

Standard Chartered PLC Results for the year ended 31 December 2008

Highlights

Reported results

- Operating income up 26 per cent to \$13,968 million (2007: \$11,067 million)
- Operating profit* up 13 per cent to \$4,568 million (2007: \$4,035 million)
- Profit before taxation up 19 per cent to \$4,801 million (2007: \$4,035 million)
- Profit attributable to ordinary shareholders** up 17 per cent to \$3,298 million (2007: \$2,813 million)
- Total assets up 32 per cent to \$435 billion (2007: \$330 billion***)

Performance metrics†

- Normalised earnings per share up 1 per cent at 174.9 cents (2007: 173.0 cents††)
- Normalised return on ordinary shareholders' equity of 15.2 per cent (2007: 15.6 per cent)
- Final dividend of 42.32 cents per share resulting in an annual dividend for 2008 of 61.62 cents per share††† up 3.3 per cent from 59.65 cents per share††† for 2007
- Normalised cost income ratio of 56.1 per cent (2007: 56.0 per cent)
- Advances-to-deposits ratio of 74.8 per cent (2007: 86.0 per cent)
- Core Tier 1 capital (Basel II basis) ratio at 7.6 per cent (2007: 6.6 per cent)
- Total capital ratio (Basel II basis) at 15.6 per cent (2007: 15.2 per cent)

Significant achievements

- Delivered strong performance, with well diversified income streams
- Reinforced a liquid, well capitalised and diverse balance sheet
- Continued to de-risk the asset book, positioning it well to deal with challenges arising from an uncertain environment
- Further strengthened the Group's capital position through a successful rights issue
- Largely completed the integration of American Express Bank

Commenting on these results, the acting chairman of Standard Chartered PLC, John Peace, said:

'To deliver record results in this exceptional environment is a great achievement. The Group has focused on building balance sheet strength and on maintaining high levels of liquidity. We are on a firm footing for the challenges and opportunities that will come during 2009.'

* Operating profit represents profit before taxation excluding the gain of \$233 million on the rights issue option (see note 7 on page 51).

** Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 9 on page 51).

*** Amounts have been restated as explained in note 36 on page 71.

† Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 52.

†† Earnings per share has been restated for the impact of the rights issue as explained in note 10 on page 52.

††† Dividends per share has been restated for the impact of the rights issue as explained in note 9 on page 51.

Standard Chartered PLC Results for the year ended 31 December 2008

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

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

Standard Chartered PLC – Summary of results

For the year ended 31 December 2008

	2008 \$million	2007 \$million
Results		
Operating income	13,968	11,067
Impairment losses on loans and advances and other credit risk provisions	(1,321)	(761)
Other impairment	(469)	(57)
Operating profit*	4,568	4,035
Profit before taxation	4,801	4,035
Profit attributable to parent company shareholders	3,408	2,841
Profit attributable to ordinary shareholders**	3,298	2,813
Balance sheet		
Total assets	435,068	***329,871
Total equity	22,695	21,452
Total capital base (Basel II basis)	29,442	28,114
Information per ordinary share		
	Cents	Cents
Earnings per share – normalised basis post-rights	174.9	++173.0
– basic post-rights	202.4	++176.0
Dividend per share	61.62	+++59.65
Net asset value per share	1,091.1	1,374.2
Ratios		
	%	%
Return on ordinary shareholders' equity – normalised basis [†]	15.2	15.6
Cost income ratio – normalised basis [†]	56.1	56.0
Capital ratios (Basel II basis):		
Core Tier 1 capital	7.6%	6.6%
Tier 1 capital	10.1%	8.8%
Total capital	15.6%	15.2%

* Operating profit represents profit before taxation excluding the gain of \$233 million on the rights issue option (see note 7 on page 51).

** Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 9 on page 51).

*** Amounts have been restated as explained in note 36 on page 71.

† Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 10 on page 52.

†† Earnings per share has been restated for the impact of the rights issue as explained in note 10 on page 52. On a pre-rights issue bonus basis, normalised earnings per share would have been 201.0 cents (2007: 197.6 cents) and basic earnings per share would have been 232.6 cents (2007: 201.1 cents).

††† Dividend per share has been restated for the impact of the rights issue as explained in note 9 on page 51. On a pre-rights basis, the dividend per share would have been 81.97 cents per share (2007: 79.35 cents).

Standard Chartered PLC – Chairman’s statement

During 2008 the Group focused on building balance sheet strength and on maintaining high levels of liquidity. We also continued to invest in the business and to grow whilst remaining focused on our strategy.

I can report that Standard Chartered delivered another year of good income and profit growth in 2008, showing continued progress as a Group across our key markets:

- Operating profit rose 13 per cent to \$4.57 billion
- Income increased 26 per cent to \$13.97 billion
- Normalised earnings per share were up one per cent to 174.9 cents
- Our Tier 1 capital ratio increased from 8.8 per cent to 10.1 per cent

The events of last year were truly extraordinary; testing to the extreme our industry, regulators, governments, and the global economy alike. The uncertainty and the contraction of economies will continue this year and the situation may even worsen. Our markets are now seeing the effects of the crisis.

As we outlined in the rights issue prospectus, we are proposing to pay a final dividend which is the same total monetary amount as we would have paid had the rights issue not been implemented. Therefore, the board is recommending a final dividend of 42.32 cents per share, resulting in an increase in the annual dividend of 3 per cent.

To deliver record results in this exceptional environment is a great achievement. We believe the best way to continue to deliver shareholder value is through: our rigorous focus on Asia, Africa and the Middle East; our prudent approach to liquidity and capital; and our continued discipline in cost and risk management.

The board fully supports the prudent approach to balance sheet management taken in 2008 and this will continue. Do not expect us to deviate from this path as the global economy slows in 2009.

I have now been a director for a year and a half and it has been a pleasure to work closely with Peter Sands and the board, first as deputy chairman and now as acting chairman for the Group. I have been impressed by the depth of quality of our management, and this gives me confidence in this uncertain and fragile environment.

There have been a number of board changes since our last interim results. Mervyn Davies, now Lord Davies of Abersoch, led the Group during a period of strong strategic and financial progress. He stepped down as chairman in January to join the UK Government as Minister for Trade and Investment, after 15 years with the Bank and 11 of these on the Group’s board. We are extremely grateful to him for the immense contribution he made to the Bank’s success.

The Board Nomination Committee is leading the process for the appointment of a non-executive chairman.

Adair, Lord Turner, was a non-executive director for two years and made an excellent contribution to the board. Adair left in September upon his appointment as the chair of the Financial Services Authority. We wish him well in this demanding role.

John Paynter joined the board as a non-executive director in October. He has a wealth of experience in the fields of corporate broking and financial advisory after serving 29 years with Cazenove, and latterly JP Morgan Cazenove, where he served as vice chairman.

2008 was another year of good performance. We have been consistent in our strategy, doing business in markets we know and with products we understand. We have focused on the basics of banking and we have kept true to our values and culture.

We are on a firm footing for the challenges and opportunities that will come during 2009.

John Peace
Acting chairman
3 March 2009

Standard Chartered PLC – Group chief executive's review

2008 was a year of extraordinary dislocation and disruption in financial markets. Banks collapsed or were rescued by governments, markets fell precipitously and economic growth stalled. Given our conservative business model, our clear strategy and our focus on the basics, Standard Chartered has weathered the storm relatively well. We have not been unscathed but we have continued to be open for business for customers and once again delivered record profits.

These results demonstrate the underlying strength of our businesses and the overall resilience of the Bank. We are in very good shape, with a strong balance sheet, an excellent customer franchise and good business momentum. We enter 2009 acutely aware of the many challenges across our markets, but also confident and clear about our priorities.

Our approach

We have been running the Bank according to four fundamental tenets. First, we have stuck to our strategy. We aim to be the world's best international bank, leading the way in Asia, Africa and the Middle East. While we have been offered a variety of acquisition opportunities, we believe our focused strategy is critical to our success.

We do business in markets we understand intimately, with customers with whom we have longstanding relationships, selling products we understand fully. That way we know the risks we take.

Second, we have been and will remain very focused on the basics of banking. Perhaps because we have always operated in volatile markets, we have never lost sight of such disciplines.

Third, we are open for business. We want to support our clients as they navigate the economic turmoil. We want to seize the opportunities arising from the turbulence. Whilst we have taken action in response to the crisis, we have not stopped doing business. We continue to invest for growth.

Finally, we have stayed true to our values and culture. Standard Chartered is a rather different

Bank and we want to keep it like that. We run as one bank across geographies and businesses. We are focused on customers, not transactions. We are playing the long game. Our values and culture are key to our competitive advantage.

Basics of banking

Key to our disciplined approach is our focus on the basics of banking: liquidity, capital, credit risk, operational risk and costs.

Liquidity

Managing liquidity is always crucial in banking, but in 2008 it became the difference between survival and success. Since banks take short-term deposits and make long-term loans, liquidity risk is inherent to the business. We take a conservative approach to liquidity, keeping our asset-deposit ratio well below 100 per cent and we regularly undertake 'stress tests' for different scenarios.

Since the crisis started in August 2007, we have put even more focus on liquidity, gathering more customer deposits and keeping our overall lending profile shorter in tenor.

American Express Bank (AEB), which we acquired in February 2008, made a significant contribution, adding net \$14 billion in customer and bank deposits.

As the markets continued to deteriorate during 2008, we further reinforced our liquidity profile, benefiting from customers' 'flight to quality'. To give one example, we grew customer deposits in Hong Kong by 31 per cent last year to \$64 billion.

The pricing of deposits and their 'stickiness' are as important as their quantity. Consumer Banking's savings and transaction banking capabilities, with innovative products, an extensive network of branches and ATMs, and internet and mobile banking, are a powerful driver of local and foreign-currency deposit gathering.

Consumer Banking overall contributes over \$40 billion in net liabilities.

Wholesale Banking also generates large deposits through our cash management and

Standard Chartered PLC – Group chief executive's review continued

custody businesses, which grew balances by 24 per cent to \$64 billion in 2008.

Deposits are just one side of the liquidity equation; the other is what you do with them. Over 70 per cent of our Wholesale Banking assets are under one year in tenor. We continue to be a net lender to the interbank markets. The strength of our Liquid Assets Ratio at 23 per cent is high and demonstrates the resilience and flexibility of our balance sheet. Today, we have over \$100 billion of liquid assets.

We have taken a similarly proactive approach to managing our capital position, raising capital as and when necessary to support the Bank's business.

Capital

In the second half of 2008, we faced a complex situation. There were rapid changes in investor and regulatory expectations about capital levels, particularly core equity; severe stress across the banking sector; unprecedented volatility in financial markets; and a deteriorating economic outlook.

We did not rush to raise new equity. Diluting our shareholders or asking them for new money is not a step we take lightly.

But at the end of November, we decided to launch a pre-emptive rights issue. As we explained at the time, we did this for three reasons: to respond to the change in investor sentiment about required levels of capital; to give us a buffer in a deteriorating environment; and to give us greater room to take advantage of the potential opportunities we see.

We are very appreciative of the high level of support we received from our shareholders for the rights issue at 97 per cent and, given the way the world has turned since then, it was clearly the right decision. We enter 2009 very well capitalised.

Even without the rights issue and despite the negative impact of the depreciation of the Korean won and Indian rupee, our Tier 1 and Core Tier 1 capital ratios would have been stronger at the end of December than at the half year.

