents 2003: 90.1 cents	Operating income \$11,067m 2006: \$8,620m 2005: \$6,861m 2004: \$5,274m 2003: \$4,740m	Tier 1 capital ratio 9.8% 2006: 8.3% 2005: 7.7% 2004: 8.6% 2003: 8.6%

Non-financial

Normalised return on shareholders' equity	Wholesale Banking Service Quality Index	Consumer Banking Loyal and Positive Index	Q12 ratio of engaged to disengaged staff
Normalised return on shareholders' equity is calculated as the normalised profit attributable to ordinary shareholders as a percentage of average shareholders' equity.	This Index measures Wholesale Banking client satisfaction and engagement with Standard Chartered relative to the best competitor bank in each of the key markets where we operate. Client satisfaction studies are run annually and provide feedback on the Group and its main competitors across the Global Corporates, Local Corporates and other client segments.	This indicator gauges customer satisfaction and loyalty to the products and services provided by Consumer Banking. Key satisfaction and recommendation measures are combined to provide an index of loyalty. These measures of reported customer satisfaction and loyalty are benchmarked against those reported for main competitors in each product and service within each market.	Q12 ratio is based on the Group's annual employee engagement survey. It assesses the proportion of engaged employees in the Group to each disengaged employee. High employee engagement has been shown to be strongly related to increased business performance, through both internal and external research.
To deliver superior returns on shareholders' equity compared to the industry average.	To deliver superior service to clients, demonstrably ahead of our main competitors in our key markets.	To increase customer satisfaction with the products and services provided by Consumer Banking and to drive overall customer loyalty.	To continue to foster a culture of high employee engagement as the Group continues to grow and change.
During 2007, normalised return on shareholders' equity, declined to 15.6 per cent, reflecting an increase in non-revenue reserves.	During 2007, we expanded client satisfaction measurement in Wholesale Banking so that it now covers more than half of client revenues. Despite this expansion in coverage our Service Quality Index remains strong, at 98 per cent compared with 97 per cent in 2006.	We have seen steady growth over the last four years with a one percentage point increase thus far in 2007 results.	Employee engagement continues to increase year-on-year, despite high growth, both organically and through acquisitions.
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).	Third party client satisfaction studies conducted by reputable and accredited third party organisations. The 2007 index is derived from surveys managed by TNS, ClientKnowledge and Greenwich Associates.	Market Probe Customer Satisfaction and Loyalty Survey (26 markets on average each year).	The Gallup Organization, Q12 Employee Engagement Survey.
Normalised return on ordinary shareholders' equity 15.6% 2006: 16.9% 2005: 18.0% 2004: 18.6% 2003: 15.7%	Wholesale Banking Service Quality Index 98% 2006: 97%* 2005: 93%# 2004: 99% 2003: 92%	Global (26 countries) – % of Loyal and Positive customers 84% 2006: 83% 2005: 80% 2004: 74%	Q12 ratio of engaged to disengaged staff 4.7:1 2006: 4.5:1 2005: 4.4:1 2004: 3.7:1 2003: 2.8:1

* In 2006, the Wholesale Banking Service Quality Index was re-calibrated to include additional satisfaction surveys covering both Global Corporate clients and Local Corporates, reflecting a larger share of client revenues.

Index data for 2005 is based on a survey conducted in Asia by Greenwich Associates covering our Global Corporate clients only.

Business Review

Performance

The stable economic outlook for our key markets and our strong liquidity and balance sheet give us the confidence to pursue our key strategic priorities.

Standard Chartered had another year of record performance in 2007 on the back of the targeted investments made in previous years in our key growth markets in Asia, Africa and the Middle East. The Group crossed several notable milestones during the year:

- Record earnings: Operating income exceeded \$11 billion and profit before tax surpassed \$4 billion, both for the first time
- Broad-based growth: Headline income grew 28 per cent, with organic income growth accelerating to 23 per cent, a record high
- EPS growth: Normalised earnings per share increased 15.8 per cent to 197.6 cents
- Strong markets: For the first time, profit before tax surpassed \$1 billion in Hong Kong and \$500 million each in India and the Middle East and Other South Asia (MESA) region
- Strong balance sheet: The Group's liquidity and capital positions remained comfortably above targets throughout 2007, despite the market turbulence, reflecting our vigilant and prudent approach to risk management
- Private banking: Launched The Standard Chartered Private Bank, with offices now

spread across 11 locations in seven markets worldwide

- Acquisition of American Express Bank, which is due to be completed in the first quarter of 2008, will further boost the Private Bank and Transaction Banking
- Islamic Banking: Launched Saadiq, our global Islamic Banking brand, in the UAE, Malaysia, Pakistan and Bangladesh
- Taiwan: Rebranded all Hsinchu branches overnight following amalgamation in June
- China: Incorporated in China, launched local renminbi banking services and increased the number of outlets to serve local customers

The record performance in 2007 ushers in a very special year for the Group. This year Standard Chartered will celebrate 150 years of its presence in India and China.

In 1858, when we set up our first branches in Calcutta and Shanghai, India and China were among the world's largest economies. The world has turned full circle and Asia's two most populous economies are again among the biggest drivers of the global economy.

This is a huge opportunity for Standard Chartered. We are in the right place at the right time. The Group aims to leverage its

knowledge, relationships and branch network to lead the way in Asia, Africa and the Middle East and become the world's best international bank.

The stable economic outlook for our key markets and the Group's strong liquidity and balance sheet give us the confidence to pursue our key strategic priorities:

- Sustaining organic momentum
- Delivering growth from our acquisitions
- Continuously improving the way we work
- Building our leadership
- Reinforcing the brand

These priorities will allow us to pursue growth, value creation and the strategic business opportunities thrown up by the current market dislocation.

This report explores some of these priorities to assess our performance in 2007 and to lay out how we aim to make progress in 2008.

Organic growth

Here, the numbers speak for themselves. Our income soared 28 per cent to \$11,067 million, driving up profit before tax by 27 per cent to \$4,035 million.

Most of our regions delivered strong performances as business conditions in



Private Bank global launch

The Standard Chartered Private Bank offers an open architecture and best-of-breed products, besides delivering first-class service to high net worth clients. Headquartered in Singapore, it spans across 11 locations in seven markets.



Expanding network in Indonesia

PT Bank Permata, jointly owned by Standard Chartered and PT Astra International, is leading the way in Indonesia. We had 256 branches and six Islamic Banking centres across the country at the end of 2007.



志高昂
悉力以赴
Spirit our courage

Standard
Chartered
渣打銀行



出類拔萃 以您
www.standa

Road West
拿道西

Kowloon (E)
九龍(東)
Kowloon (W)
九龍(西)

Leading across our
growth markets

Our strong local presence in Hong Kong

Leading across our growth markets



Dubai's first dedicated SME Banking centre

In 2007, we opened Dubai's first dedicated SME Banking centre, in Jebel Ali. This centre is part of the next phase of the Group's strategy to further grow and develop the SME market segment. It will build on our established presence in the region and ensure our customers have access to the right advice from the right people.

Income growth from MESA region

Up 33%



Strengthening our pole position in India

We strengthened our position as the largest international bank in India by being the first to open full service branches in Siliguri and Jalgaon. Both these branches are an integral part of Standard Chartered's strategy to continue to reach out to new Wealth Management and SME customers in regional centres. We now have 83 branches across 33 cities in India.

Employees nationwide

18,000

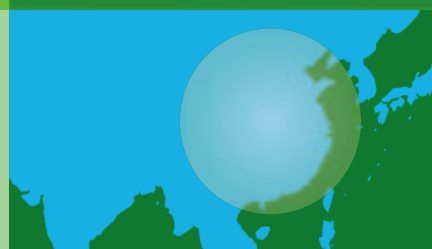
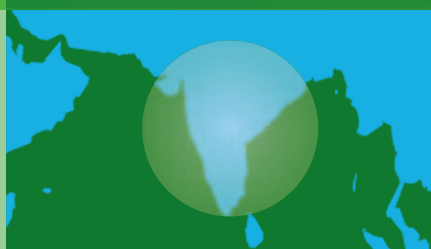


New Shared Services Centre in China

We opened our first Shared Services Centre in Tianjin. This centre will solidify the foundations of Standard Chartered's back office operations and enhance the efficiency of our services. It is also reflective of our commitment to China where the number of outlets rose by 17 in 2007 to a total of 38. This includes 13 branches, 23 sub branches and two representative offices in the country.

China's staff growth

Up 100%



the Group's main markets continued to benefit from strong economic growth, good local currency liquidity and benign credit environments. In many markets we are seeing a clear re-pricing for risk.

As seen in recent years, it is the organic franchise that continues to drive performance. Of the total income growth of 28 per cent, approximately 80 per cent of the increase came from the organic business.

The underlying rate of income growth of 23 per cent is a record high with 2007 being the fourth consecutive year of accelerating double-digit organic income growth. This is a clear indication that our disciplined investment programme over the last few years is paying off.

What is also pleasing is the continued balance of income growth across both businesses – Consumer Banking and Wholesale Banking. We have two strong engines of growth, each of which contributed over \$1 billion of incremental income in 2007.

Consumer Banking

On a headline basis, Consumer Banking delivered income growth of 24 per cent and expense growth of 28 per cent, with profit before tax rising 27 per cent, reflecting healthy returns on our investments in our Wealth Management and SME Banking businesses.

Underlying income growth in Consumer Banking rose 15 per cent.

Income growth from the Consumer Banking business was well diversified with nine markets now contributing \$200 million or more in income, compared with only five markets in 2005. Wealth Management income now contributes over 45 per cent of total Consumer Banking income.

Other Asia Pacific region, with an income growth of 60 per cent and MESA region, with a growth of 38 per cent, performed particularly well.

Singapore, Malaysia, Africa and our recently relaunched UK business also generated double-digit income growth each with growth rates of over 20 per cent. Hong Kong saw a 17 per cent income growth while India had a 26 per cent income growth.

We invested in distribution capabilities, key for both SME Banking and Wealth Management, with over 70 new branches in Pakistan, China, Korea, Africa and Hong Kong and over 600 new and upgraded ATMs.

As a result of these expansions and new investments, Consumer Banking expenses rose 28 per cent, or 20 per cent on an underlying basis. Almost half of the underlying growth can be attributed to the accelerated investment in future growth.

We continued with product innovation and over the course of the year launched more than 1,500 global product initiatives across Wealth Management and SME Banking. We also launched Consumer Transaction Banking to deepen our capabilities to meet customers' needs through all channels, including the internet and mobile phones.

Our presence in the UAE received a boost with the opening of Dubai's first dedicated SME Banking centre in Jebel Ali.

The Standard Chartered Private Bank has now been rolled out across a total of 11 locations in seven markets and we have had significant success in building a strong team and attracting new clients and assets.

The acquisition of American Express Bank, which is scheduled to be completed in the first quarter of this year, will turbo-charge this effort by adding 19 markets, key booking centres, 120 relationship managers and over \$22 billion of private banking assets under management.

To summarise for Consumer Banking, we maintained double-digit income momentum; growth remained broad-based, reflecting the breadth and scale of our franchise; we have

a confident investment agenda for future growth; and the asset quality is excellent.

Wholesale Banking

Wholesale Banking had an outstanding year. Across the spectrum, the Wholesale Banking business, whether viewed by product, by customer segment or by geography, fired on all cylinders.

Income grew 34 per cent, again underpinned by strong growth in client income of 37 per cent as we continued to deepen client relationships, increased cross-sell and shifted to higher value products.

Profit before tax grew 27 per cent on a headline basis and 28 per cent on an underlying basis.

The Wholesale Banking strategy is clearly working well. We have focused on deepening client relationships and we are seeing good results as we become a core bank to more of our clients. As an example, income from our top 50 clients was up over 50 per cent year on year and income from our top 10 clients was up over 85 per cent year on year.

Turning to costs, expenses grew by 31 per cent. A good portion of the investment was focused on higher staff compensation as we strengthened our teams with product specialists, in areas such as Corporate Advisory, and with relationship managers to enhance our sales coverage.

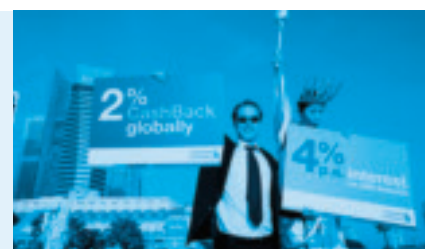
We are also scaling up our product offering and capabilities, such as Principal Finance, Equity Derivatives, Commodity Derivatives and Convertibles.

In 2007, we launched our global Islamic Banking brand, Saadiq, in the UAE, Malaysia, Pakistan and Bangladesh, seeking to capitalise on the growing demand for specialised financial services in these markets.



Starting Vietnam Consumer Banking

We opened Consumer Banking branches in Ho Chi Minh City and Hanoi. We will focus on strengthening banking services and bringing international banking solutions to our customers.



Innovative product promotions

We set the market abuzz in Singapore with our innovative way of promoting our products such as the e\$aver and Business\$aver campaigns and the XtraSaver 8% CashBack on debit cards.

We also set up new offices, such as in Geneva, to deepen our client relationships in markets which are getting more closely interlinked with our key markets of Asia, Africa and the Middle East.

Wholesale Banking's product capability was enhanced through acquisitions of several specialist businesses in 2007. These included Pembroke, a leading aircraft leasing, financing and management firm; Harrison Lovegrove, a global oil and gas advisory boutique; A Brain, a fund administration company in Korea; and, American Express Bank, which, once the deal is closed in 2008, will bolster our US dollar-clearing capabilities and expand our euro- and yen-clearing capabilities in Transaction Banking.

Wholesale Banking achieved significant productivity increases in 2007 with business-as-usual expenses growing far more slowly than client revenue and we are continually looking to improve the flexibility of our expense base.

To give a sense of this, performance related compensation now constitutes over 40 per cent of total Wholesale Banking staff costs, up from 24 per cent in 2004, 31 per cent in 2005 and 35 per cent in 2006.

Growth markets

Standard Chartered's outstanding performance in 2007 was a result of the strong growth in our biggest markets such as Hong Kong and India as well as in our fast-growing emerging markets such as China and Nigeria. We exceeded our performance targets in many markets by a good margin in a very difficult year for the banking industry in Europe and the US. Several of our markets set new records.

For instance, Hong Kong became the first of our markets to make over \$1 billion in profit before tax. Consumer Banking in Hong Kong saw a double-digit income

growth for the first time since 2001 driven by strong growth in SME Banking and Wealth Management.

The business in India, our second biggest market by profit, broke through \$1 billion in income for the first time in 2007. Profit before tax rose 71 per cent to \$690 million. India is now the Group's largest Wholesale Banking market.

China

China is increasingly becoming a major driver of income for the Group.

Income increased 73 per cent to \$498 million in 2007 with about three quarters being generated by the Wholesale Banking business. We were one of the first four international banks to locally incorporate last April.

Since then we have been investing to capture the opportunities afforded by the market reforms – such as providing local currency (renminbi) consumer banking services – and rapidly positioning our franchise as a business of scale and breadth.

In 2007, we doubled the number of staff in China from 2,100 to 4,300. Our local network expanded from 21 to 38 outlets. Profit before tax from China increased by 72 per cent in 2007 and is now about \$180 million.

Delivering growth through acquisitions

One of the key determinants of the success of our business is our ability to integrate acquired businesses. We have made tremendous headway in 2007.

In Korea, our business reported a three per cent headline income growth in 2007. But, excluding the impact of three one-off accounting adjustments and charges, income increased by 15 per cent.

Consumer Banking in Korea had strong growth in SME Banking and Wealth Management, offset by a fall in mortgage income. However, we are beginning to see

a modest revival in mortgage margins in our new business booked at the end of the year.

Wholesale Banking income momentum picked up as the investments in people and products began to pay off.

In Pakistan, where we acquired Union Bank in 2006, the economy continued to expand despite the uncertain political environment and this was reflected in our performance.

To give a sense of the momentum, on a comparable basis, income grew 17 per cent.

Profit before tax on the same basis fell 17 per cent, reflecting the impact of integration expenses as we continue to build out the platform for future growth.

We had particular success in cross-selling Standard Chartered products such as Islamic finance, commodity-related products and export finance to the Union Bank customer base. Our market share of the export finance business rose to 10 per cent in 2007, from three per cent prior to the Union Bank acquisition.

In Taiwan, following the amalgamation of Hsinchu and Standard Chartered's Taiwan operation on 30 June 2007, we were successful in selling Standard Chartered products through the Hsinchu distribution network.

Income in Taiwan in the second six months of the year was 10 per cent higher than in the first six months when no Standard Chartered products were sold through the Hsinchu platform. Expenses also increased half on half as integration commenced.

We remain confident that Hsinchu will be earnings-per-share accretive and deliver double-digit return on investment in 2008.

Continuously improving the way we work

As we build up our infrastructure in line with our growing business needs, we are aware that there are other sources of unique strength which can provide Standard Chartered a huge competitive advantage.



Tesco PLC's first Islamic financing programme
We managed the Islamic Sukuk issue for Tesco Stores (Malaysia) Sdn Bhd through their MYR3.5 billion conventional and Islamic notes programme. The issue was guaranteed by Tesco PLC.



First bank account in Africa designed for women
The DIVA Account offers discounts and lifestyle benefits designed especially for women. This is a first-to-market product which recognises the pivotal role played by women in the economic development of Africa.

you want more services
and less complexity

we'll take you
straight there



Straight² Bank

- Fully integrated electronic platform across Global Markets and Transaction Banking
- The point of call for transacting, hedging and information
- Enhanced control and security
- Expanded range of products and services
- Choice of connection routes
- Open architecture for seamless integration

Standard
Chartered



standardchartered.com

Leading with innovative products and services

Introducing innovative financial solutions in the Middle East

Leading with innovative products and services



Launching Saadiq in major markets

Through Saadiq, our global Islamic Banking brand which means truthful, we aim to capitalise on the growing demand for Islamic Banking and financial services for the benefit of our customers and stakeholders. We launched Saadiq in the UAE, Malaysia, Pakistan and Bangladesh in 2007. The launch was supported by a combination of policies and incentives that were put in place by governments and regulators in these markets.

Islamic Banking products developed to date

27



Starting US dollar China-bound payment service

The increasing importance of China to the global economy has attracted a lot of attention to US dollar payments into China. We identified this as a gap and promptly offered our clients the US dollar China bound payment service with real time access to New York payment systems. Through this service, we aim to streamline the end to end process, reducing turnaround time and allowing payments to reach the beneficiary within the local business day.

Global US dollar transactions cleared daily by Standard Chartered in New York

\$144bn



Introducing Straight2Bank

Straight2Bank is our one stop proprietary electronic banking channel for corporate and institutional clients. The fully integrated end to end platform provides cash, trade and securities services through a single sign on access. The enhancements provide clients with streamlined and straight through processing of transactions, resulting in significant operating efficiencies and cost savings. This platform can be accessed by our clients from any location.

Growth in client base with trade facility as a result of Straight2Bank

Up 238%



The first is our processes, policies and procedures – the plumbing and wiring of the Group. This comes under our Outserve Plus umbrella where we strive to become operationally excellent by embedding a culture of continuous improvement throughout the Group. By doing this, we aim to delight customers with the quality of our service, make life easier for our staff and customers, and create capacity to enable the Group to grow on a sustained basis.

We will know we are succeeding when customers and clients tell us that we really understand their needs; our employees feel a deep sense of pride to work for the Group; and when we are widely acknowledged to have 'Best in Class' standards of operational experience.

We have already had several successes on this front. For example, in Singapore, the simplification of the account opening process has reduced the time taken to open accounts from 35 minutes to nine minutes.

In Wholesale Banking, we launched Straight2Bank, our one-stop proprietary electronic banking channel for corporate and institutional clients. The fully integrated end-to-end platform provides cash, trade and securities services through a single sign-on access.

The enhancements provide clients with streamlined and straight-through processing of transactions, resulting in significant operating efficiencies and cost savings. This platform was introduced in response to our clients' need for sophisticated transaction, hedging and information services through a single interface.

Our Key Performance Indicators (pages 16-17) show that our efforts are making a difference to our customers, employees and other stakeholders. For example, Wholesale Banking's Service Quality Index and Consumer Banking's Loyal and Positive Index have both risen in 2007 over the previous year. The Q12 ratio, which

indicates the level of employee engagement, also shows a steady improvement despite our rapid growth, both organically and through acquisitions.

Having dealt with the plumbing and wiring of the business, we need to redouble our focus on the second aspect of improving the way we work. This is about our culture, our values, the way we interact with each other and with our customers. Our culture and values allow us to collaborate across borders and across businesses, attract new hires, keep people in the Group and attract clients.

The challenge is to avoid getting too complacent about these values and taking them for granted.

Building the brand

We recognise that how we continue to build our brand in the coming months will have an impact on shareholder value creation.

We want to build our brand at the pace we are growing the business. A big part of brand building is our commitment to live the brand and values in everything we do. We continue to embed our brand promise, Leading by Example to be The Right Partner in our markets, into our business agenda.

The People and Sustainability sections of this review have more details about our initiatives in these areas.

So, leveraging our brand, values, culture and the way we work remain among the top priorities for this year. These are the key drivers of shareholder value for the Group.

All in all, we start 2008 in good shape with strong momentum. While the global environment is undoubtedly more challenging and there are many uncertainties in the world, our businesses are performing strongly and we are clear about our strategy and priorities. We are well positioned to meet future challenges.



Sri Lanka's first oil hedge

We structured and transacted Sri Lanka's first oil hedge with Ceylon Petroleum Corp. This reflects our commitment towards supporting the economic stability of the country.



Rebranding in Taiwan

Standard Chartered became the first international bank to gain an island-wide presence. Hsinchu branches were rebranded overnight, giving us the largest international banking network in Taiwan.

Business Review

People

2007 was a year of tremendous expansion for the Group. We have been very successful in supporting this growth due to our ability to attract, engage and develop the best international talent across our markets.

Attracting and retaining the best talent

Standard Chartered saw a 19 per cent net increase in the number of employees in 2007 to 70,000, as we stepped up recruitment to support our business growth. Attracting and retaining the best talent, driving performance and engagement and building leadership capability are critical priorities for the Group.

There were particularly strong increases in the number of employees in many of our core strategic markets. For example, we recruited almost 3,000 employees in India, just under 1,000 in Pakistan and over 1,000 employees each in China, Hong Kong and Singapore. We expect to continue hiring in these growing markets in the coming years.

We are very proud of our deep history and local knowledge across our markets. We are particularly proud of the diversity that we have worked very hard to promote. Our employees represent over 100 different nationalities and we have maintained an approximately equal gender balance across the Group.

In 2007, we focused on increasing the proportion of women at senior levels. To date, the shift has been particularly strong in Asia, where 45 per cent and 31 per cent of

the senior management positions in China and Hong Kong, respectively, now are represented by women. Globally, 20 per cent of all senior managers are women.

Leveraging local knowledge is one of the key components of our success and we have extended this approach to our recruitment strategy. In 2007, we launched a global employee referral programme. This has been very successful with more than 36 per cent and 37 per cent of new hires in China and India, respectively, referred to the Group by current employees.

We also re-launched our internal job posting guidelines in 2007. The number of positions advertised internally has since increased from 26 per cent in 2006 to 67 per cent in 2007. This provides greater visibility of career opportunities to our current employees and also allows the Group to further develop its internal talent pool.

In 2007, we exceeded our International Graduate intake targets and hired more business school graduates as Management Associates. We place a strong emphasis on these diverse individuals as they are a key part of our leadership pipeline.

Alongside attracting talented individuals, we continue to focus on creating the right

environment to retain employees. This process begins from the day an individual joins the Group. Since launching the Right Start induction programme in 2006, the percentage of employees leaving the Group within a year of joining has decreased by five per cent.

As part of our efforts to retain talented staff, we continued to provide an inclusive environment for our people. In 2007, a new flexible working framework that includes working flexible hours and part-time working was piloted in Ghana, Singapore, the UK and the US. The Group also launched the work@home programme at its Shared Services Centre in Chennai, India. Over 100 employees have already enrolled themselves into the programme.

In 2008, the Group will extend the policy to another six to eight countries. We will also work towards including other kinds of flexible working arrangements to help our employees enjoy a healthy and manageable work-life balance.

The Group has been researching the root causes of attrition and the drivers of retention in some of our core markets. Our integrated approach offers a more proactive strategy towards attrition and was launched in India, China and the UAE in 2007.



Training academies to nurture talent

We believe in the continuous training and development of our people, so we are investing in training academies in India, China and Taiwan. We want to become the employer of choice by providing outstanding talent training.



Bringing in the best to Standard Chartered

Over 330 International Graduates joined the Bank in 2007, representing 34 nationalities. Of the new recruits, 42 per cent are women. We also recruited 57 Management Associates from business schools during the year.



Leading the way through our talented and diverse teams

Making Standard Chartered a great place to work

Leading the way through our talented and diverse teams



Bringing emerging women leaders together

In 2007, we organised the Global Women's Forum in Dubai, bringing together over 100 emerging women leaders from across 37 countries. The Forum focused on gender diversity with regard to customers, community and workplace. During the year, we focused on increasing the proportion of women in senior positions. To date, the shift has been particularly strong in Asia, especially among the senior management in China and Hong Kong.

Women in senior management

20%



A great place to work

As part of our efforts to retain talented staff we continued to provide an inclusive environment for our people. In 2007, a new working framework that includes working flexible hours and part time working was piloted in Ghana, Singapore, the United Kingdom and the United States. We also launched the work@home programme at our Global Shared Services Centre in Chennai, India. We also implemented a five day working week across Asia.

Working week launched across Asia

5-day week



Building our management skills

The Great Manager Programme is our scalable approach to building management skills. We delivered this programme to 5,500 people managers. Almost 90 per cent of the managers surveyed have made changes or intend to change the way they manage and engage their teams as a result of the programme. The programme was conducted through numerous communications, an intranet site and a number of podcasts.

Managers participating in the Great Manager Programme

5,500



Engagement

Standard Chartered's brand promise, 'Leading by Example to be The Right Partner', means living the Group's core values. Our five values – Creative, Responsive, International, Courageous and Trustworthy – form the basis of how we keep our employees engaged with our strategic business objectives. The values are the heart and soul of the brand and are what makes Standard Chartered a great place to work, setting us apart from our competitors and powering our success.

2007 marks the seventh year we have measured employee engagement across the Group. Despite adding more than 10,000 employees last year, we achieved a 95 per cent voluntary response rate to our annual Q12 engagement survey and the Group's overall engagement score rose for the seventh consecutive year.

We believe that employee engagement is strongly linked to having great people managers. Our Great Manager Programme was launched in 2007 and 5,500 people managers across the Group have participated so far. The programme is a scalable approach to building management skills and is delivered to support the Group's people management calendar.

The programme was conducted through numerous communications, an intranet site and podcasts. Almost 90 per cent of the managers surveyed indicated that they have made or intend to make changes to the way they manage and engage their teams as a result of this programme.

Almost 76 per cent of managers now have a goal around people management included in their performance objectives.

Performance

The Group's approach towards rewarding employees is closely aligned to performance.

We launched a new on-line performance and compensation management system which will help us meet the challenges around decision making as we grow and help reinforce the links between performance decisions and reward allocations.

The invitation for the Group's 2007 Sharesave scheme closed with a record 17,500 applications, a 40 per cent increase on 2006. Approximately 40 per cent of the eligible staff now participate in the scheme. This supports our goal of encouraging wider share ownership across the Group.

Talent management and development

Standard Chartered's 'strengths-based' philosophy is one of the cornerstones of our approach to talent management. By identifying and leveraging an employee's talents into strengths, and then creating the environment in which these strengths can flourish, we enable our employees to do what they do best, every day.

One way Standard Chartered helps individuals identify their strengths is through the use of an on-line self-assessment system. They are then supported by in-house experts who develop action plans to improve their effectiveness. To date over 7,000 employees have participated in this process with the assistance of almost 240 strengths coaches.

Overall, more than 16,000 learner days of classroom induction were completed in 2007. In addition, the launch of Learning@SCB brought together the Group's various on-line learning tools and programmes under a single web location.

This site has received about 106,000 visits, 52 per cent of which were return visits.

We have significantly increased our focus on executive development and had one-and-a-half times as many leaders attending internal core programmes in 2007, as compared with 2006. In particular, 250 of our existing leaders undertook a tailored leadership development process focused on building the capabilities of our leaders in key growth markets.

Identifying and developing our future leaders remained firmly on the Group's agenda in 2007. The percentage of high performing, high potential junior and middle management employees rose by 26 per cent and 37 per cent respectively.

We now have in place executive succession plans for over 220 critical leadership roles, including focused development plans for those identified as successors. This succession pool represents 41 nationalities across all markets at the middle management level, indicating its diversity.

2007 was a year of tremendous expansion for the Group and we have been hugely successful in supporting this growth, in terms of attracting, engaging and developing talent. The progress made in 2007 has put us in an even better position to nurture further growth and success in 2008.



Facilitating language capabilities

We broadened our communication capabilities by launching a centralised service for translation into Korean, Chinese, Thai and Bahasa Indonesia to reach out to a larger number of employees.



Group Women's Council

The Group Women's Council was formed in January 2007 to drive the gender diversity strategy. The 10-member Council represents our businesses and geographic footprint.

We are leading by example through our sustainable approach to business and society. We are constantly challenging ourselves as to how we can contribute in our markets in a distinctive way.

Building a sustainable business is an integral part of our long-term strategy to enhance shareholder value. At Standard Chartered, we are determined to lead by example in the markets in which we operate. As well as contributing to economic growth through our core business activities, we want to help protect the environment and to have a broader positive impact on the societies in which we live and work. And as we engage as a partner with governments and communities in addressing these wider challenges, we are learning more about how the issues interact with each other and our core business objectives.

There are numerous ways we are striving to be a force for good. These examples are documented in our Sustainability Review 2007 and in the sustainability section of our website. There we discuss in detail how we progressed in 2007 in our seven sustainable business priorities: Sustainable Finance, Access to Financial Services, Protecting the Environment, Responsible Selling and Marketing, Tackling Financial Crime, Community Investment and a Great Place to Work.

We apply three tests to decide which areas of sustainability to focus on: first, we ensure that what we do is relevant to the markets

we operate in; second, we want to do things which leverage our capabilities and infrastructure; and third, we focus on where we can add distinctive value. In this report, we highlight some of our success stories of 2007, which passed the three tests, and discuss some of our unfinished tasks.

Access to financial services

Standard Chartered is committed to bringing millions of people in our markets into the mainstream economy by improving access to financial services and helping them make an economic contribution.

Our partnerships with over 40 microfinance institutions ('MFI') enabled us to disburse \$170 million in 2007 across 13 countries. These loans will help improve the livelihoods of 1.2 million people and stimulate grassroots enterprise. We are on track to deliver on our commitment to originate and disburse \$500 million by 2011.

In January 2008, we signed loan and co-operation agreements with the China Foundation for Poverty Alleviation at a meeting attended by Premier Wen Jiabao of the People's Republic of China and Gordon Brown, Prime Minister of the United Kingdom. This is the first time an international bank has provided such a microfinance credit facility in China.

Renewable energy

As with every aspect of business, we have to identify areas where we can achieve critical scale and have a distinctive edge in order to create long-term value for our stakeholders.

As a leading international bank, we continued to leverage our expertise to promote the deployment of clean and renewable technologies across our markets. In May 2007, we financed the world's largest photovoltaic plant in South Korea, a project which will reduce greenhouse gas emissions and generate new jobs and industries.

In September, at the Clinton Global Initiative, we committed \$8 –10 billion in funding and advisory services over the next five years to develop clean technology and renewable energy in Asia, Africa and the Middle East. By making our commitment public, we hope to be a catalyst for change, influencing businesses to invest in the transition to a low-carbon future.

We are also minimising the environmental impact of what we do and influencing our customers and suppliers worldwide to do likewise through our sustainable lending practices and our procurement selection process.



Working with SME clients on Living with HIV

We are providing training resources to our SME clients to help them implement their own HIV/AIDS programmes. This programme started in Tanzania and was extended to Singapore and Hong Kong.



Supporting Microfinance in India

We partnered with Opportunity International and World Vision to provide cross-border security solutions to independent start-up Microfinance Institutions in India.



Leading with our sustainable business strategy

Incorporating social and environmental issues in our lending policies

Leading with our sustainable business



Managers make environmental pledges

Our senior executives pledged to take a more environment friendly approach to their daily and business lives during the annual Country Managers Conference in Singapore. Their pledges were recorded on The Greatest Race on Earth: Race for a Living Planet website. The environmental challenge was added to the Greatest Race on Earth series in 2007/08 to raise awareness of the environmental issues faced by the world today and the actions individuals can take to redress them.

Environmental pledges made since October 2007

Over 1m*

*As at February 2008

Financing renewable energy projects

In May, we financed the world's largest photovoltaic plant in South Korea. At the Clinton Global Initiative in New York, we committed \$8-10 billion over the next five years to finance renewable and clean energy projects such as wind, hydro, geothermal, solar, bio mass and coal bed methane projects in Asia, Africa and the Middle East. The development of renewable energy projects will help mitigate the effects of climate change, a stated goal for a number of our markets.

Committed over next five years to finance renewable energy projects

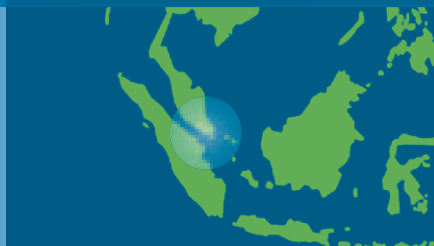
\$8-10bn

Supporting farmers in China

We took rural finance to a new level by reaching an agreement with a local Chinese company to assist cotton farmers in Urumqi to enhance productivity, increase income and improve living standards. We are the first international bank to establish a complete microfinance programme to lend directly to farmers in rural China. Our partnerships with over 40 microfinance institutions have enabled the Group to disburse \$170 million in 13 countries in 2007.

Microfinance loans disbursed in 2007

\$170m



For more information visit: www.standardchartered.com/sustainability

HIV education

Our work on HIV education through our 'Living with HIV' programme and on prevention and treatment of certain forms of blindness such as cataracts through our 'Seeing is Believing' initiative are examples of how we are making a difference to the lives of many people whilst also helping to create healthy and stable workforces, another condition for sustainable economic growth.

We have extended our HIV education programme to SME Banking clients and corporate clients to help them manage HIV/AIDS programmes within their workplaces.

In 2007, as part of our Clinton Global Initiative commitment to educate one million people by the end of 2010, we partnered with AIESEC, the world's largest student organisation, to educate 300,000 students.

'Seeing is Believing'

In Phase III of 'Seeing is Believing' we reached our goal of raising \$10 million by 2010, to make a difference to the lives of 10 million people, three years ahead of target. In 2008, we will launch Phase IV – a more ambitious programme of sustainable eye care targeted at the poor and marginalised communities in cities where the Group has a presence.

Governance

We reshaped the strategic direction of the two-year-old Corporate Responsibility and Community Committee, which is a sub-committee of the board, and renamed it the Sustainability and Responsibility Committee.

The change in the name was deliberate. The role of the Committee is to stretch the Group's ambition to build a sustainable business that delivers long-term shareholder value, challenge practice and identify the

critical trends, issues and opportunities that we should address.

The Committee also oversees delivery against the Group's seven sustainable business priorities.

The second change on the governance front in 2007 involved setting up the Wholesale Banking Sustainable Business Council. The purpose of this Council is to identify and respond to commercial opportunities that help address sustainability challenges.

We also developed position papers on key sectors such as dams, power generation, forestry and palm oil plantations as well as on key issues such as child labour.

In 2007, we set up two specialised committees to look at certain key areas of sustainability. These are the Environment Committee and the Group Financial Crime Risk Committee. Both are chaired by Dr Tim Miller, director for People, Property and Assurance.

A detailed report on our performance in 2007 with regard to Corporate Governance issues is available on pages 68-72.

Engagement

We can deliver on our ambitious plans through the enthusiasm, talent and skills of every employee in the Group. In 2007, we significantly stepped up efforts to get all our 70,000 employees engaged through:

- Employee volunteering: Senior executives led our efforts by getting involved in volunteering their skills and thousands of employees participated as well.
- All employees were provided with access to a range of tools such as our innovative and international Carbon Calculator which enable them to measure and reduce the impact of their actions on the environment.

- The Greatest Race on Earth: Race for a Living Planet encouraged employees, customers and members of the public to commit to take steps in their daily lives to help improve the environment. Cumulatively, participants have pledged to save three billion litres of water and take steps that could save over 100,000 trees from being cut down.

Measurement and review

We continued to review our progress against external measures and commitments such as the Global Reporting Initiative, the Global Compact and the Equator Principles, reporting progress against each of these on our website.

We are pleased that our performance was recognised by the industry. In 2007, we were included in the FTSE4Good Environment Leaders Europe 40 Index and the Climate Leadership Index for our reporting to the Carbon Disclosure Project. We also won the Global Business Coalition Business Excellence Award for using our core competencies in addressing HIV/AIDS.

The recognition has made us redouble our commitment to our brand promise: Leading by Example to be The Right Partner to all our stakeholders. We are convinced that we can deliver on this promise through our approach towards building a sustainable business in our markets. We are focused on delivering on this commitment. The success of our business depends on it.



Reducing operational impact

We have rolled out initiatives across our markets to reduce waste by using more recycled paper and ensuring we recycle our waste paper to help protect the environment.



Improving anti-money laundering systems

Over the last three years, Standard Chartered has invested over \$55 million in improved anti-money laundering monitoring systems and automated surveillance to identify terrorist finance-related transactions.

Group Summary

The Group has delivered another strong performance for the year ended 31 December 2007. Profit before taxation rose 27 per cent to \$4,035 million, with operating income increasing 28 per cent.

Normalised cost income ratio was 56.0 per cent compared to 55.2 per cent in 2006. Normalised earnings per share increased by 15.8 per cent to 197.6 cents. Further details of basic and diluted earnings per share are provided in note 13 on page 107.

The Group made a number of acquisitions in 2006 and 2007. It has owned Union Bank Limited ('Union') since 5 September 2006 and Hsinchu International Bank ('Hsinchu') since 19 October 2006.

On 30 December 2006, the assets and business of Union and the Standard Chartered Bank branches in Pakistan were amalgamated into Standard Chartered Bank (Pakistan) Limited. On 30 June 2007, the assets and business of the Standard

Chartered Bank branch in Taiwan were amalgamated into Hsinchu, and the combined entity was renamed Standard Chartered Bank (Taiwan) Limited.

On 5 September 2006, the Group acquired an additional stake of 12.96 per cent in PT Bank Permata Tbk ('Permata'). The Group completed the acquisitions of Pembroke Group Limited ('Pembroke'), Harrison Lovegrove & Co. Limited ('Harrison Lovegrove') and A Brain Co. Limited ('A Brain') on 5 October 2007, 3 December 2007 and 5 December 2007 respectively.

The underlying results of the Group exclude the results of the following:

Standard Chartered Bank (Pakistan) Limited, comprising the Standard Chartered Bank branches in Pakistan and Union; Hsinchu; the incremental stake in Permata; A Brain; Pembroke; and Harrison Lovegrove.

Operating Income and Profit

	2007 \$million	2006 \$million	Increase %
Net interest income	6,265	5,328	18
Fees and commissions income, net	2,661	1,881	41
Net trading income	1,261	920	37
Other operating income	880	491	79
	4,802	3,292	46
Operating income	11,067	8,620	28
Operating expenses	(6,215)	(4,796)	30
Operating profit before impairment losses and taxation	4,852	3,824	27
Impairment losses on loans and advances and other credit risk provisions	(761)	(629)	21
Other impairment	(57)	(15)	280
Profit/(loss) from associates	1	(2)	N/A
Profit before taxation	4,035	3,178	27

See page 36 for analysis of the underlying results.

The external environment remained generally favourable in the Group's key markets despite difficulties experienced in the financial markets in the second half of the year.

Operating income grew \$2,447 million, or 28 per cent, to \$11,067 million. On an underlying basis, operating income grew 23 per cent.

Wholesale Banking had an excellent year, with very strong income growth across all client segments and product categories. In Consumer Banking, strong income growth was achieved in Wealth Management and the SME segment.

The key markets of the Group continued to perform very well, with over 20 per cent income growth achieved in Hong Kong, Singapore and the MESA region. In Hong Kong, operating income exceeded \$2 billion and operating profit exceeded \$1 billion for the first time. In India and China, operating income grew 60 per cent to \$1,308 million and 73 per cent to \$498 million, respectively. However, operating conditions remained challenging in Korea, and in the UK, income was adversely impacted by the market turmoil in the second half of the year.

Net interest income was up \$937 million, or 18 per cent, to \$6,265 million. The increase in net interest income was predominantly from higher average balances and increased volumes from transaction banking and cash management services, together with the growth in current and savings accounts balances across the geographies. Net interest income from trade and lending revenues also grew, particularly in the MESA region. Underlying net interest income grew 12 per cent. Net interest margin was 2.5 per cent, in line with last year.

Non-interest income grew \$1,510 million, or 46 per cent, to \$4,802 million, with underlying growth of 41 per cent.

Net fees and commissions income increased by \$780 million, or 41 per cent, to \$2,661 million. On an underlying basis, net fees and commissions income grew 35 per cent. Robust economic growth in the Group's key markets, underpinned by good economic fundamentals and firmer domestic demand drove stock markets higher. Strong investor sentiment resulted in increased demand for investment products and services. As a consequence, sales of wealth management products such as unit trusts, insurance and structured investment products increased significantly. Custody and securities services benefited from higher volumes in the regional equity markets. Moreover, the Group achieved an increase in deal flows which drove fee income growth in syndications, corporate finance and advisory. Trade finance commission income benefited from higher transaction volumes, and in transaction banking, payments and cash management services delivered strong performances, driven by the growth in commercial balances.

Net trading income increased \$341 million, or 37 per cent, to \$1,261 million. On an underlying basis, net trading income grew 32 per cent. A significant proportion of this growth was client driven, with particularly high growth in derivatives sales. Income from interest rates and foreign exchange derivatives sales grew 60 per cent as a result of an expansion in product capabilities, improved electronic channel functionality and a continued focus on cross-selling. Own account income was broadly unchanged, as gains in foreign exchange trading were offset by losses incurred on interest rate derivatives and debt securities trading, and a \$155 million mark-to-market loss incurred on economic hedges on mortgages in Korea.

Other operating income increased \$389 million, or 79 per cent, to \$880 million. On an underlying basis, other operating income increased 78 per cent, benefiting from higher dividend income received on structured finance transactions, gains realised from the sale of private equity investments and the disposal of debt securities, and a gain of \$107 million in relation to the shares received as a consequence of the restructuring of Visa. Also included in other operating income is a \$109 million foreign exchange gain realised on the repatriation of Singapore branch capital. These gains were offset, in part, by a loss of \$116 million on the exchange of capital notes invested in Whistlejacket Capital Limited ('Whistlejacket'), a structured investment vehicle sponsored by the Group, and \$87 million in relation to writedowns on asset backed securities ('ABS'). Other operating income also included \$98 million (2006: \$106 million) of recoveries in respect of assets that had been fair valued at acquisition in Korea.

Operating expenses increased \$1,419 million, or 30 per cent, to \$6,215 million. Underlying expenses grew 24 per cent. Expenses grew mainly due to the increase in staffing levels, particularly in sales staff, and higher performance related pay. Staff costs increased 36 per cent, or \$1,036 million, to \$3,949 million. Other investments were directed at enhancing the product suite and extending branch networks in China, Hong Kong, India, Pakistan and Korea. The Standard Chartered Private Bank was launched in 11 locations across seven markets. Further expenditure was incurred to upgrade and expand office premises and to strengthen regulatory compliance and control systems.

Operating profit before impairment increased \$1,028 million, or 27 per cent, to \$4,852 million. On an underlying basis, operating profit before impairment increased by 23 per cent.

The credit environment remained generally favourable during the period, notwithstanding the turbulent market conditions triggered by the sub-prime mortgage crisis in the US. Overall loan impairment charges increased by \$132 million, or 21 per cent, to \$761 million. The incremental impact from acquisitions of \$171 million was offset by a \$39 million reduction in the underlying loan impairment charges. In Taiwan, total net impairment charges fell \$96 million to \$159 million, with underlying impairment falling \$199 million due to the improved consumer credit environment, partially offset by a \$103 million increase in impairment charges due to the full year impact of the Hsinchu acquisition. In Pakistan, total impairment charges were \$65 million higher at \$94 million, in part due to the full year impact of the Union acquisition and also as a result of the deteriorating credit environment caused by political uncertainties. In Thailand and India, higher impairment charges were incurred due to a wider deterioration in the unsecured and consumer lending environment.

