HIGHLIGHTS

STANDARD CHARTERED PLC RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

Reported Results

- Profit before tax up 19 per cent to $2,681 million, compared with $2,251 million in 2004
- Income up 27 per cent to $6,861 million from $5,382 million
- Total assets up 46 per cent to $215 billion from $147 billion, including $58 billion in SC First Bank (SCFB, formerly Korea First Bank)
- Profit attributable to ordinary shareholders up 26 per cent to $1,917 million (2004: $1,520 million)

Underlying Results

- Profit before tax up 10 per cent to $2,454 million, compared with $2,233 million in 2004
- Income up 14 per cent to $6,002 million from $5,274 million
- Expenses up 14 per cent to $3,232 million from $2,826 million
- Loan impairment charge up 24 per cent to $266 million from $214 million
- Underlying normalised cost income ratio of 53.0 per cent (2004: 54.0 per cent)

Performance Metrics

- Normalised earnings per share up 23 per cent at 153.7 cents (2004: 124.6 cents)
- Normalised return on ordinary shareholders' equity of 18.0 per cent (2004: 18.6 per cent)
- Annual dividend per share increased 11 per cent to 64.0 cents
- Normalised cost income ratio of 54.5 per cent (2004: 54.0 per cent)
- Total capital ratio at 13.6 per cent (2004: 15.0 per cent) within target range

Significant achievements

- Record Group profits, driven by SC First Bank acquisition and strong underlying business momentum
- Continued double-digit income growth in both Wholesale and Consumer Banking
- Record normalised earnings per share
- Acquisition of SC First Bank - normalised EPS accretive in the second half of 2005

Commenting on these results, the Chairman of Standard Chartered PLC, Bryan Sanderson, said:

"Standard Chartered's 2005 results demonstrate another strong performance. We are in markets with economic conditions which present us with opportunities to build on our performance track record. It is particularly pleasing to note that SC First Bank, our Korean acquisition, became EPS accretive in the second half of 2005. We are seeing the re-investment of petrodollars, strong economies all over Asia and, on the whole, increasing economic maturity in our markets. These conditions play to our strengths. We are executing our strategy well and making good progress. I am confident of the Group's prospects going forward."

Notes:
- Comparatives restated in the transition to IFRS (see note 39 on pages 54 to 59).
- Underlying income and costs excludes the post acquisition results of SCFB and one-off items in 2004.
- Results on a normalised basis reflect the Group's results excluding items presented in note 9 on page 36.
- Normalised underlying results exclude the post acquisition results of SCFB and the items in note 9 on page 36.

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On 1 January 2005 the Group adopted European Union (EU) adopted International Financial Reporting Standards (IFRSs). The comparative amounts presented have accordingly been restated to comply with EU endorsed IFRSs, with the exception of IAS 32/39. The impact of the restatement was published by the Group on 12 May 2005. Copies of this announcement are available from the Group's website at http://investors.standardchartered.com The Group has taken advantage of the transition rules of IFRS 1, First time adoption of International Financial Reporting Standards to apply IAS 32 and 39 with effect from 1 January 2005. (see note 39 on pages 54 to 59).

Unless another currency is specified, the word "dollar" or symbol "$" in this document means United States dollar.

STANDARD CHARTERED PLC - SUMMARY OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 $m	2004 $m
RESULTS		
Operating income	**6,861**	5,382
Impairment losses on loans and advances	**319**	214
Profit before taxation	**2,681**	2,251
Profit attributable to equity interests	**1,946**	1,578
Profit attributable to ordinary shareholders	**1,917**	1,520
BALANCE SHEET		
Total assets	**215,096**	147,124
Total equity	**12,333**	10,069
Capital base	**17,118**	13,786
INFORMATION PER ORDINARY SHARE	**Cents**	Cents
Earnings per share - normalised basis	**153.7**	124.6
- basic	**148.5**	129.6
Dividend per share	**64.0**	57.5
Net asset value per share	**897.3**	719.0
RATIOS	**%**	%
Return on ordinary shareholders’ equity – normalised basis	**18.0**	18.6
Cost income ratio – normalised basis	**54.5**	54.0
Capital ratios:		
Tier 1 capital	**7.7**	8.6
Total capital	**13.6**	15.0

Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the Group) excluding items presented in note 9 on page 36.

STANDARD CHARTERED PLC - CHAIRMAN'S STATEMENT

I am pleased to report another strong performance for Standard Chartered.

- Profit before tax, including the post-acquisition results for SC First Bank (formerly Korea First Bank) is up 19 per cent to $2,681 million.
- Income is up 27 per cent, up 14 per cent on an underlying basis, excluding SC First Bank.
- Strong earnings per share growth, with normalised EPS up 23 per cent.

As a result of this strong performance, the Board is recommending an annual dividend of 64.0 cents.

The underlying business is doing well and the strategic investments made in recent years are delivering results. The progress with SC First Bank (SCFB) in Korea is especially pleasing.

Governance

Governance across the company is robust. In addition to the established Committees of the Board we now have a Corporate Responsibility and Community Committee, focused on the environment, diversity and inclusion, community and social investment. Activities in the area of corporate responsibility have measurable, positive commercial impacts and are very much part of the fabric of the Bank. Non-Executive Director Mr Ho KwonPing has played an important part in the governance of the Group and he will retire from the Board at the conclusion of this year's Annual General Meeting. KwonPing has served for more than nine years on the Board and I would like to thank him for the valuable contribution he has made during this important period for the Group.

Economic outlook

In the Middle East, there is greater investment in the infrastructure aimed at economic diversification. Across Asia, moves towards deepening domestic financial markets are key to the drivers of economic growth, shifting from a reliance on exports to domestic demand.

Exports are strong in Hong Kong and South Korea, but it is the sustained turn-around in consumer spending that is key to their current growth. As a result, in general, Asian growth rates are expected to remain well above those of OECD countries.

We are witnessing, at first hand, cyclical strength and structural change.

Strategic progress

Such strong and sustainable growth enhances our existing franchise and allows us to take full advantage of the acquisitions we have made in recent years.

In Thailand, where we have been present for over a century, in 1999 we took the opportunity to invest in 75 per cent of Nakornthon Bank. In 2005 we bought the remaining 25 per cent stake. Standard Chartered Bank (Thai) pcl, as it is now known, is well positioned as a locally incorporated bank with international strengths and standards.

Similarly, we have had a long presence in Indonesia, a country with 240 million people. In 2004, with our consortium partner PT Astra, we took a controlling stake in Bank Permata. Permata is a consumer bank with more than one million customers, 300 branches and over 7,000 staff. The combination of Permata and our own branch offers us great access to this growing market.

In India, we bought Grindlays in 2000 and this strategic acquisition changed the nature of our presence in that market. We are now India's largest international bank and we have major ambitions. Already we have over two million consumer banking customers and 800 top corporate relationships. With the economy's consistently high rate of growth we expect to see even more opportunities ahead.

In China, we established our presence as the first foreign bank almost one hundred and fifty years ago. In September 2005, in the presence of Chinese Premier Wen Jiabao and UK Prime Minister the Rt. Hon. Tony Blair MP, Standard Chartered signed the documents that allowed us to take a strategic stake in China Bohai Bank. This is the first bank to be granted a national licence since 1996 and in February it opened its first branch.

Such a strategic investment is just one part of our approach to taking a leading position in this emerging economic giant. Our organic operations continue to prosper. Our long experience of China has allowed us to focus on the opportunities offered by rapid growth, including those in the Pearl River Delta, one of the world's fastest growing economic zones which accounts for about one-third of China's exports.

Finally, South Korea, which is Asia's third largest economy with a population of 47 million. In 2005 we made huge progress following our acquisition of Korea First Bank and SC First Bank is now well positioned for Korea's future economic development.

In all our markets we have strong business relationships and extensive networks, which are serving us well as the pace of change and number of business opportunities increase. Our international network is allowing us to benefit from new trade corridors emerging between our regions.

We are in growing markets and our geographic diversity is helping us to deliver good performance.

Well Positioned

Overall, many current economic conditions and trends are advantageous for us. We are well positioned and our management teams are focused on creating shareholder value.

Standard Chartered is ideally placed to maximise the existing and future opportunities presented by our markets. In addition to the growth presented by major Asian markets, many of our businesses in the Middle East, South Asia and Africa are developing rapidly.

Our management teams, at country and at Group level, balance strong local and international leadership. This ensures international standards are met, local practices are respected and market opportunities are leveraged. We offer the ability to invest in growth, mainly in Asia, with UK regulation.

Summary

Standard Chartered's 2005 results demonstrate another strong performance. We are in markets with economic conditions that present us with opportunities to build on our performance track record. It is particularly pleasing to note that SC First Bank, our Korean acquisition, became EPS accretive in the second half of 2005. We are seeing the re-investment of petrodollars, strong economies all over Asia and, on the whole, increasing economic maturity in our markets. These conditions play to our strengths. We are executing our strategy well and making good progress. I am confident of the Group's prospects going forward.

Bryan Sanderson, CBE
Chairman
2 March 2006

Standard Chartered is in good shape and we continue to deliver strong financial results. Our strategic intent is to be the world's best international bank, leading the way in Asia, Africa and the Middle East. We are seizing opportunities in our markets, driving value creation and actively seeking future opportunities. We are building diversity in our products so we can reach more customers, diversity in our markets so our business has a broader base and diversity in our people, so we can have the best available talent working for us.

Our customer base has increased from seven million customers in 2003 to 12 million today. Income has increased from $4.7 billion in 2003 to $6.9 billion in 2005. The Group is growing rapidly, organically and through strategic alliances and acquisitions and has expanded from 450 branches in 2003 to 1,200 today.

The scale of Standard Chartered is changing.

Performance

During 2005 the Group made significant financial progress. Profit before tax, including SCFB, was $2,681 million, a 19 per cent increase from $2,251 million in 2004. Normalised earnings per share saw an increase of 23 per cent to 153.7 cents and normalised return on equity was 18.0 per cent. We intend to be known as a Group that delivers good results and also as one that is creating a robust future.

China and India

These two major economies already make a good contribution to our performance and we are excited about our future in these markets. Our network in India covers 31 cities with a combined population in excess of 76 million. India is a country with major potential, not just for Standard Chartered, but for the world economy. Though increasing competition has led to short term margin erosion in some product areas, we are confident that Standard Chartered is well positioned to realise the potential offered by this dynamic market. We have been investing in new branches, ATMs, people, infrastructure and new businesses, including launching a new consumer finance business.

In China, in 2005 the income from our organic business grew over 80 per cent and we increased the number of directly employed staff by more than 40 per cent to 1,200. Our network now covers 14 cities with a combined population of over 100 million. The Consumer Banking business now offers services in five out of the ten largest cities in China, including Shanghai and Beijing. While managing a profitable business today we are also preparing for the future. Of our recent graduate intake from China, 25 per cent are currently on assignment in other countries, developing broader skills and perspectives to take back to their market in due course.

SC First Bank, Korea

In Korea, we re-branded all 407 branches, 2,100 ATMs and seven kilometres of signage as SC First Bank over one weekend and the Standard Chartered branch has been integrated into the SC First Bank network. The leadership team is experienced, established and is a balance of local and international executives. It is Standard Chartered's intent to be a leader in the Korean financial services industry.

The speed and success of the integration reflects the talent, focus and commitment of our Korean staff.

The Wholesale Banking business in Korea is progressing well. We have an enhanced product portfolio and a fully operational dealing room. In Consumer Banking in Korea we have launched 12 new products, including the 'Welcome Back' mortgage campaign – which featured a one month interest waiver, and brought in 38,000 new accounts and $4 billion of new mortgage sales.

When this acquisition was announced we said it would be EPS accretive in 2006 and we are very pleased to have met this target on a normalised basis in the second half of 2005.

We are at the early stages of our journey but we have made a great start. Korea is a huge market and we are in a good position for the future.

Consumer Banking

In Consumer Banking, operating profits were up 21 per cent on last year, and income up 41 per cent. This performance reflects very good momentum in the underlying business, excellent post-acquisition progress in Korea and disciplined management of risk and costs. Excluding SCFB, operating profit was up 8 per cent and income was up 16 per cent. Expansion of our Consumer Banking customer segments and products continues and despite pressure on mortgage margins, the increased breadth and balance has meant that, overall, the business performed well.

We are investing for the future, developing new products and client coverage, and increasing our sales channels. During 2005, there were over 240 product launches across our franchises including e-Saver, My Dream Account and LinkOne. Our branch 'footprint' is rapidly expanding and we now have 1,200 branches. This growth has been fuelled by Korea, where the number of branches has increased to over 400; Indonesia, where, through our stake in Permata, we now have over 300 and in Pakistan and the Middle East, where we have doubled our branch network in the past two years.

Consumer Banking has increasingly balanced earnings streams. Its focus on wealth management and SME is paying dividends.

Wholesale Banking

We are continuing to make good progress with our Wholesale Banking business. Operating profits for 2005 were up 22 per cent on 2004, with income up 19 per cent. Excluding SCFB, operating profit was up 15 per cent and income was up 11 per cent. Client income growth was strong at 19 per cent and was well balanced across geographies, products and client segments. We have seen strong growth in most key markets, but results have been impacted by Zimbabwe's economic problems.

Our client-led strategy continues to drive performance in key markets and across key products. We are investing for sustainable growth, extending our product reach and increasing our global markets capabilities. We have expanded our franchise in a number of markets and strengthened local corporate teams. Previous investments in key product areas, such as in debt capital markets and corporate finance, are paying off with excellent growth across all client segments.

Proactive risk management has been complemented by a benign credit environment with strong recoveries resulting in a net release. We are continuing to invest in regulatory compliance, control infrastructure, risk management and technology .

Overall, 2005 was a good year in terms of performance. The Group is now engaged on reaching its goals for 2006 and we have set out our management agenda.

Management Agenda 2006

- To accelerate growth in both businesses, by focusing on priority markets and extending our geographic and customer reach.
- In Wholesale Banking we will deepen client relationships and cross-sell more.
- In Consumer Banking we will enter new customer segments, such as private banking and consumer finance.
- Korea is a huge opportunity and, therefore, a continued priority. We will drive growth and performance.
- Across the Group we will accelerate improvements in service and innovation.
- It remains our intent to lead by example in corporate responsibility. Our programmes on diversity, environment, to help fight blindness, HIV and malaria, are important to the communities where we operate, differentiate our brand and make a difference to current and prospective employees.

Looking forward

There are changing trends in demographics worldwide, which will inevitably influence our business going forward. In five years time there will be over 100 million people in China aged over 65 and, in India, over 350 million under the age of 15. These types of changes have major implications for our business. We will see increased product segmentation, as different age groups have very different aspirations and we will have to think deeply about how we develop our brand in different markets.

The environment is becoming a major agenda item for all businesses. In markets where we operate there are concerns about energy, air quality, even water, which may impact on our customer base. We have to pay new attention to resources – to how we as a business are using them, to our lending policies around them and to our participation in the debates on the future economic impacts of these issues.

Transparency is another evolving area that affects our business. More information, moving at higher speeds, in many ways presents exciting opportunities for us, for our employees and our customers. Equally, regulatory requirements and pressures are increasing and create something of a burden, despite the positive motivations behind them.

These are some of the subjects on which we are focusing our thoughts. We recognise that to ensure continued performance we need to be thinking ahead.

We believe there are three major capabilities we must have to meet future challenges. We must have a real understanding of our customers. We must have the ability to innovate and create the right environment for innovation to happen. In order to do that we must be able to develop the right quality of people.

Being close to our customers is key and our customer knowledge is increasing all the time. The Group's Outserve initiative is making great progress in reaching our customers and understanding their needs. We carry out world-wide research, providing us with over three million data points from more than 25,000 respondents. In Consumer Banking, our survey carried out in 22 countries told us that in 2005, 80% of customers were 'loyal and positive'. This number was up on the previous year, and the increase equates to an additional 400,000 'loyal and positive' customers – which is very encouraging for us.

Our brand promise is to be 'The Right Partner, Leading By Example'. Customer feedback is at the centre of everything we do. Listening to customers helps us generate new ideas. For example in response to customer feedback we launched our online cheque template - the e-Cheque - in Singapore. Early take up is encouraging and we have patented it. This is one example of increasing innovation in the Bank and of the type of product that changes the market place.

As well as customer driven innovation, speed to market is critical. The Group's work in technology in recent years means we have reduced development times and still maintain the stringent checks expected of a bank. For example, we implemented our consumer finance platform in India in just 72 days.

To Outserve our customers and to drive innovation we need good people. Happily, the Group is increasingly a magnet for talent. The growing economies and exciting markets where we do business are appealing to many high calibre individuals. Through our graduate development programme we recruit and grow the talent we need for the long term. The 2006 international graduate programme has received over 40,000 applications, including over 19,000 from China. Across the Group we are developing an increasingly international, mobile, talented young workforce.

We are committed to talent development and have a company wide process that identifies talent at all levels and allows us to accelerate the development of the best. In 2005, for example, nearly 40 per cent of our high potential employees had some form of job development move and 16 per cent were international assignments. In our established workforce, turnover of high performers and high potential staff is low. Last year 80 per cent of senior management appointments were made from within the Group.

Having the right people remains key to supporting our continued growth. We believe our investment in people now will give us real competitive edge going forward.

We are working hard to 'Lead the Way' in the areas which will underpin our business performance now and in the future.

Outlook

In 2005, the Group achieved a good financial performance and made significant strategic progress. The outlook for 2006 is promising. Whilst we can never be immune to external shocks, we anticipate double-digit income growth across the Group as a whole. Our strength, diversity and breadth give us resilience and flexibility. The Consumer Banking and Wholesale Banking businesses, including SC First Bank, have good momentum and we are well positioned to leverage the opportunities available to us in our markets.