This is partly due to our retained earnings and partly due to how we use risk capital, which we reduced by seven per cent in the second half of last year. During 2008, Wholesale Banking grew client income by 31 per cent and risk weighted assets by four per cent. This is evidence of an extremely disciplined approach to capital deployment and utilisation.

Credit risk

Our asset quality is conservative, diverse, well-collateralised and mainly of short tenor. But we are far from complacent. Throughout 2007 and 2008, we have continued to tighten underwriting standards and reduce unsecured exposures. We have taken some tough decisions on customers, for example pre-emptively exiting over 900 middle market clients.

We have taken tough decisions on products, for example halving the rate of new bookings for Business Instalment Loans, our unsecured product for SMEs. These decisions have an immediate and negative impact on income, but they are the right decisions to make.

In Consumer Banking we have been rebalancing the mix from unsecured to secured lending. Around 60 per cent of the portfolio is in mortgages, with an average loan-to-value ratio of just over 50 per cent.

In Wholesale Banking, we have actively re-priced and restructured transactions as they are being refinanced. With the economic deterioration, the average Probability of Default for the Wholesale Banking portfolio increased from 57 to 68 basis points. Yet because of the way we have restructured transactions and strengthened collateral, the weighted average Loss Given Default has improved from 37 to 30 per cent. Risk pricing has improved markedly.

Operational risk

This is about avoiding losses from system or process failures, documentation errors, fraud, compliance issues and so on. Run a bank through a financial crisis and every operational weakness gets exposed.

So we have been very active in identifying potential loose rivets and tightening up every aspect of how we run the Bank. The obvious

Standard Chartered PLC – Group chief executive's review continued

gaps or flaws are easy to spot and fix. This is harder for things that work well in a relatively benign environment but prove inadequate under stress or extreme volatility.

We are not seeking to avoid risk: banking is a risk-taking business. But we need to ensure we are consistently taking the right risks, that we understand them fully and that we are managing them as effectively as we can.

Costs

Reflecting our dynamic approach, both businesses reduced costs in the second half of 2008. Flexing costs in response to slowing income and rising impairment does not mean we stopped or will stop investing. On the contrary, we are determined to continue to invest in growing our businesses so that we can really turn this turmoil to our advantage. But to be able to do this, we have to be extremely disciplined, cutting out waste and 'nice-to-haves'.

We cannot dodge the tough decisions on investment priorities, on underperforming businesses and on people.

This disciplined approach to the basics of banking is essential, given the continued uncertainties in the economic environment.

Economic environment

Looking at the world economy as a whole, perhaps the central fact is that no-one really knows what is going on and what is going to happen next. The crisis continues to unfold at an extraordinary pace and in unpredictable ways.

For example, we anticipated the impact on Asia from the decline in demand for exports, but we were surprised by the speed and extent of the downturn. And now when you look at forecasters' predictions for economic growth across the region, they vary widely.

Yet some things are clear. Many of our markets across Asia, Africa and the Middle East are experiencing a sharp cyclical slowdown. But they do not face the structural credit deleveraging afflicting Western markets. As a result, the downturn should be much shorter.

Furthermore, while Asian banks are feeling the stress, as dollar liquidity dries up and the credit environment deteriorates, they are on the whole in much better shape than many counterparts in the West. The ingredients of the banking crisis in the UK and the US, the over-leverage, over-complexity and opacity, are not present to nearly the same extent.

It is also unwise to draw too many analogies to the Asian crisis of the late '90s. In fact, the resilience of Asia owes much to lessons learnt from that experience. This time most countries have substantial foreign currency reserves and strong fiscal positions. This time most businesses have relatively conservative balance sheets.

Asian governments have also responded much more quickly to stimulate their economies and ease liquidity pressures. These actions will take time to have an impact and some measures will undoubtedly be more effective than others, but the sheer scale of the policy response is impressive.

Finally, it is important to look beyond the immediate crisis. Whilst the near-term economic conditions have deteriorated sharply across virtually all our markets, they remain fundamentally attractive. With young, increasingly well-educated populations, a growing middle class, rapid urbanisation and continuing industrialisation, our markets in Asia, Africa and the Middle East still offer enormous long-term potential. In fact the crisis will almost certainly accelerate the shift in economic power from West to East. We are in the right markets and we will stay focused on them.

Strategic priorities for 2009

Given the uncertainties, we need to be flexible and adaptive, anticipating and responding to the extraordinary changes around us.

However, some things will not change. We have a clear and consistent strategy: to become the world's best international bank leading the way in Asia, Africa and the Middle East. This strategy is well understood by customers, by staff, by regulators, by policymakers and by our investors.

Standard Chartered PLC – Group chief executive’s review continued

We will also keep the focus on the basics of banking: on the way we manage capital, liquidity, risks, operational control and costs. We will stay open for business. In fact we see many opportunities to deepen our relationships with clients, increase market share and improve margins. Many of our competitors are distracted by problems or withdrawing to focus on their home markets. This will enable us to turn the turmoil to our advantage.

Our two businesses start the year with very different priorities. In Wholesale Banking, we aim to sustain the momentum after such a strong performance in 2008. In Consumer Banking, we are aiming to reshape the business to rekindle income and profit growth.

Wholesale Banking

Wholesale Banking had a very successful 2008. Almost every business put in a strong performance. Our strategy of deepening client relationships continued to deliver results. Income from the top 50 clients grew 45 per cent and the number of clients with annual income over \$10 million increased by 88 per cent. Building bigger, deeper relationships with our clients will continue to be the key driver of growth in 2009.

Despite our success in building new, more sophisticated businesses, almost 60 per cent of Wholesale Banking’s income arises from what might be described as classic commercial banking: trade finance, lending, cash management and related foreign exchange and hedging transactions. This is the core of our franchise. And while overall market volumes will be under pressure as economies slow, we are winning market share and increasing margins significantly.

The balance of Wholesale Banking’s business is split pretty evenly between what we describe as “value-added” and “strategic” client business – such as corporate finance, capital markets, structured and project finance – and own account. Despite the slowdown in economic activity the pipeline for value-added and strategic activities remains resilient. Competition is disappearing faster than demand.

Roughly half of own account income is from Asset and Liability Management (ALM), that is, managing the balance sheet. The remainder is a mixture of trading related to customer transactions and private equity. The individual components are quite volatile, for example in 2008 ALM increased by more than 80 per cent and private equity fell sharply. But in aggregate, own account income has been fairly constant at around 20 to 25 per cent of Wholesale Banking income over the last few years.

Consumer Banking

Steve Bertamini became chief executive of Consumer Banking at the beginning of June and he and his team have embarked on a radical reshaping of the business.

We are accelerating the shift from a product-focused model to a much more customer-oriented approach. On average each customer currently buys 1.4 products, the ‘cross-sell’ ratio. We want to increase that. So we are tailoring products for the needs of specific customer segments and focusing on pricing based on our entire relationships with customers, rather than simply on sales, and on how we manage those relationships.

We are improving productivity and customer service through a series of re-engineering projects, including call centre consolidation, and by standardising system platforms, processes and products. We are cutting costs, whilst still investing.

We are taking a much more proactive stance towards management of the balance sheet, attracting current and savings accounts with improved transactional services, reinforcing Consumer Banking’s ability to be a powerful deposit-gathering engine for the Bank as a whole.

We are taking a more defensive stance on risk, shifting the asset mix towards more secured products, enhancing our credit scoring and debt collection capabilities.

We are reconfiguring the Wealth Management business. Whilst demand for wealth products will come back at some point as consumers regain confidence, it is not going to be the same.

Standard Chartered PLC – Group chief executive's review continued

We are implementing a new participation model that puts more discipline on what business we do in each geographic market and aligns the cost structure and risk approach accordingly.

The change agenda for Consumer Banking is ambitious and far-reaching and we have to execute it in a very difficult market environment. I do not underestimate the scale of the task, but I am confident that we are doing the right things, and that we will reshape the business for sustainable growth and competitive advantage.

One Bank

While we have two businesses, it is important to recognise that we run Standard Chartered as one bank. Our two businesses depend on each other for balance sheet, products, client referrals and shared infrastructure. We need both to succeed.

In this context I often get asked about the balance between our businesses. Am I concerned about the increasing strength of Wholesale Banking relative to Consumer Banking? The short answer is not really - we want the bank to be broadly balanced, with two strong engines of growth, but we are not going to get there by making Wholesale Banking slow down. The answer is to get Consumer Banking to speed up. And there are many parallels between what we are doing to reshape Consumer Banking now and what we did in Wholesale Banking some years ago.

Our emphasis on balance, between the businesses, between short term and long term, between profit and loss (P&L) and balance sheet, is perhaps why we have been able to weather the storm so well and why we are still around after 150 years.

Lessons for the future

Banks with unsustainable business models have collapsed or been rescued by governments. The sudden reversal of unsustainable levels of leverage across many financial markets has caused immense damage to the real economy. Not surprisingly, public

trust and confidence in banks and political support for the industry has declined sharply.

As we look ahead to 2009 the market environment remains volatile and challenging. The process of correcting the unsustainable macro imbalances, the over-leverage and the excess liquidity, is far from over. In 2009 almost every economy in the world will face slower growth, rising unemployment and corporate failures. Our markets in Asia, Africa and the Middle East are likely to do better than those in the West, but they are being significantly affected.

Moreover, our strategy must take into account the fundamental changes that are taking place in the banking industry. We need to acknowledge what has gone wrong. We need to articulate the essential role banks play in the economy. We need to demonstrate that the way Standard Chartered works was, and is, sustainable and creates value for customers, investors and society as a whole.

For the economy, banking is like oxygen: taken for granted when it is there; a disaster when it fails. Banks play a number of critical roles, including enabling payments, securing savings and providing credit. By borrowing short and lending long, the banking system enables the rest of the economy to do the opposite, which empowers consumers and fuels companies.

Banking inherently involves taking risk. This does not necessarily create a problem, as long as the risks of each activity are well-managed and appropriate to the economic value of such activities. Yet over the last few years, many banks appear to have lost sight of the risk-return trade-off, both for themselves and for society as a whole.

So one lesson from this crisis is that every bank needs to ensure its strategies, business models and products are sustainable. This does not mean that every bank has to be equally successful, but the system of regulation needs to be able to anticipate and catch the failures before they become catastrophic.

Another lesson is that every market is interconnected. The notion of 'de-coupling', that somehow Asia would be immune to the travails of the West, has been demolished. This means that responses to the crisis need to be

Standard Chartered PLC – Group chief executive’s review continued

coordinated. Hence the importance of the G20 process launched in Washington in November 2008.

At Standard Chartered, we do not pretend to have foreseen the crisis. We knew and said there was too much leverage and that risks were being under-priced. We discounted the ‘de-coupling’ argument. We eschewed most of the more ‘exotic’ aspects of banking. We never took liquidity for granted. Yet even so, we were surprised by the pace and ferocity of events.

The world of banking will change enormously as a result of this crisis. The competitive landscape will be fundamentally different. The regulatory frameworks and the role of governments in banking will be radically altered. Our challenge is to ensure we continue to deliver for our investors, our customers and our other stakeholders as we navigate these changes. By sticking to our strategy, focusing on the business of banking, keeping open for business and staying true to our values and culture, I am confident we will.