Other impairment charges increased to \$57 million, mainly due to \$35 million impairment in asset backed securities and \$17 million intangible asset impairment related to Whistlejacket.

Underlying Results

To facilitate effective review of the Group's results, the table below shows the underlying results.

	2007			2006		
	Acquisitions \$million	Underlying \$million	As reported \$million	Acquisitions \$million	Underlying \$million	As reported \$million
Net interest income	521	5,744	6,265	218	5,110	5,328
Fees and commissions income, net	216	2,445	2,661	75	1,806	1,881
Net trading income	72	1,189	1,261	21	899	920
Other operating income	18	862	880	8	483	491
	306	4,496	4,802	104	3,188	3,292
Operating income	827	10,240	11,067	322	8,298	8,620
Operating expenses	(480)	(5,735)	(6,215)	(170)	(4,626)	(4,796)
Operating profit before impairment losses and taxation	347	4,505	4,852	152	3,672	3,824
Impairment losses on loans and advances and other credit risk provisions	(208)	(553)	(761)	(37)	(592)	(629)
Other impairment	–	(57)	(57)	–	(15)	(15)
Profit/(loss) from associates	–	1	1	–	(2)	(2)
Profit before taxation	139	3,896	4,035	115	3,063	3,178

The effect of the acquisitions on the geographic results is shown below:

	2007			2006		
	Acquisitions \$million	Underlying \$million	As reported \$million	Acquisitions \$million	Underlying \$million	As reported \$million
Middle East & Other S Asia						
Operating income	361	1,067	1,428	226	844	1,070
Operating expenses	(189)	(505)	(694)	(113)	(401)	(514)
Loan impairment	(94)	(49)	(143)	(29)	(24)	(53)
Profit before taxation	78	513	591	84	419	503

	2007			2006		
	Acquisitions \$million	Underlying \$million	As reported \$million	Acquisitions \$million	Underlying \$million	As reported \$million
Other Asia Pacific						
Operating income	459	1,642	2,101	96	1,288	1,384
Operating expenses	(286)	(927)	(1,213)	(57)	(728)	(785)
Loan impairment	(114)	(204)	(318)	(8)	(376)	(384)
Other impairment	–	–	–	–	(3)	(3)
Profit/(loss) from associates	–	2	2	–	(4)	(4)
Profit before taxation	59	513	572	31	177	208

The acquisition of Pembroke and Harrison Lovegrove are included within the 'Americas, UK & Europe' segment. The acquisition of A Brain is included with the 'Korea' segment. Additional disclosures of the effect of these acquisitions for these segments have not been made as the impact is not significant.

Consumer Banking

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

2007											
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Underlying \$million	Consumer Banking Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income	1,188	471	274	1,142	1,167	408	751	310	95	5,125	5,806
Operating expenses	(478)	(191)	(116)	(907)	(760)	(268)	(395)	(224)	(54)	(3,003)	(3,393)
Loan impairment	(53)	(15)	(41)	(96)	(308)	(77)	(129)	(17)	–	(544)	(736)
Operating profit	657	265	117	139	99	63	227	69	41	1,578	1,677

2006											
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Underlying \$million	Consumer Banking Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income	1,019	367	221	1,146	729	323	545	257	77	4,454	4,684
Operating expenses	(428)	(142)	(101)	(799)	(445)	(201)	(280)	(194)	(51)	(2,508)	(2,641)
Loan impairment	(53)	(36)	(36)	(88)	(390)	(46)	(61)	(12)	1	(686)	(721)
Operating profit/(loss)	538	189	84	259	(106)	76	204	51	27	1,260	1,322

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

	2007 \$million	2006 \$million
Operating income by product		
Cards, Personal Loans and Unsecured Lending	2,089	1,799
Wealth Management and Deposits	2,621	1,938
Mortgages and Auto Finance	906	780
Other	190	167
Total operating income	5,806	4,684

Consumer Banking's operating income increased by \$1,122 million, or 24 per cent, to \$5,806 million. Net interest income grew \$649 million, or 18 per cent, to \$4,194 million while non-interest income grew \$475 million, or 39 per cent, to \$1,689 million. Underlying income was up \$671 million, or 15 per cent.

In Hong Kong, income growth gained momentum with 17 per cent growth compared with four per cent last year. Elsewhere, income grew strongly in Singapore, Malaysia, the UAE and India. In Korea, operating income was flat year-on-year.

Operating expenses grew \$752 million, or 28 per cent, to \$3,393 million. Underlying expenses were up \$495 million, or 20 per cent. Significant investments were made in China, Hong Kong, Korea, Singapore and India. Investments were made to expand the sales force, with more than 4,000 branch sales consultants, customer relationship managers and direct sales agents recruited in the year. Over 70 new branches were opened and over 600 new ATMs installed or upgraded. The Standard Chartered Private Bank was launched in seven markets and 11 locations and the business in China was incorporated and approvals to conduct additional Renminbi businesses granted, providing further opportunities to grow the franchise.

Loan impairment increased marginally to \$736 million. The loan impairment charge in the Taiwan branch decreased by \$199 million as the credit environment continued to improve. In Pakistan, loan impairment was higher due to the full year impact of Union and political uncertainties which disrupted collection activities. In Thailand, higher loss rates were experienced due to a wider deterioration in the unsecured loan portfolio. Underlying

loan impairment charges fell 21 per cent, or \$142 million, to \$544 million.

Operating profit improved \$355 million, or 27 per cent, to \$1,677 million. Underlying operating profits grew \$318 million or 25 per cent, to \$1,578 million.

In Hong Kong, income grew \$169 million, or 17 per cent, to \$1,188 million. Expenses rose \$50 million, or 12 per cent. Higher average customer balances in current and savings accounts, and fixed deposits, complemented by improved spreads in current and savings accounts, contributed to the increase in net interest income. Net interest income in mortgages declined as higher new mortgage sales and average balances outstanding were more than offset by intense competition and rising funding costs which adversely affected net interest margins. Net interest income from credit cards, personal loans and other lending were largely unchanged. Higher average loan balances increased personal lending income while lower average balances and rollover rates reduced credit cards income. Against the backdrop of buoyant investor sentiment and ample liquidity, fee income grew significantly as a result of higher unit trust sales, higher insurance premiums and new structured investment products sold. Additional investments were made to expand the sales force, launch the private banking business, open five new branches and relocate and upgrade several other branches. Continued advertising expenditure and direct marketing campaigns were undertaken to support the increased sales initiatives during the period. Operating profit was up 22 per cent to \$657 million.

In Singapore, income was up 28 per cent to \$471 million. Net interest income from mortgages increased as a result of significantly higher new mortgage sales and average balances outstanding, against the backdrop of a vibrant domestic property market. Income also grew in credit cards and personal loans and the SME segment. Net interest income from deposit products was lower as the growth in average current and savings accounts balances was offset by a reduction in margins. Higher investment services fees from unit trust sales, structured investment products and foreign exchange services contributed to strong non-interest income growth. Expenses grew \$49 million, or 35 per cent, to \$191 million. Investments were made to expand the sales force, particularly in the SME segment and in private banking. Two new priority banking centres were opened and a customer service centre upgraded. Loan impairment fell 58 per cent to \$15 million, as provisions were reduced in line with improved credit experience. Operating profit increased \$76 million, or 40 per cent to \$265 million.

In Malaysia, income increased \$53 million, or 24 per cent, to \$274 million. Operating profit was up by 39 per cent to \$117 million. Improved rollover rates in credit cards and increased personal lending volumes, coupled with higher average credit card balances drove net interest income growth. Higher average balances of current and savings accounts compensated for the slight deterioration in savings accounts margin. Income from mortgages grew 11 per cent through tight margin management and anti-attrition efforts despite the stiff competition. Non-interest income was higher, driven by fees from unit trust and insurance sales. Operating expenses increased \$15 million, or 15 per cent, to \$116 million as investments were made to launch a new flagship branch and seven SME centres during the year, as well as increased personnel costs due to higher headcount and salary adjustments.

In Korea, operating income was marginally lower at \$1,142 million. Net interest income grew as income from current and savings accounts increased due to margin improvements, partly offset by lower average balances. Fixed deposit balances reduced during the period as changes to regulations enabled the use of lower cost alternative funding sources to meet statutory liquidity requirements. Strong income growth was achieved in commercial lending to the SME segment with income increasing 42 per cent. Credit cards and personal loan income grew nine per cent, whilst income from mortgages was seven per cent lower due to lower average mortgages outstanding and margin deterioration. While fee income from unit trust, investment and insurance products grew, total non-interest income fell as there were additional charges incurred in relation to dormant accounts and on economic hedges of the mortgage portfolios due to accounting asymmetry, partially offset by a release of \$67 million (2006: \$55 million) fair value provisions due to further recoveries made. After adjusting for these items, the operating income growth would have been 10 per cent for the year. Expenses grew \$108 million, or 14 per cent, to \$907 million, with significant investments in distribution channels, over 100 new relationship managers recruited, four additional new branches opened, two branches relocated and 23 priority banking branches upgraded. Loan impairment was \$8 million higher at \$96 million. Operating profit fell \$120 million, or 46 per cent, to \$139 million.

In Other Asia Pacific, income grew \$438 million, or 60 per cent, to \$1,167 million. Expenses grew \$315 million, or 71 per cent, to \$760 million. Operating profit for the year was \$99 million. Underlying income grew \$94 million, or 15 per cent, to \$742 million. Underlying expenses of the region grew \$115 million, or 29 per cent. Loan impairment for the region was \$82 million lower, at \$308 million. Underlying loan impairment fell by \$185 million primarily due to the improved credit environment in Taiwan, and lower impairment in the Philippines and Indonesia. Loan impairment in Thailand, however, increased by \$18 million as a result of a wider credit deterioration in the unsecured lending portfolio.

In China, operating income grew 95 per cent, with net interest income growth driven by increased trade and lending volumes, supplemented by a significant increase in income from structured deposits and higher average current and savings accounts balances. Over \$60 million of investments were made to customise retail banking products and services, to extend branches and ATM distribution infrastructure, and to increase sales, marketing and support staff. This high level of investment expenditure resulted in an operating loss for the year. In Taiwan, operating income grew by \$301 million to \$484 million reflecting the full year impact of the Hsinchu acquisition.

In India, income increased \$85 million, or 26 per cent, to \$408 million while operating expenses increased \$67 million, or 33 per cent, to \$268 million. Significantly higher average balances and improved margins on current and savings accounts contributed to a 28 per cent increase in overall net interest income. Investment in people, premises and private banking increased expenses. Other significant costs included investments in branches, service centre centralisation, ATMs and technology. Loan impairment increased \$31 million, due to a wider deterioration in the unsecured consumer lending environment and increased portfolio impairment provision in unsecured lending and credit cards as the portfolio size increased. Operating profit fell \$13 million, to \$63 million.

Operating income in the MESA region increased by \$206 million, or 38 per cent, to \$751 million. Underlying income grew \$99 million or 25 per cent. In the UAE, income grew 32 per cent to \$302 million. Net interest income increased driven by higher average balances in current and savings accounts. Investment services and insurance continued to drive non-interest income growth. Significant growth in trade finance, business instalment loans and cash management and treasury services resulted in the doubling of operating income from the SME segment. Income in Pakistan grew 72 per cent to \$256 million reflecting the full year impact of the Union acquisition. Expenses in the MESA region grew by \$115 million, or 41 per cent to \$395 million. Underlying expenses grew \$58 million, or 29 per cent. Investments were targeted at improving premises infrastructure, expanding distribution channels and increasing the sales force. Additional expenses were also incurred for the integration of the Union acquisition. Loan impairment increased \$68 million to \$129 million, reflecting higher impairment in Pakistan due to increased political uncertainties, and in the UAE, in relation to the credit cards and unsecured lending portfolios. Operating profit increased \$23 million to \$227 million for the region.

In Africa, operating profit grew \$18 million, or 35 per cent to \$69 million. Income grew 21 per cent, as higher volumes and improvements in margins drove deposit net interest income. Income from the SME segment improved as product capability was significantly upgraded to capture the increasing trade finance opportunities.

Product Performance

Credit Cards, Personal Loans and Unsecured Lending grew operating income by \$290 million, or 16 per cent, to \$2,089 million. Underlying income grew nine per cent. This included a \$107 million gain in relation to the shares received from the restructuring of Visa, with approximately three quarters of this gain recorded in Hong Kong and Singapore. Asset growth was controlled with stricter credit underwriting and approval policies to ensure the balance between good growth and credit quality was maintained.

Wealth Management and Deposits grew operating income by \$683 million, or 35 per cent, to \$2,621 million. Underlying income

The Americas, UK & Europe saw an increase in operating profit of \$14 million to \$41 million. Income grew \$18 million, or 23 per cent, to \$95 million driven primarily by higher average deposit balances. Operating costs increased as additional expenses were incurred to launch the private banking business and additional recruitment of sales staff.

grew 18 per cent. The continued investment in the development of products and their wider distribution to more markets significantly enhanced the client proposition. Sales volumes of investment products increased over 50 per cent, driving a 38 per cent increase in non-interest income. Net interest income grew due to higher customer balances, with current and savings accounts now representing almost half of the deposit base.

Mortgages and Auto Finance income grew by \$126 million, or 16 per cent, to \$906 million. Underlying income grew three per cent. Mortgage balances outstanding were broadly unchanged, reflecting competitive pressures in a number of key markets.

Wholesale Banking

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

2007											
Asia Pacific											
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Underlying \$million	Wholesale Banking Total \$million
Operating income	870	421	184	418	933	899	676	485	357	5,097	5,243
Operating expenses	(347)	(239)	(69)	(239)	(445)	(260)	(299)	(244)	(672)	(2,724)	(2,814)
Loan impairment	3	(1)	3	2	(10)	(13)	(14)	(10)	15	(9)	(25)
Other impairment	–	–	–	–	–	–	–	(2)	(55)	(57)	(57)
Operating profit/(loss)	526	181	118	181	478	626	363	229	(355)	2,307	2,347

2006											
Asia Pacific											
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Underlying \$million	Wholesale Banking Total \$million
Operating income	596	255	150	380	655	494	525	383	485	3,831	3,923
Operating expenses	(292)	(152)	(63)	(173)	(336)	(174)	(234)	(219)	(508)	(2,114)	(2,151)
Loan impairment	46	(3)	7	(8)	6	7	8	(14)	43	94	92
Other impairment	–	–	–	–	(3)	–	–	(9)	(3)	(15)	(15)
Operating profit	350	100	94	199	322	327	299	141	17	1,796	1,849

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

Operating Income by product	2007 \$million	2006 \$million
Trade and Lending	1,236	1,006
Global Markets*	2,673	1,895
Cash Management and Custody	1,334	1,022
Total operating income	5,243	3,923

* Global Markets comprises the following businesses: foreign exchange and derivatives, private equity, debt capital markets, corporate finance and asset and liability management ('ALM').

Wholesale Banking had a very strong year with significantly higher business volumes and income momentum. The key markets of the Group remained resilient in the midst of financial market turbulence. The investments made in a number of businesses and products have driven growth across key geographies.

Operating income grew \$1,320 million, or 34 per cent, to \$5,243 million. Net interest income was up 16 per cent to \$2,071 million while non-interest income increased 50 per cent to \$3,095 million. Operating profit increased \$498 million, or 27 per cent, to \$2,347 million. On an underlying basis, operating income grew 33 per cent.

Client revenues grew 37 per cent. Client income represented approximately four-fifths of total income and remained the key driver of growth. The focus on nurturing key client relationships, attracting new clients, improving product cross-sell and investing in higher-value and strategic products resulted in a broad based income momentum across all client segments.

Operating expenses grew \$663 million, or 31 per cent, to \$2,814 million. Underlying expenses grew 29 per cent. A large proportion of the cost growth was due to increased performance related pay and personnel costs. Further investments were targeted to expand product capabilities, such as in equity derivatives and in electronic foreign exchange dealing channels, and to broaden principal finance coverage to include the Middle East and Africa. Investments were also made to improve operational efficiencies and service levels, for example, investment in a new documentary

trade system which enables straight through processing as well as expenditure to strengthen the compliance and control systems.

The benign credit environment persisted through most of the year with the recent turmoil in the credit markets having limited impact on the results for the year. Low specific provisions reflected strong risk management discipline and portfolio quality. Loan impairment recoveries were significantly lower, resulting in a net loan impairment charge of \$25 million for the year. However, other impairment charges increased to \$57 million, mainly due to impairment in asset backed securities of \$35 million, and \$17 million intangible asset impairment relating to Whistlejacket.

In Hong Kong, income grew \$274 million, or 46 per cent, to \$870 million. Operating profit grew 50 per cent to \$526 million. Higher average client account balances resulting, in part, from strong equity market activities, drove overall net interest income up by \$70 million. Higher foreign exchange, options and other derivatives sales contributed significantly to non-interest income growth, with improved trading performance driving own account income. Increased volumes in securities services and higher average assets under management drove custodial services fees higher. In addition, there was strong growth in fees earned from corporate finance and structured finance transactions during the year. Expenses grew \$55 million, or 19 per cent, to \$347 million with this increase primarily directed towards building the sales force, improving sales and performance incentives and enhancing product capabilities.

Income in Singapore grew \$166 million, or 65 per cent, to \$421 million. Operating profit grew \$81 million, or 81 per cent, to \$181 million. Significant contributions from loan syndications, structured finance transactions and private equity gains added over \$100 million to overall income growth. Revenues were also higher from foreign exchange and interest rate derivative sales. Own account income was flat with higher ALM income offset by lower trading income from interest rates and foreign exchange derivatives. Expenses grew \$87 million, or 57 per cent, to \$239 million reflecting increased recruitment, higher salary and performance related incentives and continued investments in product capabilities.

In Malaysia, income increased \$34 million, or 23 per cent, to \$184 million. Expenses grew \$6 million, or 10 per cent, to \$69 million. Operating profit increased by 26 per cent to \$118 million. Higher average balances contributed to net interest income growth while the growth in non-interest income was principally due to higher fees from syndications, debt financing and corporate advisory. Custody and securities services benefited from higher stock market activities. Income from foreign exchange and derivatives sales grew strongly but this was partly offset by losses incurred on own account trading.

Income in Korea increased \$38 million, or 10 per cent, to \$418 million. Net interest income increased 11 per cent, as higher average balances drove interest income growth. Trade and lending revenues were broadly unchanged. Non-interest income increased as a result of higher income from foreign exchange and derivatives sales and private equity gains, offset by interest rate derivatives trading losses. During the period, there were \$32 million (2006: \$51 million) of recoveries on assets that had been fair valued at acquisition, offset by the loss arising from economic hedges due to accounting asymmetry. Excluding these items adjusted operating income growth would have been 31 per cent. Expenses grew \$66 million, or 38 per cent, to \$239 million. Operating income for the year was \$181 million.

Other Asia Pacific region delivered strong income growth of \$278 million, or 42 per cent, to \$933 million, with expenses rising 32 per cent, to \$445 million. Operating profit grew \$156 million, or 48 per cent, to \$478 million. Underlying income grew \$259 million, or 40 per cent, to \$899 million. Underlying profit was up 54 per cent.

In China, operating income grew 67 per cent to \$379 million. Interest income from cash management was significantly higher, as average deposit balances grew over 50 per cent. Higher utilisation of trade facilities more than compensated for regulatory restrictions which affected lending revenues. Custody and securities services income grew as the number of settled trades and assets under custody increased. Fee income from debt financing and syndications were higher and there was also a gain realised from a private equity investment. In Indonesia, Thailand and the Philippines, there was strong income growth, up 33 per cent, to \$345 million, on the back of strong foreign exchange and derivatives sales.

In India, income grew \$405 million, or 82 per cent, to \$899 million. Operating profit increased 91 per cent to \$626 million. A buoyant domestic economy drove capital market activities and improved investor sentiment. Assets under administration and settlement volumes increased significantly amidst a booming equity market. Higher average customer balances and improved liability margins drove interest income higher. In addition, income grew from increased lending to the commercial real estate sector, several large acquisition finance transactions, and higher trade

financing volumes. Fee income growth was generated from corporate finance and advisory, debt capital markets, structured finance transactions and private equity gains. Own account trading income increased with good performance in fixed income and foreign exchange trading. Expenses increased by \$86 million, or 49 per cent, to \$260 million, with increased hiring of product specialists and sales staff, increased performance related incentives, premises improvements and systems infrastructure expenditure.

Operating income in the MESA region rose \$151 million, or 29 per cent, to \$676 million. Operating profit grew \$64 million, or 21 per cent, to \$363 million. Income growth was broad based across the region with most countries generating high growth in operating income and profit. In the UAE, income grew 24 per cent to \$261 million. Client revenues grew across most products, notably in cash management and transaction banking, interest rate and foreign exchange derivatives sales, reflecting the benefits of investment in adding product capability and range in recent years. However, own account income was lower due to losses incurred in interest rate derivatives trading. In Bahrain and Qatar, the combined operating income was up over 51 per cent, to \$145 million. In Pakistan, income grew 36 per cent, to \$105 million, reflecting good underlying growth as well as the full year impact of the Union acquisition. Expenses in the region grew \$65 million, or 28 per cent, to \$299 million due to higher recruitment levels, premises and infrastructure costs as well as acquisition integration costs.

In Africa, income grew \$102 million, or 27 per cent, to \$485 million. In Nigeria, income was up 60 per cent to \$115 million. In Tanzania, Kenya and Uganda, the combined income grew \$36 million, or 34 per cent, to \$141 million. Operating income was driven by growth in transaction banking revenues, with average wholesale deposit balances increasing significantly, offsetting a small decline in margins. Higher fees were earned on corporate advisory and debt financing transactions. Expenses increased 11 per cent to \$244 million. Operating profit increased \$88 million, or 62 per cent, to \$229 million.

Operating income in the Americas, UK & Europe decreased by \$128 million, or 26 per cent, to \$357 million. Expenses grew by \$164 million, or 32 per cent, to \$672 million. Operating loss for the period was \$355 million.

In the Americas, income was up 33 per cent, or \$71 million, to \$289 million as revenues grew strongly in foreign exchange and derivatives sales, trade and cash management, as well as achieving higher corporate finance and ALM income. Operating expenses were up 15 per cent, or \$28 million, to \$212 million. Operating profit in the Americas was \$86 million, or 72 per cent higher than last year.

In the UK & Europe, income fell \$199 million, to \$68 million. Growth in client revenues was strong, particularly in foreign exchange and derivatives sales, trade finance and cash management. However this was offset by a loss of \$116 million incurred on the exchange of capital notes held in Whistlejacket, and \$131 million writedowns and trading losses in asset backed securities incurred in turbulent market conditions during the second half of the year. Operating expenses were up \$136 million, to \$460 million, reflecting continued investment in product development, new business initiatives, and higher salary costs, mainly performance related pay. Other impairment charges increased, due to a \$17 million intangible asset impairment related to Whistlejacket, and \$35 million impairment in asset backed securities held.

Product Performance

Trade and Lending income increased 23 per cent to \$1,236 million, with underlying income growing 19 per cent. Trade income grew as volumes increased, driven in part by supply-chain financing and receivables services, partially offsetting the impact of tightening margins. While higher loan origination activities grew lending assets, this was offset by active loan sales and structured credit transactions to optimise capital deployment. Lending income was up 19 per cent.

Global Markets' income grew 41 per cent to \$2,673 million. Client revenues grew significantly on the back of improved product cross-selling efforts and higher client penetration. Derivatives and foreign exchange sales grew income by 60 per cent. Client income grew over 70 per cent in the debt capital markets and corporate finance units on the back of strong loan syndication and bond issuance volumes, combined with the

completion of several landmark cross-border corporate advisory and project finance transactions. Private equity investments have delivered high return on investments, with a number of realisations during the period. However, own account income was affected by losses due to writedowns and trading losses in asset backed securities of \$131 million and a \$116 million loss incurred on the exchange of capital notes held in Whistlejacket.

Cash Management and Custody income was up 31 per cent at \$1,334 million. Underlying income grew 26 per cent, as higher transaction volumes drove fee income growth, and higher cash balances increased net interest income. Securities assets under administration grew significantly as higher transaction volumes drove increased income in securities services.

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

Risk Management Review

The credit environment in the majority of the Group's core markets remained generally benign throughout 2007, notwithstanding the turbulent market conditions in some western markets in the second half of the year triggered by the sub-prime mortgage crisis in the United States. The Group's strategy to pursue growth in Asia, Africa and the Middle East has resulted in no direct exposure to US sub-prime mortgages and extremely limited indirect exposure.

The Group's liquidity remains strong and is being used to strengthen relationships with key clients and to continue to support growth opportunities.

Market risk is tightly controlled using Value at Risk ('VaR') methodologies complemented by stress testing. VaR increased in 2007 as a consequence of increased volatility and growth in the financial markets business of the Wholesale Bank.

The Wholesale Banking portfolio remains robust with new provisions continuing at a low level. The absolute level of recoveries in 2007 was lower than in recent years due to a lower stock of problem accounts after several years of benign credit conditions, and good progress in management of these accounts. Forward credit portfolio quality indicators remain stable. The Wholesale Banking asset backed securities portfolio includes mortgage backed securities and collateralised debt obligations. This portfolio, representing around two per cent of assets, has been affected by the market dislocation but has had limited impact on the Group's performance. The asset backed securities portfolio continues to be closely monitored and proactively managed.

In 2007, the Consumer Banking credit portfolio performance continued to be driven primarily by country specific factors. Total net loan impairment as a percentage of loans and advances improved marginally year-on-year and gross non-performing loans were significantly lower than at last year end. There was a material improvement in Taiwan's loan impairment as compared to 2006 due to a more favourable consumer credit climate. The Consumer Banking portfolios in Singapore also performed particularly well in terms of delinquency and impairment. Economic conditions, in part resulting from political instability, led to a deterioration in credit quality in Pakistan and Thailand in 2007.

Good progress is being made on the integration of risk controls and processes into the two acquisitions, Union in Pakistan and Hsinchu in Taiwan.

The requirements of Basel II are broadly consistent with our established approaches to risk measurement: the Group strongly supports the principle of a more risk sensitive approach to capital adequacy, facilitated by the Basel II framework. Accordingly, we are pleased to have received from the Financial Services Authority ('FSA') in the United Kingdom approval to use the Advanced Internal Ratings Based approaches for the calculation of credit risk capital, covering the vast majority of our assets globally. We have also received a similar approval from the Hong Kong Monetary Authority in respect of our business there. Management is working closely with other regulators to ensure that the Group is well placed to benefit from the local rollout of Basel II.

Risk Governance

Through its risk management framework the Group seeks to efficiently manage credit, market, country and liquidity risk, which arise directly through the Group's commercial activities, as well as

operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

As part of this framework, the Group uses a set of principles that describe the risk management culture the Group wishes to sustain. All risk decisions and risk management activity should be in line with, and in the spirit of, the risk principles of the Group. The principles of risk management followed by the Group include:

- **Balancing risk and reward:** risk is taken in support of the requirements of the Group's stakeholders, in line with the Group's strategy and within its risk appetite;
- **Responsibility:** given the Group is in the business of taking risk, it is everyone's responsibility to seek to ensure that risk taking is both disciplined and focused. The Group takes account of its social, environmental and ethical responsibilities in taking risk to produce a return;
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk taking must be transparent, controlled and reported;
- **Anticipation:** the Group looks to anticipate future risks and seeks to ensure awareness of all risks; and
- **Competitive advantage:** the Group seeks competitive advantage through efficient and effective risk management and control.

Ultimate responsibility for the effective management of risk rests with the Board of Standard Chartered PLC. Acting within an authority delegated by the Board, the Audit and Risk Committee ('ARC'), whose members are all Non-Executive Directors of the Company, reviews specific risk areas and monitors the activities of the Group Risk Committee ('GRC') and the Group Asset and Liability Committee ('GALCO').

The Board's remit for management of credit risk, country risk, market risk, operational risk, regulatory risk and reputational risk is delegated to the GRC.

All the Group Executive Directors ('GEDs') of Standard Chartered PLC, members of the Standard Chartered Bank Court and the Group Chief Risk Officer are members of the GRC. This Committee is chaired by the Group Chief Risk Officer.

GALCO, through authority delegated by the Board, is responsible for the maintenance of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management including management of the Group's liquidity, capital adequacy and structural foreign exchange rate risk.

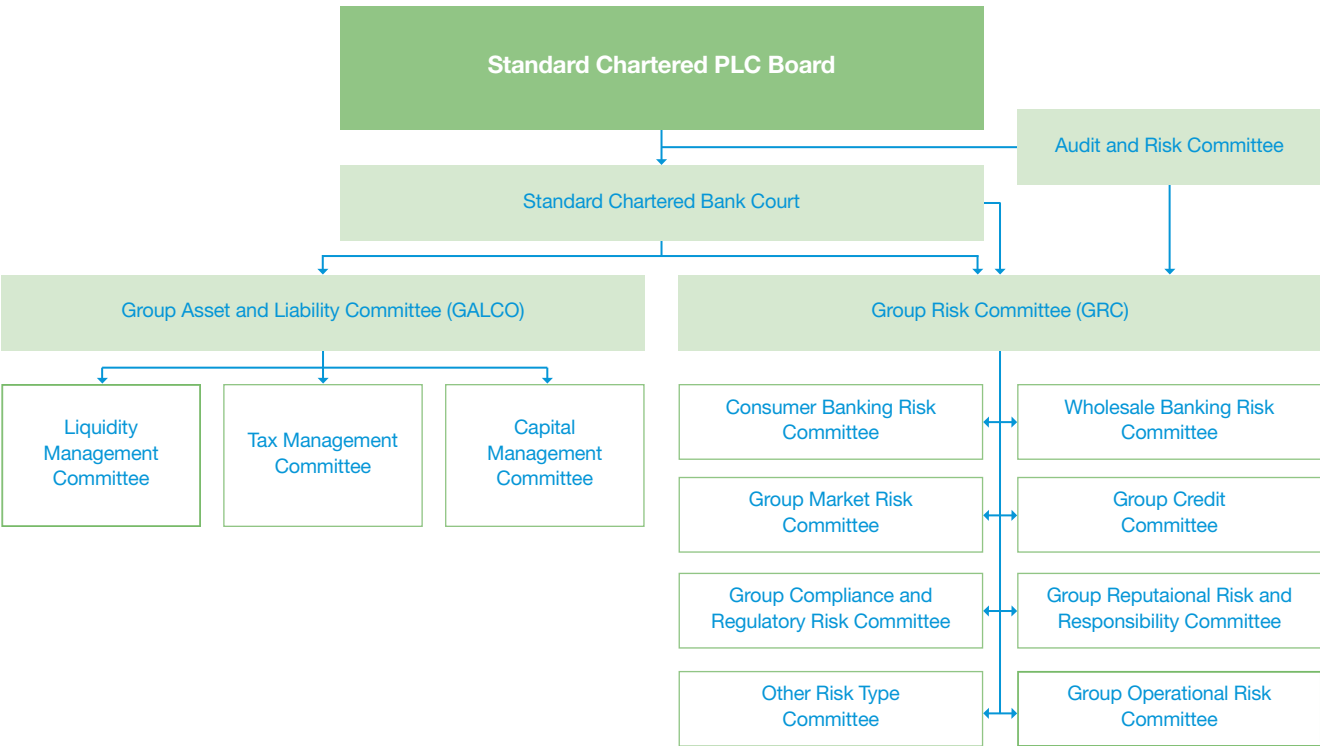
GALCO membership consists of all the GEDs of Standard Chartered PLC and members of Standard Chartered Bank Court. The committee is chaired by the Group Finance Director.

The committee governance structure seeks to ensure that risk management standards and policies are cascaded down through the organisation from the Board through the GRC and the GALCO to functional, regional and country level committees. Information is communicated through the country, regional and functional committees to the Group level committees, which seeks to ensure that key risk issues are addressed at the appropriate level and to provide assurance that standards and policies are being followed.

Risk Governance continued

The following diagram illustrates the high level committee structure.

Group risk committee structure



Individual GEDs and members of the Standard Chartered Bank Court are accountable for risk management in their businesses and support functions, and for countries where they have governance responsibilities. This includes:

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

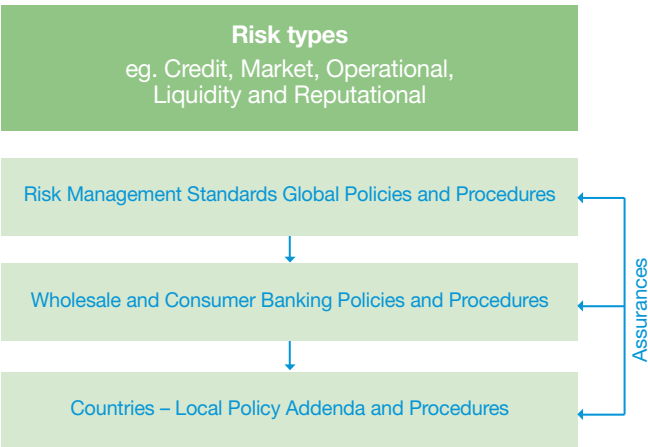
The Group Executive Director with responsibility for Risk ('GED Risk') and the Group Chief Risk Officer manage a Risk function which is independent of the origination and sales functions of the businesses. The Risk function performs the following core activities:

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

The Group's Risk Management Framework ('RMF') identifies the risk types, each of which is managed by a designated Risk Type Owner ('RTO'). The RTOs, who are all approved persons under the FSA regulatory framework, have responsibility for establishing minimum standards and governance and for implementing governance and assurance processes. The RTOs report up through specialist risk committees to the GRC or GALCO.

The GED Risk and the Group Chief Risk Officer, together with Director, People, Property and Assurance and Group Internal Audit, provide assurance, independent from the businesses, that risk is being measured and managed in accordance with the Group's standards and policies.

Risk management framework



Risk Appetite

Risk appetite is an expression of the amount of risk the Group is prepared to take to achieve its strategic objectives. The Group's risk appetite defines the acceptable level of earnings volatility. Recognising a range of outcomes as business plans are implemented, risk appetite reflects the Group's capacity to sustain potential losses at varying levels of probability, based on available capital resources.

The Group has defined its risk appetite in the context of three key criteria: the overall capacity to take risk; balancing the expectations of all key stakeholders; and support for the Group's credit rating.

The Group uses a range of quantitative risk indicators including capital ratios, profitability, return on equity, portfolio credit risk profile and market risk VaR, through which senior management monitor the Group's risk profile. In addition to financial measures of risk, the Group also controls risk through concentration caps and underwriting policies. Measures vary by country, business and product area.

The annual business planning and regular performance management processes aim to ensure the expression of risk appetite remains appropriate.

Stress Testing

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

Stress testing and scenario analysis help to inform management with respect to:

- the identification of potential future risks;
- the setting of the Group's risk appetite;
- the nature and dynamics of the risk profile;
- the robustness of risk management systems and controls;
- the adequacy of contingency planning; and
- the effectiveness of risk mitigants.

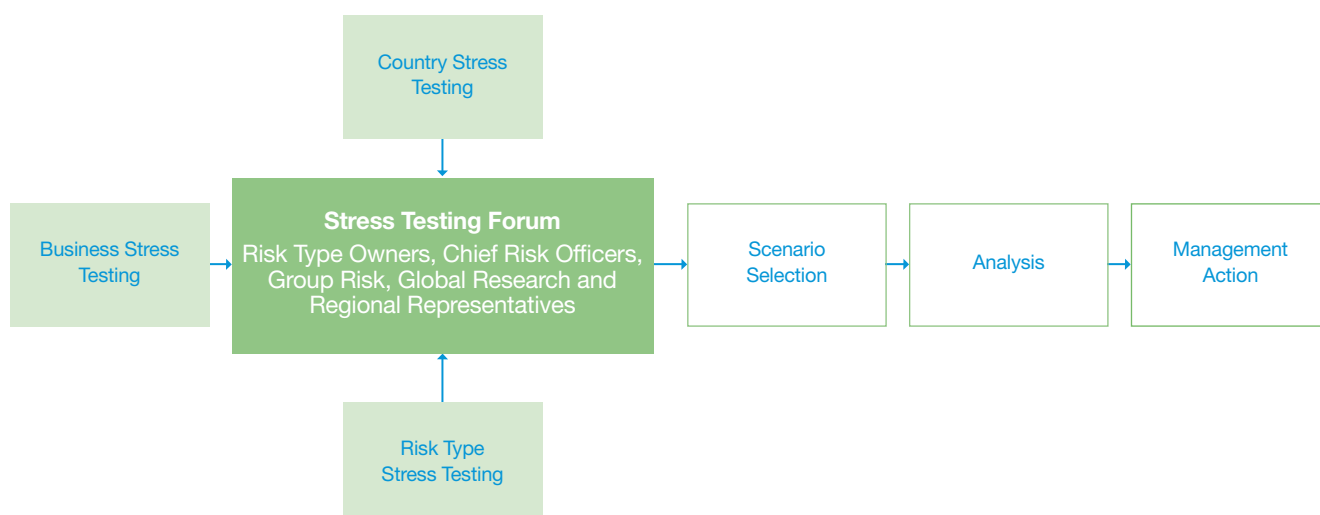
The diagram below illustrates the stress testing framework, which has been implemented to meet the following requirements:

- enable the Group to set and monitor its risk appetite;
- identify key risks to the Group's strategy, financial position, and reputation;
- assess the impact on the Group's profitability and business plans;
- seek to ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing;
- inform senior management; and
- satisfy regulatory requirements.

The stress testing forum is led by the Risk function with participation from the businesses, Finance and Group Treasury. Its primary objective is to seek to ensure the Group understands the earnings volatility and capital implications of given stress scenarios. A key responsibility of the stress testing forum is to generate and consider pertinent and plausible scenarios that have the potential to adversely affect the Group.

In view of recent market turbulence, stress testing activity has been intensified at country, business and Group levels, with specific focus on certain asset classes, client segments and the potential impact of macro economic factors. Stress tests have taken into consideration possible future scenarios that could arise as a result of prevailing market conditions. The stress tests provide the Group with an understanding of the way in which its portfolios may react to stress events and the management actions that would need to be taken if these scenarios unfold. The results confirm that the Group's geographic and business diversity reduce the impact at a Group level with no material vulnerabilities in the short-term in the Group's overall portfolio.

Stress testing framework



Credit Risk

Credit Risk Management

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

Credit exposures include both individual borrowers and groups of connected counterparties, and portfolios in the banking and trading books.

The Group Chief Credit Officer ('GCCO') is the RTO for credit risk. The standards and Group-wide credit policies recommended by the GCCO are considered and approved by the GRC, which also oversees the delegation of credit authorities.

Policies and procedures that are specific to each business are established by both Consumer and Wholesale Banking. These are consistent with the Group-wide credit policies, but are adapted to reflect the different risk environments and portfolio characteristics. There are Chief Risk Officers for both the Consumer and Wholesale Banking businesses, who have their primary reporting line into the Group Chief Risk Officer. This ensures the independence of the Risk function from the origination and sales functions.

Risk Mitigation

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

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

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back-tested at least annually.

Concentration Risk

Credit concentration risk in the Wholesale Banking portfolio is managed through the Credit Issues Forum, which is chaired by the Wholesale Bank Chief Risk Officer and comprises members of senior management from the Risk function and the business. Various concentration dimensions are assessed including industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Consumer Banking is managed within exposure limits set for each product segment in each country. These limits are reviewed at least annually and are approved by the responsible business and risk officer in accordance with their delegated authority level.

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to banks and customers. The amount of credit risk is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group further limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility,

derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

Securities

Within Wholesale Banking, the Underwriting Committee approves the portfolio limits and parameters by business units for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the GRC. The business operates within set limits, which include country, single issuer, holding period and credit grade limits. The Underwriting Committee approves underwriting applications. Day to day credit risk management activities are carried out by Markets & Institution Risk Management ('MIRM') whose activities include oversight and approval of temporary excesses within the levels as delegated by the Underwriting Committee.

Issuer risk monitoring is performed by Group Market Risk, whilst the counterparty pre-settlement and settlement risk arising on the sale and purchase of securities is monitored by MIRM. The price risk in respect of these assets is controlled by the Market Risk function.

Wholesale Banking Credit Risk

Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators and the approvers in the Risk function.

An alphanumeric grading system is used for quantifying the risk associated with a counterparty. The grading is based on a probability of default measure, with customers analysed against a range of quantitative and qualitative measures. The numeric grades run from 1 to 14. Counterparties with lower credit grades are assessed as being less likely to default. An A to C scale is assigned to the original numeric rating scale, to enable more granular mapping of the probability of default, which results in more refined risk assessment, risk control and pricing. A counterparty with an A suffix has a lower probability of default than a counterparty with a C suffix. Credit grades 1A to credit grade 12C are assigned to performing customers while credit grades 13 and 14 are assigned to non-performing (or defaulted) customers.

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

In addition to nominal aggregate exposure, expected loss is used in the assessment of individual exposures and for portfolio analysis. Expected loss is the long-run average credit loss across a range of typical economic conditions. It is used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. Significant exposures are reviewed and approved centrally through a Group or regional level credit committee. These committees derive their authority from GRC.

To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty group and portfolio exposure information, credit grade migration information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets. Internal Ratings Based ('IRB') portfolio metrics are widely used.

Credit Risk continued

Consumer Banking Credit Risk

Credit risk in Consumer Banking is also managed through a framework of policies and procedures. Credit origination uses standard application forms, which are processed in central units using largely automated approval processes. Where appropriate to the customer, the product or the market, a manual approval process is in place. As with Wholesale Banking, origination and approval roles are segregated.

To aid Credit Managers in portfolio management, regular internal risk management reports contain information on key environmental and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance, as well as IRB portfolio metrics including migration across credit grades and other trends.

Credit grades within Consumer Banking are based on a probability of default calculated using advanced IRB models.

For portfolios where such models have not yet been developed, the probability of default is calculated using portfolio delinquency flow rates. An alphanumeric grading system identical to that of the Wholesale Banking business is used as an index of portfolio quality.

Loan Portfolio

Loans and advances to customers have grown by \$16.5 billion to \$157.0 billion.

The total Consumer Banking portfolio has grown by \$3.6 billion since December 2006. The majority of the growth has been in the SME business, with nearly half of that growth coming from Korea. The Singapore mortgage portfolio also grew significantly, fuelled by a buoyant property market.

Growth in the Wholesale Banking customer portfolio was \$12.9 billion, or 21 per cent. Over 40 per cent of that growth was in Asia Pacific, widely spread across a number of countries in that region. The significant growth in Americas, UK & Europe primarily reflects the increased contribution from the Global Markets products.

Exposures to banks grew by 79 per cent. This reflects the Group's strong liquidity position, with much of that liquidity placed with high quality bank counterparties. The growth was well spread across geographies, with about two-thirds of it in Asia Pacific.

Single borrower concentration risk has been mitigated by active distribution of assets to banks and institutional investors. The Group has achieved additional risk distribution through credit default swaps and synthetic risk transfer structures.

The Wholesale Banking portfolio remains well 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.

2007										
	Asia Pacific									
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans to individuals										
Mortgages	11,845	4,615	2,441	22,634	6,333	1,638	493	254	120	50,373
Other	2,288	1,396	1,002	4,712	3,929	1,208	2,829	615	170	18,149
Small and medium enterprises	1,188	1,687	828	5,937	2,375	920	660	143	2	13,740
Consumer Banking	15,321	7,698	4,271	33,283	12,637	3,766	3,982	1,012	292	82,262
Agriculture, forestry and fishing	16	163	102	26	186	51	193	335	529	1,601
Construction	111	35	38	204	246	225	487	48	27	1,421
Commerce	1,865	2,094	369	434	2,510	722	2,430	703	1,758	12,885
Electricity, gas and water	550	76	45	176	352	9	411	277	883	2,779
Financing, insurance and business services	2,129	1,858	606	910	2,276	566	1,517	227	4,540	14,629
Governments	–	3,220	3,941	8	26	–	341	8	265	7,809
Mining and quarrying	–	31	8	93	159	65	238	138	2,722	3,454
Manufacturing	1,908	701	453	3,533	5,896	1,789	1,524	374	3,727	19,905
Commercial real estate	1,050	675	3	1,094	995	364	99	8	10	4,298
Transport, storage and communication	313	323	209	124	680	137	709	196	1,660	4,351
Other	148	338	7	424	268	18	796	22	102	2,123
Wholesale Banking	8,090	9,514	5,781	7,026	13,594	3,946	8,745	2,336	16,223	75,255
Portfolio impairment provision	(47)	(40)	(25)	(80)	(182)	(56)	(81)	(18)	(6)	(535)
Total loans and advances to customers	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Total loans and advances to banks	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679

Total loans and advances to customers include \$2,716 million held at fair value through profit or loss. Total loans and advances to banks include \$2,314 million held at fair value through profit or loss.