We will maintain our disciplined approach to managing expenses. We will continue to focus on improving productivity and sustain our investment in new products, new capabilities and expanded distribution. Expense growth will be broadly in line with income growth for the full year.

We will dynamically manage the pace of investment spend through the year factoring in both the risk environment as well as the performance.

We will continue to manage risks proactively. In Consumer Banking, we expect loan impairment charges will tend to grow in line with the size and mix of the overall book though Taiwan will continue to present some challenges. For Wholesale Banking, while the credit environment in most of our markets remains benign, we are somewhat cautious on the credit outlook. Moreover, the level of recoveries and releases achieved in 2005 will not recur in 2006. Consequently, we expect Wholesale Banking will revert to having a net charge in 2006.

In summary

Standard Chartered is making good progress. We are clear on our strategy and well positioned to take advantage of the many opportunities in our markets.

Mervyn Davies, CBE
Group Chief Executive
2 March 2006

GROUP SUMMARY

The Group has continued its strong performance trajectory with another good set of results for the year ended 31 December 2005. Operating profit before tax of $2,681 million was up 19 per cent over the same period in 2004. Normalised earnings per share has increased by 23 per cent to 153.7 cents. (Refer to note 9 on page 36 for the details of basic and diluted earnings per share).

On 15 April 2005 the Group acquired 100 per cent of Korea First Bank (KFB). On 10 September 2005 KFB was renamed SC First Bank (SCFB) and on 28 November 2005 the assets and businesses of the Standard Chartered branch in Korea were transferred to SCFB. The impact of the post acquisition results of SCFB in the 2005 results, together with significant one-off items affecting the 2004 results, make the comparability of the full year results to December 2005 with the equivalent period in 2004 complex. The table below therefore sets out underlying results for the two years excluding these two components.

	2005			2004		
	SCFB $m	**Underlying $m**	**As reported $m**	*One off items $m	Underlying $m	As reported $m
Net interest income	**781**	**3,554**	**4,335**	–	3,182	3,182
Fees and commissions income, net	**29**	**1,466**	**1,495**	–	1,332	1,332
Net trading income	**23**	**746**	**769**	–	651	651
Other operating income	**26**	**236**	**262**	108	109	217
	78	**2,448**	**2,526**	108	2,092	2,200
Operating income	**859**	**6,002**	**6,861**	108	5,274	5,382
Operating expenses	**(579)**	**(3,232)**	**(3,811)**	(23)	(2,826)	(2,849)
Operating profit before provisions	**280**	**2,770**	**3,050**	85	2,448	2,533
Impairment losses on loans and advances	**(53)**	**(266)**	**(319)**	–	(214)	(214)
Other impairment	**–**	**(50)**	**(50)**	(67)	(1)	(68)
Operating profit before taxation	**227**	**2,454**	**2,681**	18	2,233	2,251

* See note 9 on page 36.

Operating Income and Profit

Operating income, including SCFB, increased by 27 per cent to $6,861 million over 2004. Of this increase, SCFB accounted for $859 million. Underlying income growth excluding SCFB and 2004 one-off items was 14 per cent to $6,002 million. Both Consumer Banking and Wholesale Banking delivered double-digit income growth and business momentum remains strong across an increasingly broad range of customer segments and markets.

Net interest income grew by 36 per cent to $4,335 million. Underlying growth was 12 per cent. Net interest margin was 2.5 per cent, down from 2.6 per cent in the prior year reflecting the impact of changes in geographic and product mix.

Fees and commissions increased by 12 per cent to $1,495 million. Underlying growth was 10 per cent driven mainly by higher volumes in wealth management, cash management and global markets products across most markets.

Net trading income grew by 18 per cent to $769 million due to higher volumes of foreign exchange dealing by both Wholesale and Consumer Banking customers. Underlying growth was 15 per cent.

Other operating income of $262 million increased by 21 per cent. Excluding one-off items in 2004 from the sale of shares in KorAm and Bank of China (Hong Kong), growth was strong on the back of structured transactions and sales of available-for-sale securities within the asset and liability management (ALM) portfolio.

Operating expenses increased from $2,849 million to $3,811 million. Of this increase, $579 million was due to the inclusion of SCFB.

Underlying expense growth was 14 per cent, in line with underlying income growth for the full year. The normalised cost income ratio was 54.5 per cent (2004: 54.0 per cent) on a headline basis including SCFB, but on an underlying normalised basis has improved to 53.0 per cent (2004: 54.0 per cent). The Group has continued to invest in both Consumer Banking and Wholesale Banking in order to sustain the double-digit client led income growth. Such investments were directed primarily at new market entry, new products, reinforced capabilities, expanded client coverage, increased distribution and improvements to technology and infrastructure to support new and rapidly growing markets.

Impairment losses on loans and advances rose by 49 per cent from $214 million to $319 million, an increase of $105 million of which SCFB accounted for $53 million.

The underlying increase in impairment losses was 24 per cent reflecting asset growth in Consumer Banking, a deterioration in the Taiwan consumer credit environment and movements in portfolio provisioning under IFRS. Wholesale Banking continued to benefit from a benign credit environment, the successful conclusion of the Loan Management Agreement in Thailand and strong recoveries. Other impairment includes provisions made in 2005 for exposures in Zimbabwe.

CONSUMER BANKING

Including the acquisition of SCFB, Consumer Banking grew operating profit by 21 per cent to $1,278 million compared to 2004. Of the $220 million increment in profit, SCFB accounted for $137 million. Underlying growth was eight per cent.

Consumer Banking has maintained strong income momentum with income up 41 per cent to $3,807 million. SCFB accounted for $671 million or 61 per cent of Consumer Banking's total income growth of $1,107 million. Underlying income was up 16 per cent to $3,136 million. Underlying income growth was driven by volume and fee income growth across almost all product lines, strong growth in customer balances, particularly deposits and the contribution from business segments such as consumer finance and small and medium enterprises (SME) loans. Businesses acquired in 2004, including Prime Credit and Bank Permata, contributed to income and profit growth.

Excluding SCFB, customer liabilities saw double-digit growth year on year while assets grew four per cent. Deposit growth was particularly strong in Hong Kong, Singapore and Other Asia Pacific Region (Other APR).

On an underlying basis excluding SCFB, expense growth was broadly in line with income growth at 15 per cent for the year. This expense growth included investment expenditure in new products, extended client coverage, enhanced infrastructure, increased compliance costs and investment in new businesses. Total expenses in Consumer Banking grew by $701 million with SCFB accounting for $486 million.

Overall, Consumer Banking's impairment losses on loans and advances rose to $425 million from $242 million in 2004. This reflects the impact of asset growth outside Korea, inclusion of SCFB, movements in portfolio provisions under IFRS and deterioration in the Taiwan consumer credit environment. The underlying impairment charge has risen 20 bps to one per cent of average customer assets largely as a result of changes in portfolio mix and the deteriorating credit environment in Taiwan, where the banking industry as a whole has been significantly affected by a strong increase in consumer default rates. Consumer Banking anticipated this deterioration and took action to mitigate exposure. Nonetheless, the Consumer Banking loan impairment charge in Taiwan increased to $98 million in 2005 from $26 million in 2004. Consumer Banking in Taiwan has customer assets of approximately $1.3 billion as at 31 December 2005. We expect Taiwan to remain challenging through 2006.

Hong Kong delivered an increase in operating profit of 17 per cent to $540 million. Income growth was four per cent. Operating expenses were lower than in 2004 as a result of the actions taken to reconfigure the cost base. This resulted in pre-impairment profit growth of seven per cent. Responding to the rising interest rate environment, the business has put greater focus onto wealth management and SME, by successfully launching several new products and achieving growth in customer liabilities. The acquisition of Prime Credit in 2004 has been a great success with performance well ahead of plan. Asset portfolios continue to perform well with a 56 per cent reduction in the loan impairment charge compared to the prior period.

In Singapore, income was down two per cent in 2005 with strong growth in wealth management and SME largely offsetting the sharp decline in mortgage margins.

Mortgage margins reduced by nearly half on a full year basis. The successful launch of a new on-line savings product, together with good growth in investment services resulted in strong wealth management income growth.

Operating profit before provisions was up 28 per cent in Malaysia on the back of a 19 per cent rise in income and moderate expense growth focused on building infrastructure and expanding distribution. Good balance sheet growth, new products, a developing Islamic banking presence and better fee income coupled with productivity improvements all contributed to a strong performance for Consumer Banking. Loan impairment charges rose from $14 million to $37 million primarily due to attributing portfolio provision movements under IFRS.

In the eight and a half months since acquisition, the Consumer Banking division of SCFB earned $137 million of operating profit on income of $671 million. With the expansion of the product range since acquisition there has been good volume growth, particularly in wealth management with a significant growth in deposits. The cards and loans portfolios and mortgage portfolio have also enjoyed robust asset growth although moderate mortgage margin contraction has continued during the second half of the year. Expenses were higher in the second half, as anticipated, reflecting integration costs, re-branding and investment in product capabilities.

Other APR had income growth of 55 per cent driven by strong balance sheet growth in all product segments and continued investment in expanding sales forces, new branches and new products. Bank Permata in Indonesia accounted for $69 million of income and $9 million of profit before tax. China enjoyed very strong organic growth in all major products delivering a threefold increase in income. Thailand continues to perform very well with increasingly diversified income and balance sheet growth. Impairment provisions increased by $100 million, of which $72 million was in Taiwan.

India's very strong income growth in wealth management and SME was offset in part by lower growth in mortgages and a small decline in unsecured lending due to eroding margins resulting in an overall income growth of 10 per cent. The Consumer Business has continued to diversify its income streams with double-digit balance sheet growth in all business lines except credit cards. Continued investment spending underpinned a 17 per cent overall increase in expenses directed towards opening five new branches, the launch of six consumer finance business centres, new investment and insurance products and a continued strengthening of the risk and control infrastructure. Whilst there are near term challenges in profitability, Consumer Banking remains focused on building a substantial franchise in this fast growing and highly competitive market.

Operating profit in the Middle East and Other South Asia (MESA) increased by 23 per cent to $163 million with income up by 28 per cent to $378 million. This continued strong year on year momentum was led by wealth management, credit cards and SME. Investment in sustaining this growth trajectory resulted in a 26 per cent increase in expenses, with a focus on strengthening distribution, product and people capabilities. The global Consumer Banking business model is now embedded in these rapidly growing markets.

CONSUMER BANKING continued

In the United Arab Emirates (UAE), Consumer Banking grew income 27 per cent to $158 million driven by wealth management, SME and credit cards. As new products continue to be launched, volume growth on both sides of the balance sheet remains robust.

In Africa, operating profit more than doubled as a result of broad based income growth of 18 per cent and expense growth contained to just five per cent, benefiting from productivity gains and prior year investments. Asset growth of 26 per cent reflected an increasing market demand for borrowing.

The Americas, UK and Group Head Office saw a decrease in operating profit from $19 million to $9 million largely driven by lower income as a result of the reconfiguration of the Jersey business.

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

	2005									
	Asia Pacific									
	Hong Kong $m	**Singapore $m**	**Malaysia $m**	**Korea $m**	**Other Asia Pacific $m**	**India $m**	***Middle East & Other S Asia $m**	**Africa $m**	**Americas UK & Group Head Office $m**	**Consumer Banking Total $m**
Income	**989**	**322**	**209**	**695**	**611**	**285**	**378**	**257**	**61**	**3,807**
Expenses	**(415)**	**(126)**	**(95)**	**(505)**	**(342)**	**(179)**	**(182)**	**(205)**	**(52)**	**(2,101)**
Loan impairment	**(34)**	**(30)**	**(37)**	**(56)**	**(166)**	**(56)**	**(33)**	**(13)**	**–**	**(425)**
Other impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Operating profit	**540**	**166**	**77**	**134**	**103**	**50**	**163**	**36**	**9**	**1,278**

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Consumer Banking Total $m
Income	954	330	175	7	393	258	296	218	69	2,700
Expenses	(416)	(117)	(86)	(12)	(225)	(153)	(144)	(196)	(51)	(1,400)
Specific	(88)	(40)	(18)	–	(69)	(29)	(21)	(6)	–	(271)
General	11	6	4	–	3	2	2	–	1	29
Loan impairment	(77)	(34)	(14)	–	(66)	(27)	(19)	(6)	1	(242)
Operating profit	461	179	75	(5)	102	78	133	16	19	1,058

* Middle East and Other S Asia includes UAE income of $158 million (2004: $124 million), expenses of $67 million (2004: $51 million), loan impairment of $21 million (2004: $9 million) and operating profit of $70 million (2004: $64 million).

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

Income by product	**2005 Total $m**	**2005 SCFB $m**	**2005 Underlying $m**	2004 $m
Cards and Loans	**1,526**	**248**	**1,278**	1,117
Wealth Management and Deposits	**1,442**	**212**	**1,230**	891
Mortgages and Auto Finance	**764**	**207**	**557**	638
Other	**75**	**4**	**71**	54
	3,807	**671**	**3,136**	2,700

CONSUMER BANKING continued

Including SCFB, cards and loans have delivered a solid 37 per cent increase in income to $1,526 million. Underlying income and assets have increased 14 per cent and 17 per cent respectively in a highly competitive market environment with lower net interest margins broadly offset by higher fee income. Cards and loans enjoyed strong growth in Malaysia, Other APR, MESA and Africa. In Hong Kong three per cent growth year on year was achieved, reversing the previous declining trend in balances. Growth accelerated in the second half as successful new campaigns were rolled out for the Manhattan brand, cashback and balance building, leveraging the new positive file credit bureau.

In wealth management, underlying double-digit deposit growth and improved margins have been the primary drivers of a 62 per cent growth in income to $1,442 million. The primary contributors being Singapore, India, Other APR and MESA. Product innovation, expanded distribution and effective sales and marketing campaigns have boosted both core deposit volumes and fee based investment product sales.

Total mortgage and auto finance income is up 20 per cent at $764 million. Underlying income is lower by 13 per cent reflecting significant mortgage margin compression in Hong Kong, Singapore and India. Proactive re-pricing strategies have helped to offset some of this margin compression together with very good volume growth in Other APR.

WHOLESALE BANKING

In 2005 Wholesale Banking continued to execute its highly successful client-led strategy, driving sustained income momentum in all key client segments and across multiple products and geographies. Including SCFB, operating profit was up 22 per cent to $1,439 million. Underlying profit growth increased 15 per cent to $1,349 million.

Total income growth was 19 per cent to $3,054 million. Underlying income growth of 11 per cent to $2,866 million was achieved through client revenue growth of 19 per cent, driven by balanced growth across local corporates and large local corporates, multinationals and financial institutions. Global markets products together with cash and custody were the principal contributors to the continued strong growth in Wholesale Banking client revenues. Own account ALM and trading revenues were adversely affected by a rising interest rate environment and a flat yield curve.

Expenses in Wholesale Banking increased by 20 per cent to $1,710 million. Underlying expense growth was 13 per cent. Investment spend focused on enhancing global market product capabilities and client coverage with an emphasis on corporate finance and capital markets and the high growth markets of India, China and the UAE. Higher transaction volumes plus continued upgrading of the technology and operations infrastructure and preparation for Basel II made up the balance.

The net loan impairment release in 2005 was $106 million compared to $28 million in the prior period. New provisions increased by three per cent and recoveries were up by 60 per cent.

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

	2005									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Wholesale Banking Total $m
Income	**523**	**188**	**124**	**259**	**443**	**305**	**430**	**294**	**488**	**3,054**
Expenses	**(234)**	**(120)**	**(55)**	**(127)**	**(268)**	**(127)**	**(157)**	**(194)**	**(428)**	**(1,710)**
Loan impairment	**(83)**	**(13)**	**7**	**(5)**	**117**	**6**	**42**	**(30)**	**65**	**106**
Other impairment	**(1)**	**–**	**–**	**–**	**–**	**1**	**–**	**(8)**	**(3)**	**(11)**
Operating profit	**205**	**55**	**76**	**127**	**292**	**185**	**315**	**62**	**122**	**1,439**

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Wholesale Banking Total $m
Income	416	183	95	63	362	231	352	366	506	2,574
Expenses	(226)	(111)	(58)	(29)	(252)	(98)	(125)	(164)	(363)	(1,426)
Specific	(54)	(2)	11	3	19	3	13	(6)	15	2
General	6	3	1	–	4	2	4	–	6	26
Loan impairment	(48)	1	12	3	23	5	17	(6)	21	28
Other impairment	–	–	–	–	–	2	–	–	(3)	(1)
Operating profit	142	73	49	37	133	140	244	196	161	1,175

* Middle East and Other S Asia includes UAE income of $173 million (2004: $147 million), expenses of $66 million (2004: $49 million), loan impairment recovery of $1 million (2004: recovery of $8 million) and operating profit of $108 million (2004: $106 million).

WHOLESALE BANKING continued

When looking at the performance of Wholesale Banking on a geographic basis it is important to note that it is a network business, with about half of client revenues originated in a different geography than where they are booked. This means the geographic segmentation can give a somewhat imperfect view of the performance of different parts of the business.

In Hong Kong, income grew by 26 per cent to $523 million as the increased focus on the local corporates segment yielded good results. Global markets and cash products generated strong growth in volumes supported by improved margins. Expenses grew four per cent to $234 million with most of this increase directed towards building the sales force and product capabilities to deepen income generation from existing client relationships.