Now more than ever, society needs well-governed banks which support their customers with their daily banking needs of saving and the provision of credit and institutions which are responsibly aware of the role that they play in our communities. While I am proud of the progress in our sustainability agenda in 2008, I recognise there is much more to do.

Outlook

Whilst the world is uncertain, we are in good shape, managing tightly and not complacent.

2009 has started well. Wholesale Banking has had a very strong January, with income broad-based and well above the levels seen in the same month last year. Trade finance had a record month and trading benefitted from wider spreads. Wholesale Banking continues to benefit from increasing market share. February is also strong.

Consumer Banking has had a steady start to this year with income running slightly, but not materially, below the average run rate of the second half of 2008. The outlook for Consumer Banking depends in part on the timing of the recovery in Wealth Management and general levels of consumer confidence.

We will continue to gather deposits and focus on liquidity strength, and we will maintain a strong capital position. We have taken a proactive approach to risk and positioned our loan books defensively into the economic downturn. We are keeping a very firm grip on costs.

Disciplined execution of our strategy, our diverse income streams and deep client relationships and effective management of capital, liquidity and risk remain key to success in 2009.

I would like to thank the staff of Standard Chartered for the commitment, teamwork and professionalism they showed in 2008 and for their continued dedication in 2009, which will undoubtedly be a very challenging year as well.

Peter Sands
Group chief executive
3 March 2009

Standard Chartered PLC – Financial review

Group summary

The Group has delivered another strong performance for the year ended 31 December 2008. Operating profit rose 13 per cent to \$4,568 million, with operating income increasing 26 per cent to \$13,968 million.

The normalised cost to income ratio was 56 per cent, flat to 2007. Normalised earnings per share increased by one per cent to 174.9 cents. Further details of basic and diluted earnings per share are provided in note 10 on page 52.

In what has been a difficult year for the financial sector, the Group has focused on balance sheet management as a key priority. There has been a focus on maintaining a liquid balance sheet and the efforts of both Wholesale Banking and Consumer Banking to raise deposits have driven an improvement in the asset to deposit ratio of the Group to 75 per cent at the end of 2008, from 86 per cent at the end of 2007. The Group remains a net lender into the interbank market.

The capital position of the Group was further strengthened by a

rights issue in December 2008 and the Core Tier 1 ratio of 7.6 per cent is up from 6.6 per cent at the end of 2007.

The quality of the asset portfolios positions the Group well for 2009. The Group has tightened underwriting criteria, invested in collections capacity and tightened control processes. Whilst some deterioration in asset quality was seen in the latter months of the year, the quality of the customer assets is good.

Expenses remain under control. In the face of difficult trading conditions, Consumer Banking has been restructuring, reducing headcount while investing in distribution and product capabilities. Wholesale Banking, even though it has had a very strong year, has also shown a disciplined approach to expenses, reducing its costs in the second half of the year.

The Group's balance sheet, capital resources and expense base have been positioned to face what is a challenging outlook. The Group remains resilient and open for business.

Operating income and profit

	2008			2007
	AEB \$million	*Underlying \$million	As reported \$million	As reported \$million
Net interest income	240	7,147	7,387	6,265
Fees and commissions income, net	252	2,689	2,941	2,661
Net trading income	62	2,343	2,405	1,261
Other operating income	(2)	1,237	1,235	880
	312	6,269	6,581	4,802
Operating income	552	13,416	13,968	11,067
Operating expenses	(603)	(7,008)	(7,611)	(6,215)
Operating profit before impairment losses and taxation**	(51)	6,408	6,357	4,852
Impairment losses on loans and advances and other credit risk provisions	(74)	(1,247)	(1,321)	(761)
Other impairment	–	(469)	(469)	(57)
Profit from associates	1	–	1	1
Operating (loss)/profit	(124)	4,692	4,568	4,035

* Underlying performance of the Group excludes the post-acquisition results of American Express Bank ('AEB') only. Details of acquisitions are set out on page 19.

** 'Operating profit before impairment losses and taxation' is also referred to as 'working profit'.

The early part of 2008 was characterised by strong economic growth across the Group's key markets, driven by strong regional trade flows, with the Middle East benefiting from high oil prices. In the middle of the year, increasing fuel and food prices heightened concerns over rising inflation, with a number of countries taking pre-emptive action to raise interest rates and moderate inflationary pressures. The last few months of 2008 witnessed severe disruption in financial markets, including a significant deterioration in international trade flows and a fall in confidence across much of the world. This has already prompted significant policy stimulus measures in a number of countries.

The Group maintained a liquid and well capitalised balance sheet throughout 2008, which was further bolstered by a rights issue launched in November 2008. As at 31 December 2008, the Group was a net lender into the interbank markets and had strong capital ratios. The failure of some financial institutions and stock market falls have, however, significantly reduced the appetite of retail and corporate customers for structured equity,

commodity and exchange rate linked products, and this has affected performance, particularly in the fourth quarter. The Group saw an increase in loan impairment in the latter months of 2008, and this has contributed to a slowing performance in the second half of 2008.

The only significant acquisition was that of AEB. Its only material impact on performance was in the Americas, UK & Europe geographic segment. A description of the overall performance of AEB is included on page 19. References to 'underlying' exclude the post acquisition results of AEB.

Operating income grew by \$2,901 million, or 26 per cent, to \$13,968 million. Consumer Banking income grew three per cent but, on an underlying basis, fell two per cent. Income growth was constrained by a sharp decline in Wealth Management and Deposits ('Wealth Management') revenues across the franchise in the latter half of the year. Wholesale Banking income grew 43 per cent, reflecting another strong year as it continued to execute its customer focussed strategy, delivering income growth in all geographies and most products.

Standard Chartered PLC – Financial review continued

Group summary continued

Seven of the nine geographic segments now deliver over a billion dollars of income, reducing the Group's exposure to any single territory. All of the Group's key markets were affected to some extent by the adverse economic conditions in the last quarter of the year. However, for the full year, with the exception of Korea, all geographies delivered strong double digit income growth.

Net interest income grew \$1,122 million or 18 per cent. Interest rates across most markets have been on a downwards trend. Against a deteriorating credit environment, Consumer Banking has moved its focus to secured products, de-emphasising relatively higher-yielding unsecured loans. Underwriting standards have also been tightened and additional resources have been allocated to recovery management. Interest expense reduced as interest paid on customer current accounts and time deposits reduced even though customer deposits grew 31 per cent. Net interest margin was 2.5 per cent, in line with last year.

Non-interest income grew \$1,779 million, or 37 per cent, to \$6,581 million.

Net fees and commissions income increased by \$280 million, or 11 per cent, to \$2,941 million. The volatility seen across stock markets and exchanges dampened investor sentiment and significantly affected Wealth Management offerings such as unit trusts, insurance and structured investment products. Custody income in Wholesale Banking was also adversely impacted as assets under management ('AUM') fell and the benefit of cash deposits fell in a lower rate environment. Trade finance commission income benefited from higher transaction volumes, and in Transaction Banking, payments and cash management services delivered strong performances, driven by the growth in commercial balances.

Net trading income increased \$1,144 million, or 91 per cent, to \$2,405 million. A significant proportion of this growth was client driven, with particularly high growth in foreign exchange income. The high volatility seen in key markets such as Korea and India drove increased client demand and the Group was well positioned in terms of product capabilities to meet customer needs. Own account trading performance was strong with significant gains in foreign exchange, debt securities trading and asset and liability management ('ALM').

Other operating income increased \$355 million, or 40 per cent, to \$1,235 million. Other operating income benefitted from a \$146 million gain on the disposal of the asset management business in India, and \$384 million of gains on the buy back of Upper Tier 2 floating rate notes. These gains were offset, in part, by lower dividend income. Other operating income also benefitted from \$80 million of recoveries in respect of assets that had been fair valued at acquisition in Taiwan, Korea and Pakistan, down \$18 million, or 18 per cent, from 2007.

Operating expenses increased \$1,396 million, or 22 per cent, to \$7,611 million. Almost 60 per cent of this increase was driven by staff costs which increased 20 per cent, or \$788 million, to \$4,737 million. Consumer Banking made organisational changes to improve efficiency and to generate headroom for investment. Wholesale Banking took advantage of the market dislocation to recruit staff with specialist market and product knowledge to augment its existing technical skill base. Variable compensation also increased in line with the strong business performance. Other investments were directed at enhancing the product suite and extending and upgrading branch networks in China, Hong Kong, Pakistan, Taiwan and Korea. Expenditure was also incurred to upgrade and expand office premises and to strengthen regulatory compliance and control systems.

The normalised cost to income ratio was 56 per cent, flat to 2007.

Operating profit before impairment losses and taxation increased \$1,505 million, or 31 per cent, to \$6,357 million.

The charge for loan impairment increased by \$560 million, or 74 per cent, to \$1,321 million. In the second half of the year, the credit environment became increasingly challenging for corporate and retail customers alike, with an increase in delinquencies. There was higher specific provisioning and also an increase in the portfolio impairment provision as flow rates deteriorated.

Other impairment charges increased significantly to \$469 million, from \$57 million in 2007, driven primarily by write downs in asset backed securities of \$41 million, impairment of private equity investments of \$171 million and impairment of the strategic investment portfolio of \$186 million.

Operating profit was up \$533 million, or 13 per cent, to \$4,568 million. As explained in note 7 on page 51, the Group was required to recognise a gain of \$233 million on the rights issue option. Profit before taxation was up \$766 million, or 19 per cent, to \$4,801 million.

Standard Chartered PLC – Financial review continued

Consumer Banking

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

2008											
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Consumer Banking Total \$million	Underlying \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income	1,163	618	265	1,017	1,128	484	700	344	233	5,952	5,682
Operating expenses	(587)	(289)	(128)	(726)	(879)	(317)	(410)	(250)	(257)	(3,843)	(3,492)
Loan impairment	(106)	(20)	(48)	(161)	(263)	(89)	(178)	(19)	(53)	(937)	(869)
Other impairment	(25)	–	–	–	(2)	(7)	–	–	(22)	(56)	(56)
Operating profit/(loss)	445	309	89	130	(16)	71	112	75	(99)	1,116	1,265

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

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

Operating income by product	2008 \$million	2007 \$million
Cards, Personal Loans and Unsecured Lending	2,106	2,089
Wealth Management and Deposits	2,789	2,621
Mortgages and Auto Finance	928	906
Other	129	190
Total operating income	5,952	5,806

The early part of the year saw steady income growth, although with some emerging signs of softness in unit trust sales. As the year has progressed the earlier signs of weakness in Wealth Management product sales turned into a sharp slowdown in the second half. The operating income growth of 15 per cent in the first half was not sustained and income fell 13 per cent in the second half when compared to the first half of the year. In the face of challenging liquidity conditions, Consumer Banking raised significant additional deposits supporting the strength of the Group balance sheet.

For the full year, Consumer Banking's operating income increased by \$146 million, or three per cent, to \$5,952 million. Net interest income grew \$30 million, or one per cent, to \$4,224 million, with an increase in asset and liabilities volumes offsetting lower margins. Other income grew \$117 million, or seven per cent, to \$1,806 million.

Across the geographic segments, Singapore, India, Africa and Americas, UK & Europe all delivered strong double digit income growth. Hong Kong, Malaysia, Korea, Middle East & Other South Asia ('MESA') and Other Asia Pacific delivered reduced income year on year reflecting the difficult trading conditions, and to some extent adverse exchange translation effects.