	2006									
	Asia Pacific					India \$million	*Middle East & S Asia \$million	Africa \$million	Americas UK & Europe \$million	*Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	**Other Asia Pacific \$million					
Loans to individuals										
Mortgages	11,245	3,551	2,593	23,954	5,968	1,492	416	239	155	49,613
Other	2,235	1,028	771	4,612	4,523	928	2,650	483	537	17,767
Small and medium enterprises	919	1,548	883	4,907	2,023	567	323	133	–	11,303
Consumer Banking	14,399	6,127	4,247	33,473	12,514	2,987	3,389	855	692	78,683
Agriculture, forestry and fishing	53	13	53	20	108	25	65	159	297	793
Construction	57	29	26	262	181	198	332	78	2	1,165
Commerce	1,986	1,320	331	348	1,407	608	1,995	457	1,269	9,721
Electricity, gas and water	176	17	56	31	314	26	193	80	815	1,708
Financing, insurance and business services	1,817	1,664	724	1,176	1,901	479	1,245	182	3,264	12,452
Governments	–	3,328	3,397	13	20	–	4	–	235	6,997
Mining and quarrying	–	3	–	50	324	32	352	110	1,624	2,495
Manufacturing	2,282	701	228	3,208	4,756	1,435	1,848	406	2,504	17,368
Commercial real estate	819	708	5	849	720	231	27	7	–	3,366
Transport, storage and communication	277	338	149	189	495	249	810	173	1,647	4,327
Other	220	406	9	496	357	5	314	39	115	1,961
Wholesale Banking	7,687	8,527	4,978	6,642	10,583	3,288	7,185	1,691	11,772	62,353
Portfolio impairment provision	(49)	(28)	(26)	(86)	(246)	(33)	(58)	(10)	(6)	(542)
Total loans and advances to customers	22,037	14,626	9,199	40,029	22,851	6,242	10,516	2,536	12,458	140,494
Total loans and advances to banks	6,474	939	161	1,753	4,462	477	1,058	387	5,353	21,064

* Amounts have been restated as explained in note 51 on page 154.

** Amounts have been re-presented following a re-analysis of acquired loan portfolios.

Total loans and advances to customers include \$1,194 million held at fair value through profit or loss. Total loans and advances to banks include \$1,340 million held at fair value through profit or loss.

Maturity Analysis

Approximately 51 per cent of the Group's loans and advances to customers are short term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short term, with 79 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 maturity of loans and advances to customers by each principal category of borrower's business or industry:

	2007			Total \$million
	One year or less \$million	One to five years \$million	Over five years \$million	
Loans to individuals				
Mortgages	3,490	8,027	38,856	50,373
Other	8,941	7,325	1,883	18,149
Small and medium enterprises	8,028	3,494	2,218	13,740
Consumer Banking	20,459	18,846	42,957	82,262
Agriculture, forestry and fishing	1,332	227	42	1,601
Construction	1,128	249	44	1,421
Commerce	11,585	1,066	234	12,885
Electricity, gas and water	1,727	398	654	2,779
Financing, insurance and business services	12,073	2,054	502	14,629
Governments	7,618	86	105	7,809
Mining and quarrying	1,515	1,029	910	3,454
Manufacturing	15,603	3,128	1,174	19,905
Commercial real estate	2,761	1,510	27	4,298
Transport, storage and communication	2,373	980	998	4,351
Other	1,704	348	71	2,123
Wholesale Banking	59,419	11,075	4,761	75,255
Portfolio impairment provision				(535)
				156,982

	2006*			Total \$million
	One year or less \$million	One to five years \$million	Over five years \$million	
Loans to individuals				
Mortgages	4,378	8,729	36,506	49,613
Other	9,141	6,393	2,233	17,767
Small and medium enterprises	6,299	2,812	2,192	11,303
Consumer Banking	19,818	17,934	40,931	78,683
Agriculture, forestry and fishing	637	63	93	793
Construction	973	161	31	1,165
Commerce	9,015	630	76	9,721
Electricity, gas and water	762	334	612	1,708
Financing, insurance and business services	9,401	2,296	755	12,452
Governments	6,759	117	121	6,997
Mining and quarrying	1,836	231	428	2,495
Manufacturing	13,951	2,239	1,178	17,368
Commercial real estate	1,996	1,343	27	3,366
Transport, storage and communication	2,079	1,360	888	4,327
Other	1,177	431	353	1,961
Wholesale Banking	48,586	9,205	4,562	62,353
Portfolio impairment provision				(542)
				140,494

* Amounts have been restated as explained in note 51 on page 154.

Problem Credit Management and Provisioning

Consumer Banking

Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes, the Group follows industry standards, measuring delinquency as of 30, 60, 90, 120, and 150 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collections processes.

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

A portfolio impairment provision ('PIP') is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in the loan portfolio. PIP covers

both loans for which payments are current and loans overdue for less than 150 days.

The PIP is set with reference to past experience using a flow rate methodology, as well as taking account of judgemental factors such as the economic and business environment in core markets, and the trends in a range of portfolio indicators. These include flow rates across all delinquency buckets, portfolio loss severity, collections and recovery performance trends.

Non-performing loans are loans past due by more than 90 days or have an individual impairment provision raised against them. The cover ratio reflects the extent to which the gross non-performing loans are covered by the individual and portfolio impairment provisions.

The table below sets out the total non-performing loans in Consumer Banking, which includes \$517 million (2006: \$909 million) of net individually impaired loans (note 21). The significant decrease in non-performing loans is a result of improved conditions in Taiwan, strong performance in Singapore, and improvements in SME portfolio quality in Korea.

The following table sets out the total non-performing portfolio in Consumer Banking:

2007										
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	65	61	166	336	475	56	126	38	1	1,324
Individual impairment provision	(24)	(26)	(38)	(125)	(329)	(19)	(75)	(18)	(1)	(655)
Non-performing loans net of individual impairment provision	41	35	128	211	146	37	51	20	–	669
Portfolio impairment provision										(412)
Net non-performing loans and advances										257
Cover ratio										81%

2006										
	Asia Pacific					India \$million	*Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	*Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	*Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	80	100	202	531	821	48	98	24	5	1,909
Individual impairment provision	(29)	(38)	(67)	(239)	(387)	(17)	(62)	(10)	(3)	(852)
Non-performing loans net of individual impairment provision	51	62	135	292	434	31	36	14	2	1,057
Portfolio impairment provision										(448)
Net non-performing loans and advances										609
Cover ratio*										68%

* Individual impairment provisions relating to the finalisation of acquisition fair values have been restated as explained in note 51 on page 154. Gross non-performing loans within 'Other Asia Pacific' have been increased by \$153 million to reflect additional non-performing loans identified as part of these fair values.

Wholesale Banking

In Wholesale Banking, accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example where there is a rapid decline in the client'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 subject to a dedicated process with oversight involving senior officers from the Risk function and Group Special Asset Management ('GSAM'), the specialist recovery unit. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account or immediate movement of the account into the control of GSAM.

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

Future cash flows are estimated by taking into account the individual circumstances of each customer and can arise from

operations, sales of assets or subsidiaries, realisation of collateral or payments under guarantees. Cash flows from all available sources are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

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

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

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. At 75 per cent, the Wholesale Banking non-performing portfolio is well covered. The balance uncovered by individual impairment provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

The following table sets out the total non-performing portfolio in Wholesale Banking, which includes net individually impaired loans of \$372 million (2006: \$538 million) (note 21):

	2007									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	92	26	23	47	358	27	147	79	193	992
Individual impairment provision	(50)	(18)	(21)	(12)	(235)	(25)	(122)	(48)	(87)	(618)
Non-performing loans and advances net of individual impairment provision	42	8	2	35	123	2	25	31	106	374
Portfolio impairment provision										(124)
Net non-performing loans and advances										250
Cover ratio										75%

Wholesale Banking continued

	2006									
	Asia Pacific					India \$million	*Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	*Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	*Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	167	69	29	110	626	24	121	100	152	1,398
Individual impairment provision	(130)	(46)	(25)	(46)	(238)	(22)	(114)	(58)	(151)	(830)
Non-performing loans and advances net of individual impairment provision	37	23	4	64	388	2	7	42	1	568
Portfolio impairment provision										(95)
Net non-performing loans and advances										473
Cover ratio*										66%

* Individual impairment provisions relating to the finalisation of acquisition fair values have been restated as explained in note 51 on page 154. Gross non-performing loans within 'Other Asia Pacific' have been increased by \$375 million to reflect additional non-performing loans identified as part of these fair values.

	2007									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Gross impairment charge	22	7	1	5	11	13	18	15	2	94
Recoveries/provisions no longer required	(25)	(9)	(4)	(3)	(5)	(7)	(11)	(14)	(17)	(95)
Net individual impairment (credit)/charge	(3)	(2)	(3)	2	6	6	7	1	(15)	(1)
Portfolio impairment provision										26
Net impairment charge										25

	2006									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Gross impairment charge	14	9	2	7	3	9	10	19	7	80
Recoveries/provisions no longer required	(50)	(6)	(8)	(3)	(11)	(19)	(18)	(6)	(49)	(170)
Net individual impairment (credit)/charge	(36)	3	(6)	4	(8)	(10)	(8)	13	(42)	(90)
Portfolio impairment provision										(2)
Net impairment credit										(92)

Movement in Group Individual Impairment Provision

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

2007										
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Provisions held at 1 January 2007	159	84	92	285	625	39	176	68	154	1,682
Exchange translation differences	–	2	5	(1)	6	5	(3)	5	1	20
Amounts written off	(161)	(62)	(92)	(128)	(468)	(84)	(115)	(19)	(54)	(1,183)
Recoveries of acquisition fair values	–	–	–	(98)	–	–	–	–	–	(98)
Recoveries of amounts previously written off	34	12	16	–	42	19	12	1	3	139
Discount unwind	(4)	(4)	(4)	(21)	(28)	(1)	(1)	(2)	(1)	(66)
Other	–	–	–	–	2	1	7	–	–	10
New provisions	113	52	109	119	484	98	170	35	2	1,182
Recoveries/provisions no longer required	(67)	(40)	(67)	(19)	(99)	(33)	(49)	(22)	(17)	(413)
Net charge against/(credit to) profit	46	12	42	100	385	65	121	13	(15)	769
Provisions held at 31 December 2007	74	44	59	137	564	44	197	66	88	1,273

2006										
	Asia Pacific					India \$million	*Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	*Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	*Other Asia Pacific \$million					
Provisions held at 1 January 2006	279	140	96	361	179	40	64	60	167	1,386
Exchange translation differences	–	7	6	29	8	1	(2)	(1)	9	57
Amounts written off	(119)	(108)	(51)	(64)	(403)	(64)	(88)	(17)	(48)	(962)
Recoveries of acquisition fair values	–	–	–	(106)	–	–	–	–	–	(106)
Recoveries of amounts previously written off	49	8	11	8	18	17	12	2	3	128
Acquisitions	–	–	–	–	463	–	144	–	–	607
Discount unwind	(2)	(2)	(4)	(32)	(7)	(1)	–	(2)	(2)	(52)
Other	(63)	–	–	14	1	1	–	–	67	20
New provisions	126	71	94	131	403	76	79	44	9	1,033
Recoveries/provisions no longer required	(111)	(32)	(60)	(56)	(37)	(31)	(33)	(18)	(51)	(429)
Net charge against/(credit to) profit	15	39	34	75	366	45	46	26	(42)	604
Provisions held at 31 December 2006	159	84	92	285	625	39	176	68	154	1,682

* Amounts have been restated as explained in note 51 on page 154.

Asset Backed Securities[#]

Total exposures to Asset Backed Securities[#]

At 31 December 2007, the Group had the following exposures to asset backed securities prior to writedowns noted below:

	Asset Securitisation Group \$million	Purchased from Whistlejacket \$million	Total \$million	Percentage of Portfolio %
Residential Mortgage Backed Securities ('RMBS')	607	1,316	1,923	33
Collateralised Debt Obligations ('CDO')	219	491	710	12
Commercial Mortgage Backed Securities ('CMBS')	830	308	1,138	19
Other Asset Backed Securities ('Other ABS')	970	1,115	2,085	36
	2,626	3,230	5,856	100

Writedowns of Asset Backed Securities[#]

	Asset Securitisation Group		**Purchased from Whistlejacket \$million	Total \$million
	Trading \$million	Available -for-sale \$million		
2007				
Charge to available-for-sale reserves	–	(38)	(45)	(83)
Charge to the profit and loss account	(44)	(122)	[†] (116)	(282)
2008*				
Charge to available-for-sale reserves	–	(21)	(15)	(36)
Charge to the profit and loss account	(13)	–	–	(13)

* Movements from 1 January 2008 to 31 January 2008.

** All classified as available-for-sale.

[†] This relates to the loss incurred on the exchange of capital notes held in Whistlejacket.

The credit quality of the asset backed securities remains strong. With the exception of those securities which have been subject to an impairment charge, 98 per cent of the overall portfolio is rated A, or better, and 86 per cent of the overall portfolio rated at AAA. The portfolio is broadly diversified across asset classes and geographies and there is no direct exposure to the US sub-prime market.

33 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AAA. Over 60 per cent of the underlying residential mortgage exposures were originated in 2005 or earlier years.

12 per cent of the overall portfolio is in CDOs. This includes \$291 million exposures to Mezzanine and High Grade CDOs, of which \$122 million have been fully provided for in the profit and loss account. The remainder of the CDOs have a weighted average credit rating of AAA.

19 per cent of the overall portfolio is in CMBS, of which \$159 million is in respect of US CMBS. The weighted average credit rating of the CMBS is AA.

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

Country Risk

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

The GRC is responsible for the Group's country risk limits and delegates the setting and management of the country limits to the Deputy Group Chief Risk Officer and Group Country Risk department.

The business and country Chief Executive Officers manage exposures within these limits and policies. Countries designated as higher risk are subject to increased central monitoring.

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

Cross border exposure to countries in which the Group does not have a significant presence predominantly relates to money market and global corporate activity. This business is originated in the Group's key markets, but is conducted with counterparties domiciled in the country against which the exposure is reported.

Cross border exposures to USA, Korea and Hong Kong have increased by more than \$3 billion each since 2006. Growth in the US was due to a steady increase in non-US dollar funded lending to US corporates and banks. General business growth in Korea, and in particular an increase in business with Korean counterparties in the Group's key markets outside of Korea, has led to an increase in Korea's cross border exposure. The increase in cross border exposure to Hong Kong was driven by business growth, including some large Corporate Finance transactions, and increased lending to Chinese subsidiaries of Hong Kong domiciled customers.

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

	2007			2006		
	One year or less \$million	Over one year \$million	Total \$million	One year or less \$million	Over one year \$million	Total \$million
USA	8,622	5,835	14,457	6,900	3,329	10,229
Korea	6,617	4,299	10,916	5,591	2,274	7,865
Hong Kong	7,681	3,043	10,724	5,414	1,783	7,197
India	6,228	3,667	9,895	5,508	1,774	7,282
United Arab Emirates	4,600	3,004	7,604	3,963	1,371	5,334
Singapore	5,490	1,700	7,190	5,786	1,108	6,894
China	3,634	2,041	5,675	2,739	1,292	4,031
Australia	2,680	1,086	3,766	3,425	569	3,994
Switzerland	2,628	1,136	3,764	1,926	519	2,445

Market Risk

The Group recognises market risk as the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer driven transactions. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return while meeting our customers' requirements.

Market risk is governed by the GRC, which agrees policies and levels of risk appetite in terms of VaR. The Group Market Risk Committee ('GMRC') provides market risk oversight and guidance on policy setting. Policies cover both trading and non-trading books of the Group. The trading book is defined as per the FSA handbook, Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). This is more restrictive than the broader IAS 39 definition, as the FSA only permits certain types of financial instruments or arrangements to be included within the trading book. Limits by location and portfolio are proposed by the businesses within the terms of agreed policy.

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

Value at Risk

The Group measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology.

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

The Group uses historic simulation as its VaR methodology with an observation period of one year. Historic simulation involves the revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio.

The Group recognises that there are limitations to the VaR methodology including the possibility that the historical data may not be the best proxy for future price movements.

VaR models are back tested against actual results to ensure pre-determined levels of statistical accuracy are maintained.

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

GMR, therefore, complements the VaR measurement by regularly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Ad hoc scenarios are also prepared reflecting specific market conditions. A consistent stress testing methodology is applied to trading and non-trading books.

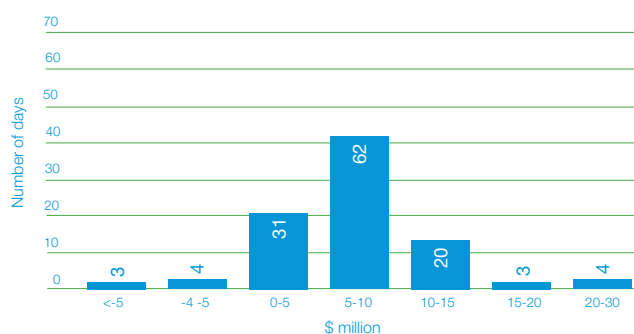
Stress scenarios are regularly updated to reflect changes in risk profile and economic events. GMRC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. GRC considers stress testing results as part of its supervision of risk appetite.

The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

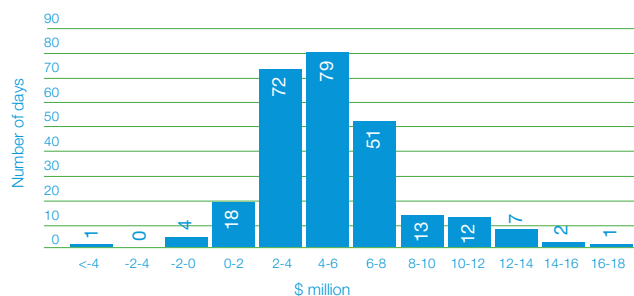
VaR is calculated as the Group's exposure as at the close of business, London time. Intra-day risk levels may vary from those reported at the end of the day.

Trading, non-trading and total VaR have increased in 2007 compared to 2006 due to increased market volatility following the sub-prime credit crisis in August 2007. This surfaced in the US sub-prime mortgage market and spilled over into wider global markets. Trading VaR has also increased due to the expansion of the Commodities and Equities trading businesses throughout 2007, and further due to the inclusion of credit spread risk in interest rate risk VaR from August 2007.

2007 Revenue Distribution



2006 Revenue Distribution



Trading and Non-trading (VaR at 97.5%, 1 day)

Daily value at risk	2007				2006			
	Average \$million	High \$million	Low \$million	Actual [^] \$million	Average \$million	High \$million	Low \$million	Actual [^] \$million
Interest rate risk	12.2	19.6	7.0	17.1	10.5	13.9	7.6	9.3
Foreign exchange risk	3.2	7.2	1.7	4.4	2.6	4.8	1.1	1.5
Commodity risk	0.6	3.5	0.2	0.6	–	–	–	–
Equity risk	0.6	1.9	–	1.4	–	–	–	–
Total*	12.9	20.0	7.5	18.6	10.6	14.0	8.0	10.3

Trading (VaR at 97.5%, 1 day)

Daily value at risk	2007				2006			
	Average \$million	High \$million	Low \$million	Actual [^] \$million	Average \$million	High \$million	Low \$million	Actual [^] \$million
Interest rate risk*	6.2	11.9	2.8	11.0	3.5	5.3	2.5	3.9
Foreign exchange risk	3.2	7.2	1.7	4.4	2.6	4.1	1.4	1.5
Commodity risk	0.6	3.5	0.2	0.6	–	–	–	–
Equity risk	0.6	1.9	–	1.4	–	–	–	–
Total**	7.0	12.5	3.5	12.5	4.3	5.6	3.1	4.0

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

** Interest rate risk VaR includes credit spread risk.

[^] This represents the actual one day VaR as at 31 December.

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

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

	2007 \$million	2006 \$million
Interest rate risk	2.3	1.8
Foreign exchange risk	3.0	2.0
Commodity risk	0.1	–
Equity risk	–	–
Total	5.4	3.8

Non-trading (VaR at 97.5%, 1 day)

Daily value at risk	2007				2006			
	Average \$million	High \$million	Low \$million	Actual [^] \$million	Average \$million	High \$million	Low \$million	Actual [^] \$million
Interest rate risk	9.5	16.8	6.5	14.7	9.0	10.7	7.0	8.0

[^] This represents the actual one day VaR as at 31 December.

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

	2007 \$million	2006 \$million
Interest rate risk	1.7	1.3

Interest rate risk from across the non-trading book portfolios is transferred to Global Markets where it is managed by local ALM desks under the supervision of local Asset and Liability Committees. The ALM desks deal in the market in approved financial instruments in order to manage the net interest rate risk subject to approved VaR and risk limits.

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

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

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

Management Committee by Group Treasury. Further analysis of structural risks can be found in note 48 on page 149.

Equity risk relating to private holdings is not included within the VaR and is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee.

Derivatives

Derivatives are contracts whose characteristics and value derive 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 all products, including derivatives, is managed in essentially the same way as described above.

Derivatives continued

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

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

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

The Group applies a future exposure methodology to manage counterparty credit exposure associated with derivative transactions.

Hedging

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

The Group occasionally hedges the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, management believes that the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation.

The effect of exchange rate movements on the capital risk asset ratio is mitigated by the fact that both the underlying net asset value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same exchange rate movements.

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

Liquidity Risk

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

It is the policy of the Group to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Group manages liquidity risk both on a short term and medium term basis. In the short term, the focus is on ensuring that the cash flow demands can be met through asset maturities, supported by customer deposits and wholesale raisings where required.

GALCO is the responsible governing body that approves the Group's liquidity management policies. The Liquidity Management Committee ('LMC') receives authority from GALCO and is

responsible for setting liquidity limits, proposing liquidity risk policies and practices, assisting in cross-business and cross-geography liquidity discussions and helping establish country balance sheet targets. 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.

Policies and procedures

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

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

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

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

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

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

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

The Group has significant levels of marketable securities, principally government securities and bank paper, which can be realised in the event that there is a need for liquidity in a crisis. In addition, each country and the Group maintain a liquidity crisis management plan which is reviewed and approved annually. The liquidity crisis management plan lays out trigger points and actions in the event of a liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

Primary sources of funding

A substantial portion of the Group's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely

diversified by type and maturity, represent a stable source of funds. Country ALCO monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these deposits are addressed effectively. ALCO also reviews balance sheet plans to ensure that asset growth plans are matched by growth in the stable funding base.

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

Liquid assets to total assets ratio

The holdings of liquid assets in the balance sheet reflect the prudent approach that is inherent in the Group's liquidity policies and practices. Whilst liquidity is managed in-country, compliance with these policies and practices results in substantial holdings of liquid assets as a Group. The following shows the ratio of the liquid assets to total assets:

	2007 %	2006 %
Liquid assets* to total assets ratio	23.9	21.7

* Liquid assets is the total of Cash (less restricted balances), net interbank, Treasury bills and Debt securities less the asset backed securities portfolio.

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. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

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

Group Operational Risk is responsible for setting the Operational Risk policy, defining standards for measurement and for Operational Risk capital calculation. A Group Operational Risk Assurance function, independent from the businesses, is responsible for deploying and assuring the operational risk management framework, and for monitoring the Group's key operational risk exposures. This unit is supported by units within the Wholesale Banking and Consumer Banking businesses which have responsibility for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures, and the provision of guidance to the respective business areas on operational risk.

Regulatory Risk[#]

Regulatory risk includes the risk of non-compliance with regulatory requirements in a country in which the Group operates. The Group Compliance and Regulatory Risk function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

Reputational Risk[#]

Reputational risk is the risk of failure to meet the standards of performance or behaviours, expected by stakeholders in the way in which business is conducted. It is Group policy that, at all times, the protection of the Group's reputation should 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 and operational risk. It may also arise from the failure to comply with Social, Environmental and Ethical standards. All staff are responsible for day to day identification and management of reputational risk.

From an organisational perspective the Group manages reputational risk through the Group Reputational Risk and Responsibility Committee ('GRRRC') and Country Management Committees. Wholesale Banking has a specialised Responsibility and Reputational Risk Committee which reviews individual transactions. In Consumer Banking, potential reputational risks resulting from transactions or products are reviewed by the Product and Reputational Risk Committee. Issues are then escalated to the GRRRC.

A critical element of the role of the GRRRC is to alert the Group to emerging or thematic risks. The GRRRC also seeks to ensure that effective risk monitoring is in place for Reputational Risk and reviews mitigation plans for significant risks.

At a country level, the Country CEO is responsible for the Group's reputation in their market. The Country CEO and their Management Committee must actively:

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

Monitoring[#]

Group Internal Audit is a separate Group function that reports to the Group Chief Executive and the ARC. Group Internal Audit provides independent confirmation that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

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

Capital management

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

Strategic business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support the strategy. This is integrated with the Group's annual planning process that takes into consideration business growth assumptions across products and geographies and the related impact on capital resources.

The capital plan takes the following into account:

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

The Group uses a capital model to assess the capital demand for material risks, and to support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital model is a key part of the Group's management disciplines and formed the basis of the Group's submission to the FSA of its Internal Capital Adequacy Assessment Process ('ICAAP') for Basel II.

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

Current compliance with Basel I and the FSA Handbook

The Group's supervisor is the FSA. The capital that the Group is required to hold by the FSA is determined by its balance sheet, off-balance sheet and market risk positions weighted according to the type of counterparty instrument and collateral held. Further detail on counterparty and market risk positions is included in the Risk Review section on pages 56 to 57.

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

The table on page 61 summarises the capital position of the Group. The principal forms of capital are included in the following balances 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

Total capital has increased by \$6,902 million to \$28,727 million compared to 2006. The increase has been primarily driven by increased ordinary and preference share capital, up by \$1,144 million largely from a \$750 million preference share issue during the year, increased eligible reserves, up by \$2,445 million largely due to increased retained earnings, and an increase in qualifying subordinated liabilities, net of amortisation, of \$2,884 million following issues of £300 million Lower Tier 2 Step-Up Dated Subordinated Notes, and €700 million and \$1 billion of subordinated debt.

Basel II

The Basel Committee on Banking Supervision published a framework for International Convergence of Capital Measurement and Capital Standards ('Basel II'), which replaces the 1988 Basel Accord. Basel II is structured around three 'pillars':

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

Basel II provides three approaches of increasing sophistication to the calculation of credit risk capital; the Standardised Approach, the Internal Ratings Based Foundation Approach and the Internal Ratings Based Advanced 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 is being implemented in the EU. EU Member States were required to bring implementing provisions into force by 1 January 2007. In the case of the provisions relating to advanced approaches for credit risk and operational risk, implementation becomes available from 1 January 2008. In the UK the CRD is implemented by the FSA through the General Prudential Sourcebook ('GENPRU') and BIPRU.

Transitional provisions mean that, unless firms notify the FSA to the contrary, they continue to apply existing capital calculations until 1 January 2008.

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

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

Capital continued

For the first time the Group will also be required to calculate a new capital charge to cover operational risk. The Group will apply the Standardised Approach for determining the capital requirements for operational risk.

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

	2007 \$million	2006* \$million
Tier 1 capital:		
Called-up ordinary share capital and preference shares	8,915	7,771
Eligible reserves	11,382	8,937
Minority interests	271	209*
Innovative Tier 1 securities	2,338	2,262
Less: Restriction on innovative Tier 1 securities	–	(355)*
Goodwill and other intangible assets	(6,380)	(6,247)*
Unconsolidated associated companies	283	229
Other regulatory adjustments	(19)	(94)
Total Tier 1 capital	16,790	12,712
Tier 2 capital:		
Eligible revaluation reserves	927	509
Portfolio impairment provision	536	543*
Qualifying subordinated liabilities:		
Perpetual subordinated debt	3,394	3,368
Other eligible subordinated debt	8,764	5,387
Less: Amortisation of qualifying subordinated liabilities	(1,037)	(518)
Restricted innovative Tier 1 securities	–	355*
Total Tier 2 capital	12,584	9,644
Investments in other banks	(136)	(211)
Other deductions	(511)	(320)
Total capital base	28,727	21,825
Banking book:		
Risk weighted assets [#]	132,942	120,018*
Risk weighted contingents [#]	22,531	21,106
	155,473	141,124
Trading book:		
Market risks [#]	8,396	5,834
Counterparty/settlement risks [#]	7,964	6,475
Total risk weighted assets and contingents[#]	171,833	153,433
Capital ratios – Basel I		
Tier 1 capital [#]	9.8%	8.3%*
Total capital [#]	16.7%	14.2%*
Total capital ratio – Basel II[#]	15.2%	N/A

* Amounts have been restated as explained in note 51 on page 154.



E Mervyn Davies CBE
Chairman

Appointed to the Board on 16 December 1997. He was appointed as Chairman on 20 November 2006. Immediately prior to this he had been Group Chief Executive since 28 November 2001. Before his appointment as Group Chief Executive he was the executive director with responsibility for Hong Kong, China and North East Asia and for Group-wide Technology and Operations. He is a non-executive director of Tesco PLC and Tottenham Hotspur plc and is Chairman of Fleming Family & Partners Limited. He is also Chairman of the Government's Business Council for Britain and the Chair of Council of Bangor University. Age 55.



John Peace†
Deputy Chairman and
Senior Independent Director

Appointed to the Board on 1 August 2007. He is Chairman of Experian Group Limited and Burberry Group plc. He is also Chairman 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. Previously he was Group Chief Executive of GUS plc from 2000 until 2006, having been a director of GUS since 1997. Age 58.



Peter Sands*
Group Chief Executive

Appointed to the Board on 14 May 2002. Appointed as Group Chief Executive on 20 November 2006. Immediately prior to this he had been Group Finance Director since his appointment to the Board and was responsible for Finance, Risk, Strategy and Technology and Operations. Before his appointment to the Standard Chartered PLC Board he was a director with worldwide consultants McKinsey & Co. He had been with McKinsey since 1988, where he worked extensively in the banking and technology sectors in a wide range of international markets. Age 46.



Gareth Bullock*

Appointed to the Board on 6 August 2007. He is Group Executive Director with responsibility for growth and governance in Africa, the Middle East, Europe and the Americas and for Risk and Special Asset Management. He joined Standard Chartered in 1996 and was appointed as a director of Standard Chartered Bank in 2003. His previous senior appointments include Group Head of Strategy, Group Chief Information Officer and CEO Africa. He is Chairman of Mcashback Limited and is a non-executive director of Fleming Family & Partners Limited and of Spirax-Sarco Engineering plc. Age 54.



Val Gooding CBE†

Appointed to the Board on 1 January 2005. She is Chief Executive Officer of BUPA and a non-executive director of J Sainsbury plc and of the Lawn Tennis Association and of the BBC's Executive Board. She is also a Trustee of the British Museum. Previously she was Director, Asia Pacific with British Airways. Age 57.



Rudy Markham†

Appointed to the Board on 19 February 2001. He is a non-executive director of Legal and General Group Plc and of United Parcel Service, Inc. and is a member of the Board of the Financial Reporting Council. Previously he was Chief Financial Officer of Unilever. Age 61.



Ruth Markland†

Appointed to the Board on 3 November 2003. She is Chairman of the Board of Trustees of the WRVS and a non-executive director of The Sage Group plc. Previously she was Managing Partner Asia for the international law firm Freshfields Bruckhaus Deringer. Age 55.



Sunil Mittal†

Appointed to the Board 1 August 2007. He is Chairman and Group CEO of Bharti Enterprises and President of the Confederation of Indian Industry. He sits on various boards and councils including the Prime Minister of India's Council on Trade and Industry, the India Advisory Council of the Harvard Business School and the Singapore-India Partnership Foundation. He is the recipient of Padma Bhushan, one of the highest civilian awards in India. Age 50.



Mike DeNoma*

Appointed to the Board on 12 May 2000. He is Group Executive Director with responsibility for the Group's Consumer Banking business worldwide and leads the Group's Strategy function. He joined Standard Chartered in 1999 with responsibility for Consumer Banking in Asia. He is also a director of Standard Chartered Bank (Hong Kong) Limited, of MasterCard Asia Pacific Pte Ltd and of the International Centre for Missing and Exploited Children, and is a member of the board of Singapore Management University. He is based in Singapore. Age 51.



Richard Meddings*

Appointed to the Board on 16 November 2002. He was appointed as Group Finance Director on 20 November 2006 and is responsible for Finance, Corporate Treasury and Corporate Development. Immediately prior to this he was Group Executive Director responsible for growth and governance across Africa, the Middle East, Pakistan, the United Kingdom, Europe and the Americas and before that was responsible for Risk, Special Assets Management and Legal & Compliance. Before his appointment to the Standard Chartered PLC Board he was Chief Operating Officer, Barclays Private Clients at Barclays PLC and prior to that Group Financial Controller at Barclays PLC. Age 49.



Sir CK Chow†

Appointed to the Board on 24 February 1997. He is Chief Executive Officer of MTR Corporation Limited of Hong Kong and is non-executive Chairman of Standard Chartered Bank (Hong Kong) Limited. He is a member of the Hong Kong Tourism Board, the Council of the Chinese University of Hong Kong and the Council of the Hong Kong General Chamber of Commerce. Previously he was Chief Executive Officer of GKN plc and Brambles Industries plc. He is based in Hong Kong. Age 57.



Jamie Dundas†

Appointed to the Board on 15 March 2004. He is Chairman of Jupiter Investment Management Holdings Limited and a non-executive director of Drax Group plc. He is also Chairman of Macmillan Cancer Support. Previously he was Chief Executive Officer of the UK property company MEPC and Finance Director of the Airport Authority Hong Kong. Age 57.

Board Committees

Audit and Risk Committee

Rudy Markham (Chairman)
John Peace
Jamie Dundas
Ruth Markland
Lord Turner

Board Nomination Committee

Mervyn Davies (Chairman)
John Peace
Jamie Dundas
Rudy Markham
Ruth Markland

Board Remuneration Committee

Ruth Markland (Chairman)
Val Gooding
Paul Skinner
Oliver Stocken
Lord Turner

Sustainability and Responsibility Committee

Mervyn Davies (Chairman)
Peter Sands
Jamie Dundas
Val Gooding
Oliver Stocken

* Also a director of Standard Chartered Bank.

† Independent non-executive director.



Paul Skinner†

Appointed to the Board on 3 November 2003. He is Chairman of Rio Tinto plc and is a non-executive director of the Tetra Laval Group and L'Air Liquide SA. He is also a member of the board of INSEAD and of the Defence Board of the UK Ministry of Defence. Previously he was a director of The 'Shell' Transport and Trading Company plc and Group Managing Director of the Royal Dutch/Shell Group of companies where he was CEO of its global Oil Products business. Age 63.



Oliver Stocken†

Appointed to the Board on 1 June 2004. He is Chairman of Home Retail Group plc, Deputy Chairman of 3i plc and Chairman of Oval Limited and Stanhope Group Holdings Limited. He is also Chairman of the Trustees of the Natural History Museum. Previously he was Group Finance Director of Barclays PLC. Age 66.



Lord Turner†

Appointed to the Board on 1 August 2006. He is a non-executive director of United Business Media plc, Siemens Holdings plc and Paternoster UK Limited. He is also Chairman of the Overseas Development Institute, the Climate Change Committee and of the Economic and Social Research Council, and is a member of the Board of Trustees of Save the Children Fund UK. Previously he was Director General of the CBI and Vice Chairman of Merrill Lynch Europe Limited. Age 52.

Standard Chartered Bank

The directors of Standard Chartered Bank comprise the executive directors of Standard Chartered PLC and the following three senior executives:

Jaspal Bindra

Joined Standard Chartered in 1998. He is a director of Standard Chartered Bank and Chief Executive Officer Asia. He has previously held the positions of General Manager, South East and South Asia, Global Head Client Relationships and Regional General Manager, India. He is a director of Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Taiwan) Limited, Scope International Private Limited and Chairman of Standard Chartered (Thai) Public Company Limited, Prime Financial Holdings Limited and Scope International (Malaysia) Sdn Bhd. Age 47.

Mike Rees

Joined Standard Chartered in 1990. He is a director of Standard Chartered Bank and Chief Executive Officer Wholesale Bank. He has previously held the positions of Chief Financial Officer of Group Treasury, Regional Treasurer in Singapore and Group Head of Global Markets. Age 52.

Group Management Committee

The Group Management Committee as at 26 February 2008 comprises the directors of Standard Chartered Bank and the following senior executives:

Tracy Clarke

Joined Standard Chartered in 1985. She is Group Head of Human Resources. 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 41.

Richard Goulding

Joined Standard Chartered in 2002. He is Group Chief Risk Operating Officer. He was previously the Chief Operating Officer of Wholesale Bank. Prior to joining the Group he was Chief Operating Officer of the Old Mutual Group and before that was a member of the Global Executive Board of UBS investment banking division. Age 48.

Vis Shankar

Joined Standard Chartered in 2001. He is Group Head Origination & Client Coverage and is Executive Chairman of Principal Finance and Chairman of the 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, on the Board of Trustees of Sinda, Singapore and Chairman of Nuovobanq, Seychelles. Age 50.

Dr Tim Miller

Joined Standard Chartered in 2000. He is Director, People, Property and Assurance and has responsibility for Human Resources, Corporate Real Estate, Compliance and Regulatory Risk, Legal, Global Research and Operational Excellence. He also has functional responsibility for Internal Audit and the Corporate Secretariat. He was previously Group Head of Human Resources. He is non-executive Chairman of Standard Chartered First Bank Korea Limited and a non-executive director of Michael Page International plc. Age 50.

David Edwards

Joined Standard Chartered in 1999. He is President and Chief Executive Officer of Standard Chartered First Bank Korea Limited. He has previously held the positions of Chief Operating Officer of Wholesale Bank, Group Head Risk and Group Special Assets Management, Regional General Manager Middle East and South Asia and Group Head Risk Management. Age 54.

Jan Verplancke

Joined Standard Chartered in 2004. He is Chief Information Officer for the Group and is responsible for all systems development, technology support and banking operations. Prior to joining the Group he was Chief Information Officer – EMEA at Dell. Age 44.

Report of the Directors

The directors have pleasure in submitting their report and accounts of the Company and its subsidiaries for the year ended 31 December 2007.

Activities

The Company is the holding company for the Standard Chartered Group of companies (the 'Group') which are principally engaged in the business of banking and the provision of other financial services.

Business Review

A fair review of the business performance of the Group during the financial year ended 31 December 2007, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found in the Chairman's Statement on pages 8 and 9, the Group Chief Executive's Review on pages 10 to 15, the Key Performance Indicators on pages 16 and 17 and the Business, Financial and Risk Reviews on pages 18 to 61, all of which are incorporated into this report by reference.

Share Capital

During the year 9,012,891 ordinary shares were issued under the Company's employee share plans at prices between nil and 1064 pence and 15,928,740 ordinary shares were issued under the Company's share dividend scheme.

Further details of these issues of ordinary shares and other matters relating to the Company's share capital, including information on the structure, and rights and obligations attaching to each class of the Company's shares, can be found in note 38.

At the annual general meeting ('AGM') in May 2007 the shareholders granted authority for the Company to buy back up to 138,476,606 of the Company's ordinary shares (approximately 10 per cent of the Company's issued ordinary share capital as at 19 March 2007). In addition, the shareholders granted authority for the Company to buy back up to all of the Company's issued preference share capital. The Company did not purchase any of its own shares during the period and therefore these authorities remained in force at 31 December 2007.

On 25 May 2007 the Company issued 7,500 7.014 per cent non-cumulative redeemable preference shares of \$5 each. These US dollar preference shares were issued in the form of American Depositary shares and further details can be found in note 38 to the accounts.

Dividends

The directors recommend a final dividend for 2007 of 56.23 cents per ordinary share which, if approved at the 2008 AGM, will be paid on 16 May 2008 to shareholders on the register at 7 March 2008. The 2007 interim dividend of 23.12 cents per ordinary share was paid on 10 October 2007, making a total dividend of 79.35 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in either sterling, Hong Kong dollars or US dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2008.

Major Interests in Shares and Voting Rights

As far as the directors are aware as at 31 December 2007, Temasek Holdings (Private) Limited ('Temasek') was 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 of the Company.

As at 26 February 2008, the Company had 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*	268,197,219		19.03
Legal & General Group PLC	57,361,033	4.08	

* The Company has been notified that Temasek's interest in the total voting rights of the Company 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 37.

Directors

The directors of the Company are listed on pages 62 and 63. Mr Peace was appointed as Deputy Chairman and the Senior Independent Director and Mr Mittal was appointed as an independent non-executive director, both with effect from 1 August 2007. Mr Bullock was appointed as Group Executive Director with effect from 6 August 2007. Mr Nargolwala resigned as a director on 6 September 2007.

Mr Peace, Mr Mittal and Mr Bullock will offer themselves for election by the shareholders at this year's AGM. Mr DeNoma, Miss Gooding, Mr Markham, Mr Sands and Mr Stocken will retire from office by rotation and will offer themselves for re-election at this year's AGM, in accordance with the Company's articles of association.

Sir CK Chow, will step down from the Board at the conclusion of this year's AGM.

Directors' Interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2007 are shown in the Directors' Remuneration Report on pages 73 to 85.

Qualifying Third Party Indemnities

The Company has granted qualifying third party indemnities to the directors of the Company and the directors of Standard Chartered Bank. These indemnities remain in force at the date of this report.

Risk Management

The risk management objectives and policies of the Group, including its policy for hedging risk, are set out in the Risk Review on pages 43 to 61 and the Group's exposure to credit risk is set out in note 49, liquidity risk in note 47 and market risk on page 56. Company only risks are managed as a part of overall Group risks, all of which are incorporated by reference to this report.

Significant Contracts and Agreements

There were no contracts of significance during the year in which any of the directors were materially interested.

Related Party Transactions

Details of transactions with directors and officers and other related parties are set out in note 52 to the accounts.

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 (the 'HK Listing Rules') respectively (together, 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 the subject of a specific waiver, they may require a combination of announcement, reporting, shareholder approval and/or 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.

In 2007, the Group entered into certain connected transactions with Temasek and its associates in the normal course of its business that are not exempt and are subject to the annual reporting and/or shareholders approval requirements of the HK Listing Rules. At the 2007 AGM, shareholders gave authority for the Company to enter into certain ongoing transactions and this authority will expire on 3 May 2010. Further details of transactions undertaken with Temasek and its associates during 2007 are set out in the Supplementary Financial Information on pages 162 and 163.

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; and
- 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 HK Listing Rules, the Company's auditor, KPMG Audit Plc and its associated firms (together 'KPMG'), has performed certain agreed-upon procedures on the aforementioned continuing connected transactions for the year ended 31 December 2007, in accordance with International Federation of Accountants Related Services 4400 'Engagement to Perform Agreed-Up On Procedures Regarding Financial Information'.

Employee Engagement

The Group employs 70,000 staff in over 50 countries and territories. The average number of people employed by the Group in the United Kingdom during the year was 1,400 and their total remuneration for the year was \$368 million. Employees in all the countries and territories where the Group operates have the opportunity to participate in the Group's all-employee

sharesave schemes and share in the success of the Group. Further details of the sharesave schemes are given on page 77 and in note 41.

The Group's employment policies are designed to accommodate the relevant social, statutory and market conditions and practices in each country where the Group operates whilst encouraging equal opportunities and diversity. The Group is committed to communicating effectively with its employees on a wide range of issues. Employees are kept informed through briefings given to managers who are in turn encouraged to hold subsequent meetings with staff. In addition, circulars, publications and videos are used to disseminate information.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom 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. Further details of the Group's employees can be found in the Business Review on pages 18 to 33.

The Group has measured employee engagement for the last seven years using the Gallup Organization's Q12 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. In 2007, 95 per cent of employees voluntarily took part in the survey.

Areas of Operation

The Group has over 1,600 branches and outlets. Further details of the branches and outlets can be found on the Company's website at: www.standardchartered.com

Major Customers

Taken together, the five largest customers of the Group account for 2.31 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2007.

Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions with their suppliers in the economies where they conduct business and for bringing those terms and conditions to the attention of the supplier. It is the Group's policy to pay creditors in accordance with the agreed terms and conditions, provided the supplier has complied with them.

Standard Chartered PLC 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 2007. For the Group's operations in the United Kingdom, there were 35 days' purchases outstanding as at 31 December 2007.