Income in Singapore was up three per cent to $188 million driven by transaction banking together with global markets sales. Double-digit client income growth was offset by a reduction in trading and ALM income. Singapore continues to increase its franchise value, originating significant revenues for other parts of the network. Expenses grew eight per cent to $120 million reflecting increased front office investments to sustain the strong client revenue momentum.

In Malaysia, income increased 31 per cent to $124 million with global markets products now contributing 64 per cent of the total. The business achieved strong growth in the large local corporate sector. Expenses were lower by five per cent at $55 million.

The Wholesale Banking business in SCFB earned $90 million of operating profit on income of $188 million. Income and volumes of global markets product sales, together with cash management and custody grew in the second half as the significant investment in more sophisticated products, new skills and infrastructure began to deliver benefits.

Other APR continued to deliver strong growth in income and profits from all countries with significant contributions from China, Indonesia and Taiwan. Income increased 22 per cent to $443 million and expenses grew six per cent to $268 million.

India's income grew 32 per cent to $305 million with client income growing at an even higher rate offset by lower trading and ALM income. Growth was balanced across all target segments with transactional banking and global markets products leading the way. Expenses grew 30 per cent to $127 million, with continued investment in geographic expansion to sustain the momentum amongst local corporates.

Operating profit in the Middle East and Other South Asia grew by 29 per cent to $315 million. Income rose 22 per cent to $430 million and expenses 26 per cent to $157 million. Client revenues enjoyed very strong growth in cash, capital markets and corporate finance products. Within this total the Wholesale Banking business in the the UAE grew income by 18 per cent.

In Africa, income at $294 million was 20 per cent lower than in the prior year. A marked deterioration in Zimbabwe was the primary contributor to this result. 2005 saw Zimbabwe suffer from high inflation and very rapid currency depreciation, particularly in the fourth quarter. Elsewhere in Africa, Wholesale Banking saw robust income growth in Nigeria, Ghana and Tanzania, driven by cash management, trade, and corporate finance.

The Americas, UK and Group Head Office has seen income decline by four per cent to $488 million mainly as a result of lower income from asset and liability management. Expense growth of 18 per cent reflects the full year impact of the project finance business acquired at the end of 2004, which originates revenues largely booked elsewhere, together with significant investment in compliance and control infrastructure.

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

	2005			2004
Income by product	Total $m	SCFB $m	Underlying $m	$m
Trade and Lending	**879**	**69**	**810**	868
Global Markets	**1,434**	**75**	**1,359**	1,217
Cash Management and Custody	**741**	**44**	**697**	489
	3,054	**188**	**2,866**	2,574

Trade and lending income increased one per cent overall to $879 million and decreased by seven per cent on an underlying basis due to lower lending income. Trade finance income grew three per cent reflecting the increased competitiveness in pricing and a shift to integrated supply chain financing to support strong intra-Asian trade flows.

Global markets income grew strongly at 18 per cent overall to $1,434 million and 12 per cent on an underlying basis.

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The enhanced product set, including FX options, fixed income and project and export finance, has made a significant contribution to this growth. Income from ALM has fallen due to the flat yield curves and rising interest rates prevalent in most markets, particularly in the second half.

Cash management and custody income was up by 52 per cent at $741 million. Underlying growth was also very strong at 43 per cent driven by volume and margin growth.

ACQUISITION OF SC FIRST BANK (formerly Korea First Bank)

On 15 April 2005 the Group acquired 100 per cent of SCFB. The post-acquisition profit has been included in the Group results within the Korea geographic segment. The following tables provides an analysis of SCFB's post acquisition results by business segment:

Consumer Banking	2005			2004
	Total $m	SCFB $m	Underlying $m	$m
Income	**3,807**	**671**	**3,136**	2,700
Expenses	**(2,101)**	**(486)**	**(1,615)**	(1,400)
Loan impairment	**(425)**	**(48)**	**(377)**	(242)
Other impairment	**(3)**	**–**	**(3)**	–
Operating profit	**1,278**	**137**	**1,141**	1,058

SCFB Consumer Banking income was broadly based with margin, volume and fee income growth in wealth management and SME banking. Mortgage and unsecured lending volumes have continued to grow but margin compression impacted income growth.

Wholesale Banking	2005			2004
	Total $m	SCFB $m	Underlying $m	$m
Income	**3,054**	**188**	**2,866**	2,574
Expenses	**(1,710)**	**(93)**	**(1,617)**	(1,426)
Loan impairment	**106**	**(5)**	**111**	28
Other impairment	**(11)**	**–**	**(11)**	(1)
Operating profit	**1,439**	**90**	**1,349**	1,175

SCFB Wholesale Banking income is being generated by a broader product set and client base. New global markets products and cash management are now driving growth while balance sheet reshaping continues in lending.

Korea segment – Total	2005			2004
	Total $m	SCFB $m	Underlying $m	$m
Income	**954**	**859**	**95**	70
Expenses	**(632)**	**(579)**	**(53)**	(41)
Loan impairment	**(61)**	**(53)**	**(8)**	3
Operating profit	**261**	**227**	**34**	32

Operating profit from SCFB for the eight and a half months since taking control on 15 April 2005 was $227 million. Operating income for the period was $859 million, expenses were $579 million and loan impairment was $53 million.

RISK

Through its risk management structure the Group seeks to manage efficiently the core risks: credit, market, country and liquidity risk. These arise directly through the Group's commercial activities whilst compliance and regulatory risk, operational risk and reputational risks are normal consequences of any business undertaking.

The basic principles of risk management followed by the Group include:

- ensuring that business activities are controlled on the basis of risk adjusted return;
- managing risk within agreed parameters with risk quantified wherever possible;
- assessing risk at the outset and throughout the time that we continue to be exposed to it;
- abiding by all applicable laws, regulations and governance standards in every country in which we do business;
- applying high and consistent ethical standards to our relationships with all customers, employees and other stakeholders; and
- undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

Risk Management Framework

Ultimate responsibility for the effective management of risk rests with the Company's Board. Acting with 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).

GRC, through authority delegated by the Board, is responsible for credit risk, market risk, operational risk, compliance and regulatory risk, legal risk and reputational risk. GALCO, through authority delegated by the Board, is responsible for liquidity risk, for structural interest rate and foreign exchange exposures and for capital ratios.

All the Group Executive Directors (GEDs) of Standard Chartered PLC, members of the Standard Chartered Bank Court and the Group Head of Risk and Group Special Asset Management (Group Head of Risk) are members of the GRC. This Committee is chaired by the Group Head of Risk and Group Special Assets Management (GSAM). The GRC is responsible for agreeing Group standards for risk measurement and management, and also delegating authorities and responsibilities to risk committees and the Group and Regional Credit Committees and Risk Officers.

The committee process ensures that standards and policy are cascaded down through the organisation from the Board through the GRC and the GALCO to the functional, regional and country level committees. Key information is communicated through the country, regional and functional committees to Group so as to provide assurance that standards and policies are being followed.

The Group Finance Director and the Group Head of Risk manage an independent risk function which:

- recommends Group standards and policies for risk measurement and management;
- monitors and reports Group risk exposures for country, credit, market and operational risk;
- approves market risk limits and monitors exposure;
- sets country risk limits and monitors exposure;
- chairs the credit committee and delegates credit authorities;
- validates risk models; and
- recommends risk appetite and strategy.

Individual GEDs 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 activity;
- 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 policy.

The Group's Risk Management Framework identifies 18 risk types which are managed by designated Risk Type Owners (RTOs) who are all approved persons under the FSA regulatory framework and have responsibility for setting minimum standards and governance and assurance processes. The RTOs report up through specialist risk committees to the GRC, or in the case of Liquidity Risk, to the GALCO.

The Group Finance Director and the Group Head of Risk, together with Group Internal Audit, provides independent assurance that risk is being measured and managed in accordance with the Group's standards and policies.

Credit Risk Management

Credit risk is the risk that a counterparty will not settle its obligations in accordance with agreed terms.

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

Clear responsibility for credit risk is delegated from the Board through to the GRC. Standards are approved by the GRC which also delegates credit authorities through the Group Finance Director to the Group Head of Risk, the Group and Regional Credit Committees and independent Risk Officers at Group and at the Wholesale Banking and Consumer Banking business levels.

Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals. The Risk Officers are located in the businesses to maximise the efficiency of decision making, but have an independent reporting line into the Group Head of Risk.

The businesses working with the Risk Officer, take responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Group standards, policies and business strategy.

RISK continued

Wholesale Banking

Within the Wholesale Banking business, a numerical 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. There is a clear segregation of duties with loan applications being prepared separately from the approval chain. Significant exposures are reviewed and approved centrally through a Group or Regional level Credit Committee. These Committees receive their authority and delegated responsibilities from the GRC.

Consumer Banking

For Consumer Banking, standard credit application forms are generally used which are processed in central units using manual or automated approval processes as appropriate to the customer, the product or the market. As with Wholesale Banking, origination and approval roles are segregated.

Loan Portfolio

Loans and advances to customers have increased by 55 per cent during the year to $112.2 billion. Of this increase, SCFB accounts for $31.2 billion (28 per cent).

The Wholesale Banking portfolio is well diversified across both geography and industry, with no significant concentration to sub-industry classification levels under manufacturing, financing, insurance and business services, commerce or transport, storage and communication.

	2005									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans to individuals										
Mortgages	12,051	4,129	2,532	22,522	996	1,469	132	88	152	44,071
Other	2,154	1,043	663	3,954	3,145	947	2,001	525	158	14,590
Small and medium enterprises	791	1,673	794	4,727	989	332	78	107	–	9,491
Consumer Banking	14,996	6,845	3,989	31,203	5,130	2,748	2,211	720	310	68,152
Agriculture, forestry and fishing	24	–	44	9	110	17	25	183	234	646
Construction	91	48	11	90	64	139	223	41	6	713
Commerce	2,004	958	325	237	598	392	1,324	420	819	7,077
Electricity, gas and water	290	1	65	17	284	49	180	12	664	1,562
Financing, insurance and business services	1,425	925	589	1,135	1,065	502	1,235	168	1,842	8,886
Loans to governments	–	2,323	1,976	66	101	–	70	7	331	4,874
Mining and quarrying	24	11	8	19	140	10	185	75	656	1,128
Manufacturing	1,223	302	344	1,702	2,955	1,019	1,210	402	2,186	11,343
Commercial real estate	1,194	834	3	797	555	61	5	13	18	3,480
Transport, storage and communication	320	235	240	80	304	108	452	174	1,477	3,390
Other	50	85	49	750	11	5	257	46	40	1,293
Wholesale Banking	6,645	5,722	3,654	4,902	6,187	2,302	5,166	1,541	8,273	44,392
Portfolio impairment provision	(57)	(26)	(30)	(68)	(107)	(33)	(29)	(10)	(7)	(367)
Total loans and advances to customers	21,584	12,541	7,613	36,037	11,210	5,017	7,348	2,251	8,576	112,177
Total loans and advances to banks	5,688	2,431	173	3,222	2,213	238	1,255	313	7,426	22,959

* Middle East and Other S Asia includes the following amounts relating to the UAE: Consumer Banking, $915 million (2004, $832 million) Wholesale Banking $2,448 (2004, $2,300 million), total loans and advances to customers, $3,363 million (2004, $3,132 million), and total loans and advances to banks, $391 million (2004: $237 million).

RISK continued

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	#*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	#Total $m
Loans to individuals										
Mortgages	12,189	5,064	2,422	–	737	1,194	87	63	262	22,018
Other	2,097	651	488	194	2,909	1,201	1,928	431	102	10,001
Small and medium enterprises	731	1,622	578	–	200	230	42	76	–	3,479
Consumer Banking	15,017	7,337	3,488	194	3,846	2,625	2,057	570	364	35,498
Agriculture, forestry and fishing	–	26	55	–	56	15	19	171	314	656
Construction	154	27	6	–	34	105	239	46	4	615
Commerce	1,560	804	136	31	864	262	1,202	353	1,113	6,325
Electricity, gas and water	387	40	71	78	193	104	119	102	300	1,394
Financing, insurance and business services	1,914	1,608	554	41	721	497	1,362	47	2,268	9,012
Loans to governments	–	306	1,551	–	–	–	16	7	225	2,105
Mining and quarrying	–	65	63	–	122	1	149	95	1,032	1,527
Manufacturing	1,343	423	269	316	2,196	814	1,267	404	2,294	9,326
Commercial real estate	984	721	2	–	388	–	–	29	2	2,126
Transport, storage and communication	366	280	128	134	187	226	299	165	1,177	2,962
Other	19	128	51	–	354	43	243	24	86	948
Wholesale Banking	6,727	4,428	2,886	600	5,115	2,067	4,915	1,443	8,815	36,996
General Provision									(335)	(335)
Total loans and advances to customers	21,744	11,765	6,374	794	8,961	4,692	6,972	2,013	8,844	72,159
Total loans and advances to banks	2,852	2,072	349	1,646	1,705	171	892	374	7,321	17,382

* Middle East and Other S Asia includes the following amounts relating to the UAE: Consumer Banking $915 million (2004: $832 million) Wholesale Banking $2,448 (2004: $2,300 million), total loans and advances to customers, $3,363 million (2004: $3,132 million), and total loans and advances to banks, $391 million (2004: $237 million).

A reclassification of $997 million from Other to Small and medium enterprises that was made at 30 June 2005 (31 December 2004: $951 million) has been reversed.

Maturity analysis

Approximately 47 per cent of the Group's loans and advances are short term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominately short term, with 75 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 65 per cent of the portfolio is in the mortgage book, traditionally longer term in nature. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, in the normal course of business they may be renewed and repaid over longer terms

	2005				2004			
	One year or less $m	**One to five years $m**	**Over five years $m**	**Total $m**	One year or less $m	One to five years $m	Over five years $m	Total $m
Consumer Banking								
Mortgages	**4,756**	**9,598**	**29,717**	**44,071**	1,877	4,156	15,985	22,018
Other	**8,352**	**4,666**	**1,572**	**14,590**	5,718	3,880	403	10,001
SME	**5,883**	**1,687**	**1,921**	**9,491**	989	440	2,050	3,479
Total	**18,991**	**15,951**	**33,210**	**68,152**	8,584	8,476	18,438	35,498
Wholesale Banking	**33,450**	**7,246**	**3,696**	**44,392**	27,670	5,227	4,099	36,996
Portfolio impairment provision				**(367)**				(335)
Loans and advances to customers	**52,441**	**23,197**	**36,906**	**112,177**	36,254	13,703	22,537	72,159

RISK continued

Problem Credit Management and Provisioning

Consumer Banking

An account is considered to be in default when payment is not received on the due date. Accounts that are overdue by more than 30 days (60 days for mortgages) are considered delinquent. These accounts are closely monitored and subject to a special collections process. Accounts that are overdue by more than 90 days are considered non-performing.

The process used for raising provisions is dependant on the product. For mortgages, individual provisions are generally raised at 150 days past due and for other secured products at 90 days past due based on the difference between the outstanding amount of the loan and the present value of the estimated future cash flows. For unsecured products individual provisions are raised, and loans are charged off at 150 days past due.

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known by experience to be present in the loan portfolio including performing loans and loans overdue. The provision is set with reference to past experience using flow rate methodology as well as taking account of judgemental factors such as the economic and business environment in our core markets, and the trends in a range of portfolio indicators.

The 2005 coverage ratio includes the Consumer Banking portfolio provisions upon adoption of IAS 39, whereas 2004 comparatives exclude the UK GAAP general provision.

	2005									
	Asia Pacific									
	Hong Kong $m	**Singapore $m**	**Malaysia $m**	**Korea $m**	**Other Asia Pacific $m**	**India $m**	***Middle East & Other S Asia $m**	**Africa $m**	**Americas UK & Group Head Office $m**	**Total $m**
Loans and advances Gross non-performing	**81**	**117**	**171**	**856**	**101**	**53**	**22**	**17**	**29**	**1,447**
Individual impairment provision	**(22)**	**(31)**	**(63)**	**(310)**	**(61)**	**(13)**	**(16)**	**(9)**	**(3)**	**(528)**
Non-performing loans net of individual impairment provision	**59**	**86**	**108**	**546**	**40**	**40**	**6**	**8**	**26**	**919**
Portfolio impairment provision										**(278)**
Net non-performing loans and advances										**641**
Cover ratio										**56%**

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances Gross non-performing	72	146	181	–	94	42	42	24	46	647
Impairment provision	(32)	(24)	(28)	–	(47)	(12)	(22)	(9)	(5)	(179)
Interest in suspense	(1)	(4)	(24)	–	(7)	(8)	(15)	(8)	(7)	(74)
Net non-performing loans and advances	39	118	129	–	40	22	5	7	34	394
Cover ratio										39%

* Middle East and other S Asia includes net non performing loans and advances net of individual impairment provision relating to the UAE of $nil (2004: $1 million).

RISK continued

Wholesale Banking

In Wholesale Banking, accounts or portfolios are placed on Early Alert when they display signs of weakness. Such accounts and portfolios are subject to a dedicated process with oversight involving senior Risk Officers and GSAM. Account plans are re-evaluated and remedial actions are agreed and monitored until complete. 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, the specialist recovery unit.

Loans are designated as impaired and considered non-performing as soon as payment of interest or principal is 90 days or more overdue or where recognised weakness implies that full payment of either interest or principal becomes questionable. Impaired accounts are managed by GSAM, which is independent of the main businesses of the Group. Where the principal, or a portion thereof, is considered uncollectible, an individual impairment provision is raised being the difference between the loan carrying amount and the present value of estimated future cash flows. 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 account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known by experience to be present in any loan portfolio. The provision is not held to cover losses arising from future events. In Wholesale Banking, the portfolio impairment provision is set with reference to past experience using expected loss and judgemental factors such as the economic environment and the trends in key portfolio indicators.