Operating expenses increased by \$450 million, or 13 per cent, to \$3,843 million. Against a backdrop of slowing revenue growth

the Group has been rigorous in reducing the cost base. Headcount has been reduced which has created capacity in the expense base for investment in infrastructure such as branch renovations in Korea, China and Taiwan, a continuation of the Private Banking roll out in China, Hong Kong and Singapore and product rollouts across the franchise.

Loan impairment increased by \$201 million, or 27 per cent, to \$937 million. Worsening credit conditions have driven up impairment charges across the franchise in the latter part of the year, most notably in the unsecured and SME portfolios in Hong Kong, Korea, UAE and India. Individual impairment provision accounts for \$121 million of the increase and \$80 million from portfolio impairment provision. AEB accounts for \$68 million of the total increase in loan impairment. The impact of the deteriorating markets on the Consumer Banking portfolio has been mitigated with over three quarters of the asset portfolio secured, and the average loan to value in the mortgage books being under 52 per cent. The Group has also taken early action to tighten lending criteria, adjust pricing to reflect the higher risk environment and to increase collections resources.

Operating profit fell \$561 million, or 33 per cent, to \$1,116 million.

Standard Chartered PLC – Financial review continued

Consumer Banking continued

Product performance

Cards, Personal Loans and Unsecured Lending grew operating income by \$17 million, or one per cent, to \$2,106 million. Excluding the revenue from the partial sale of Visa shares of \$17 million, \$107 million in 2007, income growth was five per cent. Income was reduced by actions taken to move into lower risk and more secured portfolios, notably in Korea, Thailand, India and Pakistan. This fall was partially mitigated by strong volume growth in Personal Loans driven by Hong Kong, Taiwan, Singapore, China and Malaysia. Actions were taken early in the year to reduce the risk of the SME portfolio and this has had some initial adverse impact on income.

Wealth Management grew operating income by \$168 million, or six per cent, to \$2,789 million. Falling equity markets and retail customer risk aversion following the collapse of Lehman Brothers adversely affected fee income, primarily in funds and structured notes sales, where income in the second half of the year was down over 50 and 67 per cent respectively, with Hong Kong and Taiwan being particularly affected. This reduction in fee income was partly offset by customers switching into 'all weather' products such as treasury, capital protected and deposit products. Wealth Management liabilities grew by 19 per cent driven by deposit product innovation such as Marathon Savings in Hong Kong, E\$aver Kids in Singapore, Do-Dream accounts in Korea and E\$aver in Malaysia. Although the average liability margin was constant throughout the year, there were significant underlying fluctuations with margins reducing in the last quarter of the year.

Mortgages and Auto Finance income grew by \$22 million, or two per cent, to \$928 million. Net interest margins were under pressure in the latter half of the year particularly in Hong Kong, due to narrowing of the Prime-HIBOR spread, in Korea due to increased funding costs and in Taiwan due to intense competition. This has been compensated to some extent by an increase in volumes in Hong Kong, Singapore and Taiwan driven by new products such as tracker rate mortgages in Singapore and Hong Kong.

Geographic segment performance

In Hong Kong income was down \$25 million, or two per cent, to \$1,163 million. The second half of 2008 was particularly challenging. Falling equity markets and the failure of Lehman Brothers in mid-September led to widespread public concern over wealth management products in general. Sales of unit trusts, structured notes and other investment products slowed sharply in the second half of the year with a fall in fee income. Mortgage volumes grew \$1.1 billion, but spread compression reduced interest income, although this was offset to some extent by increased fees on home insurance products, amongst others. Income from deposits increased, supported by new products and savings rate offer campaigns driving up liabilities by 23 per cent, which more than compensated for reduced margins. Operating expenses grew \$109 million, or 23 per cent, to \$587 million. Expenses increased, largely due to incremental staff and premises costs as a result of the expansion in the branch network. Incremental expenses relating to the impact of financial dislocation were incurred in the Wealth Management business. Working profit was down \$134 million, or 19 per cent, to \$576 million. Loan impairment grew \$53 million, or 100 per cent, to \$106 million. The rise in loan impairment was driven primarily by the SME segment which deteriorated in the latter part of the year as economic conditions worsened. Other impairment of \$25 million reflects impairment on strategic

investments. Operating profit was down \$212 million, or 32 per cent, to \$445 million.

In Singapore, income grew \$147 million, or 31 per cent, to \$618 million. Income from mortgages rose, supported by lower customer attrition, and stronger sales which resulted in a doubling of share of new market sales to 20 per cent. Margins improved in the early part of the year, then compressed as a result of increased funding costs and intense competition. Wealth Management income grew 52 per cent, mainly from the acquisition of AEB as noted on page 19. Income was driven up by customer deposits which grew by 60 per cent as deposit gathering campaigns were launched, coupled with Wealth Management customers retaining funds largely in deposits. Excluding AEB, Wealth Management was adversely impacted by the global downturn, as customers switched away from unit trusts into lower fee earning treasury and deposit products. Operating expenses grew \$98 million, or 51 per cent, to \$289 million. Flow through costs from 2007 investments in Private Banking and other products contributed \$31 million of this increase. Working profit grew \$49 million, or 18 per cent, to \$329 million. Loan impairment was up \$5 million, or 33 per cent, to \$20 million. An increase in the unsecured loan impairment as a result of the deteriorating economic conditions was offset by a lower charge in mortgages and SME, which benefitted from proactive risk management. Operating profit was up \$44 million, or 17 per cent, to \$309 million.

In Malaysia income was down \$9 million, or three per cent, to \$265 million. Mortgage income was lower as margins fell in the face of competition. A decrease in Wealth Management income reflected a lack of consumer confidence in the equities markets. There was, however, an improvement in unsecured lending income, which benefitted from the implementation of a revised sales and incentives scheme. Operating expenses grew \$12 million, or ten per cent, to \$128 million. Expenses were driven higher by projects, reorganisation expenses and also costs related to product development. Working profit was down \$21 million, or 13 per cent, to \$137 million. Loan impairment was up \$7 million, or 17 per cent, to \$48 million. The second half of the year saw an increase in delinquencies across unsecured products driving up the impairment charge. Reduced income, increased costs and loan impairment drove operating profit down \$28 million, or 24 per cent, to \$89 million.

In Korea income was down \$125 million, or 11 per cent, to \$1,017 million. On a constant currency basis income rose four per cent. Income was adversely affected by the sharp downturn in the investment services market, where in the second half of 2008 income fell 52 per cent from the first half, and by a decision to reduce new sales in SME unsecured lending; a product set with higher margins but also higher risk. Margins on mortgages also reduced in the latter part of the year. Income benefitted from recoveries of \$14 million on assets that had been fair valued at acquisition, although this was down \$53 million from 2007. Income also included a credit of \$24 million from the economic hedges of the mortgage portfolio, which had an adverse impact on income of \$102 million in 2007. Operating expenses were down \$181 million, or 20 per cent, to \$726 million. On a constant currency basis expenses fell five per cent. Expenses were tightly controlled with the extension of an early retirement program helping reduce headcount and salary costs. Approximately 200 staff were redeployed to sales areas, with a similar number taking early retirement. Expenses also benefitted from the release of certain provisions related to staff costs.

Standard Chartered PLC – Financial review continued

Consumer Banking continued

This was offset by costs relating to repositioning and upgrading the branch footprint as part of the strategic reorganisation of the business, with 109 branches upgraded during the year. Marketing and brand expenditure also drove expenses higher. Working profit was up \$56 million, or 24 per cent, to \$291 million. On a constant currency basis working profit was up 39 per cent. Loan impairment was up \$65 million, or 68 per cent, to \$161 million. Impairment was driven higher by a number of factors. Increased debt restructuring applications increased impairment on unsecured lending products as the number of applicants increased through 2008. There was also deterioration in the SME sector, and in particular, the performance of the Business Installment Loan portfolio in the second half of the year. Operating profit was down \$9 million, or six per cent, to \$130 million, though on a constant currency basis operating profit increased two per cent.

In Other Asia Pacific income was down \$39 million, or three per cent, to \$1,128 million. In China income was up 20 per cent to \$143 million driven by deposit growth of 53 per cent and strong volume growth in personal loans, mortgages and Business Installment Loans, although Wealth Management sales fell in the second half of the year. In Thailand income reduced as secured lending volumes fell and margins compressed. Taiwan saw a sharp decrease in Wealth Management income as consumer confidence fell sharply in the light of volatile equity markets. Income in Taiwan benefitted from recoveries of \$37 million on assets that had been fair valued at acquisition, up \$36 million from 2007. Operating expenses in Other Asia Pacific were up \$119 million, or 16 per cent, to \$879 million. Expenses were up \$103 million in China to \$238 million, driven higher by the rapid expansion of the workforce as the number of outlets grew to 54 from 38 at the end of the previous year. China and Taiwan also both saw expenses increase from flow through depreciation from branch premises investment in previous years. Working profit in Other Asia Pacific was down \$158 million, or 39 per cent, to \$249 million, with loan impairment down \$45 million, or 15 per cent, to \$263 million. Thailand saw a reduction in impairment as actions taken to de-risk the portfolios took effect. In Taiwan, impairment was down as collections efforts were enhanced in the face of a weakening credit environment and the introduction of new bankruptcy laws. In China loan impairment was up \$5 million to \$14 million and other impairment was \$2 million. Overall, the operating loss of \$16 million in Other Asia Pacific was down \$115 million on 2007. Losses in China increased from \$25 million to \$111 million.

In India, income was up \$76 million, or 19 per cent, to \$484 million. Income was driven up by increased product volumes in SME and mortgages, with strong momentum in the second half. This strong volume growth more than offset a reduction in margins due to an increased cost of funding. Wealth Management was impacted by the global downturn with unit trust sales down sharply in the last quarter. Cards income fell as margins were squeezed and volumes were also reduced to de-risk the portfolio. Operating expenses were up \$49 million, or 18 per cent, to \$317 million. Expenses were driven higher by flow through investment costs from 2007 and incremental premises and technology costs. Working profit was up \$27 million, or 19 per cent, to \$167 million. Loan impairment was up \$12 million, or 16 per cent, to \$89 million. Impairment was driven higher by increased delinquencies on personal lending products. There has however been no equivalent deterioration

on cards or mortgages products. Other impairment was \$7 million, reflecting impairment on strategic investments. Operating profit was up \$8 million, or 13 per cent, to \$71 million.

In MESA income was down \$51 million, or seven per cent, to \$700 million. In UAE income fell three per cent, as deposit spreads fell in a low interest rate environment, and a weaker performance in the Wealth Management business was only partially compensated by liability growth of 11 per cent. The mortgage portfolio grew throughout the year, although this growth stalled in the last quarter of the year as levels of activity in the market fell. In Wealth Management, whilst customer AUM remained flat over the whole year, the second half of the year saw a steady decline in bancassurance product sales in the light of global equity market falls. In Pakistan economic factors contributed to a difficult trading environment with income down 25 per cent year on year. Operating expenses in MESA were up \$15 million, or four per cent, to \$410 million. In UAE management has taken strong action on expenses and the cost run rate reduced in the second half of the year. In Pakistan expenses were down as the workforce reduced by nine per cent, partly offset by expenditure on the branch network. Working profit in MESA was down \$66 million, or 19 per cent, to \$290 million, and loan impairment was up \$49 million, or 38 per cent, to \$178 million. The principal increase was in UAE where loan impairment was up over 90 per cent driven by unsecured lending and in the SME sector, with some early signs of stress in the mortgage book as property prices fall and loan to value amounts increase. As a result of falling income, increased expenses and loan impairment, operating profit for the MESA region fell \$115 million, or 51 per cent, to \$112 million.