Community Investment

The Group is committed to building a sustainable business and a more sustainable society. It recognises its responsibility to invest in the communities where it operates. In 2007, the Group made a total investment of \$24.5 million in the communities in which it operates. This includes direct financial support of \$18.2 million to various community programmes and non-governmental organisations, of which \$4.5 million was given to United Kingdom registered charities, focusing on supporting their work outside the United Kingdom.

In addition to many initiatives at a global, regional and local level the Group operates four major programmes; Living with HIV, Seeing is Believing, Empowering Women and Employee

Volunteering. Further details of community projects can be found in the Business Review on pages 18 to 33.

HIV/AIDS Policy

The Group is committed to addressing social, health and human rights issues confronting its employees, their families and the communities in which it operates. The Group recognises that the principal competitive advantage of any business is gained through its employees, and this advantage is only sustainable if they are healthy, skilled and motivated.

HIV/AIDS directly and indirectly impacts the Group's staff and therefore its business. The Group's policy on HIV/AIDS has been adopted across all the countries in which the Group operates and applies to all staff and their families in a manner consistent with existing medical cover. A copy of the Group's HIV/AIDS policy is available to shareholders on the Company's website at: www.standardchartered.com/sustainability

Environmental Policy

The Group recognises that it should minimise any adverse impact of the conduct of business on the environment. It therefore aims to manage its businesses with regard to the use of energy and other resources and by disposing of waste responsibly, by encouraging its customers to ensure that their products, processes and businesses do not damage the environment unnecessarily and by taking environmental considerations into account in business decisions.

A copy of the Group's environmental policy is available to shareholders on the Company's website at: www.standardchartered.com/sustainability

Social, Ethical and Environmental ('SEE') Responsibilities

A report on SEE responsibilities can be found on page 72 and further details of the Group's policies on SEE risk can be found on the Company's website: www.standardchartered.com/sustainability

Auditor

Having reviewed the independence and the effectiveness of the external auditors, a resolution will be proposed at the 2008 AGM to reappoint KPMG as auditor to the Company.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director in order to make themselves aware of, and to establish that the auditors are aware of any relevant audit information.

Annual General Meeting

The Company's AGM will be held at 12 noon (UK time) (7.00 pm Hong Kong time) on Wednesday 7 May 2008 at The Plaisterers' Hall, One London Wall, London EC2Y 5JU. Details of the business to be transacted at the AGM are included in the Notice of AGM.

By order of the Board

Annemarie Durbin

Group Company Secretary
26 February 2008

The Board of Standard Chartered PLC is responsible for the overall management of the Group and for ensuring that proper standards of corporate governance are maintained.

This report describes how the Board have applied the principles and provisions of the Code of Best Practice contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the 'Combined Code'). The directors confirm that throughout 2007 the Company complied with all the provisions of the Combined Code except that non-executive directors are not formally invited to meet major shareholders as part of their induction programme. However, the non-executive directors have the opportunity to attend meetings with major shareholders and analysts and they receive, in a timely manner, accurate information reflecting the views of the Company's institutional shareholders and other stakeholders.

The Company is a public company, listed on both the London and Hong Kong stock exchanges, and has sufficient share capital in public hands. The directors confirm that, throughout the financial year, the Company complied with the provisions of Appendix 14 of the HK Listing Rules.

The directors confirm that the Company has in place a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the HK Listing Rules and that the directors of the Company complied with this code of conduct throughout the financial period.

The Board

As at the date of this report, the Board is made up of the Chairman, four executive directors and ten independent non-executive directors and is collectively responsible for the success of the Company. In accordance with the Combined Code, at all times during the year, at least half the Board comprised non-executive directors. All directors are subject to election by shareholders at the first AGM after their appointment and

thereafter, to re-election at intervals of no more than three years. The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. These matters include determining and reviewing the strategy of the Company and the Group, overseeing the Group's compliance with statutory and regulatory obligations and issues relating to the Company's and the Group's capital.

It is also responsible for the Group's structure and areas of operation, financial reporting, ensuring there is a sound system of internal control and risk management and appointments to the Board. The Group has a policy on delegated authority which sets out how executive authority is delegated from the Board to the CEO and on to the executive directors and other senior management. In addition, specific responsibilities have been delegated to Board Committees which have adopted terms of reference that govern their authority which can be found on the Company's website at www.standardchartered.com.

The Board has eight scheduled meetings each year. One of the meetings includes a two day offsite meeting devoted to the review and development of Group strategy. During 2007, two of the meetings were held outside the United Kingdom in countries where the Group operates. The directors use these overseas visits to meet staff, corporate customers and local government and regulatory officials.

The directors are given accurate, timely and clear information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues. In addition, all directors have access to the services and advice of the Group Company Secretary and may take independent professional advice at the expense of the Company in the furtherance of their duties.

The following table shows the number of Board and Committee meetings held during the year and the attendance of individual directors.

	Board (Scheduled)	Audit & Risk Committee	Audit & Risk Committee (Ad hoc)	Board Nomination Committee	Board Nomination Committee (Ad hoc)	Board Remuneration Committee	Sustainability and Responsibility Committee
Number of meetings in 2007	8	6	2	3	1	5	3
E M Davies	8	–	–	3	1	–	3
J W Peace*	4/4	2/2	–	–	–	–	–
P A Sands	8	–	–	–	–	–	3
G R Bullock*	3/3	–	–	–	–	–	–
Sir CK Chow	8	–	–	–	–	–	–
M B DeNoma	8	–	–	–	–	–	–
J F T Dundas*	8	6	2	2/2	1	–	3
V F Gooding*	8	–	–	–	–	2/3	2
R H P Markham	7	6	1	3	0	–	–
R Markland	8	6	2	3	1	5	–
R H Meddings	8	–	–	–	–	–	–
S B Mittal*	4/4	–	–	–	–	–	–
P D Skinner	6	–	–	–	–	3	–
O H J Stocken*	7	–	–	–	–	5	0/0
Lord Turner	8	6	2	–	–	4	–
K S Nargolwala*	5/5	–	–	–	–	–	–

* Mr Peace was appointed as Deputy Chairman and Senior Independent Director with effect from 1 August 2007, and was appointed as a member of the Audit and Risk Committee on 3 August 2007. Mr Mittal was appointed as an independent non-executive Director with effect from 1 August 2007. Mr Bullock was appointed as Group Executive Director on 6 August 2007. Mr Dundas was appointed as a member of the Board Nomination Committee on 23 February 2007. Miss Gooding was appointed as a member of the Board Remuneration Committee on 23 February 2007. Mr Stocken was appointed to the Sustainability and Responsibility Committee on 11 September 2007. Mr Nargolwala resigned from the Board on 6 September 2007.

The directors have a diverse range of skills and experience and each brings an independent judgement and considerable knowledge to the Board's discussions. 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. As well as a formal induction, directors receive ongoing training through a wide ranging programme to continually develop and update their knowledge and capabilities. Where an independent non-executive director is appointed to one of the Board's committees, additional relevant training is provided. Mr Peace was appointed as Deputy Chairman and Senior Independent Director, and Mr Mittal was appointed as an independent non-executive director both with effect from 1 August 2007. Mr Peace and Mr Mittal have substantially completed their induction programmes.

The Company has arranged appropriate insurance cover in respect of legal proceedings and other claims against its directors. In addition, the Company has granted qualifying third party indemnities to the directors and these indemnities remain in force as at 26 February 2008.

The Board's executive directors are not permitted to hold more than one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on pages 62 and 63.

Chairman, Deputy Chairman and Group Chief Executive

The separate roles and objectives of the Chairman, Deputy Chairman and the Group Chief Executive are clearly defined in written role descriptions which have been approved by the Board and are available on the Company's website at www.standardchartered.com.

Independent Non-Executive Directors

The Board considers that all of the non-executive directors are independent and has received from each of them the annual confirmation of independence required by the HK Listing Rules. Non-executive directors are appointed for an initial three-year term. The reviews of the non-executive directors who have served on the Board for more than six years are covered in the section on the work of the Board Nomination Committee below.

Mr J W Peace, in addition to being Deputy Chairman, 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. The Chairman meets with the non-executive directors without the executive directors being present at least annually.

The Board is aware of the other commitments of its non-executive directors and is satisfied that these do not conflict with their duties as directors of the Company. Changes to the commitments of the non-executive directors are reported to the Board.

Board Committees

The Board has four committees with specific delegated authorities: the Audit and Risk Committee, the Board Nomination Committee, the Board Remuneration Committee and the Sustainability and Responsibility Committee (previously the Corporate Responsibility and Community Committee).

The Board's committees are able to take independent professional advice or use external consultants, where appropriate, at the Company's expense.

Details of these committees and their members are given right and on pages 70-71.

Audit and Risk Committee

The members of the Audit and Risk Committee are:

Mr R H P Markham (chairman)
Mr J F T Dundas
Ms R Markland
Mr J W Peace (appointed 3 August 2007)
Lord Turner

All the members of the Committee are independent non-executive directors. The Board considers that each member brings a broad experience and knowledge of financial reporting to the Committee's deliberations. The Board is satisfied that the Committee's chairman has recent and relevant financial experience.

The Committee reviews and monitors the integrity of the Company's annual and interim financial statements, circulars to shareholders and any formal announcements relating to the Group's financial performance, including significant financial reporting judgements contained in them. The Committee also reviews the recommendations for provisions against bad or doubtful loans and other credit exposures. It keeps under review the appropriateness of the Group's accounting policies and considers changes to them. Ultimate responsibility for the approval of the annual and interim financial statements rests with the Board.

At least once a year, the Committee meets separately with each of the external auditor and Group Head of Internal Audit without management being present to discuss matters relating to the auditor's remit and any issues arising from the audit.

In relation to the Group's internal audit function, the Committee's responsibilities include:

- monitoring and assessing the role and effectiveness of the Group's internal audit function and receiving reports from the Group Head of Internal Audit on these matters; and
- considering the appointment, resignation or dismissal of the Group Head of Internal Audit.

In relation to the Group's external auditor, the Committee's responsibilities include:

- considering and making recommendations to the Board on the appointment, re-appointment, resignation or dismissal of the external auditor;
- approving the terms of engagement, nature and scope of the audit;
- reviewing the findings of the audit including any major issues that arose during the course of the audit;
- reviewing and monitoring the cost effectiveness of the audit taking into consideration relevant UK professional and regulatory requirements and approving the audit fee; and
- monitoring the fees paid to the auditor for non-audit work and providing prior approval of substantial non-audit work, in accordance with the Group's policy.

The Committee reviews and reports to the Board on the Group's compliance with relevant regulatory and statutory requirements. It also reviews the Group's overall principles for risk management and the processes by which each risk type is managed. It considers reports on the management of risk, including adherence to Group standards, and reports on compliance with policies in respect of liquidity, capital adequacy and interest rate management. The Committee reviews the Group's internal financial controls and the Group's internal control systems and reports on these to the Board. Details of the Company's internal

controls and how risk is managed can be found under the Internal Control section on pages 71 and 72.

During the year the Committee had six scheduled committee meetings where it covered all its responsibilities set out in its Terms of Reference. The Committee's activities also included regular reviews of progress towards the implementation of Basel II; monitoring the risks associated with the Group's rapid growth in countries such as China; and it reviewed the Group's policy and procedures for the governance of its subsidiaries. A further two half-day informal meetings were held to consider more closely the Group's new areas of business, balance sheet management and Basel II.

Arrangements are in place by which the Company's employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas. These arrangements are covered in the Company's 'Speaking Up' policy. The Committee is responsible for reviewing these arrangements and for ensuring that any matters of concern are investigated appropriately.

Board Nomination Committee

The members of the Board Nomination Committee are:

Mr E M Davies (chairman)
Mr J W Peace (appointed 20 February 2008)
Mr J F T Dundas (appointed 23 February 2007)
Mr R H P Markham
Ms R Markland

The Committee's responsibilities include:

- reviewing the structure, size and composition of the Board and making recommendations with regard to any changes that the Committee deems necessary to ensure the Board has the optimum balance of skills, knowledge and experience;
- where Board vacancies arise, evaluating the skill, knowledge and experience needed to fill the vacancy, and identifying and nominating suitable candidates to the Board; and
- keeping under review the succession plans for the Group relating to both directors and other senior executives to ensure the Company continues to compete effectively in the marketplace and making consequential recommendations to the Board.

The Committee is also responsible for making recommendations to the Board for the appointment of the Group Chairman, Group Chief Executive or any other director. The Group Chairman will not chair any meeting at which the Committee is considering the appointment of a successor to the Group Chairman.

In the selection process for new directors, the Committee can consult external advisors. An external search consultant was used in the selection processes prior to the appointments of Mr Peace as an independent non-executive director, Deputy Chairman and Senior Independent Director and Mr Mittal as an independent non-executive director. Before recommending the appointment of a non-executive director, the Committee considers the suitability of a candidate against the skills, knowledge and experience required to produce a balanced Board. In addition, the Committee takes into account whether the candidate would have an appropriate amount of time to devote to their duties.

During the year, the Committee reviewed and was assured of the Group's succession planning processes and the succession plans relating to executive directors and other senior executives with continued focus on both the identification and development of a successor pool that reflects the diversity of our geographic footprint.

Mr Markham has served on the Board for more than six years and the Committee has carried out a rigorous review of his performance and contributions to the deliberations of the Board and the Audit and Risk Committee during 2007. The Committee, as part of its review, has taken into account the need for the progressive refreshing of the Board and believes that Mr Markham continues to be committed to the Company and remains independent in character and judgement.

In addition, the Committee has reviewed the performance of the non-executive directors standing for re-election at the 2008 AGM and made recommendations to the Board on their re-election. Members of the Committee take no part in any discussion concerning their own performance or circumstance.

Board Remuneration Committee

The members of the Board Remuneration Committee are:

Ms R Markland (chairman)
Miss V F Gooding (appointed 23 February 2007)
Mr P D Skinner
Mr O H J Stocken
Lord Turner

The Committee determines the pay and benefits of the Group Chairman, the Group Chief Executive and all other executive directors. It also reviews and approves the remuneration of certain other highly paid senior management. The remuneration of all directors and senior management is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate.

A statement of the Company's remuneration policy for directors and details of the work of the Committee are included in the Directors' Remuneration Report on pages 73 to 85.

Sustainability and Responsibility Committee

The members of the Sustainability and Responsibility Committee are:

Mr E M Davies (chairman)
Mr P A Sands
Mr J F T Dundas
Miss V F Gooding
Mr O H P Stocken (appointed 11 September 2007)

The Committee considers matters relating to how Standard Chartered can build a sustainable business through consideration of environmental protection, social investment, economic development and other sustainability and responsibility matters which are an integral part of enhancing the Company's long-term shareholder value.

The Committee's responsibilities include:

- ensuring that the Group's sustainability and responsibility aspirations and business activities are aligned;
- responding to emerging sustainability and responsibility issues arising from external trends in sustainability, regulation, legislation, stakeholder guidance and reporting;
- reviewing new Company policies or material changes to existing policies relating to matters of sustainability and responsibility, to ensure changes are in line with sustainability and responsibility principles and reflect emerging trends and developments; and
- ensuring that the Group is in a position to deliver an annual Sustainability Review in line with best practice.

During the year, the Committee discussed progress against the sustainability priority areas including the Group's response to protecting the environment, responsible selling and marketing of products and services, microfinance and financial inclusion, and diversity and inclusion.

The Committee ensures that the Group continues to make progress in its efforts to understand and respond to the concerns and interests of stakeholders. The Group has a formal plan for stakeholder engagement that builds on the comprehensive work already carried out on employee engagement and customer satisfaction. In 2007, this plan focused at a Group level on the socially responsible investment analyst community, development organisations as well as on the development and environmental departments within the UK government.

The findings of this stakeholder research, alongside peer analysis and consideration of recognised sustainability benchmarks and indices are used in setting the agendas for the Committee's meetings.

Performance Evaluation

The Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors.

During 2007, each of the directors completed a questionnaire and supplementary interviews were held between the Chairman and each of the non-executive directors. The evaluation of the Chairman formed part of this process. The results of the evaluation were presented to the Board and the Board was satisfied that it continues to operate in an effective manner. Individual appraisals of the directors were undertaken during 2007 by the Chairman, Group Chief Executive and Board Nomination Committee as appropriate.

The Board Nomination Committee and the Board Remuneration Committee each conducted a questionnaire based self-assessment of their effectiveness. The performance of the Audit and Risk Committee was evaluated by an independent external assessor. The Sustainability and Responsibility Committee carried out a full review of its remit during 2007, and as a result, revised its terms of reference.

Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. The AGM is used as an opportunity to communicate with all shareholders.

The Combined Code requires companies send the notice of the AGM to shareholders at least 20 working days before the date of the meeting. In addition to this requirement the Company will always give shareholders the 21 days' notice required by the Companies Act 2006 and the HK Listing Rules. Separate resolutions are proposed for each substantially separate issue. The Company displays the proxy voting on each resolution at the AGM and the full voting results on the Company's website. The notice of AGM is also available on audio cassette and CD.

The Company encourages its shareholders to receive the Company's corporate documents electronically. The annual and interim financial statements, notice of AGM and dividend circulars are all available electronically. Shareholders are also able to vote electronically on the resolutions being put to the AGM. If you do not already receive your corporate documents electronically and would like to do so in future please contact the Company's Registrars at the address on page 166.

Auditor Independence and Objectivity

The Company has 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 necessary degree of independence and objectivity.

In addition to audit-related services, KPMG provided the following types of services in 2007:

- tax advisory and compliance;
- advice and support with due diligence exercises;
- advice on IFRS accounting;
- regulatory reviews and reporting;
- corporate recovery services; and
- risk and compliance advisory services.

Details of the amounts paid to KPMG during the year for audit and non-audit services are set out in note 8 to the accounts.

Going Concern

The Board is satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason it continues to adopt the going concern basis when preparing the financial statements.

Internal Control

The 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 cause 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, evaluation and management of the risks faced by the Group which operated throughout the year ended 31 December 2007 and to 26 February 2008, the date the Board approved this annual report and accounts. 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 system of internal control of the Group is also subject to regulatory oversight in the United Kingdom and overseas.

The effectiveness of the Group's internal control system is reviewed regularly by the Board, its committees, Group management, and Group Internal Audit. The Audit and Risk Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2007 and reported on its review to the Board. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit.

Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

Group Internal Audit reports regularly to the Audit and Risk Committee, the Chairman and to the Group Chief Executive. The findings of all adverse audits are reported to the Chairman and to the Group Chief Executive and immediate corrective action is required.

The Risk Review on pages 43 to 61 describes the Group's risk management structure. The Group's 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.

Compliance and Regulatory Matters

During 2004, Standard Chartered Bank entered into a Written Agreement with the Federal Reserve Bank of New York and the New York State Banking Department to address deficiencies relating to compliance with applicable federal and state laws, rules and regulations governing anti-money laundering. The Bank achieved full compliance with the terms of the Written Agreement during 2007, and accordingly the Written Agreement was lifted by the regulators.

Group Code of Conduct

The Board has approved a Group Code of Conduct relating to the lawful and ethical conduct of business and this is supported by the Group's core values. The Group Code of Conduct has been communicated to all employees. All employees are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates.

Social, Ethical and Environmental Responsibilities

The Group complies with the guidelines issued by the Association of British Insurers on socially responsible investment and reporting on social, ethical and environmental ('SEE') matters 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. The Group has established and maintains policies and procedures in relation to SEE related risks. Details of these policies can be found on the Company's website at: www.standardchartered.com/sustainability. Through the Group's 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 Group 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 MANCO.

Key areas of risk are those associated with customers' social issues and any impact they may have on the natural environment. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on the Group's business. These risks are implicitly recognised in reaching lending decisions explicitly identified in the Group's lending policies. The Group has adopted the revised Equator Principles 2 that set procedures, based on the International Finance Corporation guidelines, for recognising the environmental and social impacts and risks associated with project finance. The Principles have been embedded in the Group's project finance lending policy and procedures.

The Group continues to review and, where appropriate, strengthen its money laundering prevention policies, procedures and training.

The Board is not aware of any material exceptions to its policies.

Directors' Remuneration Report

Dear Shareholder

The Directors' Remuneration Report (the 'DRR') has been prepared by the Board Remuneration Committee (the 'Committee') and approved by the Board as a whole. In line with previous years, this report sets out:

- background information on the Committee's members, role and advisors;
- the Group's remuneration policy for executive directors and other employees;
- an outline of the remuneration arrangements for the Group Chairman, executive directors and non-executive directors;
- detailed information on the Group's share plans;
- tabular information on directors' emoluments, pension arrangements and share awards; and
- tabular information on highest paid individuals.

2007 was a busy year for the Committee. As the Group continued to grow both organically and inorganically, the Committee conducted, at the beginning of the year, a full review of its effectiveness. As a result of this, we were able to prioritise discussions to enable the Committee to focus on key substantive issues. In addition to our regular agenda items, such as reviewing directors' compensation, managing the Group-wide variable compensation spend and reviewing share plan design and performance conditions, we held specific sessions on other remuneration-related issues including, amongst other things:

- Wholesale Bank's reward programmes, to ensure that these are consistent with the business strategy and market practice, but also aligned with the Group's overarching reward principles; and
- an extensive strategic review of the overall shape of the executive remuneration package, including the balance between fixed, short and long term elements.

On behalf of the Committee, I encourage you to vote in favour of our report at the Company's 2008 Annual General Meeting and, in the meantime, welcome any questions and feedback that you may have.

Ms R Markland

Chairman, Board Remuneration Committee
26 February 2008

Background Information on the Committee Membership

In 2007, the Committee comprised the following independent non-executive directors:

Ms R Markland	(Chairman)
Miss V F Gooding	(appointed 23 February 2007)
Mr P D Skinner	
Mr O H J Stocken	
Lord Turner	

Role of the Committee

During 2007, the Committee met five times. Details of attendance at meetings by Committee members are shown on page 68.

The Committee has specific terms of reference which are placed on the Group's website at www.standardchartered.com. It considers and recommends to the Board the Group's remuneration policy and agrees the individual remuneration packages of the Group Chairman, Group Chief Executive and all other executive directors.

The Committee also reviews and approves the remuneration of certain other highly paid senior management of the Group and advises on any major changes in employee remuneration throughout the Group, including the continuous review of incentive schemes to ensure that they remain appropriate.

Advisors to the Board Remuneration Committee

In 2004, the Committee appointed Kepler Associates as its independent advisors. In 2007, the Committee reappointed Kepler Associates to advise it on a range of executive remuneration-related issues for a further 12-month period. Kepler Associates does not provide any other advice or services to the Group.

In addition, during 2007, the Committee received advice from the Director of People, Property and Assurance (Dr T J Miller), the Group Head of Human Resources (Mrs T J Clarke) and the Group Head of Reward (Dr N A Cuthbertson). Their advice draws on formal remuneration survey data provided by Towers Perrin and McLagan Partners.

Towers Perrin also provided advice to the Group on executive remuneration issues as well as retirement consulting issues in North America and, together with Clifford Chance LLP, on the design and operation of the Group's share plans. Clifford Chance LLP also advises on issues relating to executive directors' contracts. McLagan Partners also provided advice to the Group on market practice in variable compensation plans within the wholesale banking sector.

Remuneration Policy Group

The success of the Group depends upon the performance and commitment of talented employees. The Group's reward programmes support and drive its business strategy and reinforce its values. Its existing remuneration policy for 2007 and, so far as practicable, for subsequent years is to:

- support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions in which they work or for which they are responsible, the Group as a whole and shareholders' interests; and

- maintain competitive reward that reflects the international nature of the Group and enables it to attract and retain talented executives of the highest quality internationally. Many of the Group's employees bring international experience and expertise to the Group and the Group recognises that it recruits from an international marketplace.

The Committee reviews the remuneration policy on a regular basis against significant regulatory developments, market practice and shareholder expectations.

Executive Directors

Target remuneration levels for the executive directors are set with reference to individual experience as well as the pay levels in the FTSE 30 and the Group's international competitors. These two groupings have business characteristics similar to the Group such as international scope of operations, complexity and size (both in financial terms and with regard to numbers of employees), and represent organisations which compete alongside the Group for talent.

Although target remuneration levels are aligned to the market, excellent performance by both the Group and by the individual executive director is rewarded with higher bonus levels and share awards, taking potential total remuneration to the upper quartile or higher of the Group's key international competitors.

As the table below demonstrates, each executive director's target remuneration is structured to give the heaviest weighting to performance-related elements.

	Percentage of indicative total target remuneration	Percentage of actual 2007 total remuneration*
Base Salary	34%	23%
Bonus	43%	42%
Long-Term Incentives**	23%	35%

* Based on average of Group Executive Directors

** Includes an expected value of target share awards.

Other Employees

The Committee considers the remuneration policy in the context of all Group employees.

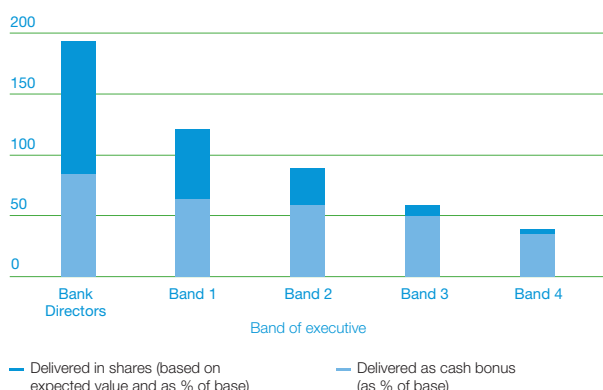
Base salaries of employees are determined in a similar way to those of executive directors. The Group's approach is to ensure that target total compensation is benchmarked to the relevant market in which the individual is employed. Potential total compensation is set at upper quartile or higher for excellent individual and business performance. In addition:

- all employees are eligible to receive a discretionary bonus dependent upon performance and their contractual position;
- all employees are eligible to participate in the Group's all-employee sharesave schemes;
- core benefits are provided to all employees worldwide based on local regulations and competitive practice. These will normally include retirement benefits, medical insurance, life assurance and annual leave;
- all employees are eligible to receive an award under one or more of the Group's discretionary share plans depending on performance and potential. The Group is actively seeking to extend the level of equity participation enabling more employees to share in the Group's success, rewarding and retaining talent throughout the Group at all levels. In 2005 and 2006, over 1,000 and 1,300 employees respectively received a discretionary share award for the first time. In 2007, a further 1,591 were added to this total; and

- the Group is keen that an element of each employee's total compensation is performance-related. The proportion of this variable compensation (which might be delivered through bonus and share awards) increases with seniority. In addition, as the chart below shows, the balance of shares as opposed to cash also increases with seniority. The chart also shows the typical level of target variable compensation for senior executives/management (the Group's bands 1-4) expressed as a percentage of base salary.

Breakdown of target variable compensation between cash and shares

As a percentage of base salary



Although the above principles apply Group-wide, there is some variation in how compensation is delivered. The Group employs 70,000 employees worldwide in over 50 countries and territories. There are differing local market conditions which means compensation is often structured in different ways (for example, base salaries are not always the only element of core compensation). Furthermore, due to the different costs of living in the countries in which the Group operates and fluctuations in foreign exchange rates, the Committee does not consider a ratio comparison between executive directors and non-Board employees to be a useful way of assessing the fairness of the Group's practices.

Remuneration Arrangements for Executive Directors

Base Salaries

Salary levels are reviewed annually by the Committee taking account of the latest available market data.

Any increases in annual base salary are normally effective from 1 April of the relevant year. The annual base salary levels of executive directors as at 31 December 2006 and 31 December 2007 were as follows:

	31 December 2006*	31 December 2007	Increase as a percentage of base salary
P A Sands	\$1,102,970 (£550,000)	\$1,504,050 (£750,000)	36.36%
G R Bullock	n/a**	\$952,565 (£475,000)	n/a
M B DeNoma	\$932,511 (£465,000)	\$982,646 (£490,000)	5.38%
R H Meddings	\$932,511 (£465,000)	\$1,022,754 (£510,000)	9.68%

* In 2007, increases to base salaries took effect from 1 January following the reconfiguration of the executive directors' portfolios as a result of Board changes in November 2006.

** Mr Bullock was appointed to the Board with effect from 6 August 2007.

Annual Performance Bonus

Eligibility Criteria

Executive directors (and most employees) are eligible to receive a discretionary annual bonus. The objective of the annual bonus is to focus participants on the achievement of annual objectives, which align the short-term performance of the Group with the creation of shareholder value.

Plan Mechanics

The target and maximum award levels for executive directors are 125 per cent and 200 per cent of base salary respectively. Two-thirds of any bonus payment is payable immediately in cash. The balance is deferred into Company shares, which vest up to one year later. The deferred element is forfeited if the executive leaves voluntarily during that period. Notional dividends accrue on deferred shares during the vesting period and are delivered in the form of shares.

As part of its strategic review of executive compensation, the Committee reviewed the existing maximum it had previously set under the plan and decided to exercise its discretion to increase it, for outstanding performance, with effect from 2008, from 200 per cent to 250 per cent of base salary. Any bonus over the previous plan maximum would be awarded entirely in deferred shares. No change has been made to the target bonus level which remains at 125 per cent of salary.

The change in maximum bonus ensures that the Plan remains competitive against the market, increases the proportion of the annual incentive awarded for exceptional performance which is deferred and provides the Committee with greater scope to differentiate in award levels for those with exceptional performance.

Bonus Pools

The Committee has oversight on the overall spend under the Group's Annual Bonus Plan in which executive directors and employees participate. The bonus pool size is linked to the Committee's formal assessment of Group performance by considering a number of quantitative and qualitative measures, including earnings per share; revenue growth; costs and cost control; bad debts; operating profit; risk management; cost to income ratio, total shareholder return, corporate social responsibility and customer service.

Determining Individual Awards

Executive directors' bonus awards are made based on Group (as described above) and individual performance.

Personal performance is appraised taking account not only of the results achieved by the individual but also their support of the Group's values and contribution to the collective leadership of the Group. The 'values' principle is applied throughout the organisation. Each executive director has written objectives which are presented to the Committee at the start of the financial year and then assessed at the year-end.

The importance of individual and Group performance as a determinant of the level of awards is reflected in the variation of actual bonus award levels made to executive directors in recent years.

	Min award actually made (as percentage of base salary)	Max award actually made (as percentage of base salary)	Target award (as percentage of base salary)	Max award permitted under rules (as percentage of base salary)
2007	164%	200%	125%	200%
2006	161%	191%	125%	200%

Long Term Incentives

2001 Performance Share Plan (the 'PSP')

Outline of the PSP

The PSP is designed to be an intrinsic part of total remuneration for the Group's executive directors and a growing number of the Group's senior executives. It is an internationally competitive long-term incentive plan that focuses executives on meeting and exceeding the Group's long-term performance targets. The significance of the PSP as a percentage of executive directors' total potential remuneration is one of the strongest indicators of the Group's commitment to paying for demonstrable performance.

Under the PSP, awards of deferred rights or nil price options to acquire shares are granted and are exercisable after the third, but before the tenth anniversary of the date of grant, if the individual is still employed by the Group.

The target and maximum levels of award are 150 per cent and 400 per cent of base salary respectively in any one year. Awards are entirely discretionary and are based on directors' individual performance.

As shown in the table below, there has been variation in the levels of share awards made to executive directors, again illustrating the importance the Group places on individual performance. A performance test is therefore effectively applied both at the time of award and upon vesting. The table shows the face value of the awards made in recent years.

	Min award actually made (as percentage of base salary)	Max award actually made (as percentage of base salary)	Target award (as percentage of base salary)	Max award permitted under rules (as percentage of base salary)
2007	250%	275%*	150%	400%
2006	275%	350%	150%	400%

* As disclosed in last year's report and accounts, a PSP award of £2.6 million was granted to Mr Davies in respect of his performance as Group CEO for the financial year ending 31 December 2006. This award equated to 306 per cent of his former base salary.

At its meeting in February 2008, the Committee recommended the following proposed PSP awards for executive directors in respect of performance for the 2007 financial year.

	Face value (£000s)	Percentage of current base salary
P A Sands	2,625	350%
G R Bullock	1,544	325%
M B DeNoma	1,348	275%
R H Meddings	1,785	350%

The Committee reviewed the performance conditions in 2007 and concluded that, in aggregate, the combination of the EPS and TSR performance measures and their targets remained appropriate, providing a balance between driving stretching performance and having an effective retention and motivation tool.

Performance Conditions

The Committee will set appropriate performance conditions each time that awards are made under the PSP. Half of the award is dependent upon the Group's TSR performance compared to that of a comparator group at the end of a three-year period. The other half of the award will be subject to an EPS growth target applied over the same three-year period.

The rationale for the selection of these performance conditions is set out in the following table:

TSR	Measuring growth in share price plus dividends paid to shareholders during that period, relative TSR is recognised as one of the best indicators of whether a shareholder has achieved a good return on investing in the Group relative to a basket of companies or a single index.
EPS	An EPS performance condition provides an appropriate measure of the Group's underlying financial performance.

TSR Element

The constituents of the TSR Comparator Group are set out in the table below:

ABN AMRO	HSBC
Bank of America	JP Morgan Chase
Bank of East Asia	Lloyds TSB
Barclays	Overseas Chinese
Citigroup	Banking Corporation
DBS Group	Royal Bank of Scotland
Deutsche Bank	United Overseas Bank
HBOS	Standard Chartered

The percentage of award which will normally be exercisable at the end of the relevant three-year performance period is as follows:

Position within Comparator Group	Percentage of award exercisable
9th – 15th	Nil
8th	15
7th	22
6th	29
5th	36
4th	43
1st – 3rd	50

The Committee believes that it is preferable to measure TSR performance using a local currency approach. This is considered the most appropriate approach given the international composition of the Comparator Group, particularly as a significant proportion of comparator companies' profits are in the same currency as their primary listing. This local currency approach measures the real impact for a shareholder focusing on relative stock movement rather than taking into account exchange rate fluctuation.

EPS Element

The percentage of award which will normally be exercisable at the end of the relevant three-year performance period is as follows:

Increase in EPS	Percentage of award exercisable
Less than 15%	Nil
15%	15
Between 15% and 30%	>15 but <50*
30% or greater	50

* Calculated on a straight-line basis.

Vesting of Awards

The Committee recently reviewed whether the performance conditions on the awards granted in 2005 were satisfied at the end of December 2007. At the end of the performance period, the Group was ranked third out of the comparator group of 15 in terms of TSR. Over the same period, the Group's EPS growth was 58 per cent. Consequently, the Committee determined that 100 per cent of the shares subject to each award has now vested. For awards granted in 2007, normalised EPS of 170.7 cents was used as a base EPS figure.

2000 Executive Share Option Scheme (the '2000 ESOS') Outline of the 2000 ESOS

It is proposed that no further awards will be made under the 2000 ESOS. However, the scheme will be retained for use in exceptional circumstances or if there is a subsequent change in policy in response to future market trends.

Executive share options to acquire the Company's ordinary shares are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

Performance Conditions

Options awarded since January 2004 are subject to a sliding scale EPS target without re-testing, as set out in the following table.

Increase in EPS (over performance period)	Percentage of award exercisable
Less than 15%	Nil
15%	40
Between 15% and 30%	>40 but <100*
30% or greater	100

* Calculated on a straight-line basis.

Vesting of Awards

The Committee recently reviewed whether the performance conditions on the awards granted in 2005 were satisfied at the end of December 2007. Over this period, the Group's EPS growth was 58 per cent. As a result, 100 per cent of the options subject to each award has now vested.

Restricted Share Scheme (the 'RSS')

The RSS is designed to motivate and retain high performing and high potential staff at any level of the organisation.

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 executive directors to compensate such directors for share awards forfeited on leaving 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. 50 per cent of the award vests two years after the date of grant and the balance after three years. The RSS, in line with other similar schemes operated by our competitors, does not have performance conditions.

Along with the all-employee sharesave schemes detailed below, the RSS plays an important part in the Group's ambition to increase employee share ownership at all levels across its operations internationally.

All-employee Sharesave Schemes

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. It seeks to engage employees in the Group's performance, align their interests more closely with those of shareholders and offer them an opportunity for long-term savings and a share in the Group's financial success which they help to create. The Group has operated UK and International sharesave schemes since 1984 and 1996 respectively, the latter being specifically launched to allow all non UK based employees to participate.

Under sharesave, employees are invited to open a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company at a price which is at a discount of up to 20 per cent on the share price at the date of invitation. As at 31 December 2007, 42 per cent of employees globally participate in the Group's all-employee sharesave schemes (2006: 37 per cent). There are no performance conditions attached to options granted under these schemes.

In some countries in which the Group operates, it is not possible to operate sharesave, typically because of securities laws, regulatory or other similar issues. In these countries the Group offers an equivalent cash-based scheme to its employees.

Further details on the long term incentives operated by the Group are set out in note 41.

Shareholding Guidelines

The Group operates a shareholding guideline policy which aims to align the interests of executives with shareholders by ensuring that they build up a significant equity stake in the Company. The key aspects of the guidelines are as follows:

- there is a single shareholding target for employees at specific levels;
- executives will be expected to retain any shares acquired on the exercise of awards granted under the 2000 ESOS, the PSP and the Deferred Bonus Plan 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). Vested but unexercised RSS awards and interests under the Deferred Bonus Plan count towards the guideline level; and
- the Committee annually reviews the progress made by executives in terms of meeting their guideline targets. It will also continue to review the guideline levels to ensure they remain challenging and appropriate.

The current guideline levels are as follows:

Group CEO	at least 100,000 shares
Group Executive Directors	at least 60,000 shares
Standard Chartered Bank Directors	at least 40,000 shares
Other Senior Management	at least 10 – 15,000 shares

Retirement Benefits

All of the executive directors are eligible for retirement benefits. The Group policy is to provide a retirement benefit to executive directors, equivalent to two-thirds of base salary for those who have completed at least 20 years' service with the Group at retirement.

The retirement benefits are provided through a combination of approved and/or unapproved defined benefit and cash structures depending upon when the executive director joined the Group and his geographical location. Executive directors are given the opportunity to waive a proportion of any potential bonus to enhance their unfunded unapproved retirement benefits. Any amounts waived in respect of 2007 are shown on page 81 and

the additional pension benefits have been calculated by the Group's actuary using the 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 Group assets. The unapproved unfunded retirement benefit scheme provides that part of the benefit which exceeds the lifetime allowance. In other respects the terms of the unapproved scheme are designed to mirror the provisions of the Standard Chartered Pension Fund. On the death in service of an executive director, pension benefits are available to a spouse and dependant children and a lump sum is payable.

Base salary is the only element of remuneration which is pensionable.

Executive Directors' Contracts of Employment

The Group policy is for all executive directors to receive and be required to give 12 months' notice. The dates of the executive directors' contracts of employment are as follows:

Mr P A Sands	31 December 2003
Mr G R Bullock	19 October 2004
Mr M B DeNoma	11 December 2003
Mr R H Meddings	12 December 2003
Mr K S Nargolwala*	14 December 2006

* Mr Nargolwala resigned from the Board on 6 September 2007.

All executive directors have contracts subject to 12 months' rolling notice. These terminate automatically at the first annual general meeting following the executive directors' 60th birthday.

The contracts contain payment in lieu of notice ('PILON') provisions which can be exercised at the Group's discretion. The PILON would comprise an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). The amount of any bonus payable as part of a PILON is determined by the Committee taking into consideration individual and Group performance. Any payment under the PILON provisions would be paid in quarterly instalments and be subject to mitigation.

There are special provisions which apply in the event that the Company terminates the executive's contract in the 12 months following a change of control without giving notice. These provide that, if the executive's contract is terminated by the Group (other than where summary dismissal is appropriate or the executive serves out notice), the Group will pay in four equal instalments an amount equal to 12 months' base salary, bonus, pension contributions/entitlement and certain benefits and allowances. The amount of bonus payable in respect of the 12 months following the date of termination is the executive's target bonus. The amount of bonus payable in respect of the performance period which the executive director worked prior to termination will be decided by the Committee taking into consideration individual and Group performance, unless such a period is less than six months, in which case a pro rata target bonus is payable.

Group Chairman Contract

Mr Davies' contract of employment is dated 23 February 2007 and is subject to 12 months' rolling notice, albeit that the contract automatically expires on 31 December 2011. The terms of his contract governing PILON provisions and payments on termination are similar to those outlined above in relation to executive directors.

Compensation

Mr Davies is paid a base fee of \$1,303,510 (£650,000) per annum, payable in cash. In addition, he is provided with a car and driver, private healthcare provision and life assurance coverage. As reported last year, Mr Davies received a final PSP award in March 2007 in respect of his performance as Group Chief Executive during the financial year ended 31 December 2006. As Group Chairman, Mr Davies is no longer eligible to receive future discretionary share awards or to participate in either the Group's annual bonus or retirement plans. The Chairman's fees will be reviewed in 2008.

Non-executive Directors of Standard Chartered PLC

The fees of the non-executive directors are determined by the Chairman and the executive directors and are non-pensionable. Non-executive directors' fees are reviewed at least every two years and, as with executive directors' remuneration, reflect the international nature of the roles which they perform.

Basic annual fees and committee fees are set to be competitive against the Group's international comparator group. The non-executive directors' fees were reviewed in July 2007 and are set out in the table below (fees prior to review are shown in italics). Increases in fee levels, particularly for involvement in committees, reflect, in part, the growing regulatory and governance responsibilities resulting in an increase in the time commitment required by non-executive directors.

	Ordinary membership	Chairmanship
PLC Board	\$130,351 (£65,000) \$120,324 (£60,000)	— —
Deputy Chairman*	\$300,810 (£150,000)	—
Audit and Risk	\$40,108 (£20,000) \$30,081 (£15,000)	\$100,270 (£50,000) \$80,216 (£40,000)
Board Nomination	\$15,041 (£7,500) \$6,016 (£3,000)	N/A**
Board Remuneration	\$30,081 (£15,000) \$25,068 (£12,500)	\$60,162 (£30,000) \$50,135 (£25,000)
Sustainability and Responsibility	\$10,027 (£5,000) \$10,027 (£5,000)	N/A**

* Mr J W Peace was appointed as Deputy Chairman and Senior Independent Director with effect from 1 August 2007 and receives an all-inclusive fee.

** Mr Davies is chairman of the Board Nomination Committee and the Sustainability and Responsibility Committee. As Group Chairman, he does not receive any fees in his capacity as a member of either committee.

Further detail on non-executive directors' fees is set out on page 80.

Details of Non-executive Directorships held by the Executive Directors

Certain directors serve as non-executive directors of other companies. Details of these directorships are contained on pages 62 and 63. Details of non-executive fees of executive directors are shown below:

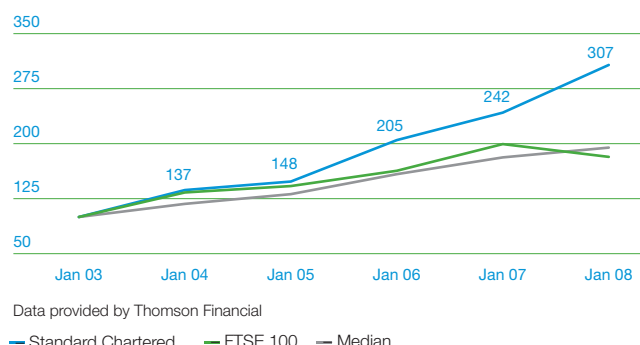
Name	Organisation	Current annual fees
G R Bullock	Fleming Family & Partners Limited MCashback Limited Spirax-Sarco Engineering plc	No fees payable No fees payable \$60,162*
M B DeNoma	MasterCard Asia Pacific Pte Ltd	No fees payable

* Indicates fees are retained by the director.

Performance Graph

The graph below shows the Group's TSR performance on a cumulative basis over the last five years alongside that of the FTSE 100 and the PSP comparator group. The FTSE 100 provides a broad comparator group against which the Group's shareholders may measure their relative returns. The Company is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for the Company's shares.

Total Shareholder Return Performance Graph Percentage change in TSR over five-year period



Miscellaneous Long Term Incentive-related Matters Employee Benefit Trusts

The Group has two employee benefit trusts which are administered by an independent trustee and which hold ordinary shares to meet various obligations under the Group's incentive plans. One trust (the '2004 trust') is used in conjunction with the 2004 Deferred Bonus Plan. The other trust (the '1995 trust') holds shares to satisfy the exercise of awards under the Group's various share plans. The independent trustee does not have any rights to dividends and voting is at the discretion of the trustee.

The respective holdings of the trusts are as follows:

	31 December 2007	31 December 2006
1995 trust	261,495	2,148,874
2004 trust	377,270	311,157

As the Chairman and 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

The Group's existing share plans contain various limits which govern the amount of awards that may be granted and also the amount of shares which may be issued to satisfy any subsequent exercise of awards. These limits, which are monitored, are in line with those stated in the Association of British Insurers' corporate guidelines. Under the terms of the Company's listing on the Stock Exchange of Hong Kong, 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 regard for the performance of the Group in the period 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 41.