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

	2005									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances Gross non-performing	**355**	**125**	**36**	**156**	**133**	**83**	**60**	**89**	**210**	**1,247**
Individual Impairment provision	**(257)**	**(109)**	**(33)**	**(51)**	**(118)**	**(27)**	**(48)**	**(51)**	**(164)**	**(858)**
Non-performing loans and advances net of individual impairment provision	**98**	**16**	**3**	**105**	**15**	**56**	**12**	**38**	**46**	**389**
Portfolio impairment provision										**(90)**
Net non-performing loans and advances										**299**

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Loans and advances Gross non-performing	409	185	117	1	557	68	175	104	674	2,290
Impairment provision	(257)	(89)	(68)	(1)	(255)	(29)	(100)	(46)	(435)	(1,280)
Interest in suspense	(92)	(56)	(35)	–	(54)	(26)	(68)	(42)	(127)	(500)
Net non-performing loans and advances										510

* Middle East and other S Asia includes net non performing loans and advances net of individual impairment provision relating to the UAE of $nil (2004: $5 million).

RISK continued

Wholesale Banking Cover Ratio

At 76 per cent, the Wholesale Banking non-performing portfolio is well covered. The balance uncovered by impairment provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

The cover ratio as at December 2004 shown below was calculated on a UK GAAP basis which included interest in suspense as part of the cover. The non-performing loans recorded below under Standard Chartered Nakornthon Bank (SCNB) are excluded from the cover ratio calculation as they were the subject of a Loan Management Agreement (LMA) with a Thai Government Agency. Refer to note 14 on page 41. Claims under the LMA were settled in the first half of 2005 and accordingly the balances reported under SCNB have reduced to nil in the 2005 table below.

	2005		
	Total $m	**SCNB (LMA) $m**	**Total excl LMA $m**
Loans and advances – Gross non-performing	**1,247**	**–**	**1,247**
Impairment provision	**(948)**	**–**	**(948)**
Net non-performing loans and advances	**299**	**–**	**299**
Cover ratio			**76%**

	2004		
	Total $m	SCNB (LMA) $m	Total excl LMA $m
Loans and advances – Gross non-performing	2,290	351	1,939
Impairment provision	(1,280)	(115)	(1,165)
Interest in suspense	(500)	–	(500)
Net non-performing loans and advances	510	236	274
Cover ratio			86%

Movement in Group Individual Impairment Provision

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

	2005									
	Asia Pacific									
	Hong Kong $m	**Singapore $m**	**Malaysia $m**	**Korea $m**	**Other Asia Pacific $m**	**India $m**	***Middle East & Other S Asia $m**	**Africa $ m**	**Americas UK & Group Head Office $m**	**Total $m**
Provisions held at 1 January 2005	**289**	**113**	**96**	**1**	**302**	**41**	**122**	**55**	**440**	**1,459**
Adjusted for adoption of IAS 39	**5**	**6**	**31**	**–**	**17**	**2**	**3**	**9**	**17**	**90**
Restated provision held at 1 January 2005	**294**	**119**	**127**	**1**	**319**	**43**	**125**	**64**	**457**	**1,549**
Exchange translation differences	**(7)**	**(2)**	**1**	**4**	**(8)**	**(1)**	**5**	**(4)**	**(13)**	**(25)**
Amounts written off	**(156)**	**(30)**	**(58)**	**(21)**	**(204)**	**(66)**	**(70)**	**(43)**	**(223)**	**(871)**
Recoveries of amounts previously written off	**49**	**6**	**11**	**5**	**36**	**21**	**14**	**4**	**7**	**153**
Acquisitions	**–**	**–**	**–**	**352**	**–**	**–**	**–**	**–**	**–**	**352**
Discount unwind	**(3)**	**(3)**	**(4)**	**(28)**	**(2)**	**(1)**	**–**	**(2)**	**(5)**	**(48)**
Other	**1**	**–**	**–**	**–**	**19**	**(1)**	**1**	**(2)**	**3**	**21**
New provisions	**165**	**92**	**62**	**57**	**153**	**105**	**48**	**60**	**12**	**754**
Recoveries/provisions no longer required	**(64)**	**(42)**	**(43)**	**(9)**	**(134)**	**(60)**	**(59)**	**(17)**	**(71)**	**(499)**
Net charge against/(credit) to profit	**101**	**50**	**19**	**48**	**19**	**45**	**(11)**	**43**	**(59)**	**255**
Provisions held at 31 December 2005	**279**	**140**	**96**	**361**	**179**	**40**	**64**	**60**	**167**	**1,386**

* Middle East and Other S Asia provisions at 31 December 2005 includes $26 million (2004: $42 million) relating to the UAE.

RISK continued

	2004									
	Asia Pacific									
	Hong Kong $m	Singapore $m	Malaysia $m	Korea $m	Other Asia Pacific $m	India $m	*Middle East & Other S Asia $m	Africa $m	Americas UK & Group Head Office $m	Total $m
Provisions held at 1 January 2004	268	123	144	–	390	55	158	58	465	1,661
Exchange translation differences	–	3	–	–	2	2	(4)	2	8	13
Acquisitions	–	–	–	–	36	–	–	–	–	36
Amounts written off	(154)	(62)	(63)	–	(142)	(65)	(42)	(21)	(58)	(607)
Recoveries of amounts previously written off	29	7	10	–	12	24	7	4	2	95
Other	4	–	(2)	–	(42)	(1)	(5)	–	38	(8)
New provision	207	60	36	1	94	106	43	27	35	609
Recoveries/provisions no longer required	(65)	(18)	(29)	–	(48)	(80)	(35)	(15)	(50)	(340)
Net charge against/(credit) to profit	142	42	7	1	46	26	8	12	(15)	269
Provisions held at 31 December 2004	289	113	96	1	302	41	122	55	440	1,459

Country Risk

Country Risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

The GRC approves country risk and delegates the setting and management of country limits to the Group Head, Credit and Country Risk.

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 cross border assets are recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

The following table, based on the Bank of England Cross Border Reporting (CE) guidelines, shows the Group's cross border assets including acceptances where they exceed one per cent of the Group's total assets.

	2005				2004			
	Public sector $m	**Banks $m**	**Other $m**	**Total $m**	Public sector $m	Banks $m	Other $m	Total $m
USA	**1,227**	**555**	**2,505**	**4,287**	824	745	2,660	4,229
Korea	**13**	**1,476**	**2,006**	**3,495**	47	1,258	698	2,003
Hong Kong	**1**	**311**	**2,776**	**3,088**	4	199	2,719	2,922
France	**159**	**2,550**	**155**	**2,864**	149	1,243	183	1,575
China	**63**	**982**	**1,405**	**2,450**	101	686	902	1,689
India	**1**	**949**	**1,456**	**2,406**	74	1,132	867	2,073
Singapore	**–**	**326**	**1,945**	**2,271**	–	325	1,939	2,264
Netherlands	**–**	**–**	**–**	**–**	–	2,639	406	3,045

RISK continued

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.

Market Risk is governed by the GRC, which agrees policies and levels of risk appetite in terms of Value at Risk (VaR). The Group Market Risk Committee (GMR) provides market risk oversight and guidance on policy setting. Policies cover the trading book of the Group and also market risks within the banking book. Trading and Banking books are defined as per the Financial Services Authority (FSA) Handbook IPRU (Bank). Limits by location and portfolio are proposed by the businesses within the terms of agreed policy. GMR approves the limits within delegated authorities and monitors exposures against these limits.

GMR complements the VaR measurement by regularly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible. In addition, VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained.

Additional limits are placed on specific instruments and currency concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. Option risks are controlled through revaluation limits on currency and volatility shifts, limits on volatility risk by currency pair and other underlying variables that determine the options' value.

Value at Risk
The Group uses historic simulation to measure VaR on all market risk related activities.

The total VaR for trading and banking books combined at 31 December 2005 was $10.8 million (31 December 2004: $15.4 million).

Interest rate related VaR was $10.3 million (31 December 2004: $15.6 million) and foreign exchange related VaR was $1.1 million (31 December 2004: $3.0 million).

The average total VaR for trading and banking books during the year to 31 December 2005 was $12.4 million (31 December 2004: $15.8 million) with a maximum exposure of $20.6 million.

VaR for interest rate risk in the banking books of the Group totalled $9.2 million at 31 December 2005 (31 December 2004: $16.7 million).

The Group has no significant trading exposure to equity or commodity price risk.

The average daily income earned from market risk related activities was $4.1 million, compared with $3.8 million during 2004.

Foreign Exchange Exposure
The Group's foreign exchange exposures comprise trading and banking foreign currency translation exposures and structural currency exposures in net investments in non US dollar units.

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily income from foreign exchange trading businesses during 2005 was $2.0 million (2004: $1.6 million).

Interest Rate Exposure
The Group's interest rate exposures comprise trading exposures and non-trading interest rate exposures.

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

The average daily income from interest rate trading businesses during 2005 was $2.1million (2004: $2.2 million).

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 in the foreign exchange, credit and interest rate markets. Derivatives are an important risk management tool for banks and their customers because they can be used to manage the risk of price, interest rate and exchange rate movements.

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 interest, credit and exchange rates.

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 for hedging purposes.

The Group applies a future exposure methodology to manage counterparty credit exposure associated with derivative transactions. Please refer to note 34 on page 53 for further information on Market Risk.

RISK continued

Hedging

In accounting terms, hedges are classified into three typical types: fair value hedges, where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, 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 net asset value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same exchange rate movements.

Liquidity Risk

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

It is the policy of the Group to maintain adequate liquidity at all times, in all geographical locations and for all currencies. Hence the Group is in a position to meet all obligations, to repay depositors, to fulfil commitments to lend and to meet any other commitments made.

Liquidity risk management is governed by GALCO, which is chaired by the Group Finance Director and with authority derived from the Board. GALCO is responsible for both statutory and prudential liquidity. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by the Liquidity Management Committee (LMC) with regional and country Asset and Liability Committees (ALCO).

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 Country 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. The Country ALCO has primary responsibility for compliance with regulations and Group policy and maintaining a Country Liquidity Crisis Contingency Plan.

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. Lending is normally funded by liabilities in the same currency.

The Group also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

The GALCO also oversees the structural foreign exchange and interest rate exposures that arise within the Group. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by the Capital Management Committee. Policies and guidelines for the maintenance of capital ratio levels are approved by GALCO. Compliance with Group ratios are monitored centrally by Group Corporate Treasury while local requirements are monitored by the local ALCO.

Policies and guidelines for the setting and maintenance of capital ratio levels are also delegated by GALCO. Group ratios are monitored centrally by Group Corporate Treasury, while local requirements are monitored by the local ALCO.

Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of technology, processes, infrastructure, personnel and other risks having an operational impact. 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) has been established to supervise and direct 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.

An independent Group operational risk function is responsible for establishing and maintaining the overall operational risk framework, and for monitoring the Group's key operational risk exposures. This unit is supported by Wholesale Banking and Consumer Banking Operational Risk units. They are responsible 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.

Compliance with operational risk policies and procedures is the responsibility of all managers. Every country operates a Country Operational Risk Group (CORG). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

Compliance and Regulatory Risk

Compliance and 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.

Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Group, failure to protect the title to and ability to control the rights to assets of the Group (including intellectual property rights), changes in the law, or jurisdictional risk. The Group manages legal risk through the Group Legal Risk Committee, Legal Risk policies and procedures and effective use of its internal and external lawyers.

RISK continued

Reputational Risk

Reputational Risk is the risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted. Reputational Risks arise as a result of poor management of problems occurring in one or more of the primary banking risk areas (Credit, Market, Operational risk areas) and/or from Social, Ethical or Environmental Risk issues. All members of staff have a responsibility for maintaining the Group's reputation.

The Group manages reputational risk through the Group Reputational Risk Committee, which reports to the GRC, and through Country Management Committees. Wholesale Banking has a specialised 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.

Independent Monitoring

Group Internal Audit is an independent 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.

CAPITAL

The Group Asset and Liability Committee targets Tier 1 and Total capital ratios of 7-9 per cent and 12-14 per cent respectively.

	2005 $m	*2004 $m
Tier 1 capital:		
Called up ordinary share capital and preference shares	**5,982**	3,818
Eligible reserves	**6,151**	4,617
Minority interests	**115**	111
Innovative Tier 1 securities	**1,542**	1,246
Less: Restriction on innovative Tier 1 securities	**(83)**	(68)
Goodwill and other intangible assets	**(4,321)**	(1,900)
Unconsolidated associated companies	**186**	30
Other regulatory adjustments	**153**	110
Total Tier 1 capital	**9,725**	7,964
Tier 2 capital:		
Eligible revaluation reserves	**195**	–
Portfolio impairment provision (2004, general provision)	**368**	335
Qualifying subordinated liabilities:		
Perpetual subordinated debt	**3,128**	1,961
Other eligible subordinated debt	**4,169**	3,525
Less: Amortisation of qualifying subordinated liabilities	**(229)**	–
Restricted innovative Tier 1 securities	**83**	68
Total Tier 2 capital	**7,714**	5,889
Investments in other banks	**(148)**	(33)
Other deductions	**(173)**	(34)
Total capital base	**17,118**	13,786
Banking book:		
Risk weighted assets	**99,378**	69,438
Risk weighted contingents	**16,274**	14,847
	115,652	84,285
Trading book:		
Market risks	**6,701**	4,608
Counterparty/settlement risk	**3,571**	3,231
Total risk weighted assets and contingents	**125,924**	92,124
Capital ratios:		
Tier 1 capital	**7.7%**	8.6%
Total capital	**13.6%**	15.0%

* As previously reported under UK GAAP

Consolidated Income Statement
For the year ended 31 December 2005

	Notes	Excluding SCFB $million	SCFB acquisition $million	**2005 $million**	2004 $million
Interest income		6,938	1,812	**8,750**	5,312
Interest expense		(3,384)	(1,031)	**(4,415)**	(2,130)
Net interest income		3,554	781	**4,335**	3,182
Fees and commission income		1,724	116	**1,840**	1,614
Fees and commission expense		(258)	(87)	**(345)**	(282)
Net trading income	3	746	23	**769**	651
Other operating income	4	236	26	**262**	217
		2,448	78	**2,526**	2,200
Operating income		6,002	859	**6,861**	5,382
Staff costs		(1,834)	(311)	**(2,145)**	(1,559)
Premises costs		(321)	(42)	**(363)**	(321)
General administrative expenses		(861)	(159)	**(1,020)**	(731)
Depreciation and amortisation	5	(216)	(67)	**(283)**	(238)
Operating expenses		(3,232)	(579)	**(3,811)**	(2,849)
Operating profit before impairment losses and taxation		2,770	280	**3,050**	2,533
Impairment losses on loans and advances and other credit risk provisions	13	(266)	(53)	**(319)**	(214)
Other impairment	6	(50)	–	**(50)**	(68)
Profit before taxation		2,454	227	**2,681**	2,251
Taxation	7	(657)	(53)	**(710)**	(630)
Profit for the year		1,797	174	**1,971**	1,621

	Notes	2005	2004
Profit attributable to:			
Minority interests	26	**25**	43
Parent company's shareholders		**1,946**	1,578
Profit for the year		**1,971**	1,621
Basic earnings per ordinary share	9	**148.5c**	129.6c
Diluted earnings per ordinary share	9	**146.9c**	127.4c

Paid and proposed dividends per ordinary share:	**Cents**	Cents
Interim paid	**18.94**	17.06
Final proposed*	**45.06**	40.44
	64.00	57.50

	$million	$million
Interim dividend	**248**	201
Final proposed dividend*	**595**	524
	843	725

* The final dividend will be accounted for in 2006 as explained in note 8.

As more fully explained in note 39, financial instrument accounting is determined on different bases in 2005 and 2004 due to the transitional provisions of IAS 32 and 39.

Consolidated Balance Sheet
As at 31 December 2005

	Notes	**2005 $million**	2004 $million
Assets			
Cash and balances at central banks		**8,012**	3,960
Financial assets held at fair value through profit or loss	11	**10,333**	4,744
Derivative financial instruments	12	**9,370**	–
Loans and advances to banks	13	**21,701**	16,687
Loans and advances to customers	13	**111,791**	72,019
Investment securities	15	**37,863**	33,611
Interests in associates		**128**	–
Goodwill and intangible assets		**4,321**	2,353
Property, plant and equipment		**1,644**	555
Deferred tax assets		**498**	318
Other assets		**7,163**	11,597
Prepayments and accrued income		**2,272**	1,280
Total assets		**215,096**	147,124
Liabilities			
Deposits by banks	17	**18,834**	15,162
Customer accounts	18	**119,931**	85,093
Financial liabilities at fair value through profit or loss	19	**6,293**	2,392
Derivative financial instruments	12	**9,864**	–
Debt securities in issue	20	**25,913**	11,005
Current tax liabilities		**283**	295
Other liabilities	21	**8,446**	14,789
Accruals and deferred income		**2,319**	1,321
Provisions for liabilities and charges		**55**	61
Retirement benefit obligations	22	**476**	169
Subordinated liabilities and other borrowed funds	23	**10,349**	6,768
Total liabilities		**202,763**	137,055
Equity			
Share capital and share premium	24	**5,638**	3,802
Reserves and retained earnings	25	**6,244**	5,303
Total parent company shareholders' equity		**11,882**	9,105
Minority interests	26	**451**	964
Total equity		**12,333**	10,069
Total equity and liabilities		**215,096**	147,124

As more fully explained in note 39, financial instrument accounting is determined on different bases in 2005 and 2004 due to the transitional provisions of IAS 32 and 39.