In Africa income was up \$34 million, or 11 per cent, to \$344 million. In Nigeria, recent investments in branches helped drive performance with income up \$15 million, or 58 per cent, with liability growth of 41 per cent. In Uganda and Zambia, income growth was strong, increasing by 36 per cent and 33 per cent respectively, compensating for the flat growth in Kenya where momentum slipped after the elections. New product launches and targeted deposit campaigns served to drive a double digit percentage increase in liability balances in all markets though this growth was offset by currency translation effects. Operating expenses in Africa increased \$26 million, or 12 per cent, to \$250 million. Staff costs were driven higher across the region primarily driven by wage inflation. Zambia and Ghana both incurred redundancy costs as the organisations were restructured. Working profit in Africa was up \$8 million, or nine per cent, to \$94 million. Loan impairment was up \$2 million, or 12 per cent, to \$19 million. Operating profit in Africa was up \$6 million, or nine per cent, to \$75 million.

In Americas, UK & Europe the impact of the AEB acquisition was material and is covered on page 19. Underlying income increased \$13 million, or 14 per cent to \$108 million. Income growth was achieved despite falling interest rates and market volatility by realigning the relationship management sales teams, and by driving higher fee income, primarily from foreign exchange products and premium currency investments. Underlying operating expenses were up \$1 million, or two per cent, to \$55 million. Underlying working profit was up \$12 million, or 29 per cent, to \$53 million. Underlying other impairment was up \$22 million representing provisions on strategic investments, which eliminated the improvements made at the working profit level. Underlying operating profit was down \$10 million, or 24 per cent, to \$31 million.

Standard Chartered PLC – Financial review continued

Wholesale Banking

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

2008											
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Wholesale Banking Total \$million	Underlying \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million						
Operating income	1,104	808	250	559	1,310	1,116	1,034	565	743	7,489	7,207
Operating expenses	(430)	(348)	(84)	(229)	(630)	(329)	(403)	(314)	(1,001)	(3,768)	(3,516)
Loan impairment	(77)	5	1	(102)	(126)	(44)	(7)	(14)	(20)	(384)	(378)
Other impairment	(27)	(30)	(21)	–	(79)	(17)	–	–	(162)	(336)	(336)
Operating profit/(loss)	570	435	146	228	475	726	624	237	(440)	3,001	2,977

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

During the year Wholesale Banking has realigned its financial disclosures to provide greater transparency. As a result the Trade and Lending businesses have been split; the 'Trade' business, with income of \$1,023 million in 2008 and \$699 million in 2007, is now reported together with 'Cash Management and Custody' which are part of 'Transaction

Banking'. The 'Lending' business, with income of \$551 million in 2008 and \$537 million in 2007, has been separated into 'Lending and Portfolio Management'. 'Global Markets' remains unchanged. An analysis of Wholesale Banking income by product is set out below:

Operating income by product	2008 \$million	2007 \$million
Lending and Portfolio Management	551	537
Transaction Banking	2,663	2,033
Global Markets*		
Financial Markets	2,365	1,323
Asset and Liability Management ('ALM')	912	496
Corporate Finance	745	454
Principal Finance	253	400
Total Global Markets	4,275	2,673
Total operating income	7,489	5,243

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

Financial Markets income by desk	2008 \$million	2007 \$million
Foreign Exchange	1,194	1,017
Rates	748	158
Commodities and Equities	141	49
Capital Markets	234	259
Credit and Other	48	(160)
Total Financial Markets operating income	2,365	1,323

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

Wholesale Banking had another strong year, with broad based income growth driven by continued client revenue momentum, which remains the cornerstone of a consistent and well executed strategy. Own account income also reported a significant increase reflecting strong ALM income growth, and the benefits from the recent investment in the capabilities of the Financial Markets teams who were well positioned to take advantage of the opportunities provided by high market volatility. Targeted investments in core strategic markets and products strengthened and broadened capabilities into the large geographies. This, together with the further acquisition of talent, has provided product depth and breadth to better meet customer needs.

Operating income grew \$2,246 million, or 43 per cent, to \$7,489 million. Net interest income was up \$1,092 million, or 53 per cent, to \$3,163 million while non-interest income was up \$1,153 million, or 37 per cent, to \$4,248 million. Client revenues represented 75 per cent of total income and were up 31 per cent on the previous year.

Operating expenses grew \$954 million, or 34 per cent, to \$3,768 million. Approximately a third of this increase was driven by staff expenses. The business continued to invest in skills and expertise, building in areas such as sales, trading and financial institutions teams. Flow through expenses from projects and new investments also drove up expenses together with increased property costs. In the light of market uncertainty Wholesale Banking reduced its expense run rate in the latter part of the year and second half expenses were some six per cent lower than the first half.

Working profit increased \$1,292 million, or 53 per cent, to \$3,721 million.

Loan impairment increased \$359 million to \$384 million reflecting the deteriorating economic environment. Most of the increased impairment came in the last quarter of the year notably in Korea, Hong Kong and Other Asia Pacific. The portfolio remains well diversified and is increasingly well collateralised.

Other impairment increased reflecting impairment on private equity investments of \$171 million, and on asset backed securities of \$41 million, and impairment provisions being taken against bonds of \$60 million and other strategic investments of \$55 million.

Operating profit increased \$654 million, or 28 per cent, to \$3,001 million.

Product performance

Lending and Portfolio Management income increased by \$14 million, or three per cent, to \$551 million. Gross lending was up 47 per cent year on year but was impacted by higher portfolio management costs in line with higher distribution activity.

Transaction Banking income increased by \$630 million, or 31 per cent, to \$2,663 million. The increase in income was driven by Trade, where income increased by 46 per cent, with strong growth in trade origination and improved margins as the business repriced to reflect the higher risk environment and tighter market liquidity. Cash management and custody income was up 23 per cent year on year, driven by a 24 per cent increase in volumes, more than offsetting the effects of reduced margins.

Global Markets' income increased by \$1,602 million, or 60 per cent, to \$4,275 million.

The Financial Markets business is primarily driven by client income. Financial Markets grew income \$1,042 million, or 79 per cent, to \$2,365 million with strong growth across most products. Foreign exchange income increased 17 per cent with growth being adversely impacted by provisions raised in relation to model and counterparty risk. Rates had an exceptional year in both sales and trading. Sales were driven higher by an increasing number of large transactions with corporates, notably in India, Korea and UAE. Enhanced risk management practices, correct positioning on rate reductions, and gains from government bonds all helped drive income higher.

ALM income grew 84 per cent from \$496 million to \$912 million benefitting from strategic positioning in late 2007 coupled with timely re-investment in 2008 to maximise accruals from steepening yield curves.

Corporate Finance income was up 64 per cent with strong revenue growth across all products. Much of the growth was fuelled by Corporate Advisory with income more than doubling, driven by a number of landmark deals in South Asia.

Principal Finance income was down 37 per cent year on year due to adverse mark to market valuations as a result of distressed global equity markets.

Geographic segment performance

In Hong Kong, income was up \$234 million, or 27 per cent, to \$1,104 million. Client revenue was up 23 per cent and comprised over 85 per cent of total income. Transaction Banking grew \$45 million, or 11 per cent, as strong volume growth more than offset the impact of reduced margins in a lower rate environment. Operating expenses grew \$83 million, or 24 per cent, to \$430 million. Expenses were driven higher by increased variable compensation for Global Markets staff and also by an increase in headcount. Investment expenditure also increased along with premises and infrastructure expenses. Working profit was up \$151 million, or 29 per cent, to \$674 million. Loan impairment grew \$80 million, from a net recovery of \$3 million in 2007. This was primarily due to deterioration in the local corporate and middle market segments. Other impairment of \$27 million reflects provisions for strategic investments. Operating profit was up \$44 million, or eight per cent, to \$570 million.

In Singapore, income grew \$387 million, or 92 per cent, to \$808 million. Own account had a very strong year delivering exceptional income growth as ALM and fixed income trading were able to take advantage of volatile market conditions. Client income increased 50 per cent with interest rate derivative sales, foreign exchange and debt capital markets all performing well. Operating expenses grew \$109 million, or 46 per cent, to \$348 million. The main driver of the increase was staff expenses and investment in specialist teams in areas such as commodities, options and interest rate derivatives, as well as variable compensation and investment expenses. Working profit grew \$278 million, or 153 per cent, to \$460 million. Loan impairment was down \$6 million, to a net recovery of \$5 million and was reflective of strong risk management processes. Other impairment of \$30 million represents provisions made against private equity investments. Operating profit was up \$254 million, or 140 per cent, to \$435 million.

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

In Malaysia, income was up \$66 million, or 36 per cent, to \$250 million. Income growth was driven by structured finance, foreign exchange and derivative sales. Interest rate derivatives also performed strongly particularly in the first half of the year, bolstered by good volumes. Own account was also higher with ALM and foreign currency trading making strong contributions. Operating expenses grew \$15 million, or 22 per cent, to \$84 million. Expenses were driven higher by higher staff costs from variable compensation and from investment costs. Working profit was up \$51 million, or 44 per cent, to \$166 million. The continued net recovery position reflects strong risk management and collections efforts. Other impairment was up \$21 million as provisions were made against private equity investments. Operating profit was up \$28 million, or 24 per cent, to \$146 million.

In Korea the business had a good year. Income was up \$141 million, or 34 per cent, to \$559 million. On a constant currency basis income rose 55 per cent. The weakening of the won provided opportunities to drive significant income gains on foreign exchange and derivatives sales. In the latter half of the year interest rate derivative sales also made strong advances as prevailing interest rates moved favourably. Income benefitted from recoveries of \$4 million on assets that had been fair valued at acquisition, though this was down \$28 million from 2007. Income also benefitted from a \$32 million credit to income from the economic hedges of the mortgage portfolio, as compared to an adverse charge in 2007 of \$53 million. Income was also adversely impacted by a \$118 million reversal of income relating to foreign exchange option contracts. Operating expenses were down \$10 million, or four per cent, to \$229 million. On a constant currency basis, expenses rose 13 per cent. Expenses were driven higher by staff and premises costs though these were significantly offset by a retirement plan release arising from a curtailment. Working profit was up \$151 million, or 84 per cent, to \$330 million. On a constant currency basis, working profit rose 109 per cent. Loan impairment was up \$104 million, from a net recovery of \$2 million in 2007. This was driven up \$79 million by provisions raised in respect of corporate customers who are disputing the terms of certain foreign exchange related transactions. Operating profit was up \$47 million, or 26 per cent, to \$228 million. On a constant currency basis, operating profit rose 43 per cent.