During 2005, the Committee considered the impact of the International Financial Reporting Standards on performance measurement for the Group's share schemes. An approach to measuring EPS performance for PSP and 2000 ESOS awards was agreed by the Committee, which will ensure that performance is measured on a consistent basis without resulting in either advantage or disadvantage to participants.

General

The middle market price of an ordinary share at the close of business on 31 December 2007 was 1844 pence. The share price range during 2007 was 1366 pence to 1960 pence per share (based on closing middle market prices). Full details of the directors' shares and options can be found in the Company's 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:\$2.0054 (2007) and £1:\$1.8431 (2006).

Audited Information Remuneration of Directors

Directors	Notes	2007					2006					2007	2006
		Salary/ fees \$000	Cash bonus ^(a) \$000	Deferred bonus ^(b) \$000	Benefits ^(c) \$000	Total \$000	Salary/ fees \$000	Cash bonus ^(a) \$000	Deferred bonus ^(b) \$000	Benefits ^(c) \$000	Total \$000	Expected value of shares ^(d) \$000	Expected value of shares ^(d) \$000
E M Davies	(e)(f)	1,304	–	–	21	1,325	1,584	1,775	973	99	4,431	–	2,398
Sub total		1,304	–	–	21	1,325	1,584	1,775	973	99	4,431	–	2,398
P A Sands	(f)	1,504	2,005	1,003	63	4,575	1,002	1,296	639	66	3,003	2,422	1,903
G R Bullock	(g)	900	543	521	50	2,014	–	–	–	–	–	1,424	–
M B DeNoma	(h)	1,218	1,103	551	1,233	4,105	1,041	926	456	501	2,924	1,243	1,130
R H Meddings		1,023	1,036	682	46	2,787	841	841	480	48	2,210	1,647	1,176
K S Nargolwala	(i)	496	–	–	664	1,160	327	496	493	212	1,528	–	1,306
Sub total		5,141	4,687	2,757	2,056	14,641	3,211	3,559	2,068	827	9,665	6,736	5,515
J W Peace	(j)	125	–	–	–	125	–	–	–	–	–	–	–
Sir CK Chow	(k)	282	–	–	–	282	266	–	–	–	266	–	–
J F T Dundas	(e)(f)(j)	180	–	–	–	180	143	–	–	–	143	–	–
V F Gooding	(f)(l)	159	–	–	–	159	117	–	–	–	117	–	–
R H P Markham	(e)(j)(m)	250	–	–	–	250	185	–	–	–	185	–	–
R Markland	(e)(j)(l)	224	–	–	–	224	176	–	–	–	176	–	–
S B Mittal	(n)	54	–	–	–	54	–	–	–	–	–	–	–
P D Skinner	(l)	153	–	–	–	153	130	–	–	–	130	–	–
O H J Stocken	(f)(l)	156	–	–	–	156	130	–	–	–	130	–	–
Lord Turner	(j)(l)	188	–	–	–	188	67	–	–	–	67	–	–
Sub total		1,771	–	–	–	1,771	1,214	–	–	–	1,214	–	–
Total		8,216	4,687	2,757	2,077	17,737	6,009	5,334	3,041	926	15,310	6,736	7,913

Notes

- (a) The cash bonus amounts shown here for 2007 are net of any amounts waived to provide additional pension benefits. See page 81 for further details.
- (b) The amounts shown in the deferred bonus column represent the amount of bonus payable to an employee benefit trust to acquire shares in the Company of an equivalent value.
- (c) The benefits column includes amounts relating to car allowances and medical and life insurance benefits. Mr DeNoma and Mr Nargolwala carried out their duties overseas and had their remuneration adjusted to take local living costs into account. This adjustment was to put them in a position, after taxation differentials, where they are no worse off as a result of carrying out their duties overseas. The benefits column for these directors also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. For Mr DeNoma and Mr Nargolwala, these allowances and benefits amounted to \$1,233,100 (2006: \$500,899) and \$664,336 (2006: \$212,490), respectively.
- (d) The expected value of any performance share awards granted or to be granted (i.e. March 2008) in respect of the 2006 and 2007 financial years. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends.
- (e) Member of the Board Nomination Committee. Mr Dundas was appointed to this Committee on 23 February 2007.
- (f) Member of the Sustainability and Responsibility Committee. Mr Stocken was appointed to the Committee on 11 September 2007.
- (g) Mr Bullock was appointed to the Board with effect from 6 August 2007.
- (h) Mr DeNoma receives a cash allowance of \$258,648 (2006: \$223,610) in lieu of his participation in any pension plan and this is reflected in the table above.
- (i) Mr Nargolwala resigned from the Board on 6 September 2007. However, he continued to be an employee of the Group until 31 December 2007. His base salary and other contractual benefits continued to be paid until 31 December 2007 in line with his contract of employment.
- (j) Member of the Audit and Risk Committee. Mr Peace was appointed to this Committee on 3 August 2007 and to the Board as Deputy Chairman and Senior Independent Director with effect from 1 August 2007. He receives an all-inclusive fee of \$300,810 for these roles.
- (k) Sir CK Chow is also Chairman of Standard Chartered Bank (Hong Kong) Limited. He received an all-inclusive fee for his Hong Kong and Standard Chartered PLC Board duties of HK\$2,100,000.
- (l) Member of the Board Remuneration Committee. Miss Gooding was appointed to this Committee on 23 February 2007.
- (m) Mr Markham was appointed Senior Independent Director on 1 January 2007 and stepped down from this role on 1 August 2007, following the appointment of Mr Peace. An additional fee of \$23,396 (based on an annualised equivalent fee of £20,000) was payable to Mr Markham during this period to reflect the further workload that was associated specifically with this role. This figure is reflected in the table above.
- (n) Mr Mittal was appointed as an independent non-executive director with effect from 1 August 2007.
- (o) Further details on the fees for non-executive directors are shown on page 78.

Compensation to past director: As reported in the 2006 report and accounts, Mr B K Sanderson stepped down from the Board on 19 November 2006. However, he continued to be an employee of the Group until 31 March 2007. His base salary and other contractual benefits continued to be paid until 31 March 2007 in line with his contract of employment and totalled \$227,657 (£113,522). His contract of employment was subject to 12 months' rolling notice and contained PILON provisions. In accordance with the terms of his contract, Mr Sanderson received a PILON comprising an amount equal to 12 months' base fee and certain benefits and allowances. The PILON was paid in four quarterly instalments of £203,750 starting on 25 April 2007. Following an announcement to the London Stock Exchange on 19 October 2007, stating that Mr Sanderson had been appointed as Chairman of Northern Rock PLC, the fourth and final PILON instalment was reduced to reflect his duty to mitigate.

Retirement Benefits of Group Chairman and Executive Directors

Directors	Accrued pension \$000 ^(c)			Transfer value of accrued pension \$000 ^{(a) (f)}			Increase in accrued pension (net of inflation and waiver) during 2007 \$000 ^(h)		
	At 1 January 2007	Increase/ (decrease) during the year	At 31 December 2007	At 1 January 2007	Increase during the year net of waiver	At 31 December 2007	2007 waiver \$000 ^(g)	Annual pension	Transfer value
E M Davies ^(b)	363	(76)	293	6,732	96	6,930	—	—	—
P A Sands	144	105	251	2,814	1,717	4,558	—	99	1,930
G R Bullock ^(d)	181	96	278	3,517	1,147	5,284	496	58	1,153
R H Meddings	189	73	264	3,437	815	4,658	324	45	869
K S Nargolwala	227	96	326	4,829	1,023	6,539	614	54	1,093

Notes

- The ages of the executive directors are shown on pages 62 and 63.
- With effect from 1 January 2007, Mr Davies ceased to accrue additional pension benefits. His pension payments commenced in November 2007.
- Mr DeNoma only receives a cash supplement and does not participate, like the other executive directors, in the defined benefit plans set out above. His cash supplement amounts are shown in the directors' remuneration table on page 80.
- Mr Bullock's retirement provision remained unchanged on his appointment to the Board.
- The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.
- The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using the Group's pension accounting methodology and assumptions.
- Executive directors are given the opportunity to waive a proportion of any potential bonus and/or salary to enhance their unfunded unapproved retirement benefits. The amounts waived in respect of 2007 are shown in the table above.
- The increase in the accrued pension (net of inflation and bonus waiver) during the year is the difference between the accrued pension at the end of 2006 increased by an allowance for inflation of 4.3 per cent (2006: 3.9 per cent) and the accrued pension at the end of 2007 excluding any bonus waiver in 2007.
- In addition to the amounts identified in the table above the Group paid \$367,688 (2006: \$308,662) in retirement benefits to former directors and their dependants.
- The amounts included in the table above as at 1 January and 31 December 2007 are calculated using the exchange rates at the end of 2006 (£1:\$1.9579) and 2007 (£1:\$1.9877) respectively. The other entries are calculated using the exchange rates shown on page 79.

Audited Information continued Directors' Interests in Ordinary Shares

Directors	At 1 January 2007* Total interests	Personal interests	Family interests	At 31 December 2007** Total interests
E M Davies	200,419	4,957	20,000	24,957
J W Peace	5,000	5,000	–	5,000
P A Sands	30,641	50,670	–	50,670
G R Bullock	88,161	88,837	–	88,837
Sir CK Chow	15,664	15,664	–	15,664
M B DeNoma	159,715	139,715	–	139,715
J F T Dundas	2,100	2,100	–	2,100
V F Gooding	2,049	2,045	–	2,045
R H P Markham	2,364	2,425	–	2,425
R Markland	2,139	2,194	–	2,194
R H Meddings	111,291	152,312	–	152,312
S B Mittal	2,000	2,000	–	2,000
P D Skinner	3,206	3,289	–	3,289
O H J Stocken	10,000	10,000	–	10,000
Lord Turner	2,016	5,092	–	5,092
K S Nargolwala	147,340	284,438	–	284,438

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.

2004 Deferred Bonus Plan

Directors	Shares held in trust at 1 January 2007*	Shares awarded during the period ^(a)	Shares awarded in respect of notional dividend ^(b)	Shares vested during the period ^(a)	Shares held in trust at 31 December 2007**
E M Davies	34,884	37,859	305	35,189	37,859
P A Sands	22,893	24,845	200	23,093	24,845
G R Bullock	14,789	–	–	–	14,789
M B DeNoma	17,442	17,746	152	17,594	17,746
R H Meddings	16,897	18,693	148	17,045	18,693
K S Nargolwala	17,442	19,360	152	17,594	19,360 ^(c)

* Or at date of appointment to the Board, if later.

** Or date of resignation from the Board, if earlier.

Notes

- (a) Market value on date of awards/vesting (6 March 2007) was 1404 pence.
- (b) Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of part of the director's annual cash bonus. 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 dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.
- (c) This award subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

Subsequent pages contain information on share options and share awards.

Long Term Incentives – Share Options

Director	Scheme	Grant Date	As At 1 January 2007*	Exercise Price (pence)	Exercised	Lapsed	At 31 December 2007**	Period of exercise
E M Davies	1994 ESOS ^(a)	5 September 1997	20,000	808.5	20,000 ^(b)	–	–	–
	1994 ESOS ^(a)	5 August 1999	52,365	888	52,365 ^(b)	–	–	–
	2000 ESOS	12 June 2000	117,104	871.02	117,104 ^(b)	–	–	–
	2000 ESOS	2 April 2001	119,733	902	119,733 ^(b)	–	–	–
	2000 ESOS	5 March 2003	347,574	690.5	347,574 ^(b)	–	–	–
	2000 ESOS	4 March 2004	138,963	935.5	135,757 ^(b)	–	3,206	2008-2014
	2000 ESOS	9 March 2005	154,479	971	–	–	154,479	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957 ^(c)	–	–	2008-2008
P A Sands	2000 ESOS	20 May 2002	208,865	861.8	3,481 ^(d)	–	205,384	2008-2012
	2000 ESOS	5 March 2003	195,510	690.5	–	–	195,510	2008-2013
	2000 ESOS	4 March 2004	96,205	935.5	–	–	96,205	2008-2014
	2000 ESOS	9 March 2005	97,837	971	–	–	97,837	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957 ^(c)	–	–	–
	Sharesave	26 September 2007 ^(f)	1,351	1243	–	–	1,351	2010-2011
G R Bullock	2000 ESOS	4 March 2004	64,136	935.5	–	–	64,136	2008-2014
	2000 ESOS	9 March 2005	50,205	971	–	–	50,205	2008-2015
	Sharesave	8 September 2003	2,472	641	–	–	2,472	2008-2009
M B DeNoma	2000 ESOS	4 March 2004	85,515	935.5	85,515 ^(d)	–	–	–
	2000 ESOS	9 March 2005	64,109	971	–	–	64,109	2008-2015
R H Meddings	2000 ESOS	4 March 2004	65,473	935.5	–	–	65,473	2008-2014
	2000 ESOS	9 March 2005	74,794	971	–	–	74,794	2008-2015
	Sharesave	8 September 2006	878	1064	–	–	878	2009-2010
K S Nargolwala	2000 ESOS	4 March 2004	85,515	935.5	85,515 ^(e)	–	–	–
	2000 ESOS	9 March 2005	64,109	971	–	–	64,109	2008-2015 ^(g)

* Or at date of appointment to the Board or date of grant, if later.

** Or date of resignation from Board if earlier.

Notes

- This scheme is now closed. No awards have been made under this scheme since August 1999.
- Market value on date of exercise (4 May 2007) was 1556 pence.
- Market value on date of exercise (7 December 2007) was 1945 pence.
- Market value on date of exercise (6 March 2007) was 1404 pence.
- Market value on date of exercise (20 June 2007) was 1658 pence.
- Market value on date of grant (26 September 2007) was 1618 pence.
- These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.
- Market value at year end was 1844 pence and the highest and lowest values during the year were 1366 pence and 1960 pence respectively.
- Details of performance conditions are described on page 76.

Audited Information continued Long Term Incentives – Shares

Director	Scheme	Grant date	As at 1 January 2007*	Exercised	Lapsed	As at 31 December 2007**	Period of exercise
E M Davies	PSP	4 March 2004	69,481	69,481 ^(b)	–	–	–
	PSP	9 June 2004	70,575	70,575 ^(c)	–	–	–
	PSP	9 March 2005	154,479	–	–	154,479	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	111,498	–	–	111,498	2009-2016
	PSP	11 May 2006	82,191	–	–	82,191	2009-2016
	PSP	12 March 2007 ^(f)	179,186	–	–	179,186	2010-2017
P A Sands	RSS	20 May 2002	52,216	–	–	52,216	2008-2009 ^(h)
	PSP	4 March 2004	48,102	–	–	48,102	2008-2014 ^(h)
	PSP	9 June 2004	36,644	–	–	36,644	2008-2014 ^(h)
	PSP	9 March 2005	97,837	–	–	97,837	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	73,170	–	–	73,170	2009-2016
	PSP	11 May 2006	35,958	–	–	35,958	2009-2016
	PSP	12 March 2007 ^(f)	142,143	–	–	142,143	2010-2017
G R Bullock	PSP	9 March 2005	58,573	–	–	58,573	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	48,780	–	–	48,780	2009-2016
	PSP	11 May 2006	17,979	–	–	17,979	2009-2016
	PSP	12 March 2007 ^(f)	81,495	–	–	81,495	2010-2017
M B DeNoma	PSP	4 March 2004	42,757	42,757 ^(d)	–	–	–
	PSP	9 June 2004	21,715	21,715 ^(e)	–	–	–
	PSP	9 March 2005	74,794	–	–	74,794	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	59,930	–	–	59,930	2009-2016
	PSP	11 May 2006	22,089	–	–	22,089	2009-2016
	PSP	12 March 2007 ^(f)	84,424	–	–	84,424	2010-2017
R H Meddings	PSP	4 March 2004	37,413	37,413 ^(e)	–	–	–
	PSP	9 June 2004	9,500	9,500 ^(e)	–	–	–
	PSP	9 March 2005	74,794	–	–	74,794	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	59,930	–	–	59,930	2009-2016
	PSP	11 May 2006	22,089	–	–	22,089	2009-2016
	PSP	12 March 2007 ^(f)	87,870	–	–	87,870	2010-2017
K S Nargolwala	PSP	5 March 2003	55,032	55,032 ^(d)	–	–	–
	PSP	4 March 2004	42,757	42,757 ^(d)	–	–	–
	PSP	9 June 2004	21,715	21,715 ^(e)	–	–	–
	PSP	9 March 2005	74,794	–	–	74,794	2008-2015 ⁽ⁱ⁾
	PSP	14 March 2006	59,930	–	–	59,930	2009-2016 ⁽ⁱ⁾
	PSP	11 May 2006	29,452	–	–	29,452	2009-2016 ⁽ⁱ⁾
	PSP	12 March 2007 ^(f)	97,605	–	–	97,605	2010-2017 ⁽ⁱ⁾

* Or at date of appointment to the Board or date of grant if later.

** Or date of resignation from the Board, if earlier.

Notes

- Details of performance conditions are described on pages 75 and 76.
- Market value on date of exercise (4 May 2007) was 1556 pence.
- Market value on date of exercise (16 October 2007) was 1658 pence.
- Market value on date of exercise (6 March 2007) was 1404 pence.
- Market value on date of exercise (20 June 2007) was 1658 pence.
- Market value on date of award (12 March 2007) was 1430 pence.
- Market value of awards in previous years: 20 May 2002 – 861.8 pence; 5 March 2003 – 690.5 pence; 13 May 2003 – 742.5 pence; 4 March 2004 – 935.5 pence; 9 June 2004 – 921 pence; 9 March 2005 – 971 pence; 14 March 2006 – 1450 pence; 11 May 2006 – 1460 pence.
- These awards are exercisable as any associated performance and service conditions have already been met.
- The performance conditions attached to these awards have been met and the awards will be exercisable after meeting the service conditions on 9 March 2008.
- These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

Remuneration of Five Highest Paid Individuals

In addition to its responsibilities for the remuneration of executive directors, the Committee ensures that the remuneration policy of the Group is consistently applied for other senior executives. Specifically, the Committee approves any significant remuneration packages for newly appointed senior executives.

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 the five highest paid employees in the Group. Set out below are details for five individuals (four of whom are not executive directors) whose emoluments* were the highest in the year ending 31 December 2007:

Components of remuneration	\$000
Basic salaries, allowances and benefits in kind	4,046
Pension contributions	1,620
Bonuses paid or receivable*	27,712
Payments made on appointment	–
Compensation for loss of office	
– contractual	–
– other	–
Total**	33,378

* Excluding bonuses or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

** Equal to HK\$260,420,689.

The emoluments were in the following bands:

HK\$ (approx. \$ equivalent)	Number of employees
HK\$45,500,001 – HK\$46,000,000 (\$5,831,763-\$5,895,849)	1
HK\$48,000,001 – HK\$48,500,000 (\$6,152,190-\$6,216,275)	1
HK\$54,000,001 – HK\$54,500,000 (\$6,921,214-\$6,985,299)	2
HK\$57,000,001 – HK\$58,000,000 (\$7,305,725-\$7,433,896)	1

By order of the Board

Annemarie Durbin

Group Company Secretary

26 February 2008

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.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and Company and the performance of the Group for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 proper accounting records that 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 1985. 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 Directors' Report, Directors' Remuneration Report and the Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Standard Chartered PLC

We have audited the Group (Standard Chartered PLC and its subsidiaries) and Company (Standard Chartered PLC) financial statements (together referred to as the 'financial statements') for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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 auditor

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 86.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of Directors includes 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. In addition we report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc

London
Chartered Accountants
Registered Auditor
26 February 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007	2006		
		\$million	Excluding acquisitions \$million	Acquisitions \$million	Total \$million
Interest income	3	16,176	12,810	177	12,987
Interest expense	4	(9,911)	(7,576)	(83)	(7,659)
Net interest income		6,265	5,234	94	5,328
Fees and commission income	5	3,189	2,232	43	2,275
Fees and commission expense	5	(528)	(392)	(2)	(394)
Net trading income	6	1,261	914	6	920
Other operating income	7	880	485	6	491
		4,802	3,239	53	3,292
Operating income		11,067	8,473	147	8,620
Staff costs	8	(3,949)	(2,873)	(40)	(2,913)
Premises costs	8	(592)	(439)	(5)	(444)
General administrative expenses	8	(1,329)	(1,144)	(27)	(1,171)
Depreciation and amortisation	9	(345)	(249)	(19)	(268)
Operating expenses		(6,215)	(4,705)	(91)	(4,796)
Operating profit before impairment losses and taxation		4,852	3,768	56	3,824
Impairment losses on loans and advances and other credit risk provisions	20	(761)	(611)	(18)	(629)
Other impairment	10	(57)	(15)	–	(15)
Profit/(loss) from associates	23	1	(2)	–	(2)
Profit before taxation		4,035	3,140	38	3,178
Taxation	11	(1,046)	(812)	(12)	(824)
Profit for the year		2,989	2,328	26	2,354
Profit attributable to:					
Minority interests	40	148	75	1	76
Parent company shareholders		2,841	2,253	25	2,278
Profit for the year		2,989	2,328	26	2,354
Basic earnings per ordinary share	13	201.1c			169.0c
Diluted earnings per ordinary share	13	198.7c			167.0c

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 \$million	2006* \$million
Assets			
Cash and balances at central banks	42	10,175	7,698
Financial assets held at fair value through profit or loss	15	22,958	15,715
Derivative financial instruments	16	26,204	13,154
Loans and advances to banks	17, 20	35,365	19,724
Loans and advances to customers	18, 20	154,266	139,300
Investment securities	22	55,274	49,497
Interests in associates	23	269	218
Goodwill and intangible assets	25	6,380	6,247
Property, plant and equipment	26	2,887	2,168
Deferred tax assets	27	559	512
Other assets	28	11,011	8,601
Prepayments and accrued income		3,857	3,268
Total assets		329,205	266,102
Liabilities			
Deposits by banks	29	25,880	26,233
Customer accounts	30	179,760	147,382
Financial liabilities held at fair value through profit or loss	31	14,250	9,969
Derivative financial instruments	16	26,270	13,703
Debt securities in issue	32	27,137	23,514
Current tax liabilities		185	68
Other liabilities	34	14,742	11,331
Accruals and deferred income		3,429	3,210
Provisions for liabilities and charges	35	38	45
Retirement benefit obligations	36	322	553
Subordinated liabilities and other borrowed funds	37	15,740	12,699
Total liabilities		307,753	248,707
Equity			
Share capital	38	705	692
Reserves	39	20,146	16,161
Total parent company shareholders' equity		20,851	16,853
Minority interests	40	601	542
Total equity		21,452	17,395
Total equity and liabilities		329,205	266,102

* Amounts have been restated as explained in note 51 on page 154.

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

E M Davies
Chairman

P A Sands
Group Chief Executive

R H Meddings
Group Finance Director

Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Notes	Group		Company	
		2007 \$million	2006 \$million	2007 \$million	2006 \$million
Exchange differences on translation of foreign operations:					
Net gains taken to equity		415	670	–	–
Transferred to income on repatriation of branch capital		(109)	–	–	–
Actuarial gains on retirement benefit obligations	36	237	104	–	–
Available-for-sale investments:					
Net valuation gains taken to equity		675	682	–	–
Transferred to income		(252)	(190)	–	–
Cash flow hedges:					
Net gains taken to equity		57	79	–	–
Net (gains)/losses transferred to income for the year		(58)	20	–	–
Taxation on items recognised directly in equity		(99)	(131)	–	–
Other		–	7	–	(3)
Net income/(expense) recognised in equity		866	1,241	–	(3)
Profit for the year		2,989	2,354	349	686
Total recognised income and expense for the year		3,855	3,595	349	683
Attributable to:					
Minority interests	40	196	111	–	–
Parent company shareholders	39	3,659	3,484	349	683
		3,855	3,595	349	683

Cash Flow Statement

For the year ended 31 December 2007

Cash flow from operating activities

Profit before taxation

Adjustment for items not involving cash flow or shown separately:

Depreciation and amortisation

Gain on disposal of property, plant and equipment

Gain on disposal of investment securities and loan and receivable financial assets

Gain arising on initial recognition of Visa Inc. shares

Writedowns relating to asset backed securities

Movement in fair value hedges on available-for-sale assets

Amortisation of discounts and premiums of investment securities

Pension costs for defined benefit schemes

Impairment losses on loans and advances and other credit risk provisions

Dividend income from subsidiaries

Other impairment

Recoveries of acquisition fair values and discount unwind

Net (decrease)/increase in derivative financial instruments

Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss

Net increase in loans and advances to banks and customers

Increase in prepayments and accrued income

Net increase in deposits from banks, customer accounts and debt securities in issue

Increase/(decrease) in accruals and deferred income

Net increase/(decrease) in other accounts

Interest expense on subordinated liabilities

Net return from defined benefit schemes

UK and overseas taxes (paid)/refunded

Net cash from/(used in) operating activities

Net cash flows from investing activities

Purchase of property, plant and equipment

Disposal of property, plant and equipment

Acquisition of investment in subsidiaries, net of cash acquired

Redemption of capital in subsidiary

Acquisition of investment securities

Dividends received from investment in subsidiaries

Disposal and maturity of investment securities

Net cash used in investing activities

Net cash flows from financing activities

Issue of ordinary and preference share capital

Purchase of own shares

Exercise of share options through ESOP

Redemption of preference share capital

Interest paid on subordinated liabilities

Gross proceeds from issue of subordinated liabilities

Repayment of subordinated liabilities

Dividends paid to minority interests and preference shareholders

Dividends paid to ordinary shareholders

Net cash from financing activities

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of year

Effect of exchange rate movements on cash and cash equivalents

Cash and cash equivalents at end of year (note 42)

	Group		Company	
	2007 \$million	2006* \$million	2007 \$million	2006* \$million
Profit before taxation	4,035	3,178	310	713
Adjustment for items not involving cash flow or shown separately:				
Depreciation and amortisation	345	268	–	–
Gain on disposal of property, plant and equipment	(1)	(16)	–	–
Gain on disposal of investment securities and loan and receivable financial assets	(342)	(190)	–	–
Gain arising on initial recognition of Visa Inc. shares	(107)	–	–	–
Writedowns relating to asset backed securities	87	–	–	–
Movement in fair value hedges on available-for-sale assets	(21)	(5)	–	–
Amortisation of discounts and premiums of investment securities	(259)	(257)	–	–
Pension costs for defined benefit schemes	110	96	–	–
Impairment losses on loans and advances and other credit risk provisions	761	629	–	–
Dividend income from subsidiaries	–	–	(385)	(656)
Other impairment	57	15	–	–
Recoveries of acquisition fair values and discount unwind	(164)	(158)	–	–
	466	382	(385)	(656)
Net (decrease)/increase in derivative financial instruments	(466)	45	–	–
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(3,691)	(4,259)	–	–
Net increase in loans and advances to banks and customers	(14,983)	(11,664)	–	–
Increase in prepayments and accrued income	(519)	(901)	–	–
Net increase in deposits from banks, customer accounts and debt securities in issue	36,135	16,914	–	–
Increase/(decrease) in accruals and deferred income	289	786	(1,051)	(101)
Net increase/(decrease) in other accounts	(1,880)	4,408	111	297
	14,885	5,329	(940)	196
Interest expense on subordinated liabilities	811	643	126	115
Net return from defined benefit schemes	16	47	–	–
UK and overseas taxes (paid)/refunded	(1,097)	(903)	14	–
Net cash from/(used in) operating activities	19,116	8,676	(875)	368
Net cash flows from investing activities				
Purchase of property, plant and equipment	(471)	(245)	–	–
Disposal of property, plant and equipment	22	40	–	–
Acquisition of investment in subsidiaries, net of cash acquired	(85)	(937)	(750)	(2,683)
Redemption of capital in subsidiary	–	–	–	1,000
Acquisition of investment securities	(78,292)	(71,115)	–	–
Dividends received from investment in subsidiaries	–	–	385	656
Disposal and maturity of investment securities	74,457	63,896	–	–
Net cash used in investing activities	(4,369)	(8,361)	(365)	(1,027)
Net cash flows from financing activities				
Issue of ordinary and preference share capital	861	2,070	861	2,070
Purchase of own shares	(15)	(9)	–	–
Exercise of share options through ESOP	39	158	–	–
Redemption of preference share capital	–	(328)	–	(328)
Interest paid on subordinated liabilities	(737)	(562)	(118)	(124)
Gross proceeds from issue of subordinated liabilities	3,051	1,591	–	–
Repayment of subordinated liabilities	(505)	(390)	–	–
Dividends paid to minority interests and preference shareholders	(148)	(80)	(28)	(25)
Dividends paid to ordinary shareholders	(573)	(496)	(573)	(496)
Net cash from financing activities	1,973	1,954	142	1,097
Net increase/(decrease) in cash and cash equivalents	16,720	2,269	(1,098)	438
Cash and cash equivalents at beginning of year	38,161	35,226	2,028	1,590
Effect of exchange rate movements on cash and cash equivalents	457	666	–	–
Cash and cash equivalents at end of year (note 42)	55,338	38,161	930	2,028

* Amounts have been re-presented as explained in note 51 on page 154.

Company Balance Sheet

As at 31 December 2007

	Notes	2007 \$million	2006 \$million
Non-current assets			
Investments in subsidiary undertakings	23	10,406	9,656
Current assets			
Amounts owed by subsidiary undertakings		2,019	3,181
Taxation		183	158
Other		127	103
		2,329	3,442
Current liabilities			
Amounts owed to subsidiary undertakings		1,089	1,153
Other creditors, including taxation		102	71
Deferred income		40	154
		1,231	1,378
Net current assets		1,098	2,064
Total assets less current liabilities		11,504	11,720
Non-current liabilities			
Subordinated liabilities and other borrowed funds	37	1,987	1,977
Deferred income		271	1,208
		9,246	8,535
Equity			
Share capital	38	705	692
Reserves	39	8,541	7,843
Total equity		9,246	8,535

These accounts were approved by the Board of Directors on 26 February 2008 and signed on its behalf by:

E M Davies
Chairman

P A Sands
Group Chief Executive

R H Meddings
Group Finance Director

1. Accounting Policies

Statement of compliance

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. 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 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The Group has retrospectively adopted IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment', none of which had an impact on the Group's consolidated financial statements.

The Group has also adopted IFRS 7 'Financial Instruments: Disclosures' and the Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' and the disclosures required are presented within the 'Risk Review' on pages 43 to 59 and 'Capital' on pages 60 to 61, except where indicated as not audited, and the notes to the accounts.

The consolidated balance sheet at 31 December 2006 has been restated as explained in note 51 on page 154 to reflect the revised fair values of the assets and liabilities acquired on the acquisitions of Union Bank and Hsinchu. Certain items in the Group and Company cash flow statements for the year ended 31 December 2006 have been re-presented as explained in note 51.

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 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.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) 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.

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, irrespective of the extent of any minority interest. 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 on transactions between Group companies are eliminated in the Group accounts. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Associates

Associates are all entities over which the Group has the ability to significantly influence the financial and operating policies and procedures, but not control, 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 reserves 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 on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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, if any.

1. Accounting Policies continued

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 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; and
- 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 shareholders' equity. 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.

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 or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill 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.

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 (four to sixteen 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 licenses 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.

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	3 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.

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.

1. Accounting Policies continued

Leases continued

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 held subject to a finance lease, 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 balances with less than three months' maturity from the date of acquisition, including: cash and balances at central banks (unless restricted), treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Employee benefits

Pension obligations

The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For 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. 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 recognised income and expense 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, 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, excluding 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. For forfeitures prior to vesting attributable to factors other than failure to satisfy market-based performance conditions, the cumulative charge incurred is credited to the income statement.

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.

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, based on the applicable tax law in each jurisdiction, 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.

1. Accounting Policies continued

Borrowings

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.

Share capital

Incremental costs directly attributable to the issue of new shares or options, or to the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares 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 (but not 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 (but not of 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 in the following categories: financial assets held at fair value through profit or loss; loans and receivables; 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.

(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. Derivatives are also categorised as trading unless they are designated as hedges.

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.

(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. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(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 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

Available-for-sale financial assets and financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are 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.

Renegotiated loans

Loans whose original terms have been modified are considered renegotiated loans. If the renegotiation occurs before a customer is either past due or impaired and the revised terms are consistent with those readily available in the market, the account will not be considered past due. 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. If the account was past due or impaired prior to the renegotiation, the loan will remain past due until the customer complies with the revised terms for 12 months.

1. Accounting Policies continued

Financial assets and liabilities (excluding derivatives) continued

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 designated at fair value through profit or loss is recognised within net interest income. For trading financial instruments, interest income and expense is recognised within net interest income using the effective interest method.

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

Assets carried at amortised cost

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 customer is more than 90 days past due;
- a customer files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;
- the Group files to have the customer 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.

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.

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 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.

1. Accounting Policies continued

Impairment of financial assets continued

Available-for-sale assets

A significant or prolonged decline in the fair value of a security below its cost is considered, amongst other indicators of impairment, in determining whether an asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition 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

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, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). 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 hedges 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 profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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.

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 amounts due to other banks, deposits from banks, other deposits or deposits due to customers, 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.

1. Accounting Policies continued

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 and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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. The adjustment is recognised as interest income or expense in the period in which the revision is made.

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. 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 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.

Hyperinflation

Where the Group has operations in countries that experience hyperinflation, the financial statements are restated for changes in general purchasing power of the local currency.

2. Segmental Information

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

By Class of Business

	2007				2006			
	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Corporate items not allocated \$million	Total \$million
Internal income	(77)	77	–	–	(75)	75	–	–
Net interest income	4,194	2,071	–	6,265	3,545	1,783	–	5,328
Other income	1,689	3,095	18	4,802	1,214	2,065	13	3,292
Operating income	5,806	5,243	18	11,067	4,684	3,923	13	8,620
Operating expenses	(3,393)	(2,814)	(8)	(6,215)	(2,641)	(2,151)	(4)	(4,796)
Operating profit before impairment losses and taxation	2,413	2,429	10	4,852	2,043	1,772	9	3,824
Impairment (losses)/releases on loans and advances and other credit risk provisions	(736)	(25)	–	(761)	(721)	92	–	(629)
Other impairment	–	(57)	–	(57)	–	(15)	–	(15)
Profit/(loss) from associates	–	–	1	1	–	–	(2)	(2)
Profit before taxation	1,677	2,347	11	4,035	1,322	1,849	7	3,178
Total assets employed**	90,238	238,408	559*	329,205	86,902	178,688	512*	266,102
Total liabilities employed**	120,213	187,355	185*	307,753	107,165	141,474	68*	248,707
Total risk weighted assets and contingents**	63,516	108,317	–	171,833	60,380	93,053	–	153,433
Other segment items:								
Capital expenditure	418	208	–	626	209	150	–	359
Depreciation	136	46	–	182	100	35	–	135
Amortisation of intangible assets	68	95	–	163	52	81	–	133

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

** Amounts have been restated as explained in note 51 on page 154. In addition, certain assets have been reallocated between Consumer Banking and Wholesale Banking to present on a consistent basis.

2. Segmental Information continued

By Geographic Segment

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

	2007									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas [#] UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Internal income	(81)	119	11	(58)	16	23	(15)	20	(35)	–
Net interest income	1,288	182	225	1,289	1,118	608	873	444	238	6,265
Fees and commissions income, net	539	233	83	227	466	353	436	194	130	2,661
Net trading income	180	80	63	(72)	330	145	100	121	314	1,261
Other operating income	142	278	77	178	171	179	34	16	(195)	880
Operating income	2,068	892	459	1,564	2,101	1,308	1,428	795	452	11,067
Operating expenses	(825)	(430)	(185)	(1,146)	(1,213)	(528)	(694)	(468)	(726)	(6,215)
Operating profit/(loss) before impairment losses and taxation	1,243	462	274	418	888	780	734	327	(274)	4,852
Impairment (losses)/releases on loans and advances and other credit risk provisions	(50)	(16)	(38)	(94)	(318)	(90)	(143)	(27)	15	(761)
Other impairment	–	–	–	–	–	–	–	(2)	(55)	(57)
Profit/(loss) from associates	–	–	–	–	2	–	–	–	(1)	1
Profit/(loss) before taxation	1,193	446	236	324	572	690	591	298	(315)	4,035
Loans and advances to customers – average	23,712	14,897	9,518	41,962	23,545	7,611	10,679	2,437	17,059	151,420
Net interest margins (%)	2.3	1.0	1.8	2.1	2.8	4.3	4.1	5.6	0.2	2.5
Loans and advances to customers – period end	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Loans and advances to banks – period end	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679
Total assets employed*	61,348	39,362	14,614	67,246	55,890	23,209	28,617	11,132	85,890	387,308
Total risk weighted assets and contingents	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785
Capital expenditure	39	131	9	53	116	138	88	45	7	626

* Total assets employed includes intra-group items of \$58,662 million and excludes deferred tax assets of \$559 million.

[#] Americas, UK & Europe was previously Americas, UK & Group Head Office. The business captured within this segment has not been changed, the title has been revised to more appropriately describe the segment.

2. Segmental Information continued

	2006									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Internal income	(14)	3	(2)	50	17	(17)	(7)	(10)	(20)	–
Net interest income	1,115	345	242	1,097	788	445	660	396	240	5,328
Fees and commissions income, net	406	159	50	152	302	204	296	160	152	1,881
Net trading income	74	56	60	64	166	101	115	91	193	920
Other operating income	34	59	21	159	111	84	6	3	14	491
Operating income	1,615	622	371	1,522	1,384	817	1,070	640	579	8,620
Operating expenses	(720)	(294)	(164)	(972)	(785)	(375)	(514)	(413)	(559)	(4,796)
Operating profit before impairment losses and taxation	895	328	207	550	599	442	556	227	20	3,824
Impairment (losses)/releases on loans and advances and other credit risk provisions	(7)	(39)	(29)	(96)	(384)	(39)	(53)	(26)	44	(629)
Other impairment	–	–	–	–	(3)	–	–	(9)	(3)	(15)
(Loss)/profit from associates	–	–	–	–	(4)	–	–	–	2	(2)
Profit before taxation	888	289	178	454	208	403	503	192	63	3,178
Loans and advances to customers – average	22,859	12,976	8,671	38,986	12,261	5,876	9,531	2,397	10,415	123,972
Net interest margin (%)	2.3	1.3	2.1	1.9	3.0	3.4	3.8	5.7	0.3	2.5
Loans and advances to customers – period end*	22,037	14,626	9,199	40,029	22,851	6,242	10,516	2,536	12,458	140,494
Loans and advances to banks – period end	6,474	939	161	1,753	4,462	477	1,058	387	5,353	21,064
Total assets employed* #	49,845	25,400	11,849	64,178	46,886	14,386	18,118	7,794	65,918	304,374
Total risk weighted assets and contingents*	23,784	13,681	5,315	35,330	24,874	8,450	13,564	3,287	28,282	156,567
Capital expenditure	78	65	3	35	49	22	37	13	57	359

* Amounts have been restated as explained in note 51 on page 154.

Total assets employed includes intra-group items of \$38,784 million and excludes deferred tax assets of \$512 million.

2. Segmental Information continued

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

In 2007, corporate items not allocated to businesses relate to profits on disposal of businesses, pre-incorporation costs in China and profits from associates.

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

Total risk weighted assets and contingents include \$6,952 million (2006: \$3,134 million) of balances which are netted in calculating capital ratios.

Capital expenditure comprises additions to property and equipment (note 26) and software related intangibles (note 25) including any post-acquisition additions made by acquired entities.

3. Interest Income

	2007 \$million	2006 \$million
Balances at central banks	39	29
Treasury bills	884	746
Loans and advances to banks	1,975	1,177
Loans and advances to customers	10,746	8,997
Listed debt securities	1,081	855
Unlisted debt securities	1,385	1,131
Accrued on impaired assets (discount unwind)	66	52
	16,176	12,987

Total interest income from financial instruments held at amortised cost in 2007 is \$11,070 million (2006: \$8,738 million) and from financial instruments held as available-for-sale is \$2,390 million (2006: \$2,027 million).

4. Interest Expense

	2007 \$million	2006 \$million
Deposits by banks	1,497	1,122
Customer accounts:		
Interest bearing current accounts and savings deposits	1,508	1,567
Time deposits	4,552	3,141
Debt securities in issue	1,543	1,186
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	245	227
Other	566	416
	9,911	7,659

Total interest expense on financial instruments held at amortised cost in 2007 is \$8,347 million (2006: \$6,948 million).

5. Fees and Commissions

	2007 \$million	2006 \$million
Fee income:		
Arising from financial instruments that are not fair valued through profit or loss	1,160	1,145
Arising from trust and other fiduciary activities	302	155
Other	1,727	975
	3,189	2,275
Fee expense:		
Arising from financial instruments that are not fair valued through profit or loss	285	253
Arising from trust and other fiduciary activities	26	14
Other	217	127
	528	394

6. Net Trading Income

	2007 \$million	2006 \$million
Gains less losses on instruments held for trading:		
Foreign currency	862	645
Trading securities	102	109
Interest rate derivatives	257	151
Credit and other derivatives	39	40
Gains less losses from fair value hedged items and hedging instruments	(3)	14
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	44	–
Financial liabilities designated at fair value through profit or loss	(37)	(37)
Derivatives managed with financial instruments designated at fair value through profit or loss	(3)	(2)
	1,261	920

7. Other Operating Income

	2007 \$million	2006 \$million
Other operating income includes:		
Gains less losses on available-for-sale financial assets:		
On disposal	339	185
Writedowns on asset backed securities	(87)	–
Gains less losses on disposal of loan and receivable financial assets	3	5
Dividend income	279	77
Gains arising on assets fair valued at acquisition	98	106
Recognition of profit on Visa shares	107	–
Income on repatriation of branch capital	109	–
Gain on effective part disposal of Pakistan branches	–	17
Profit on part disposal of merchant acquiring business	15	–
Net profit on sale of businesses	3	–

8. Operating Expenses

	2007 \$million	2006 \$million
Staff costs:		
Wages and salaries	2,970	2,278
Social security costs	67	74
Other pension costs (note 36)	213	166
Other staff costs	699	395
	3,949	2,913
Premises and equipment expenses:		
Rental of premises	259	215
Other premises and equipment costs	307	208
Rental of computers and equipment	26	21
	592	444
General administrative expenses	1,329	1,171

Wages and salaries include share based payments – see note 41.

The Group employed 69,612 staff at 31 December 2007 (2006: 59,205).

The Company employed nil staff at 31 December 2007 (2006: nil) and it incurred costs of \$7 million (2006: \$2 million).

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the directors' remuneration report on pages 73 to 85.

Transactions with directors, officers and other related parties are disclosed in the related parties note 52 on page 155.

8. Operating Expenses continued

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to \$4.4 million (2006: \$3.3 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together 'KPMG'):

	2007 \$million	2006 \$million
Audit fees for the Group statutory audit:		
Fees relating to the current year	3.8	3.3
Fees relating to prior year	0.6	–
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries, pursuant to legislation	9.7	7.6
Other services pursuant to legislation	3.0	1.6
Tax services	0.4	1.0
Services relating to information technology	0.1	0.1
Services relating to corporate finance transactions	0.8	1.4
All other services	0.3	0.2
Total fees payable	18.7	15.2

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG Audit Plc for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC. It excludes amounts payable for the audit of Standard Chartered PLC's subsidiaries and amounts payable to KPMG Audit Plc's associates. These amounts have been included in 'Fees payable to KPMG for other services provided to the Group'.
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings, including comfort letters and interim reviews.
- Tax services include tax compliance services and tax advisory services.
- Services relating to information technology include advice on IT security and business continuity, and performing agreed upon IT testing procedures.
- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as acquisition due diligence and long-form reports.
- All other services include other assurance and advisory services such as translation services, ad-hoc accounting advice 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 (2006: \$0.2 million) by parties other than the Group but where the Group are 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 disclosed because such fees are disclosed on a consolidated basis for the Group.

9. Depreciation and Amortisation

	2007 \$million	2006 \$million
Premises	78	57
Equipment	104	78
Intangibles:		
Software	86	81
Acquired on business combinations	77	52
	345	268

10. Other Impairment

	2007 \$million	2006 \$million
Intangible assets	17	–
Impairment losses on available-for-sale financial assets	40	15
	57	15

Impairment of intangible assets consists of the write-off of a customer relationship asset relating to Whistlejacket. Impairment losses on available-for-sale financial assets includes \$35 million (2006: \$nil million) impairment on asset backed securities.