Consolidated Statement of Recognised Income and Expenses
For the year ended 31 December 2005

	Notes	2005 $million	2004 $million
Exchange differences on translation of foreign operations		**(90)**	96
Actuarial losses on retirement benefits		**(150)**	(5)
Available for sale investments:			
Valuation gains taken to equity		**7**	–
Transferred to income on disposal/redemption		**(107)**	–
Cash flow hedges:			
Losses taken to equity		**(65)**	–
Gains transferred to income for the year		**(20)**	–
Deferred tax on items recognised directly in equity		**141**	1
Other		**1**	23
		(283)	115
Profit for the year		**1,971**	1,621
Total recognised income and expenses for the year		**1,688**	1,736
Effect of change in accounting policy			
Effect of adopting IAS 32 and 39 on 1 January 2005:			
Available for sale reserve		**73**	
Cash flow hedge reserve		**42**	
Retained earnings		**36**	
	25	**151**	
		1,839	
Attributable to:			
Parent company shareholders	25	**1,814**	1,693
Minority interests	26	**25**	43
		1,839	1,736

As more fully explained in note 39, financial instrument accounting is determined on different bases in 2005 and 2004 due to the transitional provisions of IAS 32 and 39.

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	2005 $million	2004 $million
Cash flow from operating activities		
Profit before taxation	**2,681**	2,251
Adjustment for items not involving cash flow or shown separately		
Depreciation and amortisation of premises, plant and equipment	**250**	238
Gain on disposal of property plant and equipment	**1**	(4)
Gain on disposal of investment securities	**(107)**	(164)
Amortisation of investments	**18**	(41)
Loan impairment losses	**319**	214
Other impairment	**50**	68
Assets written off, net of recoveries	**(718)**	(504)
Increase in accruals and deferred income	**952**	80
Increase in prepayments and accrued income	**(1,248)**	(164)
Net increase/(decrease) in mark to market adjustment	**939**	(259)
Interest paid on subordinated loan capital	**274**	338
UK and overseas taxes paid	**(611)**	(573)
Net increase in treasury bills and other eligible bills	**(686)**	(78)
Net increase in loans and advances to banks and customers	**(5,730)**	(11,999)
Net increase in deposits from banks, customer accounts/debt securities in issue	**18,996**	15,004
Net increase in dealing securities	**(1,494)**	(2,118)
Net (decrease)/increase in other accounts	**(4,082)**	2,730
Net cash from operating activities	**9,804**	5,019
Net cash flows from investing activities		
Purchase of property plant and equipment	**(135)**	(240)
Acquisition of investment in subsidiaries, net of cash acquired	**(1,093)**	(333)
Acquisition of treasury bills	**(13,443)**	(9,188)
Acquisition of debt securities	**(33,655)**	(75,353)
Acquisition of equity shares	**(658)**	(121)
Disposal of subsidiaries, associated undertakings and branches	**–**	6
Disposal of property plant and equipment	**8**	51
Disposal and maturity of treasury bills	**12,599**	10,778
Disposal and maturity of debt securities	**35,748**	71,482
Disposal of equity shares	**351**	356
Net cash used in investing activities	**(278)**	(2,562)
Net cash (outflow)/inflow from financing activities		
Issue of ordinary share capital	**2,000**	17
Purchase of own shares, net of exercise, for share option awards	**150**	(95)
Interest paid on subordinated loan capital	**(274)**	(338)
Gross proceeds from issue of subordinated loan capital	**3,874**	499
Repayment of subordinated liabilities	**(1,026)**	(25)
Dividends and payments to minority interests and preference shareholders	**(173)**	(75)
Dividends paid to ordinary shareholders	**(685)**	(587)
Net cash from/(used in) financing activities	**3,866**	(604)
Net increase in cash and cash equivalents	**13,392**	1,853
Cash and cash equivalents at beginning of year	**22,112**	20,202
Effect of exchange rate changed on cash and cash equivalents	**(278)**	57
Cash and cash equivalents at end of year (note 27)	**35,226**	22,112

1. Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and proportionately consolidates interests in jointly controlled entities.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

The Group prepares its financial statements in accordance with IFRS as adopted for use in the EU for the first time and consequently both have applied IFRS 1. An explanation of how the transition to adopted IFRS has affected the reported financial position, financial performance and cashflows of the Group is provided in note 39. The Group has taken advantage of the transitional arrangements of IFRS not to restate corresponding comparative amounts in accordance with IAS 32 and 39. These Standards were adopted on 1 January 2005. Adjustments required to adopt IAS 32 and 39 are set out in note 39.

A summary of the Group's significant accounting policies will be included in the 2005 Annual Report.

2. Segmental Information

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

By Class of Business

	2005				2004			
	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	**26**	**(26)**	**–**	**–**	(2)	2	–	–
Net interest income	**2,861**	**1,474**	**–**	**4,335**	1,961	1,220	1	3,182
Other income	**920**	**1,606**	**–**	**2,526**	741	1,352	107	2,200
Operating income	**3,807**	**3,054**	**–**	**6,861**	2,700	2,574	108	5,382
Operating expenses	**(2,101)**	**(1,710)**	**–**	**(3,811)**	(1,400)	(1,426)	(23)	(2,849)
Operating profit before impairment losses	**1,706**	**1,344**	**–**	**3,050**	1,300	1,148	85	2,533
Impairment losses on loans and advances	**(425)**	**106**	**–**	**(319)**	(242)	28	–	(214)
Other impairment	**(3)**	**(11)**	**(36)**	**(50)**	–	(1)	(67)	(68)
Operating profit before taxation	**1,278**	**1,439**	**(36)**	**2,681**	1,058	1,175	18	2,251
Total assets employed	**74,134**	**140,464**	***498**	**215,096**	38,094	108,712	*318	147,124
Total liabilities employed	**79,008**	**123,472**	***283**	**202,763**	53,384	83,376	*295	137,055
Total risk weighted assets and contingents	**52,054**	**73,870**	**–**	**125,924**	28,069	64,055	–	92,124
Other segment items:								
Capital expenditure	**114**	**109**	**–**	**223**	98	96	–	194
Depreciation	**68**	**58**	**–**	**126**	60	55	–	115
Amortisation of intangible assets	**74**	**83**	**–**	**157**	38	85	–	123

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

2. Segmental Information continued

By geographic segment
The Group manages its business segments on a global basis. The operations are based in nine main geographical areas. The UK is the home country of the parent. Following the acquisition of SC First Bank (SCFB, formerly Korea First Bank), a new geographical area of Korea has been included. Comparative amounts have been restated.

	2005									
	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 & Group Head Office $million	Total $million
Internal income	49	3	4	(4)	10	(10)	1	(16)	(37)	–
Net interest income	935	270	214	826	626	337	478	380	269	4,335
Fees and commissions income, net	352	139	60	45	225	151	234	151	138	1,495
Net trading income	101	84	44	63	165	72	89	31	120	769
Other operating income	75	14	11	24	28	40	6	5	59	262
Operating income	1,512	510	333	954	1,054	590	808	551	549	6,861
Operating expenses	(649)	(246)	(150)	(632)	(610)	(306)	(339)	(399)	(480)	(3,811)
Operating profit before impairment losses	863	264	183	322	444	284	469	152	69	3,050
Impairment losses on loans and advances	(117)	(43)	(30)	(61)	(49)	(50)	9	(43)	65	(319)
Other impairment	(1)	–	–	–	–	1	–	(47)	(3)	(50)
Operating profit before taxation	745	221	153	261	395	235	478	62	131	2,681
Loans and advances to customers – average	22,148	11,966	6,521	23,315	9,971	5,107	7,917	2,088	9,819	98,852
Net interest margins (%)	2.2	1.1	2.2	2.0	3.0	3.3	3.2	7.3	0.5	2.5
Loans and advances to customers – period end	21,584	12,541	7,613	36,037	11,210	5,017	7,348	2,251	8,576	112,177
Loans and advances to banks – period end	5,688	2,431	173	3,222	2,213	238	1,255	313	7,426	22,959
Total assets employed**	49,943	23,602	10,409	59,929	24,141	10,943	12,902	5,606	37,083	234,558
Total risk weighted assets and contingents	21,281	11,770	5,224	31,850	15,140	6,369	9,304	2,732	24,256	127,926
Capital expenditure	36	43	6	42	34	18	11	13	20	223

* Middle East and Other S Asia includes UAE operating income of $331 million, operating expenses of $133 million, impairment losses on loans and advances of $20 million, and operating profit before taxation of $178 million.

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

2. Segmental Information continued

	2004									
	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 & Group Head Office $million	Total $million
Internal income	28	(12)	(10)	(4)	(4)	(12)	(4)	(23)	41	–
Net interest income	899	324	194	32	465	299	370	374	225	3,182
Fees and commissions Income, net	323	114	51	7	189	111	203	153	181	1,332
Net trading income	99	81	30	33	88	67	75	74	104	651
Other operating income	57	6	5	2	17	1	4	6	119	217
Operating income	1,406	513	270	70	755	466	648	584	670	5,382
Operating expenses	(660)	(228)	(145)	(41)	(477)	(252)	(270)	(360)	(416)	(2,849)
Operating profit before impairment losses	746	285	125	29	278	214	378	224	254	2,533
Impairment losses on loans and advances	(125)	(33)	(2)	3	(43)	(22)	(2)	(12)	22	(214)
Other impairment	–	–	–	–	–	2	–	–	(70)	(68)
Operating profit before taxation	621	252	123	32	235	194	376	212	206	2,251
Loans and advances to customers – average	21,608	10,398	5,272	352	8,008	3,841	6,325	1,833	7,430	65,067
Net interest margin (%)	2.2	1.6	2.4	1.1	2.8	3.6	3.1	7.6	0.6	2.6
Loans and advances to customers – period end	21,744	11,765	6,374	794	8,961	4,692	6,972	2,013	8,844	72,159
Loans and advances to banks – period end	2,852	2,072	349	1,646	1,705	171	892	374	7,321	17,382
Total assets employed**	48,478	20,414	7,119	5,093	17,377	8,611	12,867	6,419	56,792	183,170
Total risk weighted assets and contingents	20,337	13,892	4,411	1,639	11,705	6,413	8,761	2,749	24,895	94,802
Capital expenditure	22	28	12	4	9	44	15	14	46	194

* Middle East and Other S Asia includes UAE operating income of $271 million, operating expenses of $100 million, impairment losses on loans and advances of $1 million, and operating profit before taxation of $170 million.

** Total assets employed includes intra-group items of $28,801 million, $7,563 million of derivative balances which are netted on the Consolidated Balance Sheet and excludes deferred tax assets of $318 million.

Following the acquisition of SCFB on 15 April 2005, Korea has been identified as a separately reportable geographic segment. In 2004, the existing Korean business was included in Other Asia Pacific. Accordingly, this segment has been restated to present Korea separately. The UAE segment has been included with Middle East and Other S Asia.

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

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

Total risk weighted assets and contingents include $2,002 million (31 December 2004: $2,678 million) of balances which are netted in calculating capital ratios.

In 2005 other impairment includes a provision made in respect of exposures in Zimbabwe. In 2004 other operating income includes profits and losses arising from corporate decisions to dispose of investments in KorAm Bank ($95 million in Americas, UK & Group Head Office) and Bank of China (Hong Kong) ($36 million in Hong Kong) and the premium on repurchase of surplus subordinated debt ($23 million in India). Costs include $18 million related to the incorporation of the Hong Kong business (Hong Kong) and the $5 million donation to the Tsunami relief effort (Malaysia, India, Other APR and Other MESA). Other impairment includes goodwill impairment of $67 million. These decisions resulted in net non-recurring gains of $18 million. They are included in the Geographic segmental information, but are not allocated to businesses in the Business segmental information.

Capital expenditure comprises additions to property and equipment and intangibles including additions resulting from acquisitions.

2. Segmental Information continued

The following tables set out the structure of Standard Chartered's deposits by principal geographic region where it operates at 31 December 2005 and 31 December 2004.

	2005									
	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 & Group Head Office $million	Total $million
Non interest bearing current and demand accounts	**2,998**	**2,001**	**1,120**	**216**	**1,343**	**1,928**	**2,855**	**1,359**	**473**	**14,293**
Interest bearing current and demand accounts	**12,753**	**2,063**	**148**	**13,554**	**3,612**	**3**	**1,110**	**1,264**	**4,534**	**39,041**
Savings deposits	**6**	**1,383**	**459**	**12**	**2,478**	**1,286**	**1,369**	**368**	**–**	**7,361**
Time deposits	**17,893**	**11,324**	**4,046**	**14,542**	**8,397**	**3,164**	**5,179**	**872**	**10,675**	**76,092**
Other deposits	**20**	**49**	**1,120**	**1,322**	**748**	**11**	**432**	**97**	**626**	**4,425**
Total	**33,670**	**16,820**	**6,893**	**29,646**	**16,578**	**6,392**	**10,945**	**3,960**	**16,308**	**141,212**
Deposits by banks	**627**	**3,641**	**652**	**4,742**	**3,517**	**676**	**1,893**	**98**	**4,427**	**20,273**
Customer accounts	**33,043**	**13,179**	**6,241**	**24,904**	**13,061**	**5,716**	**9,052**	**3,862**	**11,881**	**120,939**
	33,670	**16,820**	**6,893**	**29,646**	**16,578**	**6,392**	**10,945**	**3,960**	**16,308**	**141,212**
Debt securities in issue	**840**	**1,111**	**619**	**19,815**	**741**	**655**	**–**	**85**	**3,548**	**27,414**
Total	**34,510**	**17,931**	**7,512**	**49,461**	**17,319**	**7,047**	**10,945**	**4,045**	**19,856**	**168,626**

	2004									
	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 & Group Head Office $million	Total $million
Non interest bearing current and demand accounts	3,602	2,040	989	1	1,227	1,224	2,260	1,159	16	12,518
Interest bearing current and demand accounts	15,300	2,329	130	943	2,056	2	1,090	1,603	3,920	27,373
Savings deposits	24	528	437	707	1,154	970	1,599	512	9	5,940
Time deposits	13,155	9,847	3,423	150	6,601	3,441	4,186	679	10,410	51,892
Other deposits	2	50	569	–	904	2	402	69	1,551	3,549
Total	32,083	14,794	5,548	1,801	11,942	5,639	9,537	4,022	15,906	101,272
Deposits by banks	1,204	3,150	813	688	2,674	1,109	1,362	110	4,704	15,814
Customer accounts	30,879	11,644	4,735	1,113	9,268	4,530	8,175	3,912	11,202	85,458
	32,083	14,794	5,548	1,801	11,942	5,639	9,537	4,022	15,906	101,272
Debt securities in issue	1,508	758	401	36	1,027	469	–	1	7,427	11,627
Total	33,591	15,552	5,949	1,837	12,969	6,108	9,537	4,023	23,333	112,899

3. Net Trading Income

	2005 $million	2004 $million
Gains less losses on foreign currency	**613**	494
Gains less losses on trading securities	**(19)**	20
Other trading profits	**175**	137
	769	651

4. Other Operating Income

	2005 $million	2004 $million
Other operating income includes:		
Gains less losses on disposal of investment securities	**–**	164
Gains less losses on disposal of available-for-sale financial assets	**107**	–
Dividend income	**62**	11
Premium paid on repurchase of subordinated debt	**–**	(23)

5. Depreciation and Amortisation

	2005 $million	2004 $million
Premises	**53**	47
Equipment	**73**	68
Intangibles:		
Software	**125**	123
Arising on business combinations	**32**	–
	283	238

6. Other Impairment

	2005 $million	2004 $million
Goodwill	**2**	67
Other	**48**	1
	50	68

Under IFRS, goodwill is not amortised. Instead, annual impairment assessments are made. On transition to IFRS on 1 January 2004, goodwill amortisation of $181 million recorded under UK GAAP in 2004 was reversed and an impairment charge of $67 million was recorded in its place to write down goodwill on certain investments to nil. Other impairment mainly comprises provision for exposure in Zimbabwe.

7. Taxation

Analysis of taxation charge in the year:

	2005 $million	2004 $million
The charge for taxation based upon the profits for the year comprises:		
United Kingdom corporation tax at 30% (31 December 2004: 30%):		
Current tax on income for the year	**326**	407
Adjustments in respect of prior periods	**4**	18
Double taxation relief	**(308)**	(357)
Foreign tax:		
Current tax on income for the year	**671**	559
Adjustments in respect of prior periods	**(18)**	(13)
Total current tax	**675**	614
Deferred tax:		
Origination/reversal of temporary differences	**35**	16
Tax on profits on ordinary activities	**710**	630
Effective tax rate	**26.5%**	28.0%

Overseas taxation includes taxation on Hong Kong profits of $131 million (31 December 2004: $92 million) provided at a rate of 17.5 per cent (31 December 2004: 17.5 per cent) on the profits assessable in Hong Kong.

8. Dividends

	2005		2004	
Ordinary Equity Shares	Cents per share	$million	Cents per share	$million
Final dividend declared and paid during the period	**40.44**	**524**	36.49	429
Interim dividends declared and paid during the period	**18.94**	**248**	17.06	201
	59.38	**772**	53.55	630

Dividends are recorded in the period in which they are declared. Accordingly, the final dividends set out above relate to the respective prior years.

The 2005 final dividend of 45.06 cents per share ($595 million) will be paid in either sterling, Hong Kong dollars or US dollars on 12 May 2006 to shareholders on the UK register of members at the close of business in the UK on 10 March 2006 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 10 March 2006.

It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend will be sent to shareholders on or around 27 March 2006.