In Other Asia Pacific, income was up \$377 million, or 40 per cent, to \$1,310 million. Strong Transaction Banking income growth was driven off deposit growth, improved margins and fee income. In Thailand the loosening of capital control measures allowed increases in currency and interest rate product sales to grow income. Income in Taiwan benefitted from recoveries of \$21 million on assets that had been fair valued at acquisition, up \$18 million from 2007. China, Indonesia and Vietnam all saw an increase in foreign exchange and derivative sales. In China income was up 29 per cent to \$489 million. Operating expenses in Other Asia Pacific were up \$185 million, or 42 per cent, to \$630 million. Expenses across all countries were driven higher by staff and premises costs and investments. In China operating expenses were up 40 per cent to \$229 million. Working profit across the region was up \$192 million, or 39 per cent, to \$680 million. Loan impairment was up \$116 million from \$10 million in 2007. Loan impairment increased in Indonesia from exposure to the steel sector and in Taiwan against electronic and computer manufacturers. Loan impairment in China was up \$12 million to \$13 million. Other impairment in Other Asia Pacific was up \$79 million as

provisions were made against private equity investments; \$70 million of this increase relates to China. Operating profit was down \$3 million, or one per cent, to \$475 million, of which \$177 million came from China.

In India, income was up \$217 million, or 24 per cent, to \$1,116 million. Client revenues drove income growth. Corporate Finance and advisory transactions performed very strongly and higher foreign exchange and derivatives sales also contributed. Cash management benefitted from higher balances. There was strong growth in all customer segments led by local corporates where income grew 91 per cent. Own account performed well driven by Trading and ALM offset by lower Principal Finance. Operating expenses were up \$69 million, or 27 per cent, to \$329 million. Staff and premises related costs contributed to an increase in expenses. Working profit was up \$148 million, or 23 per cent, to \$787 million. Loan impairment was up \$31 million, or 238 per cent, to \$44 million. This increase in impairment reflects a general worsening in economic conditions, with the greatest impact in the middle market customer segment. Other impairment was up \$17 million as provisions were made against private equity and strategic investments. Operating profit was up \$100 million, or 16 per cent, to \$726 million.

In MESA, income was up \$358 million, or 53 per cent, to \$1,034 million. Client revenues increased by 33 per cent and own account revenues also grew strongly. Islamic banking income grew by over 60 per cent. UAE led income growth in MESA with an overall increase of 84 per cent, driven by lending, corporate finance and trade. Pakistan delivered income growth of eight per cent. This was driven by good growth in both the customer and own account areas. Operating expenses in MESA were up \$104 million, or 35 per cent, to \$403 million driven by staff and investment expenditure. Working profit was up \$254 million, or 67 per cent, to \$631 million. Loan impairment was down \$7 million, or 50 per cent, to \$7 million. Operating profit in MESA was up \$261 million, or 72 per cent, to \$624 million.

In Africa, income was up \$80 million, or 16 per cent, to \$565 million. Operating income growth was client led, up 29 per cent, and now forms 78 per cent of total income. This growth was driven by treasury products and in particular Financial Market sales and Corporate Finance, where combined revenue grew \$71 million, or 40 per cent, to \$250 million. Nigeria saw good income growth of 23 per cent, driven by Financial Market sales and Corporate Finance. In Ghana, Botswana, Uganda and Zambia, the combined income grew 19 per cent. Transaction Banking revenue across the region grew by 17 per cent with trade finance up over 40 per cent. Operating expenses in Africa were up \$70 million, or 29 per cent, to \$314 million. Working profit was up \$10 million, or four per cent, to \$251 million. Loan impairment was up \$4 million, or 40 per cent, to \$14 million. Operating profit was up \$8 million, or three per cent, to \$237 million.

In Americas, UK & Europe, the impact of the AEB acquisition was material and is covered on page 19. Income on an underlying basis increased by \$116 million, or 32 per cent, to \$473 million. Growth in client revenues in fixed income sales was strong, up 23 per cent, and Corporate Advisory and Structured Finance up 75 per cent. ALM also performed well taking advantage of declining interest rates. The income growth was, however, offset by higher credit loss provisions. Underlying expenses grew \$123 million, or 18 per cent, to \$795 million, reflecting continued investment in the region, amortisation of intangibles relating to the acquisitions of

Standard Chartered PLC – Financial review continued

Wholesale Banking continued

Harrison Lovegrove and Pembroke, and increased depreciation on aircraft leases in respect of the Pembroke business. Loan impairment charges increased \$28 million from a net recovery position of \$15 million in 2007. Other impairment charges increased by \$107 million to \$162 million. This was due to provisions taken for impairment on debt securities, private equity and strategic investments. Impairment on asset backed securities was up \$6 million to \$41 million. The underlying operating loss increased from \$355 million to \$497 million.

Acquisitions

The Group made a number of acquisitions in 2007 and 2008. The only acquisition to materially impact the results of the Group was on 29 February 2008, when the Group completed the purchase of AEB from American Express Company. In relation to the acquisition of AEB, the Group and American Express Company also entered into a put and call option, exercisable after 18 months from the acquisition of AEB, under which American Express Company can sell and the Group can purchase 100 per cent of American Express International Deposit Company at its net asset value at the time that option is exercised.

Amalgamation of AEB is complete in 47 of the 48 countries in which AEB and the Group operates, rebranding work is finished as is the majority of the technology migration work. Approximately 70 per cent of AEB's income and expenses is shown in the Americas, UK & Europe geographic segment, 13 per cent of income and expenses in Singapore and approximately ten per cent of income and expenses in Hong Kong. AEB total income was \$552 million, of which \$270 million, or 49 per cent, was in Consumer Banking, predominantly in the Private Bank. There was some downwards pressure on income in the latter part of the year as both fund values and AUM reduced, adversely impacting client income. This was partially offset by an increase in liability balances as, against a backdrop of falling equity markets, customers moved a higher proportion of their assets into cash. Wholesale Banking derived \$282 million of income from AEB, 82 per cent of which was in Transaction Banking products. In the second half, Transaction Banking income reduced as trade volumes fell and margins compressed. ALM income was also down in the latter part of the year as, in increasingly uncertain market conditions, the risk profile was reduced.

Operating expenses were \$603 million, and included integration, amalgamation and restructuring expenses of \$157 million. Expense synergies delivered were approximately \$60 million.

Impairment of \$74 million is predominantly against impaired collateral provided by Private Banking clients where sharp falls in collateral values have resulted in a shortfall against lending assets. The operating loss of \$124 million was slightly more than our expectation.

The effects of the following acquisitions were not material to the 2008 results of the Group.

The acquisitions of Pembroke Group Limited ('Pembroke'), Harrison Lovegrove & Co. Limited ('Harrison Lovegrove') and A Brain Co. Limited ('A Brain') were completed on 5 October 2007, 3 December 2007 and 5 December 2007 respectively. The Group acquired the remaining share of A Brain Co. Limited ('A Brain') on 21 January 2008.

On 11 January 2008, the Group completed the acquisition of a 49 per cent joint venture interest in UTI Securities Limited ('UTI'), an equity brokerage firm in India. On 12 December, the Group exercised its option to acquire a further 25.9 per cent, which increased the Group's investment to 74.9 per cent. This is currently accounted as a joint venture and the Group has the option to obtain full control by acquiring the balance of 25.1 per cent in 2010.

On 25 February 2008, the Group completed the acquisition of a mutual savings bank, Yeahreum Mutual Savings Bank ('Yeahreum'), in Korea.

On 27 December 2008, the Group completed the acquisition of the 'good bank' portion of Asia Trust International Corporation ('ATIC') in Taiwan.

In September 2008, the Group received regulatory approval to exercise its nil cost option to convert the \$4 million of convertible preference shares it holds into equity of First Africa, which, when exercised, would give the Group an equity shareholding of 65 per cent. Following such conversion, the Group will also exercise its call option over the remaining 35 per cent of the company. Both these transactions are expected to complete in the first quarter of 2009. As the conversion options are currently exercisable, the Group has consolidated First Africa from September 2008 in line with the requirements of IAS 27.

Standard Chartered PLC – Risk review

Risk overview

2008 was a turbulent year in global financial markets. Despite this volatility, the Group's balance sheet and liquidity position remained strong and Standard Chartered is prepared to deal with the challenges arising from global recessionary conditions. The Group has taken pre-emptive action to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing. These actions will not immunise the Group from the effects of a cyclical downturn in its core markets, but should mitigate their impact.

The Group's position at the end of 2008 is marked by several key factors. The Group has low exposure to higher-risk asset classes, and has maintained vigilance and discipline in responding to the challenging environment. It also has a diversified portfolio across countries, products and customer segments; disciplined liquidity management; a well-established risk governance structure; and an experienced senior team.

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

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

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

The Group's liquidity has been further strengthened by good inflows of customer deposits, resulting in a strong advances-to-deposit ratio. Liquidity will continue to be deployed to support growth opportunities in Standard Chartered's chosen markets. The Group manages its liquidity prudently in all geographical locations and for all currencies and continues to be a net provider of liquidity to the interbank money markets.

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

The Group invested considerable effort preparing for the introduction of the Basel II capital adequacy framework by refining analytical tools, ensuring data quality, improving data infrastructure and strengthening processes. These enhanced capabilities and the resultant management information are

being leveraged to inform further the Group's business, risk and capital management decisions.

Risk performance review

For much of 2008, the credit environment remained broadly stable in most of the Group's core markets. However, towards the end of the year there were signs of strain appearing in some of those markets as the global financial crisis began to adversely affect economic activity.

In Consumer Banking, portfolio delinquencies and loan impairment charges remained consistent with normal performance given the Group's product mix and the maturity profile of the portfolios. However, in the fourth quarter there was an increase in delinquency rates in certain portfolios. In countries such as India, Malaysia and UAE, which have seen rapid growth in consumer debt over the last few years, impairment rates in unsecured products such as Cards and Personal Loans began to increase. There was an increase in impairment rates of unsecured portfolios in Hong Kong and Korea, driven by a rise in personal bankruptcy petitions. The performance of SME portfolios in Hong Kong, Korea, Taiwan and China has deteriorated as economic activity has slowed. The performance of Residential Mortgages remained stable.

The Wholesale Banking portfolio remained sound. Problem credits and consequent impairment charges increased in the fourth quarter from historical lows but still remain below cyclical averages. Recoveries and releases continued to be achieved albeit at lower levels than in 2007 due to a lower stock of problem accounts. The increase in impairment charges can be partly attributed to the cyclical slowdown being experienced in some countries, particularly in the manufacturing sector. In addition, the unusual levels of volatility in financial markets have resulted in a limited number of customer defaults and disputes related to derivative contracts. The impact of financial institution failures to date has been limited.

Severe dislocation of the asset backed securities ('ABS') market continued to affect the Group's ABS portfolio. A framework is in place to identify and proactively manage ABS assets that show signs of stress. The overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. The net exposure to ABS represents less than one per cent of total Group assets and had limited impact on the Group's performance.

Market risk is tightly monitored using Value at Risk ('VaR') methodologies complemented by sensitivity measures, gross nominal limits and management action triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements. VaR rose in 2008 primarily as a consequence of increased market volatility across global markets.

The integration of American Express Bank into the Group's risk control frameworks and processes is now well underway and is progressing to plan.

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

Standard Chartered PLC – Risk review continued

Risk performance review continued

Principal risks and uncertainties

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

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

Macroeconomic conditions in footprint countries

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

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

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

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

Changes in government and regulatory policy

A key uncertainty for the Group relates to the way in which governments and regulators will adjust their economic policies, laws and regulations in response to macroeconomic and other systemic conditions. Such changes may be wide-ranging and influence the volatility and liquidity of financial markets, as well as the ability and willingness of customers to repay their loans. These effects may directly or indirectly impact the Group's financial performance. For example, history has shown that changes in bankruptcy laws may affect customers' willingness to repay. Standard Chartered plays an active role, through its participation in industry forums, in the development of relevant laws and regulatory policies in its key markets.