11. Taxation

Analysis of taxation charge in the year:

	2007 \$million	2006 \$million
The charge for taxation based upon the profits for the year comprises:		
United Kingdom corporation tax at 30% (2006: 30%):		
Current tax on income for the year	385	229
Adjustments in respect of prior periods (including double taxation relief)*	(18)	(244)
Double taxation relief	(385)	(208)
Foreign tax:		
Current tax on income for the year	1,258	868
Adjustments in respect of prior periods*	13	33
Total current tax	1,253	678
Deferred tax:		
Origination/reversal of temporary differences	(167)	57
Adjustments in respect of prior periods*	(40)	89
Total deferred tax	(207)	146
Tax on profits on ordinary activities	1,046	824
Effective tax rate	25.9%	25.9%

* Re-presented to identify separately all adjustments in respect of prior periods for United Kingdom, and foreign and deferred taxation.

Overseas taxation includes taxation on Hong Kong profits of \$195 million (2006: \$166 million) provided at a rate of 17.5 per cent (2006: 17.5 per cent) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom corporation tax rate is to be reduced from 30 per cent to 28 per cent. As a result, deferred tax assets and liabilities have been re-measured at the reduced tax rate where the asset or liability is settled after 1 April 2008.

The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom, 30 per cent.

The differences are explained below:

	2007 \$million	2006 \$million
Profit on ordinary activities before taxation	4,035	3,178
Tax at 30% (2006: 30%)	1,211	953
Effects of:		
Tax free income	(203)	(52)
Lower tax rates on overseas earnings	(176)	(191)
Higher tax rates on overseas earnings	222	173
Adjustments to tax charge in respect of previous periods	(45)	(122)
Other items	37	63
Tax on profits on ordinary activities	1,046	824

Tax recognised directly in equity:

	2007 \$million	2006 \$million
Current tax credit on share based payments	38	18
Current tax credit on available-for-sale assets	–	5
Total current tax recognised in equity	38	23
Deferred tax charge on available-for-sale assets	(38)	(70)
Deferred tax charge on pensions	(71)	(38)
Deferred tax (charge) on share based payments	(61)	29
Deferred tax credit/(charge) on cash flow hedges	7	(25)
Deferred tax on other items	(1)	8
Total deferred tax recognised in equity	(164)	(96)
Total tax recognised in equity	(126)	(73)

12. Dividends

		2007		2006	
		Cents per share	\$million	Cents per share	\$million
Ordinary Equity Shares					
Final dividend declared and paid during the period		50.21	695	45.06	595
Interim dividend declared and paid during the period		23.12	324	20.83	277
		73.33	1,019	65.89	872
Preference Shares					
				2007 \$million	2006 \$million
Non-cumulative irredeemable preference shares:	7 ³ / ₈ per cent preference shares of £1 each*			15	14
	8 ¹ / ₄ per cent preference shares of £1 each*			16	15
Non-cumulative redeemable preference shares:	8.9 per cent preference shares of \$5 each			–	22
	6.409 per cent preference shares of \$5 each			28	3

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

Dividends on ordinary equity and redeemable preference shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2007 final ordinary equity share dividend of 56.23 cents per share (\$793 million) will be paid in either sterling, Hong Kong dollars or US dollars on 16 May 2008 to shareholders on the UK register of

members at the close of business in the UK (5.00 pm GMT) on 7 March 2008, 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 7 March 2008. 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. Details of this dividend will be sent to shareholders on or around 27 March 2008.

13. Earnings Per Ordinary Share

	2007			2006		
	Profit* \$million	Weighted average number of shares ('000)	Per share amount cents	Profit* \$million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	2,813	1,398,747	201.1	2,253	1,332,985	169.0
Effect of dilutive potential ordinary shares:						
Options	–	17,048		–	16,050	
Diluted earnings per share	2,813	1,415,795	198.7	2,253	1,349,035	167.0

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

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 ‘Earnings per share’. The table below provides a reconciliation.

	2007 \$million	2006 \$million
Profit attributable to ordinary shareholders*	2,813	2,253
Premium and costs paid on repurchase of subordinated liabilities	–	4
Amortisation of intangible assets arising on business combinations	77	52
Profit on sale of property, plant and equipment	(1)	(16)
Gain on transfer of branches	–	(17)
Pre-incorporation costs in China	8	4
Net profit on sale of businesses	(3)	–
Profit on partial disposal of merchant acquiring business	(15)	–
Foreign exchange gain on repatriation of branch capital	(109)	–
Impairment of customer relationship intangible	17	–
Tax on normalised items	(23)	(5)
Normalised earnings	2,764	2,275
Normalised basic earnings per ordinary share	197.6c	170.7c
Normalised diluted earnings per ordinary share	195.2c	168.6c

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 12).

14. Financial Instruments Classification Summary

Financial instruments are classified between four recognition principles: held at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity, loans and receivables, and for financial liabilities, amortised cost. The face of the balance sheet combines financial instruments that are held at their fair value and subdivided between those assets and liabilities held for trading purposes and those that the Group has elected to hold at fair value.

The Group's classification of its principal financial assets and liabilities (excluding derivatives which are classified as trading and are disclosed in note 16) is summarised in the table below. Cash and balances at central banks of \$10,175 million (2006: \$7,698 million) is deemed to be held at amortised cost.

	Trading \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Total \$million
Loans and advances to banks	2,314	–	–	35,365	–	37,679
Loans and advances to customers	1,978	738	–	154,266	–	156,982
Treasury bills and other eligible bills	2,942	453	11,667	–	–	15,062
Debt securities	13,829	334	38,098	2,719	100	55,080
Equity shares	108	262	2,690	–	–	3,060
Total at 31 December 2007	21,171	1,787	52,455	192,350	100	267,863

Loans and advances to banks	1,340	–	–	19,724	–	21,064
Loans and advances to customers*	1,000	194	–	139,300	–	140,494
Treasury bills and other eligible bills	2,722	696	12,522	–	–	15,940
Debt securities*	8,906	695	32,711	2,649	137	45,098
Equity shares	162	–	1,478	–	–	1,640
Total at 31 December 2006	14,130	1,585	46,711	161,673	137	224,236

* Amounts have been restated as explained in note 51 on page 154.

	Trading \$million	Designated at fair value through profit or loss \$million	Amortised cost \$million	Total \$million
Deposits by banks	2,532	173	25,880	28,585
Customer accounts	772	2,064	179,760	182,596
Debt securities in issue	2,665	2,351	27,137	32,153
Short positions	3,693	–	–	3,693
Total at 31 December 2007	9,662	4,588	232,777	247,027

Deposits by banks	1,286	603	26,233	28,122
Customer accounts	485	1,421	147,382	149,288
Debt securities in issue	1,514	1,771	23,514	26,799
Short positions	2,889	–	–	2,889
Total at 31 December 2006	6,174	3,795	197,129	207,098

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

For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by

matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

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

The maximum exposure to credit risk for loans designated at fair value through profit or loss was \$738 million (2006: \$194 million).

15. Financial Assets Held at Fair Value through Profit or Loss continued

The fair value loss on loans and advances to customers designated at fair value through profit or loss was \$1.0 million (2006: \$4.7 million). Of this, \$nil million (2006: \$0.4 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was \$0.4 million (2006: \$0.4 million).

The changes in fair value attributable to credit risk was 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.

	2007			2006		
	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million
Loans and advances to banks	2,314	–	2,314	1,340	–	1,340
Loans and advances to customers	1,978	738	2,716	1,000	194	1,194
Treasury bills and other eligible bills	2,942	453	3,395	2,722	696	3,418
Debt securities	13,829	334	14,163	8,906	695	9,601
Equity shares	108	262	370	162	–	162
	21,171	1,787	22,958	14,130	1,585	15,715

Debt securities

	2007 \$million	2006 \$million
Issued by public bodies:		
Government securities	5,344	2,321
Other public sector securities	30	45
	5,374	2,366
Issued by banks:		
Certificates of deposit	479	405
Other debt securities	2,672	2,082
	3,151	2,487
Issued by corporate entities and other issuers:		
Other debt securities	5,638	4,748
Total debt securities	14,163	9,601
Of which:		
Listed on a recognised UK exchange	536	418
Listed elsewhere	5,641	2,819
Unlisted	7,986	6,364
	14,163	9,601

Equity shares

Listed elsewhere	3	36
Unlisted	367	126
Total equity shares	370	162

15. Financial Assets 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:

	2007 \$million	2006 \$million
At 1 January	2	–
Additional amount deferred	10	2
Recognised in income	(3)	–
At 31 December	9	2

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

16. Derivative Financial Instruments

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

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

These tables analyse the notional principal amounts and the positive and negative fair values of the Group's derivative

financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. 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 49, under maximum exposure to credit risk.

The Derivatives and Hedging sections of the Risk Review on pages 57 and 58 explains the Group's risk management of derivative contracts.

	2007			2006		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	775,663	7,376	7,852	434,569	3,805	4,165
Currency swaps and options	512,833	8,955	8,516	295,845	4,698	4,793
	1,288,496	16,331	16,368	730,414	8,503	8,958
Interest rate derivative contracts:						
Swaps	979,727	8,473	8,365	653,283	4,353	4,348
Forward rate agreements and options	166,563	556	745	94,244	138	195
Exchange traded futures and options	322,520	336	282	260,182	42	47
	1,468,810	9,365	9,392	1,007,709	4,533	4,590
Credit derivative contracts	21,035	165	160	22,195	49	70
Equity and stock index options	1,057	58	106	699	18	44
Commodity derivative contracts	16,971	285	244	2,469	51	41
Total derivatives	2,796,369	26,204	26,270	1,763,486	13,154	13,703

16. Derivative Financial Instruments continued

The Group uses derivatives primarily to mitigate interest rate and foreign exchange risk. Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39

have been met. The table below lists the types of derivatives that the Group holds for hedge accounting.

	2007			2006		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives held for hedging						
Derivatives designated as fair value hedges:						
Swaps	13,392	352	161	10,570	589	464
	13,392	352	161	10,570	589	464
Derivatives designated as cash flow hedges:						
Swaps	5,120	35	13	5,596	17	21
Forward foreign exchange contracts	1,414	37	19	921	61	2
	6,534	72	32	6,517	78	23
Total derivatives held for hedging	19,926	424	193	17,087	667	487

Fair value hedges

The Group uses interest rate swaps to manage fixed rates of interest. The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchanges fixed rates on assets to match the floating rates paid on funding. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss.

In respect of fair value hedges, gains arising on the hedging instruments during the year were \$49 million (2006: losses of \$218 million) compared to losses arising on the hedged items of \$52 million (2006: gains of \$232 million).

Cash flow hedges

The Group uses swaps to manage the variability in future interest 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 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.

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2007						
	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	98	82	31	36	2	1	250
Forecast payable cash flows	(724)	(706)	(14)	(5)	(3)	–	(1,452)
	(626)	(624)	17	31	(1)	1	(1,202)

	2006						
	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	101	82	51	18	32	–	284
Forecast payable cash flows	(721)	(335)	(55)	(13)	(3)	–	(1,127)
	(620)	(253)	(4)	5	29	–	(843)

During the year, \$nil million (2006: \$nil million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges.

During the period \$58 million (2006: \$20 million) was removed from the cash flow hedging reserve and included in profit and loss. The whole \$58 million (2006: \$20 million) was recognised within operating costs.

17. Loans and Advances to Banks

	2007 \$million	2006 \$million
Loans and advances to banks	37,682	21,074
Individual impairment provision (note 20)	(2)	(9)
Portfolio impairment provision (note 20)	(1)	(1)
	37,679	21,064
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,314)	(1,340)
	35,365	19,724

18. Loans and Advances to Customers

	2007 \$million	2006* \$million
Loans and advances to customers	158,788	142,709
Individual impairment provision (note 20)	(1,271)	(1,673)
Portfolio impairment provision (note 20)	(535)	(542)
	156,982	140,494
Of which: loans and advances held at fair value through profit or loss (note 15)	(2,716)	(1,194)
	154,266	139,300

* Amounts have been restated as explained in note 51 on page 154.

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 \$5,742 million (2006: \$3,935 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 \$5,155 million (2006: \$3,519 million) arising from the securitisations.

The Group has entered into synthetic loan securitisations of \$11.7 billion (2006: \$5.6 billion) and synthetic trade receivable securitisations of \$12.7 billion (2006: \$1.5 billion). The assets remain on the Group's balance sheet and the Group continues

to be exposed to some credit risks and foreign exchange risks on these assets.

The Group's exposure to credit risk is concentrated in Hong Kong, Korea, Singapore and the Other Asia Pacific region. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Korea residents of \$22.6 billion (2006: \$24.0 billion) and Hong Kong residents of approximately \$11.8 billion (2006: \$11.2 billion).

19. Assets Leased to Customers

Finance leases and instalment credit

	2007 \$million	2006 \$million
Finance leases	506	639
Instalment credit agreements	1,127	1,019
	1,633	1,658

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 \$140 million (2006: \$720 million).

	2007 \$million	2006 \$million
Minimum lease receivables under finance leases falling due:		
Within one year	61	88
Later than one year and less than five years	511	496
After five years	12	157
	584	741
Interest income relating to future periods	(78)	(102)
Present value of finance lease receivables	506	639

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft which are included within property, plant and equipment in note 26. At 31 December 2007 these assets had a net book value of \$200 million (2006: \$nil million).

	2007 \$million	2006 \$million
Minimum lease receivables under operating leases falling due:		
Within one year	10	—
Later than one year and less than five years	21	—
After five years	5	—
	36	—

20. Impairment Provisions on Loans and Advances

	2007 \$million	2006* \$million
At 1 January	2,225	1,754
Exchange translation differences	28	74
Acquisitions	–	743
Amounts written off	(1,183)	(962)
Recoveries of acquisition fair values	(98)	(106)
Recoveries of amounts previously written off	139	128
Discount unwind	(66)	(52)
Other	10	12
New provisions	1,352	1,131
Recoveries/provisions no longer required	(598)	(497)
Net charge against profit**	754	634
Provisions held at 31 December#	1,809	2,225

* Amounts have been restated as explained in note 51 on page 154.

** The net charge of \$754 million (2006: \$634 million) comprises \$769 million (2006: \$604 million) individual impairment charge and \$(15) million (2006: \$30 million) portfolio impairment (release)/charge. It excludes provision releases of \$3 million (2006: \$11 million) for credit commitments (note 35) and impairment charges of \$10 million (2006: \$6 million) relating to debt securities designated as loans and receivables (note 22).

The provision of \$1,809 million held at 31 December 2007 (2006: \$2,225 million) comprises \$1,273 million (2006: \$1,682 million) individual impairment provision and \$536 million (2006: \$543 million) portfolio impairment provision.

The following table shows impairment provisions by each principal category of borrowers' business or industry:

	2007 \$million	2006* \$million
Loans to individuals		
Mortgages	99	132
Other	200	226
Small and medium enterprises	356	494
Consumer Banking	655	852
Agriculture, forestry and fishing	33	23
Construction	10	4
Commerce	152	169
Electricity, gas and water	25	6
Financing, insurance and business services	27	20
Mining and quarrying	12	36
Manufacturing	290	507
Commercial real estate	23	12
Transport, storage and communication	22	31
Other	22	13
Wholesale Banking	616	821
Individual impairment provision against loans and advances to customers (note 18)	1,271	1,673
Individual impairment provision against loans and advances to banks (note 17)	2	9
Portfolio impairment provision (note 17, 18)	536	543
Total impairment provisions on loans and advances	1,809	2,225

* Amounts have been restated as explained in note 51 on page 154.

21. Individually Impaired Loans and Advances

	2007			2006		
	Consumer Banking \$million	Wholesale Banking \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Total \$million
Individual impaired loans	1,172	990	2,162	1,761	1,368	3,129
Individual impairment provisions	(655)	(618)	(1,273)	(852)	(830)	(1,682)
Net impaired loans	517	372	889	909	538	1,447

Net impaired loans within Wholesale Banking includes individually impaired loans to banks of \$10 million (2006: \$18 million) and individual impairment provisions on these loans of \$2 million (2006: \$9 million). Collateral held as security against impaired loans primarily relates to property and equipment. The fair value of collateral held against impaired loans is estimated at \$1,121 million (2006: \$1,466 million), of which \$918 million

(2006: \$1,068 million) relates to Consumer Banking and \$203 million (2006: \$398 million) to Wholesale Banking. 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

	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	Total \$million
Treasury and other eligible bills	–	11,667	–	11,667
Debt securities	100	38,098	2,719	40,917
Equity shares	–	2,690	–	2,690
At 31 December 2007	100	52,455	2,719	55,274
Treasury and other eligible bills	–	12,522	–	12,522
Debt securities*	137	32,711	2,649	35,497
Equity shares	–	1,478	–	1,478
At 31 December 2006	137	46,711	2,649	49,497

* Amounts have been restated as explained in note 51 on page 154.

	2007			Equity shares \$million	Treasury bills \$million	Total \$million
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	100	12,658	–			
Other public sector securities	–	1,008	–			
	100	13,666	–			
Issued by banks:						
Certificates of deposit	–	6,248	2,175			
Other debt securities	–	12,904	18			
		19,152	2,193			
Issued by corporate entities and other issuers:						
Other debt securities	–	5,280	526			
Total debt securities	100	38,098	2,719			
Listed on a recognised UK exchange	–	3,663	–	58	–	3,721
Listed elsewhere	77	16,060	–	1,842	6,346	24,325
Unlisted	23	18,375	2,719	790	5,321	27,228
	100	38,098	2,719	2,690	11,667	55,274
Market value of listed securities	75	19,723	–	1,900	6,346	28,044

22. Investment Securities continued

	2006					Total \$million
	Debt securities			Equity shares \$million	Treasury bills \$million	
	Held-to- maturity \$million	Available- for-sale* \$million	Loans and receivables \$million			
Issued by public bodies:						
Government securities	137	10,379	–			
Other public sector securities	–	1,403	–			
	137	11,782	–			
Issued by banks:						
Certificates of deposit	–	8,433	2,280			
Other debt securities	–	9,505	178			
	–	17,938	2,458			
Issued by corporate entities and other issuers:						
Other debt securities	–	2,991	191			
Total debt securities	137	32,711	2,649			
Listed on a recognised UK exchange	–	6,679	–	38	–	6,717
Listed elsewhere	113	10,183	132	795	7,027	18,250
Unlisted	24	15,849	2,517	645	5,495	24,530
	137	32,711	2,649	1,478	12,522	49,497
Market value of listed securities	109	16,862	130	833	7,027	24,961

* Amounts have been restated as explained in note 51 on page 154.

Equity shares largely comprise investments in corporates.

The change in the carrying amount of investment securities comprised:

	2007				2006			
	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	35,497	1,478	12,522	49,497	26,710	954	10,199	37,863
Exchange translation differences	846	20	171	1,037	949	9	528	1,486
Acquisitions	–	–	–	–	1,155	21	842	2,018
Additions	53,574	1,248	23,470	78,292	47,411	328	23,376	71,115
Maturities and disposals	(48,850)	(970)	(24,637)	(74,457)	(40,909)	(337)	(22,650)	(63,896)
Provisions	(45)	(3)	(2)	(50)	(6)	(4)	(16)	(26)
Changes in fair value (including the effect of fair value hedging)	(205)	920	(19)	696	142	510	28	680
Amortisation of discounts and premiums	100	(3)	162	259	45	(3)	215	257
At 31 December	40,917	2,690	11,667	55,274	35,497	1,478	12,522	49,497

* Amounts have been restated as explained in note 51 on page 154.

Treasury bills and other eligible bills include \$492 million (2006: \$393 million) of bills sold subject to sale and repurchase transactions. Debt securities include \$1,958 million (2006: \$896 million) of securities sold subject to sale and repurchase transactions.

At 31 December 2007, unamortised premiums on debt securities held for investment purposes amounted to \$46 million (2006: \$39 million) and unamortised discounts amounted to \$186 million (2006: \$112 million).

Income from listed equity shares amounted to \$9 million (2006: \$4 million) and income from unlisted equity shares amounted to \$270 million (2006: \$73 million).

22. Investment Securities continued

The change in impairment provisions is as follows:

	Debt securities \$million	Equity shares \$million	2007 Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	2006 Treasury bills \$million	Total \$million
At 1 January	9	23	10	42	4	30	16	50
Exchange translation differences	–	1	(10)	(9)	–	1	(15)	(14)
Amounts written off	–	(5)	–	(5)	(1)	(12)	(7)	(20)
New provisions*	45	3	2	50	6	4	16	26
At 31 December	54	22	2	78	9	23	10	42

* Of the new provisions raised of \$50 million (2006: \$26 million), \$10 million (2006: \$6 million) relates to debt securities classified as loans and receivables and is included with impairment losses on loans and advances and other credit provisions, with the balance reported within 'Other Impairments'.

23. Investments in Subsidiary Undertakings, Joint Ventures and Associates

Investment in subsidiary undertakings	2007 \$million	2006 \$million
At 1 January 2007	9,656	7,973
Additions	750	2,683
Redemption of capital	–	(1,000)
At 31 December 2007	10,406	9,656

At 31 December 2007, 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	99.0%
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	99.97%
Standard Chartered Capital Management (Jersey) LLC, United States	United States	100%
Standard Chartered Receivables (UK) Limited, England and Wales	United Kingdom	100%
Standard Chartered Financial Investments Limited, England and Wales	United Kingdom	100%
Standard Chartered Debt Trading Limited, England and Wales	Hong Kong	100%

* Formerly Hsinchu International Bank.

Details of all Group companies will be filed with the next annual return of the Company.

Joint venture

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 proportionately consolidates its share of the assets, liabilities, income and expense of Permata on a line by line basis.

Contingent liabilities set out in note 45, include \$72 million (2006: \$24 million) relating to this joint venture arrangement.

These mainly comprise banking guarantees and irrevocable letters of credit.

There are no capital commitments related to the Group's investment in Permata.

Related party transactions are disclosed in note 52.

23. Investments in Subsidiary Undertakings, Joint Ventures and Associates continued

The following amounts have been included in the consolidated accounts of the Group:

	2007 \$million	2006 \$million
Current assets	663	549
Long-term assets	1,332	1,472
Total assets	1,995	2,021
Current liabilities	(1,484)	(1,580)
Long-term liabilities	(140)	(81)
Total liabilities	(1,624)	(1,661)
	371	360
Income	161	100
Expenses	(111)	(73)
Impairment	(17)	(17)
Operating profit	33	10
Tax	2	(2)
Share of post tax result from joint venture	35	8

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2007 \$million	2006 \$million
At 1 January	218	128
Additions	51	90
At 31 December	269	218
Profit/(loss) for the year	1	(2)
Total assets	944	355
Total liabilities	(774)	(216)
	170	139

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%
First Africa Holdings	Africa	25.0%
MCashback Limited	UK	30.0%
Merchant Solutions Limited	Hong Kong	44.0%

The Group's investment in China Bohai Bank is less than 20 per cent but is considered to be an associate because of the significant influence the Group is able to exercise over the company's management, financial and operating policies.

On 9 February 2007, the Group acquired a 30 per cent interest in MCashback Limited, for \$36 million. In October 2007, the Group obtained a 44 per cent interest in Merchant Solutions Limited. The reporting dates of these associates are within three months of the Group's reporting date.

24. Business Combinations

2007 acquisitions

On 5 October 2007, the Group acquired 100 per cent of the share capital of Pembroke Group Limited, an aircraft leasing, financing and management company. On 3 December 2007, the Group acquired 100 per cent of the share capital of Harrison Lovegrove & Co Limited, an oil and gas advisory boutique company. On 5 December 2007, the Group acquired 80 per cent of A Brain Limited, a Korean fund administration company. None of these acquisitions were individually material.

The acquired businesses contributed operating income of \$7 million and loss before tax of \$2 million to the Group from the date of their acquisition to 31 December 2007.

If the acquisition had occurred on 1 January 2007, the operating income of the Group would have been approximately \$11,132 million and profit before taxation would have been approximately \$4,043 million.

During 2007, the Group acquired the remaining minority interest of Hsinchu for a consideration of \$43 million and generated additional goodwill of \$34 million.

	\$million
Details of net assets acquired and goodwill are as follows:	
Purchase consideration:	
– cash paid	151
– loan notes issued	5
– deferred consideration	65
– direct costs relating to the acquisitions	3
Total purchase consideration	224
Fair value of net assets acquired	187
Goodwill	37

Deferred consideration is payable between 6 months and 36 months after the date of acquisition.

Goodwill arising on these acquisitions is attributable to the synergies expected to arise and to the value of the workforce in place which is not recognised separately.

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

	Fair value \$million	Acquiree's carrying amount \$million
Cash and balances at central banks*	66	66
Loans and advances to customers	2	2
Intangibles other than goodwill	63	–
Property, plant and equipment	189	152
Deferred tax assets	4	4
Other assets	28	28
Total assets	352	252
Other liabilities	162	162
Total liabilities	162	162
Minority interest	3	–
Net assets acquired	187	90
Purchase consideration settled in cash	151	
Cash and cash equivalents in subsidiaries acquired	(66)	
Cash outflow on acquisition	85	

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

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date.

The intangible assets acquired as part of the acquisitions can be analysed as follows:

	\$million
Brand names	6
Customer relationships	55
Capitalised software	2
Total	63

24. Business Combinations continued**2006 acquisitions**

On 5 September 2006, the Group acquired 95.4 per cent of the share capital of Union, following which on 30 December 2006, the business and assets of the Standard Chartered Bank branch in Pakistan was transferred into a new entity, Standard Chartered (Pakistan) Limited, generating additional goodwill of \$17 million and increasing the Group's shareholding to 99 per cent.

On 19 October 2006, the Group acquired a controlling interest of 95.4 per cent of the share capital of Hsinchu. Subsequent to this, the Group acquired a further 0.8 per cent of Hsinchu through share purchase to take its overall share to 96.2 per cent at 31 December 2006.

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

	Union		Hsinchu	
	Fair value* \$million	Acquiree's carrying amount \$million	Fair value* \$million	Acquiree's carrying amount \$million
Cash and balances at central banks	148	148	481	481
Financial assets held at fair value through profit or loss	–	–	563	563
Loans and advances to banks	104	104	440	440
Loans and advances to customers	1,118	1,206	9,225	9,352
Investment securities	404	411	1,614	1,609
Intangibles other than goodwill	55	3	122	–
Property, plant and equipment	44	28	287	307
Deferred tax assets	43	1	162	151
Other assets	48	61	212	213
Total assets	1,964	1,962	13,106	13,116
Deposits by banks	425	425	988	988
Customer accounts	1,320	1,309	10,709	10,709
Debt securities in issue	–	–	532	532
Other liabilities	97	96	48	41
Retirement benefit obligations	–	–	116	27
Subordinated liabilities and other borrowed funds	40	41	545	545
Total liabilities	1,882	1,871	12,938	12,842
Minority interest	7	7	8	10
Net assets acquired	75	84	160	264
Purchase consideration settled in cash	489		1,201	
Cash and cash equivalents in subsidiary acquired	(164)		(589)	
Cash outflow on acquisition	325		612	
Total purchase consideration	489		1,201	
Fair value of net assets acquired	75		160	
Goodwill	414		1,041	
Intangible assets acquired:				
Brand names	6		24	
Customer relationships	13		43	
Core deposits	33		55	
Capitalised software	3		–	
Total	55		122	

* During 2007 certain of the provisionally determined fair value amounts have been finalised and in accordance with IFRS 3 Business Combinations, the adjustments have been made as at the date of acquisition and the 2006 balance sheet amounts restated. Details of these adjustments are explained in note 51.

Goodwill arising on the acquisitions of Union and Hsinchu 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 branch networks and, for Hsinchu, a workforce in place with Mandarin speaking capabilities.

25. Goodwill and Intangible Assets

	2007				2006*			
	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Software \$million	Total \$million
Cost								
At 1 January	6,192	439	458	7,089	4,451	218	462	5,131
Exchange translation differences	42	(4)	18	56	212	18	19	249
Acquisitions	71	63	–	134	1,529	179	9	1,717
Additions	–	–	155	155	–	25	89	114
Disposals	–	–	(4)	(4)	–	–	(18)	(18)
Amounts written off	–	(21)	(83)	(104)	–	–	(99)	(99)
Other movements	–	–	(11)	(11)	–	(1)	(4)	(5)
At 31 December	6,305	477	533	7,315	6,192	439	458	7,089
Provision for amortisation								
At 1 January	514	88	240	842	514	32	264	810
Exchange translation differences	–	(1)	7	6	–	4	8	12
Amortisation for the period	–	77	86	163	–	52	81	133
Disposals	–	–	–	–	–	–	(17)	(17)
Amounts written off	–	(4)	(72)	(76)	–	–	(96)	(96)
At 31 December	514	160	261	935	514	88	240	842
Net book value	5,791	317	272	6,380	5,678	351	218	6,247

* Amounts have been restated as explained in note 51 on page 154.

At 1 January 2006, the net book value was: goodwill, \$3,937 million; acquired intangibles, \$186 million; and software, \$198 million.

At 31 December 2007, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$69 million (2006: \$69 million).

	2007 \$million	2006 \$million	
Acquired intangibles comprise:			
Core deposits	108	148	Acquired intangibles primarily comprise those recognised as part of the acquisitions of SC First Bank ('SCFB'), Permata, Union Bank, Hsinchu, Pembroke and Harrison Lovegrove. The acquired intangibles are amortised over periods from four years to a maximum of 16 years in the case of the customer relationships intangible acquired in SCFB.
Customer relationships	103	90	
Brand names	102	109	
Licences	4	4	
Net book value	317	351	

Significant items of goodwill arising on acquisitions have been allocated to the following cash generating units for the purposes of impairment testing:

Acquisition	Cash Generating Unit	Goodwill \$million
SCFB	Korean business	1,904
Union	Pakistan business	431
Hsinchu	Taiwan business	1,100
Manhattan Card Business	Credit card and personal loan – Asia, India & MESA	896
Grindlays (India)	India business	423
Grindlays (MESA)	MESA business	368
Standard Chartered Bank (Thai)	Thailand business	307
Permata	Group's share of Permata	163
Other		199
		5,791

25. Goodwill and Intangible Assets continued

All recoverable amounts were measured based on value in use. The key assumptions and approach to determining value in use calculations, as set out below, are solely estimates for the purposes of assessing impairment on acquired goodwill. The calculation for each unit uses cash flow projections based on budgets and forecasts approved by management covering one year, except for Permata (five years). These are then extrapolated 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 any reasonable possible change in the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

SCFB

SCFB was acquired in April 2005 with initial goodwill recognised of \$1,738 million. The business comprises Consumer and Wholesale Banking operations in Korea.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 4.2 per cent in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 16.4 per cent was used.

Union

Union 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. The business comprises Consumer and Wholesale Banking operations in Pakistan.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 7.4 per cent in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 26.1 per cent was used.

Hsinchu

Hsinchu was acquired in October 2006 with initial goodwill recognised of \$1,041 million and a further \$34 million in 2007. The business comprises Consumer and Wholesale Banking operations in Taiwan.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 4.5 per cent in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 14.9 per cent was used.

Manhattan 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 assumed that growth would increase at a steady rate of 3.8 per cent in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.0 per cent was used.

Grindlays (India)

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 assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 7.1 per cent in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 26.5 per cent was used.

Grindlays (MESA)

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 assumed that growth would increase at a steady rate of 3.8 per cent in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 15.8 per cent was used.

Standard Chartered Bank (Thai)

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 assumed that growth would increase at a steady rate of 5.6 per cent in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 19.5 per cent was used.

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 with goodwill of \$57 million. This business comprises Consumer and Wholesale Banking operations in Indonesia.

In assessing impairment of goodwill, the Group assumed that growth would increase at a steady rate of 5.4 per cent in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 25.9 per cent was used.

26. Property, Plant and Equipment

	2007			2006*		
	Premises \$million	Equipment \$million	Total \$million	Premises \$million	Equipment \$million	Total \$million
Cost or valuation						
At 1 January	2,184	509	2,693	1,694	414	2,108
Exchange translation differences	71	20	91	106	10	116
Additions	309	162	471	146	99	245
Acquisitions	–	189	189	288	47	335
Disposals and fully depreciated assets written off	(55)	(55)	(110)	(47)	(64)	(111)
Reclassification**	202	(8)	194	(3)	3	–
At 31 December	2,711	817	3,528	2,184	509	2,693
Depreciation						
Accumulated at 1 January	215	310	525	177	287	464
Exchange translation differences	5	17	22	6	7	13
Charge for the year	78	104	182	57	78	135
Attributable to assets sold or written off	(37)	(51)	(88)	(25)	(62)	(87)
Accumulated at 31 December	261	380	641	215	310	525
Net book amount at 31 December	2,450	437	2,887	1,969	199	2,168

* Amounts have been restated as explained in note 51 on page 154.

** Reclassified from other assets.

At 1 January 2006, the net book value was: premises, \$1,517 million; and equipment, \$127 million.

Assets held under finance leases have the following net book amount:

	2007		2006	
	Premises \$million	Equipment \$million	Premises \$million	Equipment \$million
Cost	53	13	47	4
Aggregate depreciation	(6)	(5)	(4)	(2)
Net book amount	47	8	43	2

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2007 \$million	2006 \$million
Minimum lease payments under finance leases falling due:		
Within one year	4	1
Later than one year and less than five years	8	2
	12	3
Future finance charges on finance leases	(2)	–
Present value of finance lease liabilities	10	3

27. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period:

	At 1 January 2007 \$million	Exchange & other adjustments \$million	Acquisitions/ disposals* \$million	Charge/ (credit) to profit \$million	Charge/ (credit) to equity \$million	At 31 December 2007 \$million
Deferred taxation comprises:						
Accelerated tax depreciation	(10)	(9)	(3)	(34)	–	(56)
Impairment provisions on loans and advances	(175)	(67)	–	(35)	2	(275)
Tax losses carried forward	(53)	1	(1)	1	–	(52)
Available-for-sale assets	36	5	–	–	38	79
Premises revaluation	17	–	–	1	(1)	17
Cash flow hedges	24	3	–	–	(7)	20
Unrelieved foreign tax	(76)	–	–	19	–	(57)
Retirement benefit obligations	(174)	60	–	2	71	(41)
Share based payments	(131)	–	–	(18)	61	(88)
Other temporary differences	30	7	–	(143)	–	(106)
	(512)	–	(4)	(207)	164	(559)

	At 1 January 2006 \$million	Exchange & other adjustments \$million	Acquisitions/ disposals* \$million	Charge/ (credit) to profit \$million	Charge/ (credit) to equity \$million	At* 31 December 2006 \$million
Deferred taxation comprises:						
Accelerated tax depreciation	(34)	30	(10)	4	–	(10)
Impairment provisions on loans and advances	(185)	(27)	(123)	160	–	(175)
Tax losses carried forward	(7)	–	(22)	(24)	–	(53)
Available-for-sale assets	(32)	(2)	–	–	70	36
Premises revaluation	12	–	–	5	–	17
Cash flow hedges	(1)	–	–	–	25	24
Unrelieved foreign tax	–	–	–	(76)	–	(76)
Retirement benefit obligations	(160)	(12)	(32)	(8)	38	(174)
Share based payments	(101)	–	–	(1)	(29)	(131)
Other temporary differences	10	(40)	(18)	86	(8)	30
	(498)	(51)	(205)	146	96	(512)

Deferred taxation comprises assets and liabilities as follows:

	2007			2006*		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
Deferred taxation comprises:						
Accelerated tax depreciation	(56)	(79)	23	(10)	(42)	32
Impairment provisions on loans and advances	(275)	(273)	(2)	(175)	(238)	63
Tax losses carried forward	(52)	(52)	–	(53)	(53)	–
Available-for-sale assets	79	77	2	36	15	21
Premises revaluation	17	15	2	17	16	1
Cash flow hedges	20	19	1	24	23	1
Unrelieved foreign tax	(57)	(57)	–	(76)	(76)	–
Retirement benefit obligations	(41)	(41)	–	(174)	(165)	(9)
Share based payments	(88)	(88)	–	(131)	(131)	–
Other temporary differences	(106)	(108)	2	30	37	(7)
	(559)	(587)	28	(512)	(614)	102

* Amounts have been restated as explained in note 51 on page 154.

27. Deferred Tax continued

	2007 \$million	2006 \$million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Unrelieved foreign tax	408	222
Unremitted earnings from overseas subsidiaries	(369)	(282)
Foreign exchange movements on investments in branches	(136)	(41)
Tax losses	56	34

28. Other Assets

	2007 \$million	2006 \$million
Hong Kong SAR Government certificates of indebtedness (note 34)	2,862	2,605
Other	8,149	5,996
	11,011	8,601

The government of Hong Kong certificates of indebtedness are subordinated to the claims of other parties.

29. Deposits by Banks

	2007 \$million	2006 \$million
Deposits by banks	25,880	26,233
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 31)	2,705	1,889
	28,585	28,122

30. Customer Accounts

	2007 \$million	2006 \$million
Customer accounts	179,760	147,382
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 31)	2,836	1,906
	182,596	149,288

Included in customer accounts were deposits of \$2,805 million (2006: \$1,724 million) held as collateral for irrevocable commitments under import letters of credit.

31. Financial Liabilities Held at Fair Value through Profit or Loss

	2007		
	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million
Deposits by banks	2,532	173	2,705
Customer accounts	772	2,064	2,836
Debt securities in issue	2,665	2,351	5,016
Short positions	3,693	–	3,693
	9,662	4,588	14,250

	2006		
	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million
Deposits by banks	1,286	603	1,889
Customer accounts	485	1,421	1,906
Debt securities in issue	1,514	1,771	3,285
Short positions	2,889	–	2,889
	6,174	3,795	9,969

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 fair value loss on liabilities designated at fair value through profit or loss was \$37.3 million for the year (2006: \$31.2 million). Of this, a gain of \$0.2 million (2006: loss of \$3.7 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of \$5.2 million (2006: a loss of \$5.4 million).

As at 31 December 2007, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was \$52 million (2006: \$68 million) lower 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.

32. Debt Securities in Issue

	2007			2006		
	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	8,502	18,635	27,137	10,939	12,575	23,514
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 31)	951	4,065	5,016	1,154	2,131	3,285
	9,453	22,700	32,153	12,093	14,706	26,799

33. Structure of Deposits

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2007 and 31 December 2006:

	2007									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non-interest bearing current and demand accounts	3,838	2,310	639	91	1,818	2,569	2,915	1,768	1,189	17,137
Interest bearing current accounts and savings deposits	22,971	8,062	2,598	13,287	18,658	1,843	5,600	2,784	7,730	83,533
Time deposits	21,734	10,892	6,608	12,172	19,529	4,757	6,929	1,380	20,912	104,913
Other deposits	32	20	208	1,223	815	317	593	452	1,938	5,598
Total	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Deposits by banks	1,128	1,548	883	6,964	5,464	585	2,039	568	9,406	28,585
Customer accounts	47,447	19,736	9,170	19,809	35,356	8,901	13,998	5,816	22,363	182,596
	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Debt securities in issue	545	2,065	792	19,701	2,830	1,556	22	141	4,501	32,153
Total	49,120	23,349	10,845	46,474	43,650	11,042	16,059	6,525	36,270	243,334

	2006									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non-interest bearing current and demand accounts	3,320	1,722	1,435	163	2,123	2,082	3,654	1,649	894	17,042
Interest bearing current accounts and savings deposits	16,904	4,821	1,002	15,274	16,545	1,456	2,985	1,585	5,529	66,101
Time deposits	18,961	9,754	5,211	16,682	12,293	4,073	6,901	1,575	13,574	89,024
Other deposits	14	7	750	1,756	1,507	241	568	140	260	5,243
Total	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Deposits by banks	734	1,276	597	9,297	5,869	871	1,968	323	7,187	28,122
Customer accounts	38,465	15,028	7,801	24,578	26,599	6,981	12,140	4,626	13,070	149,288
	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Debt securities in issue	627	1,087	992	17,561	1,597	932	12	171	3,820	26,799
Total	39,826	17,391	9,390	51,436	34,065	8,784	14,120	5,120	24,077	204,209

34. Other Liabilities

	2007 \$million	2006* \$million
Notes in circulation	2,862	2,605
Cash-settled share based payments	73	50
Other liabilities	11,807	8,676
	14,742	11,331

* Amounts have been restated as explained in note 51 on page 154.

Hong Kong currency notes in circulation of \$2,862 million (2006: \$2,605 million) are secured by the government of Hong Kong certificates of indebtedness of the same amount included in other assets (note 28). The Company's liability for cash-settled share based payments as at 31 December 2007 is \$73 million (2006: \$50 million).

35. Provisions for Liabilities and Charges

	Provision for credit commitments \$million	Other provisions \$million	Total \$million
At 1 January 2007	28	17	45
Exchange translation differences	–	1	1
(Release)/charge against profit	(3)	27	24
Provisions utilised	(3)	(27)	(30)
Other	(4)	2	(2)
At 31 December 2007	18	20	38

Provision for credit commitments comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

36. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	2007 \$million	2006* \$million
Defined benefit schemes obligation	313	541
Defined contribution schemes obligation	9	12
Net book amount	322	553

* Amounts have been restated as explained in note 51 on page 154.

	2007 \$million	2006* \$million
At 1 January	553	476
Exchange translation differences	7	48
Acquisitions	1	118
Charge against profit (net of finance income)	213	166
Change in net liability	(452)	(255)
At 31 December	322	553

* Amounts have been restated as explained in note 51 on page 154.

Retirement benefit charge comprises:

	2007 \$million	2006 \$million
Defined benefit schemes	110	96
Defined contribution schemes	103	70
Charge against profit (note 8)	213	166

The 2007 charge is presented net and includes a finance charge of \$11 million (2006: \$6 million).

36. Retirement Benefit Obligations continued

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 2005 by M. Slack, Fellow of the Institute of Actuaries, of Lane, Clark and Peacock Actuaries, using the projected unit method. The assumptions having the most significant effect on the outcome of this valuation were:

Return from gilts	3.95 per cent per annum
Return from return seeking assets	5.70 per cent per annum
General increase in salaries	4.40 per cent per annum
Rate of price inflation	2.90 per cent per annum
Increase in pensions:	
In deferment (where applicable)	2.90 per cent per annum
In payment* (pre April 1997 service)	2.70 per cent per annum
In payment (post April 1997 service)	2.20 - 2.90 per cent per annum

* Applies to discretionary increases and some guaranteed increases.

Applying these assumptions, at the valuation date the market value of the assets of the Fund (\$1,772 million) was sufficient to cover 99.5 per cent of the benefits that had accrued to members. Additional contributions of \$8.4 million were paid during 2007. Additional contributions of \$5.6 million are payable in 2008 and \$1.8 million in each of 2009 and 2010.

Contributions paid to the Fund during 2007 were \$24 million (2006: \$19 million) and regular contributions were set at 32.5 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.

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.

Overseas Schemes

The principal overseas defined benefit arrangements operated by the Group are in Hong Kong, India, Jersey, Korea, Taiwan and the United States.

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 2007.

Separate figures are disclosed for the UK Fund, Overseas Funded Defined Benefit, Post-retirement Medical and Other Unfunded Schemes.

The financial assumptions used at 31 December 2007 were:

	Funded Defined Benefit Schemes			
	UK Fund**		Overseas Scheme*	
	2007 %	2006 %	2007 %	2006 %
Price inflation	3.20	3.00	1.50 - 4.50	1.50 - 4.50
Salary increases	4.70	4.50	3.50 - 6.00	3.25 - 5.50
Pension increases	3.10	2.90	0.00 - 3.10	0.00 - 2.90
Discount rate	5.90	5.20	2.50 - 8.00	2.25 - 8.00
Post-retirement medical trend rate	N/A	N/A	N/A	N/A

* The range of assumptions shown is for the main funded defined benefit overseas schemes in Hong Kong, India, Jersey, Korea, Taiwan and the United States. These comprise over 90 per cent of the total liabilities of funded overseas schemes.

** The assumption for life expectancy for the UK fund assumes that a male member currently aged 60 will live for 27 years (2006: 26 years) and a female member 30 years (2006: 29 years) and a male member currently aged 40 will live for 28 years (2006: 27 years) and a female member 31 years (2006: 30 years) after their 60th birthday.

36. Retirement Benefit Obligations continued

	Unfunded Schemes			
	Post-retirement Medical*		Other	
	2007 %	2006 %	2007 %	2006 %
Price inflation	2.70	2.70	1.50 - 7.00	2.50 - 7.00
Salary increases	4.00	4.00	3.50 - 9.00	4.00 - 9.00
Pension increases	N/A	N/A	0.00 - 3.10	0.00 - 2.90
Discount rate	6.00	6.00	2.75 - 10.00	3.00 - 10.50
Post-retirement medical rate*	8% in 2007 reducing by 1% per annum to 5% in 2010	9% in 2006 reducing by 1% per annum to 5% in 2010	N/A	N/A

* The Post-retirement Medical plan is in the United States.