Preference Shares	2005 $million	2004 $million
Non-cumulative irredeemable preference shares:		
7 3/8 per cent preference shares of £1 each*	**14**	14
8 ¼ per cent preference shares of £1 each*	**15**	15
Non-cumulative redeemable preference shares:		
8.9 per cent preference shares of $5 each	**29**	29

*Dividends on these preference shares are treated as interest expense in 2005 following adoption of IAS 32 .

9. Earnings Per Ordinary Share

	2005			2004		
	Profit $million	**Weighted average number of shares ('000)**	**Per share amount cents**	Profit $million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	**1,917**	**1,290,916**	**148.5**	1,520	1,172,921	129.6
Effect of dilutive potential ordinary shares:						
Convertible bonds	**7**	**10,346**		23	34,488	
Options	**–**	**8,678**		–	3,444	
Diluted earnings per share	**1,924**	**1,309,940**	**146.9**	1,543	1,210,853	127.4

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.

	2005 $million	2004 $million
Profit attributable to ordinary shareholders	**1,917**	1,520
Profit on sale of shares in – KorAm		(95)
– Bank of China		(36)
Premium and costs paid on repurchase of subordinated debt		23
Costs of Hong Kong incorporation		18
Tsunami donation		5
Goodwill impairment		67
Total one-off items		(18)
Amortisation of intangible assets arising on business combinations	**32**	–
Profit less losses on disposal of investment securities held at cost	**–**	(33)
Profit on sale of property, plant and equipment	**–**	(4)
Profit on disposal of subsidiary undertakings	**–**	(4)
Other impairment	**42**	1
Tax on normalised items	**(7)**	–
Normalised earnings	**1,984**	1,462
Normalised earnings per ordinary share	**153.7c**	124.6c

No ordinary shares were issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculations had they been issued prior to the end of the balance sheet period except as described in notes 24 and 35.

Normalised EPS has grown by 23 per cent.

With the adoption of IAS 39, the Group no longer normalises gains and losses on disposal of investment securities as these are now held in an available-for-sale portfolio at fair value.

Had this policy been adopted in 2004, normalised earnings per share would have been 127.5 cents and EPS growth would have been 20 per cent.

10. Financial Instruments Classification Summary

On 1 January 2005, the Group adopted IAS 39 which requires the classification of financial instruments between four recognition principles: at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity and loans and receivables. The face of the balance sheet now 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. Comparative balance sheet lines have been reclassified only to the extent that those assets or liabilities were treated as trading under UK GAAP for that period. In addition, Treasury bills, as appropriate have been disclosed under trading assets and investment securities rather than as a separate category.

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

	2005					
	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	1,258	–	30	21,671	–	22,959
Loans and advances to customers	230	156	105	111,686	–	112,177
Treasury bills and other eligible bills	2,223	492	10,199	–	–	12,914
Debt securities	5,612	244	25,231	1,264	215	32,566
Equity shares	118	–	954	–	–	1,072
Total assets at 31 December 2005	9,441	892	36,519	134,621	215	181,688
Total assets at 1 January 2005	6,064	1,902	30,451	88,952	1,040	128,409

	Trading $million	Designated at fair value $million	Amortised cost $million	Total $million
Due to banks	1,102	337	18,834	20,273
Customer accounts	394	614	119,931	120,939
Debt securities in issue	1,068	433	25,913	27,414
Short positions	2,345	–	–	2,345
Total liabilities at 31 December 2005	4,909	1,384	164,678	170,971
Total liabilities at 1 January 2005	3,708	–	110,942	114,650

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

Certain loans and advances and debt securities with fixed rates of interest are designated as at fair value through profit or loss because 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. Designation of the loans and debt securities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost income recognition (a criteria of IFRS). The group ensures the criteria under IFRS are met by matching the principal terms of interest rate swaps to the corresponding loan and debt security.

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.

Upon adoption of IAS 32 and 39, the Group designated these assets at fair value as at 1 January 2005. The carrying amount of $1,898 million under UK GAAP was revalued to $1,902 million.

	2005			2004
	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading & total $million
Loans and advances to banks	**1,258**	**–**	**1,258**	695
Loans and advances to customers	**230**	**156**	**386**	140
Treasury bills and other eligible bills	**2,223**	**492**	**2,715**	236
Debt securities	**5,612**	**244**	**5,856**	3,673
Equity shares	**118**	**–**	**118**	–
	9,441	**892**	**10,333**	4,744

Debt securities

	2005 $million	2004 $million
Issued by public bodies:		
Government securities	**1,632**	1,792
Other public sector securities	**–**	1
	1,632	1,793
Issued by banks:		
Certificates of deposit	**811**	82
Other debt securities	**1,028**	777
	1,839	859
Issued by corporate entities and other issuers:		
Other debt securities	**2,385**	1,021
Total debt securities	**5,856**	3,673
Of which:		
Listed on a recognised UK exchange	**537**	–
Listed elsewhere	**1,526**	1,505
Unlisted	**3,793**	2,168
	5,856	3,673

Equity securities

Unlisted	**118**	–

12. Derivative Financial Instruments

Derivatives are financial instruments that derive their value from changes 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.

On 1 January 2005 the Group adopted IAS 39. It requires all derivatives to be recognised as trading and recorded at fair value, with all revaluation gains recognised in profit and loss (except where cash flow hedging has been achieved, in which case changes in fair value go through reserves). For the comparatives UK GAAP has been applied. Under UK GAAP, derivatives held for hedging purposes are classified as non-trading and are not recorded on the balance sheet at fair value.

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.

In respect of credit risk arising from the use of derivatives, the Group sets limits on net open positions. The amount of credit risk is the current positive fair value (asset) of the underlying contract. The credit risk is managed as part of the overall lending limits to banks and customers, together with potential exposures from 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. Exposures are not presented net in these accounts after 1 January 2005 as transactions are not usually settled on a net basis, as required by IAS 39.

The risk section of the Financial Review on pages 16, 23 and 24 explains the Group's risk management of derivative contracts.

	2005			2004		
Total derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**326,053**	**5,392**	**5,884**	409,003	6,789	6,500
Currency swaps and options	**175,121**	**351**	**487**	116,734	2,592	2,532
Exchange traded futures and options	**–**	**–**	**–**	238	–	–
	501,174	**5,743**	**6,371**	525,975	9,381	9,032
Interest rate derivative contracts:						
Swaps	**471,652**	**3,452**	**3,239**	411,722	3,376	3,129
Forward rate agreements and options	**68,015**	**72**	**160**	57,970	101	127
Exchange traded futures and options	**117,026**	**43**	**27**	96,282	54	54
	656,693	**3,567**	**3,426**	565,974	3,531	3,310
Equity and stock index options	**379**	**3**	**3**	–	–	–
Credit derivatives	**9,374**	**45**	**52**	–	–	–
Commodity derivative contracts	**4,642**	**12**	**12**	6,030	33	33
Total derivatives	**1,172,262**	**9,370**	**9,864**	1,097,979	12,945	12,375
Effect of netting		**(6,271)**			(7,563)	
Net credit risk on derivatives		**3,099**			5,382	

Under UK GAAP derivatives used for hedging purposes were recognised on balance sheet at their accrued amount. The 2004 comparative amounts in the table above include positive fair values of $50 million and negative fair values of $37 million that were not recognised on balance sheet.

13. Loans and Advances

	2005		2004	
	Loans to banks $million	Loans to customers $million	Loans to banks $million	Loans to customers $million
Loans and advances	**22,982**	**113,908**	17,446	74,463
Interest in suspense	**–**	**–**	(12)	(562)
	22,982	**113,908**	17,434	73,901
Individual impairment provision	**(22)**	**(1,364)**	(52)	(1,407)
General provisions	**–**	**–**	–	(335)
Portfolio impairment provision	**(1)**	**(367)**	–	–
	22,959	**112,177**	17,382	72,159
Of which: loans and advances held at fair value through profit or loss	**(1,258)**	**(386)**	(695)	(140)
	21,701	**111,791**	16,687	72,019

The Group's exposure to credit risk is concentrated in Hong Kong, Korea and the Asia Pacific region. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty, and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Hong Kong residents of approximately $12.0 billion (2004: $12.2 billion), and Korea residents of approximately $22.5 billion (2004: $ nil billion).

	2005	2004	
	Total $million	Specific $million	General $million
Provisions held at beginning of year	**1,794**	1,661	425
Adoption of IAS 39[1]	**(12)**	–	–
	1,782	1,661	425
Exchange translation differences	**(25)**	13	–
Acquisitions	**407**	36	–
Amount utilised	**–**	–	(39)
Amounts written off	**(871)**	(607)	–
Recoveries of amounts previously written off	**153**	95	–
Discount unwinding	**(48)**	–	–
Other	**24**	(8)	4
New provisions	**915**	609	–
Recoveries/provisions no longer required	**(583)**	(340)	(55)
Net charge against/(credit to) profit[2]	**332**	269	(55)
Provisions held at end of year[3]	**1,754**	1,459	335

1. The opening balance at 1 January 2005 was adjusted with the adoption of IAS 39. The individual impairment provision increased by $90 million. The general provision recorded under UK GAAP was reversed. Under IAS 39, a portfolio impairment provision of $233 million was created.
2. The net charge of $332 million comprises $255 million individual impairment charge and $77 million portfolio impairment charge. It excludes provision releases of $13 million for credit commitments. The total impairment charge on loans and advances and other credit risk is $319 million.
3. The provision of $1,754 million held at 31 December 2005 comprises $1,386 million individual impairment provision and $368 million portfolio impairment provision.

14. Non-Performing Loans and Advances

	2005			2004		
	SCNB (LMA) $million	Other $million	Total $million	SCNB (LMA) $million	Other $million	Total $million
Non-performing loans and advances	–	**2,694**	**2,694**	351	2,586	2,937
Impairment provisions	–	**(1,754)**	**(1,754)**	(115)	(1,344)	(1,459)
Interest in suspense	–	–	–	–	(574)	(574)
	–	**940**	**940**	236	668	904

Net non-performing loans and advances comprises loans and advances to banks $24 million (31 December 2004: $55 million) and loans and advances to customers $916 million (31 December 2004: $849 million).

The Group acquired Standard Chartered Nakornthon Bank (SCNB) in September 1999. Under the terms of the acquisition, non-performing loans were subject to a Loan Management Agreement (LMA) with a Thai Government Agency (The Financial Institutions Development Fund (FIDF)) which guaranteed certain losses. The LMA expired in 2004 and the losses guaranteed by FIDF have been settled during 2005. Accordingly, the balances have been derecognised and are shown as nil under SCNB in the table above.

Impairment provisions cover 65 per cent of non-performing lending to customers (2004: 74 per cent excluding the SCNB non-performing loan portfolio of $351 million subject to the LMA). The impairment provision above for 2005 includes $368 million of portfolio provision and for 2004 excludes $335 million of general provision under UK GAAP.

15. Investment Securities

	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	2005 $million	2004 $million
Treasury and other eligible bills	–	**10,199**	–	**10,199**	4,189
Debt securities	**215**	**25,231**	**1,264**	**26,710**	29,169
Equity securities	–	**954**	–	**954**	253
	215	**36,384**	**1,264**	**37,863**	33,611

	2005					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	**215**	**8,618**	–			
Other public sector securities	–	**1,418**	–			
	215	**10,036**	–			
Issued by banks:						
Certificates of deposit	–	**6,330**	–			
Other debt securities	–	**5,973**	–			
	–	**12,303**	–			
Issued by corporate entities and other issuers:						
Other debt securities	–	**2,892**	**1,264**			
	–	**2,892**	**1,264**			
Total debt securities	**215**	**25,231**	**1,264**			
Listed on a recognised UK exchange	–	**5,944**	–	**23**	–	**5,967**
Listed elsewhere	**3**	**6,776**	–	**235**	**7,005**	**14,019**
Unlisted	**212**	**12,511**	**1,264**	**696**	**3,194**	**17,877**
	215	**25,231**	**1,264**	**954**	**10,199**	**37,863**

15. Investment Securities continued

	2004			
	Debt securities $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,477			
Other public sector securities	1,263			
	9,740			
Issued by banks:				
Certificates of deposit	6,076			
Other debt securities	6,678			
	12,754			
Issued by corporate entities and other issuers:				
Other debt securities	6,675			
	6,675			
Total debt securities	29,169			
Listed on a recognised UK exchange	5,651	–	–	5,651
Listed elsewhere	6,700	88	–	6,788
Unlisted	16,818	165	4,189	21,172
	29,169	253	4,189	33,611

The change in the carrying book amount of investment securities comprised:

	2005				2004			
	Debt securities $million	**Equity securities $million**	**Treasury bills $million**	**Total $million**	Debt securities $million	Equity securities $million	Treasury bills $million	Total $million
Opening	**29,169**	**253**	**4,189**	**33,611**	20,801	359	5,533	26,693
Adoption of IAS 39*	**(1,571)**	**39**	**(251)**	**(1,783)**	–	–	–	–
Opening	**27,598**	**292**	**3,938**	**31,828**	20,801	359	5,533	26,693
Exchange translation differences	**(1,026)**	**1**	**(154)**	**(1,179)**	(16)	1	20	5
Acquisitions	**2,327**	**289**	**5,622**	**8,238**	–	–	–	–
Additions	**33,655**	**658**	**13,443**	**47,756**	79,813	121	9,396	89,330
Transfers	**35**	**(35)**	**–**	**–**	–	–	–	–
Maturities and disposals	**(35,748)**	**(351)**	**(12,599)**	**(48,698)**	(71,452)	(228)	(10,778)	(82,458)
Impairments	**1**	**(1)**	**(33)**	**(33)**	–	–	–	–
Changes in fair value	**(107)**	**104**	**(29)**	**(32)**	–	–	–	–
Amortisation of discounts and premiums	**(25)**	**(3)**	**11**	**(17)**	23	–	18	41
Closing	**26,710**	**954**	**10,199**	**37,863**	29,169	253	4,189	33,611

* From 1 January 2005 all available-for-sale investments are held at fair value in accordance with IFRS, with corresponding opening adjustments.

Treasury bills and other eligible bills include $2,347 million (2004: $nil) of bills sold subject to sale and repurchase transactions.

Debt securities include $811 million (2004: $1,068m) of securities sold subject to sale and repurchase transactions.

At 31 December 2005, unamortised premiums on debt securities held for investment purposes amounted to $59 million (31 December 2004: $135 million) and unamortised discounts amounted to $41 million (31 December 2004: $356 million).

The valuation of listed securities is at market value and of unlisted securities is at fair value. Income from listed equity shares amounted to $32 million (31 December 2004: $4 million) and income from unlisted equity shares amounted to $30 million (31 December 2004: $7 million).

16. Business Combinations

On 15 April 2005, the Group acquired 100 per cent of the share capital of Korea First Bank (now called SC First Bank), a major banking group in the Republic of South Korea. The acquired business contributed operating income of $859 million and profit before tax of $227 million to the Group for the period from 15 April 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, SCFB would have contributed approximately $1,150 million to Group operating income and $300 million to profit before tax for the period.

	$million
Details of net assets acquired and goodwill are as follows:	
Purchase consideration:	
– cash paid	3,338
– direct costs relating to the acquisition	35
Total purchase consideration	3,373
Fair value of net assets acquired	1,635
Goodwill	1,738

The goodwill is attributable to the significant synergies expected to arise from the development of SCFB within the Standard Chartered Group and those intangibles such as work force in place which are not recognised separately.

The assets and liabilities arising from the acquisition are as follows:

	Fair value $million	Acquiree's carrying amount $million
Cash and balances at central banks*	2,321	2,321
Derivative financial instruments	27	27
Loans and advances to banks	890	890
Loans and advances to customers	31,455	31,983
Investment securities	8,153	8,139
Intangibles other than goodwill	229	58
Property, plant and equipment	1,088	1,109
Deferred tax assets	97	15
Other assets	887	884
Total assets	45,147	45,426
Deposits by banks	2,782	2,782
Customer accounts	18,923	19,328
Financial liabilities held at fair value through profit or loss	121	–
Derivative financial instruments	240	240
Debt securities in issue	16,871	17,243
Other liabilities	2,962	2,239
Subordinated liabilities and other borrowed funds	1,280	1,514
Total liabilities	43,179	43,346
Minority interest	333	298
Net assets acquired	1,635	1,782
Purchase consideration settled in cash	3,373	
Cash and cash equivalents in subsidiary acquired	(2,378)	
Cash outflow on acquisition	995	

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

16. Business Combinations continued

The intangible assets acquired as part of the acquisition on SCFB can be analysed as follows:

	$million
Brand names	86
Customer relationships	24
Core deposits	91
Capitalised software	28
Total	229

The fair value amounts contain some provisional balances which will be finalised in the 2006 accounts. The Group acquired a further 24.97 per cent of Standard Chartered Nakornthon Bank Public Company, Thailand, for $98 million giving rise to goodwill of $64 million and other businesses giving rise to negative goodwill of $6 million which has been recognised through the profit and loss.