Financial markets dislocation

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

potential losses incurred by certain customers as a result of derivative contracts could lead to an increase in customer disputes and corporate defaults.

Instability in the financial services industry

The availability of liquidity and capital to financial institutions represents a material counterparty risk. Availability depends on the underlying strength and performance of each institution and, just as importantly, on the market perception of that institution at any given point in time. It remains possible that some institutions will experience tighter liquidity conditions. Government action has reduced the systemic risk, but the impact on the financial services industry of ongoing uncertainty in the broader economic environment means that the risk nevertheless remains. The Group continues to monitor closely the performance of its financial institutions customers and counterparties, taking action to mitigate risks as appropriate.

Reduced access to funding

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

Exchange rates

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

There have been significant movements in currency exchange rates in some of the Group's key markets over the past year and Standard Chartered expects to continue to be exposed to such fluctuations in the coming year. The table on page 22 sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for 31 December 2007 and 31 December 2008.

Standard Chartered PLC – Risk review continued

	Year ended 31.12.08	Year ended 31.12.07
Indian rupee		
Average	43.50	41.08
Period end	48.65	39.39
Korean won		
Average	1,101.82	928.24
Period end	1,259.91	936.31
Singapore dollar		
Average	1.42	1.51
Period end	1.44	1.44

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

Risk management

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

Risk management framework

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

Through its risk management framework the Group manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within its risk appetite

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

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

Risk governance

Ultimate responsibility for setting the Group's risk appetite and for the effective management of risk rests with the Board of Standard Chartered PLC ('the Board'). Executive responsibility for risk management is delegated to the Standard Chartered Bank Court ('the Court') which comprises the Group executive directors and other directors of Standard Chartered Bank.

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

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

Members of the Court are also members of both the GRC and GALCO. The GRC is chaired by the Group chief risk officer. The GALCO is chaired by the Group finance director.

Acting within an authority delegated by the Board, the Audit and Risk Committee ('ARC'), whose members are all non-executive directors of the Company, reviews specific risk areas and monitors the activities of the GRC and GALCO. The ARC receives regular reports on risk management, including the Group's portfolio trends, policies and standards, adherence with internal controls, regulatory compliance, liquidity, capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

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

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

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

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

Standard Chartered PLC – Risk review continued

Risk governance continued

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

The Risk function performs the following core activities:

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

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

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

Risk appetite

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

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

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

The GRC is responsible for ensuring that the Group's risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing

Stress testing and scenario analysis are used to assess the financial and management capability of the Group to continue

operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors.

The Group has a stress testing framework designed to:

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

A stress testing forum is led by the Risk function with participation from the businesses, Finance and Group Treasury. Its primary objective is to ensure that the Group understands the earnings and capital implications of specific stress scenarios. The stress testing forum generates and considers pertinent and plausible scenarios that have the potential to affect the Group adversely.

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

Business stress testing themes such as high inflation, low inflation or declines in asset values are coordinated by the stress testing forum to ensure consistency of impacts on different risk types or countries. Specific stress tests for country or risk type are also performed. Examples of risk type stress testing are covered in the section on Market risk.

Credit risk

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

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

Credit policies

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

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

Credit rating and measurement

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

Standard Chartered PLC – Risk review continued

Credit risk continued

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

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

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

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

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

Credit approval

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

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

Concentration risk

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

product and country in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating.

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

Credit monitoring

The Group regularly monitors credit exposures and external trends which may impact risk management outcomes.

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

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

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

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

The SME business is managed within Consumer Banking in two distinct segments: Small Businesses, and Medium Enterprises, differentiated by the annual turnover of the counterparty. Medium Enterprise accounts are monitored in line with Wholesale Banking procedures, while Small Business accounts are monitored in line with other Consumer Banking accounts.

Credit mitigation

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

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

Standard Chartered PLC – Risk review continued

Credit risk continued

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

Certain credit exposures are mitigated using credit default insurance.

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

Traded Products

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

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

For derivative contracts, the Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

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

Securities

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

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

The Underwriting Committee approves individual proposals for the underwriting of new corporate security issues. Where an underwritten security is held for a period longer than the target sell-down period, decision making authority on the sale price moves to the Risk function.

Standard Chartered PLC – Risk review continued

Loan portfolio

Loans and advances to customers have grown by \$21.5 billion to \$178.5 billion.

Compared to 2007, the Consumer Banking portfolio in 2008 has declined by \$1.6 billion mainly due to currency depreciation in Korea, Malaysia, India and Pakistan.

The mortgage portfolios in Singapore and Hong Kong have grown by \$1.4 billion and \$1.1 billion respectively, driven by customer refinancing due to competitive pricing and focused sales targeting at wealth management customers. In Korea, the mortgage portfolio grew by two per cent in local currency terms, although the significant depreciation of the Korean won during 2008 led to an overall reduction in the value of the portfolio of \$5.5 billion, or 24 per cent.

Growth in the Wholesale Banking customer portfolio was \$23.2 billion, or 31 per cent. Over 18 per cent of that growth was in Other Asia Pacific, widely spread across a number of countries. The growth in Americas, UK and Europe was driven by an

increase in credit facilities extended to customers to support the business they do elsewhere in the Group's network.

Exposures to banks grew by 27 per cent. This reflects the Group's strong liquidity position, with much of that liquidity placed with high quality bank counterparties. The growth was primarily in Asia Pacific.

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

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

	2008									
	Asia Pacific					India \$million	Middle East & S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Loans to individuals										
Mortgages	12,977	6,044	2,114	17,120	6,672	1,447	891	171	131	47,567
Other	2,826	3,529	1,077	4,383	4,312	910	2,742	564	1,106	21,449
Small and medium enterprises	1,288	1,754	842	3,603	1,818	1,093	710	170	370	11,648
Consumer Banking	17,091	11,327	4,033	25,106	12,802	3,450	4,343	905	1,607	80,664
Agriculture, forestry and fishing	27	65	41	34	152	34	106	383	562	1,404
Construction	142	81	41	367	383	305	823	40	143	2,325
Commerce	2,150	2,685	397	964	3,136	749	4,150	725	2,395	17,351
Electricity, gas and water	453	15	79	93	453	34	242	71	1,246	2,686
Financing, insurance and business services	3,455	2,303	418	427	2,570	533	3,329	453	12,075	25,563
Governments	–	366	2,240	–	1,240	–	383	26	427	4,682
Mining and quarrying	–	355	1	26	173	104	257	194	4,710	5,820
Manufacturing	2,756	1,153	534	3,475	7,332	2,255	1,864	598	4,892	24,859
Commercial real estate	1,353	1,265	3	787	1,242	332	526	10	839	6,357
Transport, storage and communication	470	366	190	356	731	121	1,218	220	2,113	5,785
Other	168	415	8	217	395	12	319	48	85	1,667
Wholesale Banking	10,974	9,069	3,952	6,746	17,807	4,479	13,217	2,768	29,487	98,499
Portfolio impairment provision	(61)	(47)	(30)	(89)	(198)	(66)	(84)	(31)	(45)	(651)
Total loans and advances to customers	28,004	20,349	7,955	31,763	30,411	7,863	17,476	3,642	31,049	178,512
Total loans and advances to banks	18,963	9,283	411	1,594	4,790	291	1,504	587	10,523	47,946

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

Standard Chartered PLC – Risk review continued

2007

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

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

Standard Chartered PLC – Risk review continued

Maturity analysis

Approximately 52 per cent of the Group's loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short-term, with 72 per cent of loans having a contractual maturity of one year or less. In Consumer Banking, 59 per cent of the portfolio is in the mortgage book, traditionally longer term in nature and well secured.

Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

The following tables show the maturity of loans and advances to customers by each principal category of borrower's business or industry:

	2008			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	2,357	6,883	38,327	47,567
Other	11,575	7,118	2,756	21,449
Small and medium enterprises	6,780	2,653	2,215	11,648
Consumer Banking	20,712	16,654	43,298	80,664
Agriculture, forestry and fishing	1,008	259	137	1,404
Construction	1,943	356	26	2,325
Commerce	15,732	1,477	142	17,351
Electricity, gas and water	1,108	345	1,233	2,686
Financing, insurance and business services	19,057	6,026	480	25,563
Governments	4,476	43	163	4,682
Mining and quarrying	3,238	1,449	1,133	5,820
Manufacturing	18,300	5,293	1,266	24,859
Commercial real estate	2,186	4,064	107	6,357
Transport, storage and communication	2,988	1,743	1,054	5,785
Other	1,271	337	59	1,667
Wholesale Banking	71,307	21,392	5,800	98,499
Portfolio impairment provision				(651)
				178,512
	2007			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	3,490	8,027	38,856	50,373
Other	8,941	7,325	1,883	18,149
Small and medium enterprises	8,028	3,494	2,218	13,740
Consumer Banking	20,459	18,846	42,957	82,262
Agriculture, forestry and fishing	1,332	227	42	1,601
Construction	1,128	249	44	1,421
Commerce	11,585	1,066	234	12,885
Electricity, gas and water	1,727	398	654	2,779
Financing, insurance and business services	12,073	2,054	502	14,629
Governments	7,618	86	105	7,809
Mining and quarrying	1,515	1,029	910	3,454
Manufacturing	15,603	3,128	1,174	19,905
Commercial real estate	2,761	1,510	27	4,298
Transport, storage and communication	2,373	980	998	4,351
Other	1,704	348	71	2,123
Wholesale Banking	59,419	11,075	4,761	75,255
Portfolio impairment provision				(535)
				156,982

Standard Chartered PLC – Risk review continued

Problem credit management and provisioning

Consumer Banking

Within Consumer Banking an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Group follows industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

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

A portfolio impairment provision ('PIP') is held to cover the inherent risk of losses which, although not specifically identified,

are known through experience to be present in the loan portfolio. PIP is calculated with reference to past flow-rate and recovery rate experience, and is adjusted to take account of a number of forward looking factors. These include the economic and business environment in the Group's markets, and trends in a range of portfolio indicators such as portfolio loss severity, collections and recovery performance trends.

The procedures for managing problem credits for the Medium Enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 30). For unsecured loans to Small Businesses within the SME segment, the problem credit management process is similar to that of other unsecured products in Consumer Banking.

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

The table below sets out the total non-performing loans in Consumer Banking, which includes \$543 million (2007: \$655 million) of individual impairment provisions. The increase in the non-performing loans reflects the deterioration in delinquency rates in certain portfolios in the fourth quarter of 2008.