The assets and liabilities of the schemes, attributable to defined benefit members, at 31 December 2007 were:

	Funded Defined Benefit Schemes				Unfunded Schemes			
	UK Fund		Overseas Schemes		Post-retirement Medical		Other	
	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million
At 31 December 2007								
Equities	8.50	628	8.30 - 13.00	224	N/A	N/A	N/A	N/A
Bonds	4.80	1,188	4.25 - 10.00	186	N/A	N/A	N/A	N/A
Property	N/A	—	5.90 - 11.00	3	N/A	N/A	N/A	N/A
Others	4.80	97	2.50 - 8.00	162	N/A	N/A	N/A	N/A
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)

	Funded Defined Benefit Schemes				Unfunded Schemes			
	UK Fund		Overseas Schemes		Post-retirement Medical		Other*	
	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million	Expected return on assets %	Value \$million
At 31 December 2006								
Equities	7.50	570	8.00 - 14.00	210	N/A	N/A	N/A	N/A
Bonds	4.50	1,144	4.25 - 8.00	155	N/A	N/A	N/A	N/A
Property	N/A	—	7.00 - 12.00	3	N/A	N/A	N/A	N/A
Others	4.50	108	2.50 - 5.10	149	N/A	N/A	N/A	N/A
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)

* Amounts have been restated as explained in note 51 on page 154.

	Funded Defined Benefit Schemes		Unfunded Schemes	
	UK Fund	Overseas Schemes	Post-retirement Medical	Other
	Value \$million	Value \$million	Value \$million	Value \$million
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)
At 31 December 2004				
Total market value of assets	1,596	317	N/A	N/A
Present value of the schemes' liabilities	(1,679)	(338)	(11)	(45)
Net pension liability	(83)	(21)	(11)	(45)

The range of assumptions shown is for the main Overseas Schemes in Hong Kong, India, Jersey, Korea, Taiwan and the United States. 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.

36. Retirement Benefit Obligations continued

The pension cost for defined benefit schemes was:

	Funded Defined Benefit Schemes		Unfunded Schemes		Total \$million
	UK Fund \$million	Overseas Schemes \$million	Post- retirement Medical \$million	Other \$million	
Year ending 31 December 2007					
Current service cost	18	52	–	25	95
Past service cost	1	4	–	2	7
Gain on settlements and curtailments	–	–	–	(3)	(3)
Expected return on pension scheme assets	(100)	(32)	–	–	(132)
Interest on pension scheme liabilities	100	24	1	18	143
Total charge to profit before deduction of tax	19	48	1	42	110
Gain on assets in excess of expected return*	(28)	(2)	–	–	(30)
Experience (gain)/loss on liabilities	(113)	12	2	(108)	(207)
Total (gain)/loss recognised directly in Statement of Recognised Income and Expense before tax	(141)	10	2	(108)	(237)
Deferred taxation	44	–	–	27	71
Total (gain)/loss after tax	(97)	10	2	(81)	(166)

* The actual return on the UK fund assets was \$128 million and on overseas scheme assets was \$34 million.

The total cumulative amount recognised directly in the Statement of Recognised Income and Expense before tax to date is a gain of \$186 million (2006: loss of \$51 million).

	Funded Defined Benefit Schemes		Unfunded Schemes		Total \$million
	UK Fund \$million	Overseas Schemes \$million	Post- retirement Medical \$million	Other \$million	
Year ending 31 December 2006					
Current service cost	21	42	–	17	80
Past service cost	9	1	–	(1)	9
Loss on settlements and curtailments	1	–	–	–	1
Expected return on pension scheme assets	(93)	(23)	–	–	(116)
Interest on pension scheme liabilities	92	19	1	10	122
Total charge to profit before deduction of tax	30	39	1	26	96
Gain on assets in excess of expected return*	(23)	(27)	–	–	(50)
Experience (gain)/loss on liabilities	(90)	20	(2)	18	(54)
Total (gain)/loss recognised directly in Statement of Recognised Income and Expense before tax	(113)	(7)	(2)	18	(104)
Deferred taxation	34	3	–	1	38
Total (gain)/loss after tax	(79)	(4)	(2)	19	(66)

* The actual return on the UK fund assets was \$116 million and on overseas scheme assets was \$50 million.

36. Retirement Benefit Obligations continued

	Funded Defined Benefit Schemes		Unfunded Schemes		
	UK Fund \$million	Overseas Schemes \$million	Post- retirement Medical \$million	Other \$million	Total \$million
Year ending 31 December 2005					
Gain on assets in excess of expected return*	(91)	(20)	–	–	(111)
Experience loss on liabilities	256	5	–	–	261
Total loss/(gain) recognised directly in Statement of Recognised Income and Expense before tax	165	(15)	–	–	150
Deferred taxation	(50)	5	–	–	(45)
Total loss/(gain) after tax	115	(10)	–	–	105
Year ending 31 December 2004					
Gain on assets in excess of expected return**	(20)	(2)	–	–	(22)
Experience gain on liabilities	–	(1)	(1)	–	(2)
Loss/(gain) on change of assumptions	23	7	–	(1)	29
Total loss/(gain) recognised directly in Statement of Recognised Income and Expense before tax	3	4	(1)	(1)	5
Deferred taxation	(1)	–	–	–	(1)
Total loss/(gain) after tax	2	4	(1)	(1)	4

* The actual return on the UK fund assets was \$184 million and on overseas scheme assets was \$48 million.

** The actual return on the UK fund assets was \$111 million and on overseas scheme assets was \$31 million.

Movement in the pension schemes and post-retirement medical deficit during the year comprise:

	Funded Defined Benefit Schemes		Unfunded Schemes		
	UK Fund \$million	Overseas Schemes \$million	Post- retirement Medical \$million	Other \$million	Total \$million
Year ending 31 December 2007					
Deficit at 1 January 2007	(160)	(25)	(9)	(347)	(541)
Contributions	24	58	1	26	109
Current service cost	(18)	(52)	–	(25)	(95)
Past service cost	(1)	(4)	–	(2)	(7)
Settlement/curtailment costs	–	–	–	3	3
Other finance income/(charge)	–	8	(1)	(18)	(11)
Actuarial gain/(loss)	141	(10)	(2)	108	237
Acquisitions	–	–	–	(1)	(1)
Exchange rate adjustment	(4)	(2)	–	(1)	(7)
Deficit at 31 December 2007	(18)	(27)	(11)	(257)	(313)

36. Retirement Benefit Obligations continued

	Funded Defined Benefit Schemes		Unfunded Schemes		Total*
	UK Fund \$million	Overseas Schemes \$million	Post- retirement Medical \$million	Other*	
Year ending 31 December 2006					
Deficit at 1 January 2006	(235)	(23)	(11)	(196)	(465)
Contributions	19	51	1	11	82
Current service cost	(21)	(42)	–	(17)	(80)
Past service cost	(9)	(1)	–	1	(9)
Settlement/curtailment costs	(1)	–	–	–	(1)
Other finance income/(charge)	1	4	(1)	(10)	(6)
Actuarial gain/(loss)	113	7	2	(18)	104
Acquisitions	–	(25)	–	(93)	(118)
Exchange rate adjustment	(27)	(3)	–	(18)	(48)
Reclassifications	–	7	–	(7)	–
Deficit at 31 December 2006	(160)	(25)	(9)	(347)	(541)

* Amounts have been restated as explained in note 51 on page 154.

Movement in the pension schemes and post-retirement medical gross assets and obligations during the year comprise:

Year ending 31 December 2007	Assets \$million	Obligations \$million	Total \$million
Deficit at 1 January 2007	2,339	(2,880)	(541)
Contributions	109	–	109
Current service cost	–	(95)	(95)
Past service cost	–	(7)	(7)
Settlement/curtailment costs	–	3	3
Interest cost	–	(143)	(143)
Expected return on scheme assets	132	–	132
Benefits paid out	(146)	146	–
Actuarial gain	30	207	237
Acquisitions	–	(1)	(1)
Exchange rate adjustment	24	(31)	(7)
Deficit at 31 December 2007	2,488	(2,801)	(313)

Year ending 31 December 2006	Assets \$million	Obligations*	Total*
Deficit at 1 January 2006	1,930	(2,395)	(465)
Contributions	82	–	82
Current service cost	–	(80)	(80)
Past service cost	–	(9)	(9)
Settlement/curtailment costs	–	(1)	(1)
Interest cost	–	(122)	(122)
Expected return on scheme assets	116	–	116
Benefits paid out	(119)	119	–
Actuarial gain	50	54	104
Acquisitions	48	(166)	(118)
Exchange rate adjustment	232	(280)	(48)
Deficit at 31 December 2006	2,339	(2,880)	(541)

* Amounts have been restated as explained in note 51 on page 154.

37. Subordinated Liabilities and Other Borrowed Funds

	2007 \$million	2006 \$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)	1,276	1,252
£600 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities (callable 2016)	1,356	1,342
£300 million 6.0 per cent Subordinated debt 2018	610	–
£300 million 6.75 per cent Notes 2009	535	526
£200 million 7.75 per cent Notes (callable 2022)	454	454
£30 million Floating Rate Notes 2009	59	58
€750 million 3.625 per cent Subordinated Notes 2017 (Floating rate from 2012)	1,043	946
€700 million 5.875 per cent Subordinated debt 2017	1,013	–
€675 million Floating Rate Notes 2018	983	885
€600 million 5.375 per cent Notes 2009	783	710
€500 million 8.16 per cent non-cumulative Trust Preferred Securities (callable 2010)	734	674
\$1 billion 6.4 per cent Subordinated debt 2017	1,042	–
\$700 million 8.0 per cent Subordinated Notes 2031	753	724
\$500 million Floating Rate Notes 2016	499	498
\$500 million Floating Rate Notes 2015	499	499
\$350 million 4.375 per cent Notes 2014 (Floating rate from 2009)	351	340
\$300 million Floating Rate Note 2017	300	–
\$154 million Subordinated debt 2013	147	148
\$100 million Floating Rate Notes 2018	100	100
\$92 million Subordinated debt 2013	92	92
BWP 75 million Subordinated debt 2017	13	–
BWP 75 million Floating Rate Notes 2012	12	13
BWP 50 million Fixed and Floating Rate Subordinated Notes 2015	8	8
HKD 670 million Floating Rate Notes 2014	86	80
HKD 500 million 3.5 per cent Notes 2014 (Floating rate from 2009)	64	63
IDR 500 billion Floating Rate Notes 2016	23	24
KRW 205 billion Subordinated debt 2009	214	218
KRW 160 billion Subordinated debt 2008	161	167
KRW 136 billion Subordinated debt 2007	–	146
KRW 104 billion Subordinated debt 2007	–	109
KRW 30 billion Subordinated debt 2011	32	32
KRW 27 billion Subordinated debt 2008	28	29
KRW 3 billion Subordinated debt 2011	3	3
MYR 500 million 4.28 per cent Subordinated Bonds 2017	151	–
PKR 1 billion Floating Rate Notes 2015	16	17
PKR 750 million Floating Rate Notes 2011	12	12
PKR 750 million Floating Rate Notes 2008	3	11
TWD 10 billion undated Floating Rate Notes	308	306
TWD 8 billion Floating Rate Notes 2007	–	246
TZS 8 billion Subordinated Notes 2015	7	6
	13,770	10,738
Subordinated loan capital – issued by Company: Primary Capital Floating Rate Notes		
\$400 million	400	400
\$300 million (Series 2)	300	300
\$400 million (Series 3)	400	400
\$200 million (Series 4)	200	200
£150 million	298	294
Other borrowings – issued by Company	372*	367*
	1,970	1,961
Total for Group	15,740	12,699
Total for Company	1,987	1,977

* In the balance sheet of the Company the amount recognised is \$389 million (2006: \$383 million) with the difference being the effect of hedge accounting achieved on a Group basis.

37. 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, \$10,166 million is at fixed interest rates (2006: \$5,118 million).

On 12 April 2007, Standard Chartered Bank (Hong Kong) Limited issued Lower Tier 2 capital in the form of \$300 million Floating Rate Notes, which have a maturity of 10 years, with an issuer's call option after five years.

On 26 April 2007, the Group issued £300 million Lower Tier 2 Step-Up Dated Subordinated notes, which have a maturity of 11 years, with an issuer's call option after six years.

38. Share Capital

The authorised share capital of the Company at 31 December 2007 was \$5,269 million (2006: \$5,113 million) made up of 2,632 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 share of €1,000 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

On 26 September 2007, the Group issued \$1,000 million Lower Tier 2 Notes with a coupon of 6.4 per cent maturing September 2017, and €700 million Lower Tier 2 Notes with a coupon of 5.875 per cent, maturing September 2017.

On 15 November 2007 Standard Chartered Bank Malaysia Berhad issued MYR500 million Lower Tier 2 Subordinated Unsecured Floating Rate Notes due 2017, with an issuer's call option after five years.

On 27 November 2007, Standard Chartered Bank Botswana Limited issued BWP75 million Subordinated Unsecured Floating Rate Notes due 2017, with an issuer's call option after five years.

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 2007, 15,000 \$5 non-cumulative redeemable preference shares were in issue. The irredeemable preference shares of £1 each are classified as other borrowed funds as required by IAS 32.

Group and Company

	Number of ordinary shares (millions)	Ordinary share capital \$million	Preference share capital \$million	Total \$million
At 1 January 2006	1,316	658	2	660
Capitalised on scrip dividend	15	7	–	7
Shares repurchased	–	–	(2)	(2)
Shares issued	53	27	–	27
At 31 December 2006	1,384	692	–	692
Capitalised on scrip dividend	16	8	–	8
Shares issued	10	5	–	5
At 31 December 2007	1,410	705	–	705

On 12 January 2006, the Company issued 3,401,290 new ordinary shares at an average price of 1301 pence per share representing approximately 0.3 per cent of the Company's existing issued ordinary share capital. The middle market price on 12 January 2006 was 1323 pence. The issue of ordinary shares was used to acquire 20 per cent of Fleming Family & Partners Limited.

On 2 October 2006, the Company repurchased the remaining 328,388 8.9 per cent non-cumulative preference shares. The preference shares were repurchased at a premium of \$326 million and were cancelled.

On 4 October 2006, the Company issued 48,500,000 ordinary shares of \$0.50 each at a placing price of 1375 pence per share representing approximately 3.7 per cent of the Company's existing issued ordinary share capital. The middle market price on 4 October 2006 was 1363 pence. The proceeds of the issue of ordinary shares was used to acquire Hsinchu. The placing 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 placees, the net proceeds of the placing 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 131 of the Companies Act 1985 which provides relief from the requirements under Section 130 of the Companies Act 1985 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the placing proceeds.

On 8 December 2006, the Company issued 7,500 non-cumulative redeemable preference shares of \$5 each at a placing price of \$100,000 each. The shares are redeemable at the option of the Company in accordance with the terms of the shares at their paid up amount (which includes premium) and have discretionary dividend payments and are accordingly classified as equity as required by IAS 32. The shares were issued to fund the continuing business of the Group.

38. Share Capital continued

On 10 May 2007, the Company issued 12,765,274 new ordinary shares instead of the 2006 final dividend. On 10 October 2007, the Company issued 3,163,466 new ordinary shares instead of the 2007 interim dividend.

On 25 May 2007, the Company issued 7,500 non-cumulative redeemable preference shares of \$5 each at a placing price of \$100,000 each. The shares are redeemable at the option of the Company in accordance with the terms of the shares at the paid up amount (which includes premium) and have discretionary

dividend payments and are accordingly classified as equity as required by IAS 32. The shares were issued to fund the continuing business of the Group.

During the year, 9,012,891 ordinary shares were issued under the Company's employee share plans at prices between nil and 1064 pence.

The holding of Standard Chartered PLC shares for the beneficiaries of the Group's share based award schemes is set out in note 39.

39. Reserves

Group

	Share premium account* \$million	Capital reserve \$million	Capital redemption reserve \$million	Merger reserve \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Total \$million
At 1 January 2006	3,034	5	11	1,944	23	(20)	6	6,219	11,222
Recognised income and expense	–	–	–	–	387	71	672	2,354	3,484
Capitalised on scrip dividend	(7)	–	–	–	–	–	–	–	(7)
Shares issued, net of expenses	838	–	–	1,205	–	–	–	–	2,043
Shares repurchased*	–	–	2	–	–	–	–	(328)	(326)
Net own shares adjustment	–	–	–	–	–	–	–	149	149
Share option expense and related taxation	–	–	–	–	–	–	–	115	115
Dividends, net of scrip	–	–	–	–	–	–	–	(519)	(519)
At 31 December 2006	3,865	5	13	3,149	410	51	678	7,990	16,161
Recognised income and expense	–	–	–	–	340	6	303	3,010	3,659
Capitalised on scrip dividend	(8)	–	–	–	–	–	–	–	(8)
Shares issued, net of expenses	856	–	–	–	–	–	–	–	856
Net own shares adjustment	–	–	–	–	–	–	–	24	24
Share option expense and related taxation	–	–	–	–	–	–	–	55	55
Dividends, net of scrip	–	–	–	–	–	–	–	(601)	(601)
At 31 December 2007	4,713	5	13	3,149	750	57	981	10,478	20,146

* The premium paid on the 8.9 per cent non-cumulative preference shares redeemed in 2006 has been reclassified as a deduction from retained earnings rather than a deduction from the share premium account. Subsequently it has been deemed not appropriate to apply the relief given in section 160(2) of the Companies Act 1985 that allows a premium payable on redemption to be paid out of the proceeds of a fresh issue of shares made for the purpose of the redemption. This is because the fresh issue of shares contemplated for the redemption was not complete at the date of the redemption.

Transaction costs relating to share issues deducted from reserves account total \$5 million (2006: \$20 million).

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is \$27 million (2006: \$27 million).

Capital reserves represent the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001.

Capital redemption reserve represents the nominal value of the repurchase of preference shares redeemed.

The merger reserve represents the premium arising on the shares issued to assist in the funding of certain of the Group's acquisitions. The issues were made using a financing structure which required the Company to create a merger reserve under section 131 of the Companies Act 1985.

Available-for-sale reserve is the fair value movement of financial assets classified as available-for-sale. Gains and losses are deferred to this reserve until such time as the underlying asset is sold or matures.

Cash flow hedge reserve is the fair value movement of derivatives that meet the criteria of a cash flow hedge. Gains and losses are

deferred to this reserve until such time as the underlying hedged item affects profit and loss.

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 income and expenses 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.

39. Reserves continued

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

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

During 2007, the 1995 trust acquired 190,600 shares at a market price of \$5 million (2006: nil). At 31 December 2007, the 1995 trust held 261,495 (2006: 2,148,874) shares. The shares are held in a pool for the benefit of participants under the Group's Restricted Share

Scheme, Supplementary Restricted Share Scheme, Performance Share Plan and Executive Share Option Schemes. The purchase of these shares has been fully funded by the Group.

During the current year the 2004 trust has acquired, at market value, 351,340 (2006: 301,952) shares of the Company for an aggregate price of \$10 million (2006: \$9 million), which are held in a pool for the benefit of participants under the Group's deferred bonus plan. The purchase of these shares has been fully funded by the Group. At 31 December 2007, the 2004 trust held 377,270 (2006: 311,157) shares of the Company, of which none (2006: none) have vested unconditionally.

Own shares held total 638,765 at 31 December 2007 (2006: 2,460,031). The maximum number of shares held during the year was 2,526,144 (2006: 14,040,907). Except as disclosed above, 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 ended 31 December 2007.

Company

	Share premium account \$million	Capital reserve \$million	Capital redemption reserve \$million	Merger reserve \$million	Retained earnings \$million	Total \$million
At 1 January 2006	3,034	5	11	1,944	759	5,753
Recognised income and expenses	—	—	—	—	683	683
Capitalised on scrip dividend	(7)	—	—	—	—	(7)
Shares issued, net of expenses	838	—	—	1,205	—	2,043
Net own shares adjustment	—	—	—	—	149	149
Shares repurchased*	—	—	2	—	(328)	(326)
Share option expense and related taxation	—	—	—	—	67	67
Dividends, net of scrip	—	—	—	—	(519)	(519)
At 31 December 2006 as revised	3,865	5	13	3,149	811	7,843
Recognised income and expenses	—	—	—	—	349	349
Capitalised on scrip dividend	(8)	—	—	—	—	(8)
Shares issued, net of expenses	856	—	—	—	—	856
Shares repurchased	—	—	—	—	—	—
Net own shares adjustment	—	—	—	—	24	24
Share option expense and related taxation	—	—	—	—	78	78
Dividends, net of scrip	—	—	—	—	(601)	(601)
At 31 December 2007	4,713	5	13	3,149	661	8,541

* The premium paid on the 8.9 per cent non-cumulative preference shares redeemed in 2006 has been reclassified as a deduction from retained earnings rather than a deduction from the share premium account. Subsequently it has been deemed not appropriate to apply the relief given in section 160(2) of the Companies Act 1985 that allows a premium payable on redemption to be paid out of the proceeds of a fresh issue of shares made for the purpose of the redemption. This is because the fresh issue of shares contemplated for the redemption was not complete at the date of the redemption.

40. Minority Interests

	\$300m 7.267% Hybrid Tier 1 Securities \$million	Other minority* interests \$million	Total \$million
At 1 January 2006	336	115	451
Arising on acquisitions*	–	15	15
Income/expenses in equity attributable to minority interests	–	35	35
Other profits attributable to minority interests	19	57	76
Recognised income and expense	19	92	111
Distributions	(22)	(33)	(55)
Other increases	–	20	20
At 31 December 2006	333	209	542
Arising on acquisition	–	3	3
Income/expenses in equity attributable to minority interests	–	48	48
Other profits attributable to minority interests	19	129	148
Recognised income and expense	19	177	196
Distributions	(22)	(98)	(120)
Reductions	–	(20)	(20)
At 31 December 2007	330	271	601

* Amounts have been restated as explained in note 51 on page 154.

41. 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 \$117 million (2006: \$96 million) of which \$78 million (2006: \$67 million) relates to equity-settled awards, and \$39 million (2006: \$29 million) relates to cash-settled awards. After deferred tax, the total charge to the income statement was \$99 million (2006: \$93 million).

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. 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.

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.

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 pages 75 to 76. 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.

1997/2006 Restricted Share Scheme

The Group operates a discretionary Restricted Share Scheme ('RSS') for high performing and high potential staff at any level of the organisation whom the Group wishes to motivate and retain. Except upon appointment when an executive director may be granted an award of restricted shares, the RSS is not applicable to executive directors, as it has no performance conditions attached to it. 50 per cent of the award vests two years after the date of grant and the balance after three years. The awards can be exercised within seven years of the grant date. The value of shares awarded in any year to any individual may not exceed two times their base salary.

2006 Supplementary Restricted Share Scheme

In addition, the Group operates a Supplementary Restricted Share Scheme which can be used to defer part of an employee's annual bonus in shares. The plan is principally used for employees in the global markets area and is similar to the RSS outlined above except for three important factors: executive directors are specifically prohibited from the plan; no new shares can be issued to satisfy awards; and there is no individual annual limit.

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 pages 75 and 82.

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. 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.

41. Share Based Payments continued

1994 Executive Share Option Scheme ('1994 ESOS')

Awards made under this scheme are not subject to the valuation criteria of IFRS 2, as all awards are granted prior to 7 November 2002, and are all vested as at that date.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	359,207	£8.18	1,114,542	£7.64
Lapsed	(18,250)	£8.09	(4,830)	£7.29
Exercised	(330,151)	£8.26	(750,505)	£7.39
Outstanding at 31 December	10,806	£6.20	359,207	£8.18
Exercisable at 31 December	10,806	£6.20	359,207	£8.18

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding				
£6.20	£6.20	0.7 years	–	–
£6.20/£8.88	–	–	£8.18	1.1 years

The intrinsic value of vested 1994 ESOS cash-settled awards as at 31 December 2007 was \$nil million (2006: \$0.3 million).

The weighted average share price at the time the options were exercised during 2007 was £15.34 (2006: £14.20).

2000 Executive Share Option Scheme ('2000 ESOS')

No share awards were granted during 2007 or 2006.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	14,974,196	£8.37	23,634,660	£8.08
Lapsed	(282,650)	£9.04	(204,514)	£9.77
Exercised	(6,116,337)	£8.47	(8,455,950)	£7.52
Outstanding at 31 December	8,575,209	£8.28	14,974,196	£8.37
Exercisable at 31 December	7,931,565	£8.16	8,758,519	£7.63

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding				
£6.905/£10.395	£8.28	5.2 years	£8.37	6.2 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2007 was \$9 million (2006: \$6 million).

The weighted average share price at the time the options were exercised during 2007 was £14.36 (2006: £14.63).

41. Share Based Payments continued**2001 Performance Share Plan ('2001 PSP')***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.

Grant date	2007		2006		
	17 September	12 March	12 September	11 May	14 March
Share price at grant date	£14.69	£14.51	£13.17	£14.60	£14.35
Vesting period (years)	3	3	3	3	3
Expected dividends (yield) (%)	2.9	2.8	3.2	3.0	3.0
Fair value (EPS) (£)	6.74	6.68	6.00	6.67	6.56
Fair value (TSR) (£)	2.92	2.89	2.60	2.89	2.84

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant. The EPS and TSR fair value relates to the performance criteria to be satisfied as explained in the Directors' Remuneration Report. The TSR fair value is derived by discounting 50 per cent of the award which is subject to the TSR condition by the loss of expected

dividends over the performance period, and the likelihood 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 and is adjusted for actual performance as appropriate.

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	4,976,599	–	3,919,726	–
Granted	2,487,273	–	2,125,493	–
Lapsed	(490,718)	–	(101,878)	–
Exercised	(1,087,557)	–	(966,742)	–
Outstanding at 31 December	5,885,597	–	4,976,599	–
Exercisable at 31 December	279,028	–	405,798	–

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding				
n/a	–	8.3 years	–	8.3 years

The intrinsic value of vested 2001 cash-settled awards as at 31 December 2007 was \$1 million (2006: \$nil million).

The weighted average share price at the time the options were exercised during 2007 was £14.98 (2006: £14.69).

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.

Grant date	2007		2006		
	17 September	12 March	12 September	11 May	14 March
Share price at grant date	£14.69	£14.51	£13.17	£14.60	£14.35
Vesting period (years)	2/3	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	2.9	2.8	3.2	3.0	3.0
Fair value (£)	13.49	13.36	12.00	13.34	13.12

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

41. Share Based Payments continued

A reconciliation of option movements over the year to 31 December 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	6,298,386	—	6,410,044	—
Granted	2,546,148	—	1,691,508	—
Lapsed	(689,603)	—	(312,453)	—
Exercised	(1,879,033)	—	(1,490,713)	—
Outstanding at 31 December	6,275,898	—	6,298,386	—
Exercisable at 31 December	1,597,255	—	1,330,250	—

The weighted average share price at the time the options were exercised during 2007 was £15.42 (2006: £14.35).

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding	n/a	—	—	4.9 years
		4.3 years		

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2007 was \$9 million (2006: \$5 million).

2006 Supplementary Restricted Share Scheme ('2006 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.

	2007	
	17 September	12 March
Grant date		
Share price at grant date	£14.69	£14.51
Vesting period (years)	2/3	2/3
Expected dividends (yield) (%)	2.9	2.8
Fair value (£)	13.49	13.36

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

A reconciliation of option movements over the year to 31 December 2007 is shown below:

	2007	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	—	—
Granted	187,602	—
Lapsed	—	—
Exercised	—	—
Outstanding at 31 December	187,602	—
Exercisable at 31 December	—	—

	2007	
	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding	n/a	—
		6.5 years

There are no vested 2006 SRSS cash-settled awards as at 31 December 2007.

41. Share Based Payments continued**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 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	1,543,784	£6.12	3,167,779	£6.17
Lapsed	(412,878)	£6.75	(155,845)	£6.22
Exercised	(569,799)	£5.81	(1,468,150)	£6.22
Outstanding at 31 December	561,107	£5.82	1,543,784	£6.12
Exercisable at 31 December	297,272	£5.60	462,721	£6.63

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding				
£5.60/£6.84	£5.82	0.8 years	–	–
£3.34/£7.23	–	–	£6.12	1.2 years

The weighted average share price at the time the options were exercised was £18.35 (2006: £14.64) for 1994 UK Sharesave schemes and £17.56 (2006: £14.56) for 1996 International Sharesave schemes.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2007 was \$2 million (2006: \$6 million).

41. Share Based Payments continued

2004 UK and International Sharesave Schemes

Valuation

Options are valued using a binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	2007		2006	
	1 October	26 September	12 September	8 September
Grant date				
Share price at grant date	£15.88	£16.18	£13.17	£13.03
Exercise price	£12.43	£12.43	£10.64	£10.64
Vesting period (years)	3/5	3/5	3/5	3/5
Expected volatility (%)	20.7/24.2	20.7/24.2	20.5/28.9	20.5/29.6
Expected option life (years)	3.33/5.33	3.33/5.33	3.33/5.33	3.33/5.33
Risk free rate (%)	4.9/5.00	5.10/5.00	4.9/4.8	4.8/4.7
Expected dividends (yield) (%)	2.9/3.3	2.9/3.3	3.1/3.5	3.1/3.5
Fair value (£)	4.4/4.9	4.7/5.1	3.35/4.07	3.31/4.05

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 yield over the last three years or three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividends 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 2007 and 2006 is shown below:

	2007		2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	11,155,911	£9.76	7,892,513	£9.24
Granted	5,207,207	£12.43	4,035,972	£10.64
Lapsed	(884,620)	£10.04	(756,606)	£9.07
Exercised	(1,211,767)	£7.43	(15,968)	£7.95
Outstanding at 31 December	14,266,731	£10.91	11,155,911	£9.76
Exercisable at 31 December	235,616	£7.43	–	–

	2007		2006	
	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
Range of exercise price for options outstanding				
£7.43/£12.43	£10.91	2.7 years	–	–
£7.43/£10.64	–	–	£9.76	3.0 years

The weighted average share price at the time the options were exercised during 2007 was £18.59 (2006: £13.98) for the UK Sharesave scheme and £18.72 (2006: £13.87) for the International Sharesave scheme.

The intrinsic value of vested 2004 UK and International Sharesave cash-settled awards as at 31 December 2007 was \$2 million (2006: \$nil million).

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 2007 and 2006 is shown below:

	2007	2006
	No. of shares	No. of shares
Outstanding at 1 January	301,952	408,742
Shares vested	(285,227)	(399,537)
Shares awarded	351,340	301,952
Shares lapsed	(16,725)	(9,205)
Outstanding at 31 December	351,340	301,952

Notes:

- Market value of shares on date of awards (6 March) was £13.95 (2006: £15.12).
- The shares vest one year after the date of award.

42. 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	
	2007 \$million	2006 \$million	2007 \$million	2006 \$million
Cash and balances at central banks	10,175	7,698	–	–
Less restricted balances	(4,846)	(3,958)	–	–
Treasury bills and other eligible bills	6,203	6,233	–	–
Loans and advances to banks	32,464	16,084	–	–
Trading securities	11,342	12,104	–	–
Amounts owed by and due to subsidiary undertakings	–	–	930	2,028
Total	55,338	38,161	930	2,028

43. Capital Commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2007 \$million	2006 \$million
Contracted	29	19

44. Operating Lease Commitments

	2007		2006	
	Premises \$million	Equipment \$million	Premises \$million	Equipment \$million
Commitments under non-cancellable operating leases expiring:				
Within one year	179	3	156	3
Later than one year and less than five years	434	2	358	4
After five years	491	1	529	–
	1,104	6	1,043	7

During the year \$159 million (2006: \$155 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 2007 is \$17 million (2006: \$17 million).

45. Contingent Liabilities and Commitments

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

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

	2007			2006		
	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million	Contract or underlying principal amount \$million	Credit equivalent amount \$million	Risk weighted amount \$million
Contingent liabilities*						
Guarantees and irrevocable letters of credit	25,681	17,629	11,909	18,344	12,784	9,398
Other contingent liabilities	8,038	6,058	4,476	9,046	7,139	5,418
	33,719	23,687	16,385	27,390	19,923	14,816
Commitments*						
Documentary credits and short term trade- related transactions	6,504	1,301	1,102	5,029	1,006	845
Forward asset purchases and forward deposits placed	64	64	13	31	31	10
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	13,888	6,944	6,079	14,083	7,042	3,693
Less than one year	18,260	–	–	20,543	–	–
Unconditionally cancellable	45,279	–	–	29,858	–	–
	83,995	8,309	7,194	69,544	8,079	4,548

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

46. 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

	2007 Reverse repurchase agreements \$million	2006 Reverse repurchase agreements \$million
Banks	1,349	1,359
Customers	1,068	630
	2,417	1,989

Balance sheet liabilities

	2007 Repurchase agreements \$million	2006 Repurchase agreements \$million
Banks	2,150	1,449
Customers	364	681
	2,514	2,130

Collateral pledged against these liabilities is disclosed in note 22 on page 116. 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.

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:

	2007 \$million	2006 \$million
Securities and collateral which can be repledged or sold (at fair value)	2,410	1,379
Thereof repledged/transferred to others for financing activities or to satisfy commitments under short sale transactions (at fair value)	1,714	866

47. 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 43 to 59 explains the Group's and Company's risk management with respect to asset and liability management.

	2007				
	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	5,329	–	–	4,846	10,175
Derivative financial instruments	6,228	7,042	9,740	3,194	26,204
Loans and advances to banks	32,461	3,613	1,269	336	37,679
Loans and advances to customers	51,010	28,334	29,921	47,717	156,982
Investment securities	18,526	21,269	20,034	13,373	73,202
Other assets	7,139	392	322	17,110	24,963
Total assets	120,693	60,650	61,286	86,576	329,205
Liabilities					
Deposits by banks	25,524	2,361	540	160	28,585
Customer accounts	160,925	15,883	3,791	1,997	182,596
Derivative financial instruments	6,810	7,024	9,716	2,720	26,270
Debt securities in issue	10,964	11,637	6,363	3,189	32,153
Other liabilities	9,533	724	739	11,413	22,409
Subordinated liabilities and other borrowed funds	–	502	6,092	9,146	15,740
Total liabilities	213,756	38,131	27,241	28,625	307,753
Net liquidity gap	(93,063)	22,519	34,045	57,951	21,452
	2006*				
	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	3,740	–	–	3,958	7,698
Derivative financial instruments	2,710	4,178	4,190	2,076	13,154
Loans and advances to banks	16,214	2,305	2,403	142	21,064
Loans and advances to customers	44,062	23,590	28,771	44,071	140,494
Investment securities	19,311	20,141	18,207	5,016	62,675
Other assets	1,316	509	789	18,403	21,017
Total assets	87,353	50,723	54,360	73,666	266,102
Liabilities					
Deposits by banks	24,109	3,360	621	32	28,122
Customer accounts	125,790	19,061	3,233	1,204	149,288
Derivative financial instruments	2,766	5,278	4,006	1,653	13,703
Debt securities in issue	8,382	9,216	8,231	970	26,799
Other liabilities	2,533	523	887	14,153	18,096
Subordinated liabilities and other borrowed funds	–	501	2,440	9,758	12,699
Total liabilities	163,580	37,939	19,418	27,770	248,707
Net liquidity gap	(76,227)	12,784	34,942	45,896	17,395

* Amounts have been restated as explained in note 51 on page 154.

The Company has financial liabilities of \$1,987 million (2006: \$1,977 million) maturing in five years or more.

47. Liquidity Risk continued

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 \$5,640 million (2006: \$5,515 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.

	2007				2006			
	Three months or less \$million	Between three months and one year \$million	Between one and five years \$million	More than five years \$million	Three months or less \$million	Between three months and one year \$million	Between one and five years \$million	More than five years \$million
Deposits by banks	22,752	1,880	526	133	23,039	3,000	780	192
Customer accounts	158,937	15,896	3,183	1,888	126,458	18,550	3,767	2,051
Financial liabilities at fair value	3,662	3,407	2,463	1,767	2,079	2,451	2,424	892
Derivative financial instruments	420,884	260,597	91,272	22,962	258,936	211,952	63,932	23,773
Debt securities in issue	10,535	10,594	6,242	2,436	7,738	7,983	8,825	900
Subordinated liabilities and other borrowed funds	305	1,190	5,476	20,247	205	1,154	5,683	15,447
Other liabilities	10,645	663	437	9,120	7,057	930	354	8,011
Total liabilities	627,720	294,227	109,599	58,533	425,512	246,020	85,765	51,266
Gross loan commitments	20,207	14,215	3,446	293	9,488	16,801	2,570	136

The cash flows presented in the above table reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, the liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity.

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.

The Company has financial liabilities payable on an undiscounted basis of \$4,655 million (2006: \$5,751 million), of which \$1,104 million (2006: \$1,167 million) matures in three months or less, \$101 million (2006: \$103 million) matures between three months and one year, \$543 million (2006: \$528 million) matures between one to five years, and \$2,554 million (2006: \$2,555 million) matures in more than five years.

48. Currency Risk

Foreign exchange risk is managed and measured as set out in the Market risk section of the Risk Review on pages 56 to 57.

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 subsequent foreign exchange exposures are managed on an individual basis, and are assessed regularly for significant foreign exchange rate expectations. The positions are treated as long-term embedded exposures, and are not treated as trading positions, so hedges are considered in certain limited cases.

The table below sets out the principal structural foreign exchange exposures of the Group at 31 December 2007 and 2006:

	2007 \$million	2006 \$million
Korean won	5,607	5,225
Hong Kong dollar	5,090	4,743
Indian rupee	2,258	1,682
Taiwanese dollar	1,833	1,397
Thai baht	958	824
UAE dirham	808	655
Singapore dollar	734	1,129
Chinese yuan	727	549
Pakistani rupee	705	668
Malaysian ringgit	674	696
Indonesian rupiah	475	475
Other	1,965	1,518
	21,834	19,561

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. The impact of these on the positions above would be an increase of \$91 million (2006: \$60 million). Changes in the valuations of these positions are taken to reserves.

The Company's assets and liabilities are predominantly in US dollars. It has assets of \$687 million (2006: \$732 million) and liabilities of \$724 million (2006: \$738 million) other than US dollars.

49. Credit Risk

Maximum exposure to credit risk

The table on page 150 presents the Group's maximum exposure to credit risk of the Group's balance sheet and off-balance sheet financial instruments at 31 December 2007, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

The Group's maximum exposure to credit risk has increased by \$59 billion compared to 2006, primarily due to increased lending to banks, up \$16.6 billion, reflecting the Group's

strong liquidity and \$16.5 billion increase in Wholesale lending portfolios. Derivative instruments increased by \$13.0 billion as a result of increased volumes in the foreign exchange and rates business.

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 is contained within the Risk Review on page 46.

49. Credit Risk continued*Maximum exposure to credit risk (continued)*

	2007 \$million	2006 \$million
Financial assets held at fair value through profit or loss*	22,588	15,553
Derivative financial instruments	26,204	13,154
Loans and advances to banks and customers	189,631	159,024
Investment securities*	52,584	48,019
Contingent liabilities	33,719	27,390
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	32,148	34,626
	356,874	297,766

* Excludes equity shares.

In respect of derivative financial instruments, \$17,282 million (2006: \$6,425 million) is available for offset as a result of master netting agreements which do not 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. 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.

The maximum exposure to credit risk of the Company is \$2,019 million (2006: \$3,181 million), which relates to amounts owed by subsidiary undertakings.

Summary analysis of the loan portfolio

	2007				2006			
	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	8	517	364	881	9	909	529	1,438
Past due but not impaired loans	10	4,589	422	5,011	32	4,896	379	5,275
Neither past due nor impaired loans	37,662	77,156	74,469	151,625	21,024	72,878	61,445	134,323
	37,680	82,262	75,255	157,517	21,065	78,683	62,353	141,036
Portfolio impairment provision	(1)	(412)	(123)	(535)	(1)	(446)	(96)	(542)
	37,679	81,850	75,132	156,982	21,064	78,237	62,257	140,494

\$2,314 million (2006: \$1,340 million) of loans to banks is held at fair value and \$2,726 million (2006: \$1,212 million) of loans to customers is held at fair value. The Company has loans neither past due nor impaired of \$2,019 million (2006: \$3,181 million),

Loans and advances past due but not individually impaired

The following table set 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 counterparty is impaired.

For Consumer Banking loans, individual impairment provisions are generally raised at 150 days past due.

and has no individually impaired loans or past due but not impaired loans. Details of loan loss provisions and individually impaired loans are disclosed in notes 20 and 21.

For Wholesale Banking, individual impairment provisions are generally raised only when interest and/or principal payments are deemed uncollectible.

The value of loans past due has declined compared to 2006, primarily within the up to 30 days bucket largely as a result of improvements in the Consumer Banking collection processes, particularly in Singapore.

	2007				2006			
	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	–	3,559	239	3,798	32	3,911	200	4,111
Between 31 - 60 days past due	–	536	38	574	–	553	71	624
Between 61 - 90 days past due	10	342	143	485	–	284	78	362
Between 91 - 150 days past due	–	152	2	154	–	148	30	178
	10	4,589	422	5,011	32	4,896	379	5,275

Within loans to banks past due balance, \$nil million (2006: \$nil million) is held at fair value. Within the Consumer Banking loans to customers past due balance, \$nil million (2006: \$nil million) is held at fair value; and within the Wholesale Banking loans to customers past due balance, \$nil million (2006: \$nil million) is held at fair value.

The fair value of collateral held against past due but not impaired Consumer Banking loans is \$4,419 million (2006: \$3,444 million)

and largely comprises residential and commercial property. The fair value of collateral held against past due but not impaired Wholesale Banking loans is \$157 million (2006: \$161 million) and largely comprises property and securities.

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.

49. Credit Risk continued

Loans and advances neither past due nor impaired

The following table set 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 pages 46 and 47 of the Risk Review. The banding reflects management's segmentation of the credit risk grades.

The increase in loans to banks compared to 2006 is as a result of the placement of excess liquidity with high quality bank counterparties, resulting in an improvement in the proportion lent

to counterparties within credit grades 1 to 5. Within loans to customers, the proportion of the loan book falling within credit grades 1 to 5 has increased from 44 to 46 per cent, which is largely as a result of an increase in the proportion of high quality lending in the Wholesale Banking portfolio. Within Consumer Banking, the proportion of lending within grades 6 to 8 has decreased, and grades 9 to 11 has increased, as changes in methodology led to the re-grading of certain portfolios, largely shifting them from grade 8 to grade 9. The proportion of grade 12 loans was maintained at one per cent of the loans to customer portfolio.

	2007				2006			
	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	34,074	32,824	36,999	69,823	17,748	31,428	27,752	59,180
Grades 6 - 8	3,231	19,339	27,020	46,359	2,790	21,806	22,902	44,708
Grades 9 - 11	349	23,810	10,233	34,043	479	18,340	10,323	28,663
Grade 12	8	1,183	217	1,400	7	1,304	468	1,772
	37,662	77,156	74,469	151,625	21,024	72,878	61,445	134,323

With Loans to banks, \$2,314 million (2006: \$1,340 million) is held at fair value, of which \$1,686 million (2006: \$909 million) is within Grades 1 - 5; and \$629 million (2006: \$431 million) within Grades 6 - 8. Within Loans to customers – Consumer – \$nil million (2006: \$nil million) is held at fair value. Within Loans to

customers – Wholesale - \$2,726 million (2006: \$1,212 million) is held at fair value, of which \$1,789 million (2006: \$1,032 million) is within Grades 1 - 5; \$784 million (2006: \$134 million) within Grades 6 - 8; and \$153 million (2006: \$46 million) in Grades 9 - 11.

Renegotiated loans

Loans renegotiated which would otherwise be past due or impaired, continue to be accounted for as non-performing until a minimum number of payments have been received under the new terms, after which they are considered to be performing loans. Loans which are renegotiated to include concessions that the Group would not ordinarily make will usually be impaired and therefore excluded from this disclosure.

Of the Group's total loans and advances to banks which are neither past due nor impaired, loans which have been

renegotiated (either during the year or in previous years) is \$nil million (2006: \$5 million).

Within the Group's total loans and advances to customers which are neither past due nor impaired, loans which have been renegotiated (either during the year or in previous years) total \$1,014 million (2006: \$917 million), of which \$341 million (2006: \$150 million) relates to Wholesale Banking customers and \$1,015 million (2006: \$767 million) to Consumer Banking customers.