17. Deposits by Banks

	2005 $million	2004 $million
Deposits by banks	**18,834**	15,162
Deposits by banks included within:		
Financial liabilities at fair value through profit and loss (note 19)	**1,439**	652
	20,273	15,814

18. Customer Accounts

	2005 $million	2004 $million
Customer accounts	**119,931**	85,093
Customer accounts included within:		
Financial liabilities at fair value through profit and loss (note 19)	**1,008**	365
	120,939	85,458

19. Financial Liabilities at Fair Value through Profit or Loss

		2005		**2004**
	Trading $million	**Designated $million**	**Total $million**	Total Trading $million
Deposits by banks	**1,102**	**337**	**1,439**	652
Customer accounts	**394**	**614**	**1,008**	365
Debt securities in issue	**1,068**	**433**	**1,501**	622
Short positions	**2,345**	**–**	**2,345**	753
	4,909	**1,384**	**6,293**	2,392

20. Debt Securities in Issue

	2005			2004		
	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	**14,179**	**11,734**	**25,913**	4,079	6,926	11,005
Debt securities in issue within:						
Financial liabilities at fair value through profit and loss (note 19)	**201**	**1,300**	**1,501**	–	622	622
	14,380	**13,034**	**27,414**	4,079	7,548	11,627

21. Other Liabilities

Other liabilities include Hong Kong currency notes in circulation of $2,492 million (31 December 2004: $2,532 million) which are secured by Hong Kong SAR Government certificates of indebtedness of the same amount included in other assets.

22. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	2005 $million	2004 $million
Total market value of assets	**1,930**	1,913
Present value of the schemes' liabilities	**(2,395)**	(2,073)
Defined benefit schemes obligation	**(465)**	(160)
Defined contribution schemes	**(11)**	(9)
Net book amount	**(476)**	(169)

Retirement benefit charge comprises:

	2005 $million	2004 $million
Defined benefit schemes	**71**	45
Defined contribution schemes	**60**	45
Other	**–**	2
	131	92

22. Retirement Benefit Obligations continued

The pension cost for defined benefit schemes was:

	2005 $million	2004 $million
Current service cost	**72**	47
Past service cost	**–**	3
Gain on settlement and curtailments	**(1)**	(5)
Expected return on pension scheme assets	**(119)**	(120)
Interest on pension scheme liabilities	**114**	110
Total charge to profit before deduction of tax	**66**	35

Actual less expected return on assets	**(111)**	(22)
Experience loss/(gain) on liabilities	**–**	(2)
Loss on change of assumptions	**261**	29
Loss recognised in Statement of Recognised Income and Expenses before tax	**150**	5
Deferred taxation	**(45)**	(1)
Loss after tax	**105**	4

23. Subordinated Liabilities and Other Borrowed Funds

	2005 $million	2004 $million
Dated subordinated loan capital	**7,292**	5,144
Undated subordinated loan capital	**2,714**	1,588
Other undated borrowings	**343**	36
Total	**10,349**	6,768

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

Of total dated loan capital and other borrowings $6,151 million is at fixed interest rates (31 December 2004: $4,671 million).

Upon adoption of IAS 32 on 1 January 2005, the Group's £100 million 7⅜ and £100 million 8¼ per cent irredeemable £1 preference shares were reclassified from equity to subordinated liabilities and other borrowed funds.

At the same time £200 million 7.75 per cent Step-Up Notes 2022 and £300 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities were reclassified as minority interests. On 30 December 2005, the terms and conditions of these notes were modified with the approval of the trustees. The effect of the modification was to reclassify these instruments from minority interests to subordinated liabilities and other borrowed funds at their market value on 30 December 2005.

On 3 February 2005, the Group issued €750 million subordinated Lower Tier II notes ("Euro Notes") at an issue price of 99.43 per cent and $500 million of subordinated Lower Tier II notes ("Dollar notes") at an issue price of 99.86 per cent.

The Euro notes will mature on 3 February 2017 and are callable on 3 February 2012 and at each subsequent interest date. Interest is payable annually on the Euro notes at a fixed rate of 3.625 per cent until 3 February 2012 when a variable rate of interest of 3 month Euribor plus 87 bps will be paid.

The Dollar notes will mature on 3 February 2015 and notes are callable on 4 February 2010 and at each subsequent interest date. Interest is payable quarterly on the Dollar notes at a variable rate of $Libor plus 30 basis points until 4 February 2010 when the rates will increase to $Libor plus 80 bps.

Fair value of $1,280 million of subordinated liabilities was added with the acquisition of SCFB.

On 18 April 2005, the Group called back the €575 million convertible debt at par. The convertible debt had embedded derivative features that had been separated from the underlying host contract and fair valued on 1 January 2005 on adoption of IAS 32 and 39.

SCB Tanzania issued TZS 8 billion subordinated floating rate bonds in June 2005 which have a final redemption in August 2015 though early redemption in whole or in part by the issuer is available five years and one day from the issue date.

23. Subordinated Liabilities and Other Borrowed Funds continued

On 17 June 2005, the Group issued £400 million Undated Callable Step Up Subordinated Upper Tier 2 notes at an issue price of 98.642 per cent. Interest is payable annually on the notes at a fixed rate of 5.375 per cent until 14 July 2020 when variable rate interest of three month £Libor plus 189 bps will be paid.

On 12 October 2005 the Group issued £275 million Undated Callable Step Up Subordinated Upper Tier 2 notes at an issue price of 100.43 per cent. Interest is payable annually at a fixed rate of 5.375 per cent until 14 July 2020 when variable rate interest of 3 month £Libor plus 189 bps will be paid. These notes have been consolidated and form a single series with the £400 million notes issued on 17 June 2005.

On 21 October 2005 at par, the Group called $325 million Floating Rate Notes 2005/2010 on the first call date.

SCB Botswana issued BWP 50 million subordinated floating rate notes in December 2005 which have a final redemption in December 2015, although early redemption in whole or in part by the issuer is available but only after five years and one day from the issue date.

On 9 December 2005, the Group issued $500 million Floating Rate Subordinated Lower Tier 2 notes at an issue price of 99.854 per cent due 2016 with the first call date in June 2011. Interest is payable quarterly on the notes at a floating rate of three month $Libor plus 30 basis points until 8th June 2011 when floating rate interest rate of three month $Libor plus 80 bps will be paid.

24. Share Capital and Share Premium

	Number of ordinary shares (millions)	Ordinary share capital $m	Preference share capital $m	Share premium account $m	Total $m
At 1 January 2004	1,175	588	351	2,813	3,752
Exchange translation differences	–	–	26	–	26
Shares issued, net of expenses	4	2	–	15	17
Capitalised on exercise of share options	–	–	–	7	7
At 31 December 2004	1,179	590	377	2,835	3,802
Adoption of IAS 32 and 39	–	–	(375)	–	(375)
At 1 January 2005	**1,179**	**590**	**2**	**2,835**	**3,427**
Capitalised on scrip dividend	**4**	**2**	**–**	**(2)**	**–**
Shares issued, net of expenses	**133**	**66**	**–**	**2,145**	**2,211**
At 31 December 2005	**1,316**	**658**	**2**	**4,978**	**5,638**

On 14 January 2005, the Company issued 117,902,943 new ordinary shares at a price of 920 pence per share representing approximately 9.99 per cent of the Company's existing issued ordinary share capital. The net proceeds of the placing were approximately GBP 1,071 million ($2.0 billion). The purpose of the share issue was to aid the funding of the purchase of the entire share capital of SCFB for approximately KRW 3.4 trillion ($3.3 billion) in cash.

On 16 February 2005 the Company repurchased 3,000 8.9 per cent non-cumulative preference shares. The preference shares were repurchased at a premium of $3 million and were cancelled. The remaining 328,388 preference shares in issue have a nominal value of $2 million and are redeemable at the Company's option at a premium of $326 million.

On 23 May 2005, the Company issued 11,700,000 new ordinary shares at a price of 985.6 pence per share (GBP 115 million, $211 million) to the Employee Benefit Trust towards satisfaction of the vested shares under the Company's discretionary share schemes. A further 3,525,288 shares were issued for the purpose of employee sharesave scheme during 2005.

In January 2006, the Company issued 3,401,290 new ordinary shares at a price of 1301 pence per share representing approximately 0.26 per cent of the Company's existing issued ordinary share capital. The issue of ordinary shares was used to acquire 20 per cent of Fleming Family & Partners Limited.

25. Reserves and Retained Earnings

	Capital Reserve $million	Capital Redemption Reserve $million	Available for sale reserve $million	Cash flow hedge reserve $million	Premises revaluation reserve $million	Translation reserve $million	Retained earnings $million	Total $million
At 1 January 2004	5	11	–	–	57	–	4,122	4,195
Recognised income and expenses	–	–	–	–	19	96	1,578	1,693
Dividends	–	–	–	–	–	–	(630)	(630)
Net own shares adjustment	–	–	–	–	–	–	52	52
Capitalised on exercise of share options	–	–	–	–	–	–	(7)	(7)
At 31 December 2004	5	11	–	–	76	96	5,115	5,303
Adoption of IAS 32 and 39	–	**–**	**73**	**42**	**–**	**–**	**36**	**151**
Recognised income and expenses	**–**	**–**	**(50)**	**(62)**	**–**	**(90)**	**1,865**	**1,663**
	–	**–**	**23**	**(20)**	**–**	**(90)**	**1,901**	**1,814**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(73)**	**(73)**
Share option expense and related taxation	**–**	**–**	**–**	**–**	**–**	**–**	**123**	**123**
Dividends net scrip	**–**	**–**	**–**	**–**	**–**	**–**	**(712)**	**(712)**
Debt recognition premium	**–**	**–**	**–**	**–**	**–**	**–**	**(211)**	**(211)**
At 31 December 2005	**5**	**11**	**23**	**(20)**	**76**	**6**	**6,143**	**6,244**

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 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, from time to time, the trusts to enable the trustee to acquire shares to satisfy these awards.

The 1995 trust has acquired 11,700,000 (31 December 2004: 8,220,000) Standard Chartered PLC shares which are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Performance Share Plan and Executive Shares Option Schemes. The purchase of these shares has been fully funded by the Group. At 31 December 2005, the 1995 trust held 13,631,745 (31 December 2004: 12,127,841) shares, of which 11,521,682 (31 December 2004 11,854,754) have vested unconditionally.

The 2004 trust has acquired, at market value, 422,659 (31 December 2004: 178,926) Standard Chartered PLC shares, 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 2005, the 2004 trust held 409,160 (31 December 2004: 178,926) Standard Chartered PLC shares, of which 7,333 (31 December 2004: nil) have vested unconditionally.

26. Minority Interests

	£200m 2022 Step-Up Notes $million	£300m 8.103% Step-Up Callable Perpetual Trust $million	$300m 7.267% Hybrid Tier-1 Securities $million	Other minority interests $million	Total $million
At 31 December 2004 previously published	–	–	–	964	964
Adoption of IAS 32 and 39	396	598	–	(4)	990
At 1 January 2005	396	598	–	960	1,954
Arising on acquisition	**–**	**–**	**333**	**–**	**333**
Appropriation in respect of exchange translation	**(43)**	**(64)**	**–**	**(1)**	**(108)**
Other profits attributable to minority	**26**	**41**	**14**	**52**	**133**
Recognised income and expense	**(17)**	**(23)**	**14**	**51**	**25**
Distributions	**(26)**	**(42)**	**(11)**	**(39)**	**(118)**
Reductions	**(353)**	**(533)**	**–**	**(857)**	**(1,743)**
At 31 December 2005	**–**	**–**	**336**	**115**	**451**

On 30 December 2005, the terms and conditions of the £200 million 2022 Step-Up notes and £300 million Step-Up Callable Perpetual Trust notes were modified with the approval of the Trustees. The effect of the modification is that the notes have been reclassified from minority interests to subordinated liabilities and other borrowed funds at their market value on 30 December 2005.

Following additional investments in the Global Liquidity Fund by third parties, the Group's interest is no longer treated as a subsidiary and the minority interest has been reduced.

In May 2005, the Group purchased a further 24.97 per cent of Standard Chartered Nakornthon Bank Public Company Thailand, further reducing the minority interest.

27. Cash and Cash Equivalents

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

	2005 $million	2004 $million
Cash and balances with central banks	**8,012**	3,961
Less restricted balances	**(4,269)**	(1,860)
Treasury bills and other eligible bills	**4,049**	3,666
Loans and advances to banks	**17,590**	10,292
Trading securities	**9,844**	6,053
Total	**35,226**	22,112

28. Net Interest Margin and Interest Spread

	2005 %	2004 %
Net interest margin	**2.5**	2.6
Interest spread	**2.2**	2.3

	$million	$million
Average interest earning assets	**170,622**	122,406
Average interest bearing liabilities	**151,365**	106,326

29. Remuneration

The Group employed 43,899 staff at 31 December 2005 (31 December 2004: 33,300).

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

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

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

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

Standard Chartered believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans, which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of tough performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 41 per cent of employees participate.

30. 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.

	2005			2004		
	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						
Acceptances and endorsements*	**–**	**–**	**–**	976	976	842
Guarantees and irrevocable letters of credit	**15,952**	**11,106**	**7,704**	15,942	9,976	8,146
Other contingent liabilities	**6,295**	**5,134**	**2,995**	3,139	2,414	1,221
	22,247	**16,240**	**10,699**	20,057	13,366	10,209
Commitments						
Documentary credits and short term trade-related transactions	**3,730**	**746**	**572**	2,924	585	494
Forward asset purchases and forward deposits placed	**141**	**141**	**28**	54	54	11
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	**11,128**	**5,564**	**3,956**	9,140	4,570	4,133
Less than one year	**18,690**	**–**	**–**	8,903	–	–
Unconditionally cancellable	**28,705**	**–**	**–**	25,933	–	–
	62,394	**6,451**	**4,556**	46,954	5,209	4,638

* Acceptances and endorsements are recorded on balance sheet with the adoption of IAS 39.

31. Liquidity Risk

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

The risk section of the Financial Review on pages 16 and 24 explains the Group's risk management with respect to asset and liability management.

	2005				
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	**Total $million**
Assets					
Cash and balances at central banks	**4,372**	**–**	**23**	**3,617**	**8,012**
Derivative financial instruments	**3,668**	**2,055**	**1,960**	**1,687**	**9,370**
Loans and advances to banks	**18,090**	**2,623**	**2,164**	**82**	**22,959**
Loans and advances to customers	**31,770**	**20,303**	**23,196**	**36,908**	**112,177**
Investment securities	**14,764**	**13,818**	**13,177**	**4,793**	**46,552**
Other assets	**2,295**	**360**	**690**	**12,681**	**16,026**
Total assets	**74,959**	**39,159**	**41,210**	**59,768**	**215,096**
Liabilities					
Deposits by banks	**16,597**	**2,740**	**879**	**57**	**20,273**
Customer accounts	**103,289**	**14,451**	**2,371**	**828**	**120,939**
Derivative financial instruments	**4,290**	**2,365**	**2,810**	**399**	**9,864**
Debt securities in issue	**7,246**	**14,168**	**5,064**	**936**	**27,414**
Other liabilities	**1,919**	**587**	**732**	**10,686**	**13,924**
Subordinated liabilities and other borrowed funds	**–**	**–**	**2,741**	**7,608**	**10,349**
Total liabilities	**133,341**	**34,311**	**14,597**	**20,514**	**202,763**
Net liquidity gap	**(58,382)**	**4,848**	**26,613**	**39,254**	**12,333**

	2004				
	Three months or less $million	Between three months and six months $million	Between one year and five years $million	More than five years $million	Total $million
Total assets	42,203	25,405	11,429	68,087	147,124
Total liabilities	96,036	9,911	6,763	24,345	137,055
Net liquidity gap	(53,833)	15,494	4,666	43,742	10,069

32. Currency Risk

This table shows the extent to which the Group's exposure to foreign currency risk at 31 December 2005.

The risk section of the Financial Review on pages 16 and 23 explains the Group's risk management with respect to currency management.

	2005 ($million)								
	US dollar	**HK dollar**	**Korean won**	**Singapore dollar**	**Malaysian ringgit**	**Indian rupee**	**British pound**	**Other currencies**	**Total**
Total assets	**52,970**	**31,890**	**55,801**	**13,801**	**7,880**	**8,535**	**6,606**	**37,613**	**215,096**
Total liabilities	**52,780**	**28,902**	**51,689**	**12,691**	**7,324**	**7,416**	**6,837**	**35,124**	**202,763**
Net position	**190**	**2,988**	**4,112**	**1,110**	**556**	**1,119**	**(231)**	**2,489**	**12,333**

	2004 ($million)								
	US dollar	HK dollar	Korean won	Singapore dollar	Malaysian ringgit	Indian rupee	British pound	Other currencies	Total
Total assets	34,945	30,694	2,995	14,877	7,409	7,205	4,370	44,629	147,124
Total liabilities	35,602	27,170	2,858	13,773	6,672	6,174	4,379	40,427	137,055
Net position	(657)	3,524	137	1,104	737	1,031	(9)	4,202	10,069

Group's structural currency exposures for 2004 under UK GAAP were:

	Net investments in overseas units $ million	Borrowing in functional currency of units being hedged $million	Structural currency exposure $million
Hong Kong dollar	2,920		2,920
Singapore dollar	1,080		1,080
British pound	952	(952)	–
Indian rupee	650		650
Malaysian ringgit	509		509
Other non US dollar	1,742		1,742
	7,853	(952)	6,901

Structural currency exposures for 2004 relate to net investments in non US dollar units.

The Group's main operations in non US dollar units were Asia, Africa, India and the United Kingdom. The main operating (or 'functional') currencies of its overseas business units therefore include Hong Kong dollar, Malaysian ringgit, Singapore dollar, Indian rupee and British pound. The Group prepares its consolidated financial statements in US dollars, and the Group's consolidated balance sheet is affected by movements in the exchange rates between functional currencies and US dollars. In 2005 the major changes were the elimination of British pound structural exposure and an increase in the Korean won subsequent to the acquisition of SCFB.

These currency exposures are referred to as structural. Translation gains and losses arising from these exposures are recognised in the Consolidated Statement of Recognised Income and Expenses.

The risk section of the Financial Review on page 16 and 24 explains the risk management with respect to the Group's hedging policies.

33. 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.

	2005	
	Book amount $million	**Fair value $million**
Assets		
Cash and balances at central banks	**8,012**	**8,012**
Loans and advances to banks	**21,671**	**21,671**
Loans and advances to customers	**111,686**	**111,863**
Investment securities – held to maturity	**1,479**	**1,470**
Liabilities		
Deposits by banks	**18,834**	**18,834**
Customer accounts	**119,931**	**119,922**
Debt securities in issue	**25,913**	**25,883**
Subordinated liabilities and other borrowed funds	**10,349**	**10,543**

	2004	
	Book amount $million	Fair value $million
Treasury bills and other eligible bills – investment	4,189	4,188
Debt securities and other fixed income securities	24,709	24,740
Equity shares and other variable yield investments	253	295
Derivative assets – non-trading book	–	50
Derivative liabilities – non-trading book	–	37
Financial liabilities	12,013	11,833

34. Market Risk

Trading book

	2005				2004			
	Average $million	**High $million**	**Low $million**	**Actual $million**	Average $million	High $million	Low $million	Actual $million
Daily value at risk:								
Interest rate risk	**4.0**	**5.5**	**3.1**	**3.9**	3.3	4.4	2.2	3.4
Foreign exchange risk	**1.5**	**2.8**	**1.0**	**1.1**	2.4	4.5	1.2	3.0
Total	**4.3**	**5.9**	**3.3**	**3.9**	4.2	6.0	3.1	5.1

This note should be read in conjunction with the market risk section of the Financial Review on pages 16 and 23 which explains the Group's market risk management.

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

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

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

The historic simulation method is used with an observation period of one year and involves the revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio.

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

34. Market Risk continued

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

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

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

35. Post Balance Sheet Events

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

The issue of ordinary shares was used to acquire 20 per cent of Fleming Family & Partners Limited.

On 2 March 2006 a dividend of 45.06 cents per share was recommended.

36. Forward Looking Statements

This document contains forward-looking statements, including such statements within the meaning of section 27A of the US Securities Act of 1993 and section 21E of the Securities Exchange Act of 1934. These statements concern, or may affect, future matters. These may include the Group's future strategies, business plans, and results and are based on the current expectations of the directors of Standard Chartered.

They are subject to a number of risks and uncertainties that might cause actual results and outcomes to differ materially from expectations outlined in these forward-looking statements. These factors are not limited to regulatory developments but include stock markets, IT developments, competitive and general operating conditions.

37. Dealings in the Company's listed securities

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 2005.

38. Corporate Governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit and Risk Committee.

39. Transition to IFRS adopted by the EU

EU law (IAS Regulation EC 1606/2002) requires that the annual consolidated financial statements of the Company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the EU ("adopted IFRSs").

This financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that are adopted by the EU and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRSs.

The Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The Group elected to apply the exemption from restatement of comparatives for IAS 32 and IAS 39. It has applied previous UK GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. The adjustments required for differences between UK GAAP and IAS 32 and IAS 39 have been determined and recognised at 1 January 2005.

39. Transition to EU Adopted IFRS continued

Reconciliation of profit for the year ended 31 December 2004

	Notes	UK GAAP $million	Effect of transition to IFRS $million	IFRS $million
Interest income	a	5,232	80	5,312
Interest expense	a	(2,064)	(66)	(2,130)
Net interest income		3,168	14	3,182
Other finance income	b	10	(10)	–
Fees and commissions income	a	1,617	(3)	1,614
Fees and commissions expense	a	(283)	1	(282)
Net trading income	a	648	3	651
Other operating income	b	207	10	217
		2,189	11	2,200
Operating income		5,367	15	5,382
Staff costs	c	(1,534)	(25)	(1,559)
Premises costs		(321)	–	(321)
Other administrative expenses	b	(721)	(10)	(731)
Depreciation and amortisation	d	(420)	182	(238)
Operating expenses		(2,996)	147	(2,849)
Operating profit before impairment losses and taxation		2,371	162	2,533
Impairment losses on loans and advances and other credit risk provisions		(214)	–	(214)
Income from joint ventures	e	2	(2)	–
Other impairment	d	(1)	(67)	(68)
Profit before taxation		2,158	93	2,251
Taxation	f	(637)	7	(630)
Profit for the year		1,521	100	1,621

a Consolidations
UK GAAP permitted the presentation of certain securitisations in a linked net manner and fund in which the Group has an investment was not required to be consolidated. IFRS does not permit net linked presentation and the investment fund was line by line consolidated. Operating income and expenses increase by $9 million and $5 million respectively.

b Reclassification
Under FRS 17 the finance cost of assets was recorded as Other finance income. $10 million has been reclassified to Other operating income.

c Share awards
IFRS 2 requires the fair valuation of all share based payments for those awards made after November 2002 and had not vested at 1 January 2005. This increased staff costs by $23 million.

d Goodwill
IFRS does not permit the amortisation of goodwill. Instead an annual review for impairment must be made. Goodwill amortised under UK GAAP of $181 million was reversed. This included goodwill amortisation relating to Banco Standard Chartered in Latin America and the Lebanon. The amortisation of the carrying amount of this goodwill was expected to be fully amortised by 2005 under UK GAAP. In the 2004 IFRS comparatives, an impairment charge of $67 million has been recorded to carry related goodwill at nil.

e Joint venture
The Group adopted proportionate consolidation of its joint venture in place of equity accounting that was required under UK GAAP.

f Tax
The tax effect of the above adjustments has been recorded in the taxation line of the income statement.

39. Transition to EU Adopted IFRS continued

Reconciliation of equity at 1 January 2004
(date of transition to IFRS)

	Notes	Share capital and share premium $million	Capital and capital redemption reserve $million	Premises revaluation $million	Own shares held in ESOP Trusts $million	Retained earnings $million	Minority interest $million	Total equity $million
UK GAAP		3,752	16	(2)	(60)	3,823	614	8,143
Dividends	i	–	–	–	–	439	–	439
Fixed Assets	ii	–	–	81	–	(84)	–	(3)
Share awards	iii	–	–	–	–	(3)	–	(3)
Consolidation	iv	–	–	–	–	25	6	31
Tax	v	–	–	(22)	–	(9)	–	(31)
Other		–	–	–	–	(9)	–	(9)
IFRS		3,752	16	57	(60)	4,182	620	8,567

Reconciliation of equity at 31 December 2004

	Notes	Share capital and share premium $million	Capital and capital redemption reserve $million	Premises revaluation $million	Own shares held in ESOP Trusts $million	Retained earnings $million	Minority interest $million	Total equity $million
UK GAAP		3,802	16	(5)	(8)	4,630	956	9,391
Dividends	i	–	–	–	–	532	–	532
Goodwill	vi	–	–	–	–	114	–	114
Fixed Assets	iii	–	–	81	–	(84)	–	(3)
Share options	iv	–	–	–	–	16	–	16
Consolidation	v	–	–	–	–	27	8	35
Tax		–	–	–	–	(4)	–	(4)
Other		–	–	–	–	(12)	–	(12)
IFRS		3,802	16	76	(8)	5,219	964	10,069

39 Transition to EU Adopted IFRS continued

Reconciliation of Balance Sheet at 31 December 2004

	Notes	UK GAAP $million	Effect of transition to IFRS $million	IFRS $million	Recalssif-cation to IFRS format $million	IFRS $million
Assets						
Cash and balances at central banks	iv, vii	2,269	1,691	3,960	–	3,960
Treasury bills and other eligible bills		4,425	–	4,425	(4,425)	–
Financial assets held at fair value through profit and loss		–	–	–	4,744	4,744
Loans and advances to banks	iv, vii	18,922	(1,540)	17,382	(695)	16,687
Loans and advances to customers	iv	71,596	563	72,159	(140)	72,019
Investment securities	iv	28,295	4,547	32,842	769	33,611
Equity shares		253	–	253	(253)	–
Interest in joint ventures	iv	187	(187)	–	–	–
Intangible assets	ii, iv, vi	1,900	453	2,353	–	2,353
Property, plant and equipment	ii, iv	844	(289)	555	–	555
Deferred tax assets		276	(4)	272	46	318
Other assets	ii, iv	11,453	144	11,597	–	11,597
Prepayments and accrued income	iv	1,268	12	1,280	–	1,280
Total assets		141,688	5,390	147,078	46	147,124
Liabilities						
Deposits by banks	iv	15,813	1	15,814	(652)	15,162
Customer accounts	iv	84,572	886	85,458	(365)	85,093
Financial liabilities at fair value through profit and loss		–	–	–	2,392	2,392
Debt securities in issue	iv	7,378	4,249	11,627	(622)	11,005
Current tax liabilities		295	–	295	–	295
Other liabilities	i, iv	16,066	(524)	15,542	(753)	14,789
Accruals and deferred income	iii, iv	1,262	59	1,321	–	1,321
Provisions for liabilities and charges	iv	59	2	61	–	61
Retirement benefit liabilities	iv	120	3	123	46	169
Other borrowed funds	iv	6,732	36	6,768	–	6,768
Total liabilities		132,297	4,712	137,009	46	137,055
Equity						
Share capital and share premium		3,802	–	3,802	–	3,802
Reserves and retained earnings		4,633	670	5,303	–	5,303
Total shareholders' equity		8,435	670	9,105	–	9,105
Minority interests		956	8	964	–	964
Total equity		9,391	678	10,069	–	10,069
Total equity and liabilities		141,688	5,390	147,078	46	147,124

39. Transition to EU Adopted IFRS continued

i Dividends
IFRS only permits the accrual of dividend liabilities when an obligation arises i.e. when declared. Under UK GAAP the final dividend was accrued in the period to which it related even if declared after year end. The effect is to reverse the final dividend accrual of $532 million at 31 December 2004 and $439 million at 1 January 2004.

ii Fixed assets
Capitalised software/fixed assets

Capitalised software was classified as fixed assets under UKGAAP. $224 million was reclassified to intangible assets under IFRS requirements.

Under UKGAAP land associated with finance leased buildings was classified as fixed assets. IFRS requires leased land to be treated as an operating lease unless title transfers at the end of the lease. $85 million was reclassified from fixed assets to intangible assets.

iii Share awards
IFRS 2 requires the fair valuation of all share based payments for those awards made after November 2002 and had not vested at 1 January 2004. This increased staff costs by $23 million.

iv Consolidation
UK GAAP permitted the presentation of certain securitisations in a linked net manner and fund in which the Group has an investment was not required to be consolidated. IFRS does not permit net linked presentation and the investment fund was line by line consolidated. Operating income and expenses increase by $9 million and $5 million respectively.

The Group adopted proportionate consolidation of its joint venture in place of equity accounting that was required under UK GAAP.

Total assets increase by $5,281 million, and total equities increase by $16 million.

v Tax
The tax effect of the above adjustments has been recorded in the taxation line of the income statement.

vi Goodwill
IFRS does not permit the amortisation of goodwill. Instead an annual review for impairment must be made. Goodwill amortised under UK GAAP of $181 million was reversed. This included goodwill amortisation relating to Banco Standard Chartered in Latin America and the Lebanon. The amortisation of the carrying amount of this goodwill was expected to be fully amortised by 2005 under UK GAAP. In the 2004 IFRS comparatives, an impairment charge of $67 million has been recorded to carry related goodwill at nil.

vii Cash and cash equivalents
$1,614 million of restricted cash balances with central Banks has been reclassified from loans and advances to banks to cash and balances with central banks. It also includes cheques in the course of collection.

Reclassification
On 12 May 2005 the Group presented its balance sheet restated under IFRS excluding IAS 32 and 39. The format of the balance sheet was similar to that used under UK GAAP. IFRS. Subsequent clarification of the conventions of presenting balance sheets means the Group has made the follow changes between lines (no measurement changes have made):

- trading assets and assets designated as at fair value have been grouped in a single line called financial assets at fair value through profit or loss.
- treasury bills and equity shares have been included in investment securities if held at (amortised) cost or financial assets at fair value through profit or loss.
- trading liabilities and liabilities designated as at fair value have been grouped in a single line called financial liabilities at fair value through profit or loss.
- deferred tax related to retirement benefits is now not netted with the retirement benefits liability and is now shown together with all other deferred tax balances.

39. Transition to EU Adopted IFRS continued

Reconciliation of equity at 1 January 2005

The Group has taken advantage of the transitional arrangements of IFRS 1 not to restate corresponding amounts in accordance with IAS 32 and 39. The table below shows the affects of IAS 32 and 39 on the balance sheet at 1 January 2005.

	Share capital/ premium and redemption reserve $million	Other equity instruments $million	AFS reserves $million	Cash flow hedge reserve $million	Premises revaluation $million	Retained earnings $million	Minority interest $million	Total equity $million
IFRS (ex IAS 32/39)	3,818	–	–	–	76	5,211	964	10,069
Debt/Equity	(375)	994	–	–	–	20	–	639
Effective yield	–	–	–	–	–	109	–	109
Derivatives/hedging	–	–	–	61	–	58	(4)	115
Asset classification/fair values	–	–	87	–	–	(27)	–	60
Other	–	–	–	–	–	(102)	–	(102)
Impairment	–	–	–	–	–	33	–	33
Tax	–	–	(14)	(19)	–	(55)	–	(88)
IFRS	3,443	994	73	42	76	5,247	960	10,835

40. UK and Hong Kong Accounting Requirements

On 1 January 2005 the Group converted from UK GAAP to IFRS adopted for use by the EU. The consolidated financial statements of the Group for the year ended 31 December 2005, including 2004 comparatives, have been prepared accordingly, except that the 2004 comparatives exclude the effects of IAS 32 and 39. Where applicable for 2004, the principles of UK GAAP have been applied. On 1 January 2005 Hong Kong GAAP adopted an accounting standard on financial instruments similar to IAS 39. There would be no material differences between the accounting conventions except as set out below:

Investments in Securities

2004 IFRS excluding IAS 32/39

Securities, including equity shares and treasury bills, which are intended for use on a continuing basis are classified as investment securities. Investment securities are stated at cost less any provision for impairment. Where dated investment securities are purchased at a premium or a discount, these premiums or discounts are amortised through the income statement. Securities other than investment securities are classified as dealing securities and are stated at market value.

2004 Hong Kong GAAP

Under Hong Kong Statement of Standard Accounting Practice 24 – Accounting for Investments in Securities (SSAP24), investment securities classified as held-to-maturity securities are stated at amortised cost less any provision for diminution in value. Other securities that are, not intended to be held until maturity, are accounted for under the 'alternative' treatment. Under the alternative treatment securities that are identified as either trading or non-trading. Trading securities are stated at fair value with changes in fair value recognised in the profit and loss account as they arise. Non-trading securities are stated at fair value with changes in fair value recognised in the revaluation reserve until disposal.

If the Group had prepared its 2004 comparative financial statements under Hong Kong SSAP24 there would have been a net charge to the profit and loss account for the year ended 31 December 2004 of $9 million, an increase in the book amount of investment in securities of $46 million as at 31 December 2004 and a credit to reserves of $32 million at 31 December 2004.

Summarised Consolidated Income Statement (unaudited)

First half and second half 2005

	1st half 2005 $million	2nd half 2005 $million	2005 $million
Interest income	3,678	5,072	8,750
Interest expense	(1,706)	(2,709)	(4,415)
Net interest income	1,972	2,363	4,335
Fees and commission income	868	972	1,840
Fees and commission expense	(141)	(204)	(345)
Net trading income	409	360	769
Other operating income	128	134	262
	1,264	1,262	2,526
Operating income	3,236	3,625	6,861
Staff costs	(990)	(1,155)	(2,145)
Premises costs	(181)	(182)	(363)
General administrative expenses	(417)	(603)	(1,020)
Depreciation and amortisation	(120)	(163)	(283)
Operating expenses	(1,708)	(2,103)	(3,811)
Operating profit before impairment losses and taxation	1,528	1,522	3,050
Impairment losses on loans and advances and other credit risk provisions	(194)	(125)	(319)
Other impairment	(1)	(49)	(50)
Profit before taxation	1,333	1,348	2,681
Taxation	(367)	(343)	(710)
Profit for the year	966	1,005	1,971

Profit attributable to:			
Minority interest	(5)	30	25
Parent company's shareholders	971	975	1,946
Profit for the year	966	1,005	1,971
Basic earnings per ordinary share	74.7c	73.8c	148.5c
Diluted earnings per ordinary share	73.2c	73.7c	146.9c

Financial Calendar

Ex-dividend date	8 March 2006
Record date	10 March 2006
Expected posting to shareholders of 2005 Report and Accounts	27 March 2006
Annual General Meeting	4 May 2006
Payment date – final dividend on ordinary shares	12 May 2006

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Aldermanbury Square, London, EC2V 7SB or from our website on http://investors.standardchartered.com

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The following information will be available on our website

- *A live webcast of the annual results analyst presentation (available from 9.45 am GMT)*
- *The archived webcast and Q/A session of analyst presentation in London (available 2pm GMT)*
- *Interviews with Mervyn Davies, Group Chief Executive Officer and Peter Sands, Group Finance Director available from 8.15am GMT.*
- *Slides for the Group's presentations (available after 2pm GMT)*

Images of Standard Chartered are available for the media at
http://www.standardchartered.com/global/mc/plib/directors_p01.html

Information regarding the Group's commitment to Corporate Responsibility is available at *http://www.standardchartered.com/corporateresponsibility*

The 2005 Annual Report will be made available on the website of the Stock Exchange of Hong Kong and on our website http://investors.standardchartered.com *as soon as is practicable.*

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