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

in 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.

	2007			2006		
	Consumer Banking \$million	Wholesale Banking \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Total \$million
Property	135	69	204	140	9	149
Debt securities and equity shares	–	–	–	9	–	9
Guarantees	35	5	40	13	3	16
Other	9	58	67	86	1	87
	179	132	311	248	13	261

49. Credit Risk continued*Debt securities, equity shares and treasury bills*

Debt securities, equity shares and treasury bills can be analysed as follows:

	2007				2006			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
Impaired securities	71	30	17	118	18	34	30	82
Impairment provisions	(54)	(22)	(2)	(78)	(9)	(23)	(10)	(42)
Net impaired securities	17	8	15	40	9	11	20	40
Securities neither past due nor impaired	55,063	3,052	15,047	73,162	45,089	1,629	15,920	62,638
	55,080	3,060	15,062	73,202	45,098	1,640	15,940	62,678

\$3,395 million (2006: \$3,418 million) of treasury bills and \$14,163 million (2006: \$9,601 million) of debt securities are held at fair value.

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 \$35 million impairment charge and other writedowns of \$87 million were taken in 2007. Further details of these writedowns are set out on page 54 of the Risk Review.

Securities neither past due nor impaired

The following table analyses debt securities and treasury bills which are neither past due or 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

Collateral is held against impaired securities and primarily consists of properties. The undiscounted fair value of collateral held relating to impaired securities is estimated at \$24 million (2006: \$21 million).

The Company has no debt securities, equity shares or treasury bills other than investments in subsidiary undertakings.

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.

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.

	2007			2006		
	Debt securities \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Treasury bills \$million	Total \$million
AAA	12,364	570	12,934	6,685	644	7,329
AA- to AA+	16,426	3,216	19,642	14,992	3,125	18,117
A- to A+	14,358	7,788	22,146	13,517	9,986	23,503
BBB- to BBB+	6,341	1,822	8,163	4,834	852	5,686
Lower than BBB-	2,586	1,357	3,943	3,225	1,072	4,297
Unrated	2,988	294	3,282	1,836	241	2,077
	55,063	15,047	70,110	45,089	15,920	61,009

Unrated securities primarily relate to corporate investments. Using internal credit ratings, \$2,606 million (2006: \$1,353 million) of these securities are considered to be investment grade and \$676 million (2006: \$724 million) sub-investment grade.

The increase in AAA debt securities compared to 2006 has largely been driven by the asset backed securities acquired from Whistlejacket following the 'vertical' slice transactions. Further details of these transactions are set out in note 52 and within the Risk Review on page 54.

50. Fair Value of Financial Assets and Liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value.

	2007		2006	
	Book amount \$million	Fair value \$million	Book amount* \$million	Fair value* \$million
Assets				
Cash and balances at central banks	10,175	10,175	7,698	7,698
Loans and advances to banks	35,365	35,316	19,724	19,727
Loans and advances to customers	154,266	153,828	139,300	139,654
Investment securities	2,819	2,779	2,786	2,754
Liabilities				
Deposits by banks	25,880	25,844	26,233	26,184
Customer accounts	179,760	179,694	147,382	147,492
Debt securities in issue	27,137	27,072	23,514	23,518
Subordinated liabilities and other borrowed funds	15,740	15,029	**12,699	12,877

* Amounts have been restated as explained in note 51 on page 154.

** The book amount includes adjustments as a result of fair value hedging relationships.

The following sets out the Group's basis of establishing fair values of the financial instruments shown above and those financial assets classified as available-for-sale and financial assets and liabilities held at fair value through profit and loss as disclosed within notes 14, 15, 17, 18, 22 and 31. The Group's basis for establishing the fair value of financial assets and liabilities held at fair value through profit or loss and of derivatives is set out in note 1.

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

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.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates to determine fair value. The Group's loan portfolio is well diversified by geography and industry and is in markets that have had little contagion from the turmoil brought about by the

sub-prime mortgage crisis in the United States. Approximately half of the portfolio reprices within one month, and over 80 per cent reprices within 12 months. The fair value of loans and advances to customers is therefore close to the book amount.

Investment securities

Investment securities with observable market prices, including debt and equity securities, are fair valued using that information. Debt securities that do not have observable market data are fair valued by either discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity or using quoted market prices for securities with similar credit, maturity and yield characteristics.

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.

51. Restatement of Prior Periods

Acquisitions

In the consolidated balance sheet as at 31 December 2006, the fair value amounts in relation to the acquisitions of Union and Hsinchu contained some provisional balances. During the year to 31 December 2007, certain of these balances have been revised. In accordance with IFRS 3 'Business Combinations', the adjustments to the provisional balances have been made as at the date of acquisition and the 2006 balance sheet amounts restated, with a corresponding

adjustment to goodwill, increasing goodwill on acquisition relating to Union and Hsinchu respectively by \$8 million to \$414 million and by \$93 million to \$1,041 million. The adjustments primarily relate to a reassessment of the value of certain loan assets, investment debt securities and retirement benefit obligations, together with associated deferred tax. The income statement for 2006 has not been restated, because any effect is immaterial.

	As reported at 2006 \$million	Fair value adjustment to Union \$million	Fair value adjustment to Hsinchu \$million	Reclassification \$million	Restated at 2006 \$million
Loans and advances to customers	139,330	(10)	(20)	–	139,300
Investment securities	49,487	–	10	–	49,497
Goodwill and intangible assets	6,146	8	93	–	6,247
Property, plant and equipment	2,168	(1)	1	–	2,168
Deferred tax assets	538	3	7	(36)	512
Retirement benefit obligations	472	–	89	(8)	553
Other liabilities	11,355	–	4	(28)	11,331
Minority interests	544	–	(2)	–	542

Cash Flow Statement

The following items have been re-presented in the Group and Company cash flow statements for the year ended 31 December 2006:

- net cash flow from operating activities increased by \$254 million, and net cash from financing activities decreased by \$254 million, following the separate identification of the outflow on the redemption of the preference shares of \$328 million and the inflow from certain of the proceeds from the issues of ordinary share capital of \$74 million, both of which were previously included in other movements within net cash flow from operating activities;
- in the Group cash flow statement only, a reclassification within cash flow from operating activities of \$782 million between

'Other accounts' and 'Assets written off, net of recoveries'.

The remaining balance of \$158 million represents the non-cash income statement items relating to recoveries of acquisition fair values and discount unwind and has been re-named accordingly as 'Recoveries of acquisition fair values and discount unwind'; and

- in the Group cash flow statement only, the purchase of own shares and the inflow from the exercise of share options has been presented on a gross basis within net cash from financing activities.

The net increase in cash and cash equivalents in the Group and Company cash flow statements has been unaffected by these reclassifications.

52. 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 73 to 85.

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

	2007 \$million	2006 \$million
Salaries, allowances and benefits in kind	19	14
Pension contributions	6	5
Bonuses paid or receivable	23	17
Share based payments	22	16
	70	52

Transactions with directors, officers and others

At 31 December 2007, the total amounts to be disclosed under the Companies Act 1985 (the Act) and the HK Listing Rules about loans to directors and officers were as follows:

	2007		2006	
	Number	\$000	Number	\$000
Directors	1	14	—	—
Officers*	4	7,090	2	203

* 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, appointed as an independent non-executive director of Standard Chartered PLC with effect from 1 August 2007, is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it is a related party of Standard Chartered PLC. As at 31 December 2007, the Group has loans to the Bharti Enterprises Group of \$123 million, guarantees of \$47 million and foreign exchange deals with a notional value of \$52 million.

As at 31 December 2007, Standard Chartered Bank had created a charge over \$24 million (2006: \$5 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.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$4 million at 31 December 2007 (2006: \$8 million), and deposits of \$7 million (2006: \$nil million).

Associates

During 2007, the Group acquired a 30 per cent holding in MCashback Limited for \$36 million.

During 2007, the Group contributed \$11 million to the establishment of Merchant Solutions Limited.

At 31 December 2007, the Group has loans and advances to China Bohai Bank Limited of \$nil million (2006: \$54 million).

Structured investment vehicles

Whistlejacket Capital Limited ('Whistlejacket') is a structured investment vehicle sponsored by the Group. In November and December 2007, the Group entered into two vertical slice transactions to acquire a portfolio of Whistlejacket's securities, settled by a cash payment, which is net of the redemption value of the capital notes invested by the Group in the vehicle. The capital notes were redeemed at net asset value, crystallising a loss for the Group of \$116 million, which is reported within 'Other

operating income'. The portfolio of debt securities acquired totalled \$3.4 billion and has been classified as available-for-sale. In addition to these transactions, the Group acquired \$1.7 billion of assets, some of which were subsequently sold, without any significant profit and loss impact.

Open ended investment company

Standard Chartered Global Liquidity Funds p.l.c. is an open-ended investment company domiciled in Ireland and has a single sub-fund, the US Dollar Liquidity Fund. The Fund is a Treasury Style Institutional Money Market Fund that holds a Aaa/MR1+ rating from Moody's Investor services and is managed to maximise current income consistent with the preservation of capital and liquidity and is structured to maintain a stable net asset value per share of \$1.00 with the income distributed in the form of dividends. As at 31 December 2007, the Fund had \$1,325 million in assets under management. Standard Chartered Bank is the Investment Manager and Distributor of the Fund and has an investment in the shares of \$251 million.

Company

The Company has received \$95 million of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2007, it has loans to and debt instruments issued by Standard Chartered Bank of \$343 million (2006: \$3,180 million), loans of \$77 million (2006: \$nil million) to Standard Chartered Holdings Limited and loans of \$1 million (2006: \$1 million) to other subsidiaries.

At 31 December 2007, the Company had no amounts owed to Standard Chartered Holdings Limited (2006: \$1,151 million).

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 for which is held on the Company's balance sheet and released as income over the term of the license. The Company entered into an agreement to pay a partial rebate of the initial licence value to SCSBM in January 2008. This amounted to \$1,089 million, which has been included as amounts owed to subsidiary undertakings at 31 December

52. Related Party Transactions continued

2007. As a consequence, in the year ended 31 December 2007, the Company has written back \$192 million of income recognised in prior years. At the year end \$311 million (2006: \$1,362 million) has been included as deferred income in the Company balance sheet in relation to this license.

53. Post Balance Sheet Events

Group

The Group announced, on 18 September 2007, the acquisition of American Express Bank Limited ('AEB'), from American Express Company for a total cash consideration equal to the net asset value of AEB at completion plus \$300 million. The transaction will complete on 29 February 2008.

On 11 January 2008, the Group completed the acquisition of a 49 per cent stake in UTI Securities Limited, an equity brokerage firm in India.

On 11 January 2008, the Group announced the acquisition of a Korean mutual savings bank, Yehreum Mutual Savings Bank which was completed on 25 February 2008.

On 31 January 2008, the Group announced that it intended to provide liquidity to Whistlejacket subject to certain pre-conditions,

The Company has an agreement with Standard Chartered Bank that in the event of the 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.

one of which was that enforcement proceedings had not commenced. On 11 February 2008, Whistlejacket advised that it had breached its capital note Net Asset Value ('NAV') trigger of 50 per cent. The breach of the trigger was an enforcement event, which required the security trustee, BNY Corporate Trustee Service, to appoint a receiver to manage Whistlejacket. As a result, the proposal announced on 31 January 2008 lapsed. However, the Group continued to discuss with the receiver alternative arrangements to provide liquidity. Subsequently on 20 February 2008, the Group announced that it had withdrawn the conditional proposals made to the receiver as a result of a number of factors, including the pace of continuing deterioration in the market for certain assets classes and the impracticality of completing any proposal within the confines of the receivership as it has evolved.

54. 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.

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 16 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 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.

54. Significant Accounting Estimates and Judgements continued

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 2007, assets with a market value of \$1.5 billion were held in respect of which there was no observable market data. For these instruments, changing one or more of the assumptions used to reasonably possible alternatives would not significantly change their fair value.

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 25, as to whether the current carrying value of goodwill is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement.

Acquired intangible assets

Acquired intangible assets are those that derive their value from contractual customer relationships or that can be separated and sold, and are amortised over their estimated useful lives. They comprise customer relationships, core deposits, brands and acquired licences. The valuation and estimated useful lives of customer relationships, core deposits and brands is dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, royalty rates and applicable costs, variations in which could produce different values and/or useful lives.

For example, if the royalty rates were increased by one per cent per annum (or decreased by one per cent per annum) the value of the brand names acquired in the acquisitions in 2007 would increase by approximately \$3 million (or decrease by \$3 million). Likewise, if the attrition rates were increased by four per cent per annum (or decreased by four per cent per annum) the value of the customer relationships acquired in the acquisitions in 2007 would decrease by approximately \$10 million (or increase by approximately \$10 million).

Acquired licences are valued at their purchase price and amortised over the period of the licence.

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 \$66 million, and vice versa. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Taxes

Determining income tax provisions involves 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 tax losses being available for offset at a later date.

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 five per cent (or decreased by five per cent), the fair values for options granted under the Sharesave schemes in 2007 would increase by approximately £0.28 for 3 year grants, and by £0.39 for 5 year grants (or decrease by approximately £0.20 for 3 year grants, and by £0.32 for 5 year grants).

55. Recently Issued Accounting Pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2007 but have effective dates for periods beginning after 31 December 2007. The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted. Those IFRSs and IFRIC Interpretations listed below that have been endorsed by the European Union,

and whose use is therefore permitted, have not been applied in preparing these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Group; none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Description of impact	Latest effective date for the Group and Company
IFRIC 11 <i>IFRS 2: Group and Treasury Share Transactions</i>	IFRIC 11 clarifies the treatment in the subsidiary's accounts for share awards made by the parent to the employees of a subsidiary.	1 January 2008
IFRS 8 <i>Operating Segments</i>	IFRS 8 supersedes IAS 14 'Segment Reporting' and requires the reporting of operating segments on the same basis as is used internally for evaluating performance.	1 January 2009**
IFRIC 13 <i>Accounting for Customer Loyalty Programmes*</i>	IFRIC 13 clarifies that consideration received for the sale of services for which customer loyalty awards are awarded is allocated between the service delivered and the award credit, based on the fair value of the credit awarded.	1 January 2009**
IFRIC 14 <i>IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction*</i>	IFRIC 14 requires the recognition of defined benefit assets to the extent that the Group has the right to an unconditional refund during the life of the plan, or assuming the gradual settlement of the plan's liabilities or assuming full settlement of the plan's liabilities.	1 January 2008
IAS 23 <i>Revised Borrowing Costs*</i>	IAS 23 has been revised to remove the option to expense borrowing costs incurred in respect of the construction and development of qualifying assets. Such costs will now be capitalised as a part of the cost of the asset.	1 January 2009**
IAS 1 <i>Revised Presentation of Financial Statements*</i>	IAS 1 Revised provides the option to either disclose all non-owner changes in equity in one statement of Comprehensive Income or continue to disclose two statements. The standard also requires an additional balance sheet to be presented at the beginning of the earliest comparative period when a change in accounting policy is applied retrospectively or a retrospective restatement is made.	1 January 2009**
Amendment to IAS 27 <i>Consolidated and Separate Financial Statements*</i>	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 <i>Revised Business Combinations*</i>	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. The Standard can be applied early, on a prospective basis, for annual periods beginning on or after 30 June 2007.	1 January 2010
Amendment to IFRS 2 <i>Share-based payment*</i>	The amendments clarify the definition of vesting conditions and the accounting treatment of cancellations by employees, whereby such cancellations will immediately result in the recognition of the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.	1 January 2009**
Amendment to IAS 32 <i>Financial Instruments: Presentation*</i>	This amendment is in respect of the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. Some financial instruments that currently meet the definition of a financial liability may be classified as equity if they represent the last residual interest in the net assets of an entity.	1 January 2009**

* This IFRS or IFRIC Interpretation has not yet been endorsed by the European Union.

** The Group has not yet made a final decision as to whether it will apply in the 2008 financial statements those pronouncements marked (**) in the table above.

56. 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 summarised below.

There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial

Reporting Standards. As set out in note 55, EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the European Union.

Supplementary Financial Information

Average Balance Sheets and Yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2007 and 31 December 2006. 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.

	2007			
	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %
Assets				
Cash and balances at central banks	5,910	3,087	39	1.3
Gross loans and advances to banks	2,602	31,446	1,975	6.3
Gross loans and advances to customers	1,324	152,555	10,812	7.1
Impairment provisions against loans and advances to banks and customers	(1,629)	–	–	–
Investment securities	2,666	66,131	3,350	5.1
Property, plant and equipment and intangible assets	3,263	–	–	–
Prepayments, accrued income and other assets	36,996	–	–	–
Total average assets	51,132	253,219	16,176	6.4

	2006			
	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %
Assets				
Cash and balances at central banks	4,736	959	29	3.0
Gross loans and advances to banks	1,715	23,528	1,177	5.0
Gross loans and advances to customers	308	128,278	9,049	7.1
Impairment provisions against loans and advances to banks and customers	(1,723)	–	–	–
Investment securities	628	58,721	2,732	4.7
Property, plant and equipment and intangible assets	6,610	–	–	–
Prepayments, accrued income and other assets	26,186	–	–	–
Total average assets	38,460	211,486	12,987	6.1

Average Balance Sheets and Yield continued

	2007			
	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	18,004	–	–	–
Interest bearing current accounts and savings deposits	–	65,718	1,508	2.3
Time and other deposits	547	112,616	6,049	5.4
Debt securities in issue	1,302	26,637	1,543	5.8
Accruals, deferred income and other liabilities	46,566	–	–	–
Subordinated liabilities and other borrowed funds	–	14,220	811	5.7
Minority interests	425	–	–	–
Shareholders' funds	18,316	–	–	–
Total average liabilities and shareholders' funds	85,160	219,191	9,911	4.5
Net yield				1.9
Net interest margin				2.5

	2006			
	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	13,742	–	–	–
Interest bearing current accounts and savings deposits	–	52,893	1,567	3.0
Time and other deposits	632	98,501	4,263	4.3
Debt securities in issue	2,326	24,610	1,186	4.8
Accruals, deferred income and other liabilities	31,238	–	–	–
Subordinated liabilities and other borrowed funds	–	12,711	643	5.1
Minority interests	420	–	–	–
Shareholders' funds	14,369	–	–	–
Total average liabilities and shareholders' funds	62,727	188,715	7,659	4.1
Net yield				2.1
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.

	2007 versus 2006		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest \$million
	Volume \$million	Rate \$million	
Interest earning assets			
Cash and unrestricted balances at central banks	27	(17)	10
Loans and advances to banks	498	300	798
Loans and advances to customers	1,724	39	1,763
Investment securities	378	240	618
Total interest earning assets	2,627	562	3,189
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	86	82	168
Interest bearing current accounts and savings deposits	294	(353)	(59)
Time and other deposits	762	1,024	1,786
Debt securities in issue	118	239	357
Total interest bearing liabilities	1,260	992	2,252

	2006 versus 2005		
	Increase/(decrease) in interest due to:		Net increase in interest \$million
	Volume \$million	Rate \$million	
Interest earning assets			
Cash and unrestricted balances at central banks	11	10	21
Treasury bills and other eligible bills			
Loans and advances to banks	(99)	424	325
Loans and advances to customers	1,893	1,006	2,899
Investment securities	724	268	992
Total interest earning assets	2,529	1,708	4,237
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	97	24	121
Interest bearing current accounts and savings deposits	391	563	954
Time and other deposits	873	813	1,686
Debt securities in issue	101	382	483
Total interest bearing liabilities	1,462	1,782	3,244

Continuing Connected Transactions

As noted in the Directors' Report on page 66 the Group is required to include in this Annual Report information regarding certain transactions with Temasek.

During the year to 31 December 2007, members of the Group have entered into 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 tables on page 163. Additional details are provided on page 66 of the Report of the Directors. The increase in volume of transactions compared to 2006 is largely due to the inclusion of several new Temasek associates.

Continuing Connected Transactions continued

		Year to 31 December 2007*				
Transaction Category	Notes	Aggregate notional value/ principal amounts during the year \$million	Notional value of outstanding transactions or principal amounts as at 31 December 2007 \$million	Fair value of outstanding transactions as at 31 December 2007 \$million	Total number of transactions during the year	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	145,160	5,843	(9)	17,157	83
Derivatives	ii	66,734	21,467	(530)	5,294	29
Capital markets dealing	iii	1,665	–	–	832	12
Physical commodity dealing	iv	18	–	–	8	2
Financial assistance by non-banking licensed subsidiaries	v	16	–	–	1	1

		Period from 20 July 2006 to 31 December 2006				
Transaction Category	Notes	Aggregate notional value/ principal amounts during the period \$million	Notional value of outstanding transactions or principal amounts as at 31 December 2006 \$million	Fair value of outstanding transactions as at 31 December 2006 \$million	Total number of transactions during the period	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	15,916	1,119	4	2,650	44
Derivatives	ii	8,827	2,555	19	755	16
Capital markets dealing	iii	709	–	–	125	13
Financial assistance by non-banking licensed subsidiaries	v	14	14	–	1	1

		Year to 31 December 2007*		Period from 20 July 2006 to 31 December 2006	
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	4.0	18	1.8	13
Cash management services	vii	0.7	111	1.2	93
Trade services	viii	2.9	74	0.5	19
Advisory and arranging services	xi	1.5	10	0.2	2

* 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 2007.

- i Foreign exchange includes spot, forward and foreign exchange swap transactions.
- ii Derivatives includes 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 includes 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 includes 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 includes account services (payments and collections), liquidity management services and clearing services.
- viii Trade services includes 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.
- xi Advisory and arranging services includes 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).

Five Year Summary

	2007 \$million	2006* \$million	2005 \$million	2004** \$million	2003† \$million
Operating profit before impairment losses and taxation	4,852	3,824	3,050	2,533	2,097
Impairment losses on loans and advances and other credit risk provisions	(761)	(629)	(319)	(214)	(536)
Other impairment	(57)	(15)	(50)	(68)	(11)
Profit before taxation	4,035	3,178	2,681	2,251	1,550
Profit attributable to shareholders	2,841	2,278	1,946	1,578	1,024
Loans and advances to banks	35,365	19,724	21,701	16,687	13,354
Loans and advances to customers	154,266	139,300	111,791	72,019	59,744
Total assets	329,205	266,102	215,096	147,124	120,202
Deposits by banks	25,880	26,233	18,834	15,162	10,924
Customer accounts	179,760	147,382	119,931	85,093	73,767
Shareholders' equity	20,851	16,853	11,882	9,105	7,529
Total capital resources¹	37,192	30,096	22,682	16,837	14,110
Information per ordinary share					
Basic earnings per share	201.1c	169.0c	148.5c	129.6c	82.0c
Normalised earning per share²	197.6c	170.7c	153.7c	124.6c	90.1c
Dividends per share	79.35c	71.04c	64.0c	57.5c	52.0c
Net asset value per share	1,374.2c	1,208.5c	897.3c	719.0c	588.0c
Ratios					
Post-tax return on ordinary shareholders' equity – normalised basis²	15.6%	16.9%	18.0%	18.6%	15.7%
Basic cost-income ratio	56.2%	55.6%	55.5%	52.9%	55.8%
Cost-income ratio – normalised basis²	56.0%	55.2%	54.5%	54.0%	53.6%
Capital ratios:					
Tier 1 capital#	9.8%	8.3%	7.7%	8.6%	8.6%
Total capital#	16.7%	14.2%	13.6%	15.0%	14.5%

¹ Shareholders' funds, minority interests and subordinated loan capital.

² 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 share capital.

* Amounts have been restated as explained in note 51 on page 154.

** IFRS (excluding IAS 32 and 39).

† UK GAAP.

Unaudited.

Dividend and Interest Payment Dates

Ordinary shares	Final dividend	Interim dividend (provisional only)
Results and dividend announced	26 February 2008	5 August 2008
Ex dividend date	5 March 2008	13 August 2008
Record date for dividend	7 March 2008	15 August 2008
Last date to elect for share dividend or to change standing instructions	18 April 2008	22 September 2008
Dividend payment date	16 May 2008	9 October 2008

Preference shares	1st half yearly dividend	2nd half yearly dividend
7 ³ / ₈ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2008	1 October 2008
8 ¹ / ₄ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2008	1 October 2008
6.409 per cent Non-cumulative redeemable preference shares of \$5 each	30 January 2008	30 July 2008
7.014 per cent Non-cumulative redeemable preference shares of \$5 each	30 January 2008	30 July 2008

Annual General Meeting

The Annual General Meeting will be held at 12 noon (UK time) (7.00 pm Hong Kong time) on Wednesday 7 May 2008 at The Plaisterers' Hall, One London Wall, London EC2Y 5JU. Details of the business to be transacted at the AGM are included in the Notice of AGM.

Details of voting at the Company's AGM and of proxy votes cast can be found on our website: www.standardchartered.com

Interim Results

The interim results will be announced to the London Stock Exchange, the Stock Exchange of Hong Kong and put on our website: www.standardchartered.com

ShareCare

ShareCare is available to shareholders on the Company's United Kingdom register who have a United Kingdom address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and 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

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 1998	16 October 1998	6.25p	587.2p
Final 1998	28 May 1999	14.50p	889.5p
Interim 1999	15 October 1999	6.75p	860.8p
Final 1999	26 May 2000	16.10p	797.9p
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/\$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/\$10.215
Final 2002	13 May 2003	32.9c/20.692p/HK\$2.566	£6.884/\$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK\$1.205	£8.597/\$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK\$2.8448	£8.905/\$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK\$1.3303	£9.546/\$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK\$3.15156	£9.384/\$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK\$1.46911	£11.878/\$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK\$3.49343	£14.2760/\$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

Donating shares to ShareGift

Shareholders who have a small number of shares can 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 contact our registrar for a mandate form.

Registrars and Shareholder Enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. There is a shareholder helpline on 0870 702 0138. If you hold your shares on the Hong Kong branch register please contact Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. You can check your shareholding at: www.computershare.com

Chinese Translation

If you would like a Chinese version of this Report and Accounts please contact:

Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

183 18 1806-1807

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 United Kingdom, Hong Kong or the United States will be sent to you with your dividend documents.

Electronic Communications

If you hold your shares on the United Kingdom register and in future you would like to receive the Report and Accounts electronically rather than by post, please register online at: www.standardchartered.com/investors. Then click on Update Shareholder Details 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.

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.

- IFC = inside front cover;
FCG = front cover gatefold;
- A Brain Co. Limited 5, 14, 22, 34, 36, 119
- Accounting
Estimates and Judgements 156–157
Policies 93–99
Recently Issued Pronouncements 158
UK and Hong Kong Requirements 159
- Acquisitions 4, 5, 14, 22, 34, 36, 88, 94, 119–120, 121, 124, 154
- Africa IFC, FCG, 4, 5, 6, 8, 11, 18, 22, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
- Africa-China trade IFC
- American Express Bank 2, 5, 6, 13, 14, 15, 18, 21, 22, 156
- Americas FCG, 6, 12, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
- Annual General Meeting (AGM) 65, 67, 70, 71, 165
- Annual Performance Bonus 75
- Asia IFC, FCG, 4, 5, 7, 8, 11, 18, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
Other Asia Pacific (Other APR) 7, 21, 36, 37, 47, 48, 50, 51, 52, 53, 101, 102, 127
- Asset and Liability Committees (ALCO), Country 58–59
- Asset backed securities 54
- Assets 3, 113, 125, 160
- Audit 80–84
independence and objectivity 71
and Risk Committee (ARC) 43, 44, 69
Average balance sheets and yield 160–161
- Bangladesh 2, 18, 21, 24
- Blindness *see* Seeing is Believing
- Board 68–69
Internal Control 71–72
Performance Evaluation 71
- Borrowings 96, 153
- Botswana FCG, 6
- Branches/corporate offices FCG, 6, 7, 12, 13, 22, 66
- Brand IFC, 13, 25
- Business Combinations 119–120
- Capital 60–61
Commitments 144
Management Committee 44
see also Share Capital
- Cash and Cash Equivalents 95, 144
- China FCG, 2, 4, 7, 13, 18, 20, 22, 24, 32
China Bohai Bank 118, 155
- Community Investment 30, 66
- Compliance and Regulatory Matters 72
- Consumer Banking 4, 7, 12, 13, 17, 21, 34, 37–39, 47, 50, 100
- Contingent Liabilities and commitments 145
- Continuing connected transactions 66, 162–163
- Corporate Finance 6, 55
- Country Management Committee (MANCO) 72
- Country Operational Risk Group (CORG) 72
- Country risk 55
Creditor payment policy 66
Credit risk 46, 149–152
management 46
Currency risk 149
- Debt securities 126
- Deposits 125, 127
- Depreciation and amortisation 105
- Derivative financial instruments 110–111
- Derivatives 46, 57–58
- Directors 65
- Board Committees 63, 69
Board of 62–63
Board Nomination Committee 70
Board Remuneration Committee 70, 73–85
Interests 65
Remuneration Report 73–85
Report 65–67
Responsibilities Statement 86
Significant contracts and agreements 65
- Diverse IFC, 26, 28
Dividends 8, 9, 65, 107
Dubai FCG, 20, 21
- Earnings per share (EPS) 2, 3, 16, 18, 107
- Employee/s 3, 6–7, 20, 26–29, 66
Benefits 74
Engagement 29, 33, 66
Volunteering 15, 66
- Environment 14, 30, 32, 67
Committee 33
- Equator Principles 33, 72
- Europe 6, 37, 40, 47, 50, 51, 52, 53, 101, 102, 127
- Fees and commissions 103
- Fiduciary activities 96
- Financial
Assets 108–110, 153
Crime, tackling 30
Instruments 98, 108
Liabilities 126, 153, 161
- First Africa 118
Five year summary 164
- Fleming Family & Partners Limited (FF&P) 62, 78, 118, 135
- Foreign currency translation 94
- Forward looking statements 166
- Ghana FCG, 26, 28
- Global trade flows FCG
- Goal 14
- Goodwill and intangible assets 121–122
- Governance 33, 43–44, 68–72
- Graduate Programme, International 26
- Greatest Race on Earth 32, 33
- Great Manager Programme 28, 29
- Grindlays India/MESA 121, 122
- Group
Asset and Liability Committee (GALCO) 43, 44, 58
Code of Conduct 72
Compliance and Regulatory Risk Committee 44
Financial Crime Risk Committee 33
Internal audit 59
Management Committee 64
Market Risk Committee 44, 56
Special Asset Management (GSAM) 51
Summary 34
- Growth markets IFC, 8, 18, 20, 22
- Harrison Lovegrove & Co. Limited 5, 6, 14, 22, 34, 36, 119, 121
- Hedges 58, 98, 111
- HIV/AIDS 30, 66
Policy 67
- Hong Kong FCG, 2, 5, 6, 7, 12, 13, 18
- Hsinchu International Bank (HIB) 7, 18, 22, 34, 35, 93, 119, 120, 121, 122, 154
- Hyperinflation 99
- Income 37–42, 103–104
and expenses, statement of recognised 90
- India FCG, 2, 4, 5, 6, 7, 11, 12, 14, 18, 20, 30, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
- Indonesia 5, 18
also see PT Bank Permata (Permata)
- Infrastructure FCG, 11, 12, 25
- Intangible assets 94
- Interest 99
Expense 103
- Income 103
Rate exposure 57
Rate risk 56, 57
- International Financial Reporting Standards (IFRS) 79, 86, 87, 93, 158, 159
- Investment securities 115–117
- Islamic Banking 2, 6, 18, 22, 24
- Kenya FCG, 41
- Key Performance Indicators 16–17, 25
- Korea 5, 7, 13, 14, 32
see also SC First Bank (SCFB)
- Leading by Example IFC, 25, 29, 33
Leading the way IFC, 20, 24, 25, 28, 32
- Leases 144
- Legal risk 72
- Liquidity
Management Committee 44
Risk 58–59, 147–148
- Loan capital 65
- Loan portfolio 47–48
- Loans and advances 112, 114–115
- Major interests in shares and voting
Rights 65
- Malaysia 2, 7, 9, 18, 21, 22, 24, 38
- Management
Agenda 13
Senior 64
- Market risk 56–57
- Middle East IFC, FCG, 4, 5, 8, 11, 18, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
- And Other South Asia (MESA) 2, 6, 18, 21, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
- Minority interests 138
- Money laundering prevention 33
- Movement in group individual
Impairment provision 53
- Nigeria 6, 13, 22, 41
- Non-executive directors 78
- Operational risk 59
Country Operational Risk Group 72
- Operating expenses 35, 37, 104
- Operating income 2, 3, 4–5, 6–7, 16, 18, 37, 38, 104
- Operating income and profit 34
- Organic 11, 12–14, 16, 18–21
- Other impairment 105
- Outlook 15
- Outserve Plus 25
- Pakistan FCG, 2, 5, 6, 13, 14
also see Union Bank
- Pembroke Group Limited 5, 6, 14, 22, 34, 36, 119, 121
- Pension fund 129
- Performance Share Plan (PSP) 75–76
- Post balance sheet events 156
- Private Bank 2, 4, 6, 7, 13, 18, 21, 35, 36
- Problem credit management and provisioning 50
- Product performance 39, 42
- Property, plant and equipment 123
- PT Bank Permata (Permata) 18, 34, 117, 121, 122, 155
- Qualifying third party indemnities 65
- Regulatory risk 59
- Related party transactions 66, 155–156
- Remuneration policy 73–74
- Repurchase and reverse repurchase agreements 146
- Reserves and retained earnings 136–137
- Responsible selling 30, 71
- Restatement of prior periods 154
- Restricted Share Scheme (RSS) 76
- Retirement benefits 77, 81, 128–133
- Right Partner IFC, 25, 29, 33
- Risk
Credit risk 46–47
Liquidity risk 44, 58–59, 147–148
Management 65
Reputational risk 59
Risk appetite 44, 45
Risk governance 43–44
Risk management review 43
Risk Review 43–59
Risk, value at 43, 56, 57
Stress testing 45, 56
- Risk committees
Consumer Banking 44
Group Compliance and Regulatory 44
Group Credit 44
Group Market 44
Group Operational 44, 59
Group Reputational Risk and Responsibility 44
Group Risk (GRC) 43, 44
Other Risk Type 44
Wholesale Banking 44
- SC First Bank (SCFB) 7, 13, 117, 121, 122
- Seeing is Believing 30, 66
- Segmental information 100–103
- Share based payments 138–143
- Share capital 65, 135
- Shared Services Centre 20
- Shareholding guidelines 77
- Sharesave schemes 29, 66, 77
- Singapore FCG, 5, 7, 11, 15
- Small and Medium Enterprises (SME) 4, 6, 7, 12, 20, 21, 30, 34
- Social, ethical and environmental responsibilities (SEE) 67, 72
- Sri Lanka 25
- Strategic intent IFC
- Strategy IFC, 2, 11, 12, 14, 15, 20, 21, 25, 26, 29, 30, 43, 68
- Straight2Bank 5, 24, 25
- Subordinated liabilities and other borrowed funds 134–135
- Sustainability IFC, 2, 14, 30–33
and Responsibility Committee 33, 70–71
- Taiwan 5, 7, 12, 13, 14, 18, 22, 25
also see Hsinchu International Bank
- Taxation 106
Tax Management Committee 44
- Temasek Holdings (Private) Limited 65, 66, 162
- Transaction Banking 2, 4, 6, 18, 22
- Uganda FCG
- UK 6, 15, 37, 40, 47, 48, 50, 51, 52, 53, 101, 102, 127
Group Head Office FCG
- Underlying results 36
- Union Bank 13, 22, 34, 93, 121, 120, 122, 154
- United Arab Emirates (UAE) FCG, 2, 5
- UTI Securities 4, 5, 7, 14, 156
- Values IFC, 25, 29
- Vietnam 21
- Volume and price variances 162
- Wealth Management 4, 7, 21, 34
- Whistlejacket Capital Limited 11, 35, 54, 105, 155, 156
- Wholesale Banking 5, 6, 12, 13, 17, 21, 34, 40–42, 46, 51–52, 100
- Women 14, 22, 26, 28, 29, 66
- Yeahreum Mutual Savings Bank 14, 156
- Zambia FCG



The Asset Triple A

Best Transaction Bank in Korea – SC First Bank

Best Domestic Custodian in Korea – SC First Bank

Best Structured Trade Finance Bank

Best Sub-Custodian in Indonesia, Korea and Thailand

Best Asian Currency Bond House

Best Securitisation House

Rising Star M&A House

Best Project Finance House

Best Debt House in Singapore

Best Debt House in Thailand

Best Loan House

Banking & Financial Services In-House Team of the Year

Singapore In-House Team of the Year

Best Structured Deal: Start II (\$1.6 billion) and Start III (\$1.5 billion), Collateralised Loan Obligations

Best Synthetic CLO: Start II (\$1.6 billion) and Start III (\$1.5 billion), Collateralised Loan Obligations

Best Local Currency CBO: Polaris and BOOC, NT\$12.225 billion, Five-year CBO Notes

Best Cash Management Deal: Prudential Corporation Asia, Pan Asia Cash Management Mandate

Best Deal in India: Corus by Tata Steel, \$13 billion, Acquisition Financing

Best Convertible Bond: Tata Steel Convertible Alternative, \$875 million, Joint Bookrunner

Best Syndicated Loan: Corus by Tata Steel, \$13 billion, Acquisition Financing

Best Cross-border Securitisation: Sealane, \$3 billion, Trade Finance Securitisation



The Banker Awards 2007

Bank of the Year for Africa

Bank of the Year for Afghanistan

Bank of the Year for Botswana

Bank of the Year for Pakistan

Bank of the Year for Sierra Leone

Bank of the Year for Tanzania

Bank of the Year for Zambia

Angola Deal of the Year: Sonangol Sinopec International, \$1.4 billion, Term Loan Facility

Ghana Deal of the Year: African Development Bank, GHC414.9 billion, Eurobond Cross Currency Swap

Kenya Deal of the Year: Tiomin Resources, \$201 million, Project Financing

Zambia Deal of the Year: Lumwana Copper Project, \$584 million, Project Financing

Saudi Arabia Deal of the Year: SABIC, \$1.73 billion & \$700 million, Commercial Facility and ECA-covered Facility

Singapore Deal of the Year: Start III, \$1.5 billion, Collateralised Loan Obligations

India Deal of the Year: Reliance Petroleum, \$2 billion, Greenfield Refinery Financing

Oman Deal of the Year: Omani Government, \$925 million, Real Estate Bond Financing



Euromoney Islamic Finance Awards 2007

Most Improved International Islamic Bank



Euromoney Awards for Excellence 2007

Best Emerging Markets Bank

Best Bank in Africa

Best Bank in Ghana



Project Finance Deals of the Year 2007

African Oil & Gas Deal of the Year: Addax Petroleum Corporation, \$1.5 billion, Acquisition Financing

African Transport/Ports Deal of the Year: Djibouti

Best Power Deal for Africa: Bujagali Energy Limited

Middle East Refinancing Deal of the Year: SEGAS

Middle East Manufacturing Deal of the Year: EMAL

Middle East IWPP Deal of the Year: Marafiq

Middle East Oil & Gas Deal of the Year: Qatargas 4

Middle East IPP Deal of the Year: Mesaieed

Asia-Pacific Acquisition Deal of the Year: Corus by Tata Steel, \$13 billion, Acquisition Financing

Asia-Pacific Petrochemicals Deal of the Year: HMC

Asia-Pacific Renewables Deal of the Year: Sinan Solar

Latin America Power Deal of the Year: Ventanas

Latin America Oil & Gas Deal of the Year: Schahin Drilling



FinanceAsia Achievement Awards 2007

Best Foreign Bank in Korea

Best Local Currency Bond House

Best India Deal: Vodafone, \$12 billion, Acquisition Financing

Deal of the Year: Corus by Tata Steel, \$13 billion, Acquisition Financing

Best M&A Deal: Corus by Tata Steel, \$13 billion, Acquisition Financing

Best Cross-border M&A Deal: Corus by Tata Steel, \$13 billion, Acquisition Financing

Best Securitisation Deal: Sealane, \$3 billion, Trade Finance Securitisation



Global Investor Awards 2007

Best Sub-Custodian in Bangladesh

Best Sub-Custodian in China

Best Sub-Custodian in Hong Kong

Best Sub-Custodian in South Korea

Best Sub-Custodian in Sri Lanka



Global Finance

Best Foreign Exchange Bank in Gambia 2007

Best Trade Finance Bank in Singapore

Best Emerging Market Bank in Botswana 2007

Best Emerging Market Bank in Zambia 2007

Best Interest Rate Derivatives Provider

Best Bank for Liquidity Management in Africa (includes cross-border pooling & netting)

Best Bank for Risk Management in Africa

Best Bank in Botswana

Best Bank in Zambia

Best Corporate/Institutional Internet Bank in Asia Pacific: Bangladesh, Hong Kong, Korea, Nepal and Pakistan

Best Corporate/Institutional Internet Bank in Middle East/Africa: Bahrain, Botswana, Ghana, Jordan, Kenya, Qatar, Sierra Leone, Tanzania, Uganda, Zimbabwe

Best Corporate Internet Bank in Asia Pacific, Europe and North America

Best Internet Bank for Trade Finance Services in Asia Pacific, Middle East/Africa, Europe and North America

Best Internet Bank for Web Site Design in Asia Pacific, Middle East/Africa, Europe

Best Integrated Corporate Bank Site in North America

Regional Winner: Best Corporate/Institutional Internet Bank - Asia Pacific Region

Global Sub-Category Winner: Best Corporate/Institutional Internet Bank – Best Trade Finance Services

Global Winner: Best Corporate/Institutional Internet Bank



IFR Asia Awards 2007

Domestic Bond House

Syndicated Loan: Corus by Tata Steel, \$13 billion, Acquisition Financing

Leveraged Loan: Corus by Tata Steel, \$13 billion, Acquisition Financing

India Bond Deal: Indian Hotel, Rs3 billion, 3-year Non-Convertible Debenture

Philippines Capital Markets Deal: Metrobank, PHP10 billion, Lower Tier 2 Sub-Bond



PFI Awards 2007

Bank of the Year in Asia Pacific

Best Oil and Gas Deal in the Americas: Black Gold Drilling, \$800 million, Mandated Lead Arranger

Best Mining Deal in Asia Pacific: Phu Kham and Phu Bia, \$242 million, Lead Arranger

Best Power Deal in MESA: Marafiq IWPP, \$3.443 billion, Mandated Lead Arranger

Best Industry Deal in MESA: Emirates Aluminium, \$4.6 billion, Mandated Lead Arranger



Trade Finance Awards for Excellence 2007

Best Trade Finance Bank in Sub-Saharan Africa



Asian Legal Business SouthEast Asia Awards 2007

Project Finance Deal of the Year: Reliance Petroleum, \$2 billion, Greenfield Refinery Financing



Asiamoney Deals of the Year 2007

Best Securitisation: Sealane, \$3 billion, Trade Finance Securitisation

Best Syndicated Loan: Corus Group, \$7.5 billion, Acquisition Refinancing

Best Leveraged Finance: Binariang GSM, \$7.1 billion, Acquisition Financing



The Asian Banker Awards 2007

Best Deposit Product in Asia Pacific and Gulf States – Standard Chartered Bank, Singapore – XtraSaver

Excellence in Retail Banking Award – Standard Chartered Bank, Singapore

Best Retail Banker of the Year – Mike DeNoma, Group Executive Director, Standard Chartered



Asian Banking Financial Awards 2007

Standard Chartered Bank, Singapore:

- Singapore Retail Bank of the Year
- Best Credit Card Initiative: Platinum Access
- Best Branch Initiative: VivoCity Branch
- Best Advertising Campaign: XtraSaver



Global Business Coalition Awards 2007

2007 Award for Business Excellence using core competencies to combat HIV/AIDS, Tuberculosis and Malaria

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As part of our policy to minimise our environmental impact, we have provided more information on line about our business.

 For more information visit: www.standardchartered.com

A guide to our website

Information on the Group

www.standardchartered.com

Our website contains comprehensive information on Standard Chartered.

Log on to find out more about our innovative product offerings and financial solutions.

Investor information

<http://investors.standardchartered.com>

You will find detailed information on our corporate governance practices, current debt ratings and recent press releases on this section of our website. The on line version of our Annual Report and Accounts can also be found here.

Information on building a sustainable business

www.standardchartered.com/sustainability

We have just relaunched the sustainability section of our website. On this site you will find details of our approach to building a sustainable business, policies and procedures and progress against our priorities.

Our approach to people management

www.standardchartered.com/sustainability/great-place-to-work

To find out more about our approach to people management and career opportunities at Standard Chartered, please log on to our website.

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