	2008									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	85	65	164	287	437	49	170	35	95	1,387
Individual impairment provision	(39)	(18)	(41)	(76)	(250)	(10)	(71)	(12)	(26)	(543)
Non-performing loans net of individual impairment provision	46	47	123	211	187	39	99	23	69	844
Portfolio impairment provision										(449)
Net non-performing loans and advances										395
Cover ratio										72%

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

Standard Chartered PLC – Risk review continued

Consumer Banking continued

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

2008										
	Asia Pacific					India \$million	Middle East & S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Gross impairment charge	135	39	85	165	357	110	197	27	64	1,179
Recoveries/provisions no longer required	(37)	(26)	(43)	(16)	(87)	(28)	(25)	(11)	(8)	(281)
Net individual impairment charge	98	13	42	149	270	82	172	16	56	898
Portfolio impairment provision										39
Net impairment charge										937

2007										
	Asia Pacific					India \$million	Middle East & S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Gross impairment charge	98	45	108	114	468	91	153	23	–	1,100
Recoveries/provisions no longer required	(42)	(31)	(63)	(18)	(95)	(26)	(39)	(9)	–	(323)
Net individual impairment charge	56	14	45	96	373	65	114	14	–	777
Portfolio impairment provision release										(41)
Net impairment charge										736

Wholesale Banking

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

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

Where it is considered that there is no realistic prospect of recovering an element of an exposure against which an

impairment provision has been raised, then that amount will be written off.

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

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio is impacted by a number of large downgrades where recovery of principal is expected and so a low level of provision has been raised, in accordance with IAS 39. The balance uncovered by individual impairment provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

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

Standard Chartered PLC – Risk review continued

Wholesale Banking continued

	2008									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Loans and advances										
Gross non-performing	201	3	16	193	517	61	241	80	308	1,620
Individual impairment provision	(125)	(2)	(16)	(78)	(298)	(34)	(99)	(42)	(87)	(781)
Non-performing loans net of individual impairment provision	76	1	–	115	219	27	142	38	221	839
Portfolio impairment provision										(208)
Net non-performing loans and advances										631
Cover ratio										61%

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

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

	2008									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Gross impairment charge	94	–	–	89	118	35	6	8	44	394
Recoveries/provisions no longer required	(20)	(3)	(2)	–	(14)	(5)	(7)	(9)	(29)	(89)
Net individual impairment (credit)/charge	74	(3)	(2)	89	104	30	(1)	(1)	15	305
Portfolio impairment provision										79
Net impairment charge										384

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

Standard Chartered PLC – Risk review continued

Movement in Group individual impairment provision

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

	2008									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Provisions held at 1 January 2008	74	44	59	137	564	44	197	66	88	1,273
Exchange translation differences	1	–	(3)	(43)	(21)	(10)	(28)	(9)	(3)	(116)
Amounts written off	(94)	(48)	(53)	(156)	(397)	(114)	(178)	(17)	(62)	(1,119)
Recoveries of acquisition fair values	–	–	–	(19)	(55)	–	(4)	–	–	(78)
Recoveries of amounts previously written off	31	15	16	2	72	23	12	–	9	180
Acquisitions	–	–	–	3	28	–	–	–	15	46
Discount unwind	(3)	(1)	(2)	(9)	(22)	(1)	(1)	(1)	–	(40)
Other	–	–	–	10	5	(1)	1	–	(5)	10
New provisions	213	39	85	245	475	136	203	33	109	1,538
Recoveries/provisions no longer required	(58)	(29)	(45)	(16)	(101)	(33)	(32)	(18)	(38)	(370)
Net charge against profit	155	10	40	229	374	103	171	15	71	1,168
Provisions held at 31 December 2008	164	20	57	154	548	44	170	54	113	1,324

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

Standard Chartered PLC – Risk review continued

Asset backed securities

Total exposures to asset backed securities

The Group had the following exposures to asset backed securities:

	31 December 2008				31 December 2007		
	Percentage of notional value of portfolio	Notional \$million	Carrying values \$million	Fair* value \$million	Percentage of Portfolio	Notional \$million	Carrying/ fair values \$million
Residential Mortgage Backed Securities ('RMBS')							
- US Alt-A	2%	84	57	35	2%	96	88
- US Prime	–	2	1	–	–	2	2
- Other	23%	1,024	969	858	31%	1,825	1,798
Collateralised Debt Obligations ('CDOs')							
- Asset Backed Securities	5%	208	32	30	5%	291	126
- Other CDOs	9%	379	306	225	7%	419	392
Commercial Mortgage Backed Securities ('CMBS')							
- US CMBS	3%	147	129	92	3%	159	154
- Other	15%	671	525	466	16%	979	939
Other Asset Backed Securities ('Other ABS')	43%	1,935	1,740	1,551	36%	2,085	2,015
	100%	4,450	3,759	3,257	100%	5,856	5,514

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

The carrying value of asset backed securities represents 0.9 per cent (31 December 2007: 1.7 per cent) of the Group's total assets.

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities which have been subject to an impairment charge, 81 per cent of the overall portfolio is rated A, or better, and 67 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market.

25 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA+. 58 per cent of the residential mortgage exposures were originated in 2005 or earlier.

14 per cent of the overall portfolio is in CDOs. This includes \$208 million of exposures to Mezzanine and High Grade CDOs of ABS, of which \$173 million have been impaired.

The remainder of the CDOs have a weighted average credit rating of AA+.

18 per cent of the overall portfolio is in CMBS, of which \$147 million is in respect of US CMBS with a weighted average credit grade of AAA. The weighted average credit rating of the Other CMBS is AA.

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

Following an amendment to IAS 39 in 2008, the Group reclassified certain of its asset backed securities from trading and available-for-sale to loans and receivables. The securities were reclassified at their fair value on the date of reclassification. The impact of these reclassifications on the Group's profit and loss account and available-for-sale reserve for 2008 is set out in note 11 on page 54.

Writedowns of asset backed securities

	Trading \$million	Available-for-sale \$million	Total \$million
31 December 2008			
Charge to available-for-sale reserves	–	(309)	(309)
Charge to the profit and loss account	(74)	(90)	(164)
31 December 2007			
Charge to available-for-sale reserves	–	(83)	(83)
Charge to the profit and loss account	(44)	*(122)	(166)

* Excludes \$116 million loss incurred on the exchange of capital notes held in Whistlejacket.

Standard Chartered PLC – Risk review continued

Country risk

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

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

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

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

Cross border exposure to several of the Group's key markets has risen significantly year on year. This reflects the Group's

focus and continued expansion in its core countries and the execution of underlying business strategies in these key markets. This is demonstrated by the overall exposure increases across various businesses in China, India, Hong Kong, Singapore and UAE.

Cross border exposure to the US has increased as overnight positions have grown in support of the Group's enhanced clearing capabilities following the acquisition and integration of American Express Bank. In Korea, a significant portion of the overall exposure increase is due to mark-to-market increases on existing derivative positions, driven by volatility in currency exchange rates and interest rates.

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

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

	2008			2007		
	One year or less \$million	Over one year \$million	Total \$million	One year or less \$million	Over one year \$million	Total \$million
US	12,839	5,449	18,288	8,622	5,835	14,457
Korea	8,803	7,040	15,843	6,617	4,299	10,916
India	8,806	6,862	15,668	6,228	3,667	9,895
Hong Kong	9,481	4,136	13,617	7,681	3,043	10,724
Singapore	9,715	3,003	12,718	5,490	1,700	7,190
United Arab Emirates	5,989	4,546	10,535	4,600	3,004	7,604
China	4,480	3,292	7,772	3,634	2,041	5,675
France	3,071	1,835	4,906	2,142	1,001	3,143

Standard Chartered PLC – Risk review continued

Market risk

Standard Chartered recognises market risk as the risk of loss resulting from changes in market prices and rates. The Group is exposed to market risk arising principally from customer-driven transactions. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

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

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

Value at Risk ('VaR')

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

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent.

This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

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

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

Back testing

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

Stress testing

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

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

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books.

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

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

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

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

Market risk changes

Trading, non-trading and total VaR continued to rise in 2008 as a consequence of rising market volatility across the wider global markets. The one year observation period applied for VaR increasingly reflected the increased volatility.

The acquisition of American Express Bank in 2008 increased Group VaR by \$1.1 million.

From 2008, reported Group VaR reflects adjustments made for the inclusion of credit spread VaR arising from non-trading book activity, and the exclusion of structural Group Treasury debt capital issuance positions.

Standard Chartered PLC – Risk review continued

Market risk continued

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

	2008				2007			
	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million
Daily value at risk								
Interest rate risk*	25.1	37.6	14.2	36.7	12.2	19.6	7.0	17.1
Foreign exchange risk	6.0	8.7	3.3	4.8	3.2	7.2	1.7	4.4
Commodity risk	1.3	2.4	0.6	2.1	0.6	3.5	0.2	0.6
Equity risk	1.4	2.4	0.5	0.8	0.6	1.9	–	1.4
Total**	31.5 [^]	42.5 [^]	17.8	41.7	12.9	20.0	7.5	18.6

Trading (VaR at 97.5%, 1 day)

	2008				2007			
	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million
Daily value at risk								
Interest rate risk*	12.0	16.0	8.5	9.3	6.2	11.9	2.8	11.0
Foreign exchange risk	6.0	8.7	3.3	4.8	3.2	7.2	1.7	4.4
Commodity risk	1.3	2.4	0.6	2.1	0.6	3.5	0.2	0.6
Equity risk	1.4	2.4	0.5	0.8	0.6	1.9	–	1.4
Total**	14.2	20.6	9.2	9.8	7.0	12.5	3.5	12.5

* Interest rate risk VaR includes credit spread risk.

[^] Standard Chartered took an economic hedge against the GBP proceeds of the 2008 rights issue into US dollars. The foreign exchange hedge was excluded from VaR. Including it would result in a Group VaR of a peak level of \$71.1 million and average Group VaR for 2008 would have increased by \$1.3 million.

^{^^} This represents the actual one day VaR as at 31 December.

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

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

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

	2008 \$million	2007 \$million
Interest rate risk	3.4	2.3
Foreign exchange risk	5.1	3.0
Commodity risk	0.6	0.1
Equity risk	0.0	–
Total	9.1	5.4

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

	2008				2007			
	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million	Average \$million	High \$million	Low \$million	Actual ^{^^} \$million
Daily value at risk								
Interest rate risk*	19.8	39.6	10.6	38.8	9.5	16.8	6.5	14.7

* Interest rate risk VaR includes credit spread risk.

^{^^} This represents the actual one day VaR as at 31 December.

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

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

	2008 \$million	2007 \$million
Interest rate risk	3.2	1.7

Standard Chartered PLC – Risk review continued

Market risk continued

Market risk coverage

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

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

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

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

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

Equity risk relating to private equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. Equity share holdings are detailed in note 11.

Market risk regulatory capital

At Group level, the FSA specifies minimum capital requirements against market risk. The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate and foreign exchange risk in the trading book. In 2008 the scope was extended to include precious and base metals market risk. Positions outside the CAD2 scope are assessed according to standard FSA rules. At year end 2008 the Group's market risk regulatory capital requirement was \$735.2 million (2007: \$664.0 million).

Derivatives

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

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

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

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

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate customers. This is covered in more detail in the Credit risk section on page 24.

Hedging

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 partially mitigated by the fact that both the underlying net asset value of these investments and the risk weighted value of assets and contingent liabilities follow broadly the same exchange rate movements.

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

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

Liquidity risk

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

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

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

Standard Chartered PLC – Risk review continued

Liquidity risk continued

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

Policies and procedures

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

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

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

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

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

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

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

The Group has significant levels of marketable securities, principally government securities and bank paper, which can be realised, repo'd or used as collateral in the event that there is a need for liquidity in a crisis. In addition, each country and the Group maintain a liquidity crisis management plan which is reviewed and approved annually. The liquidity crisis

management plan lays out trigger points and actions in the event of a liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

Primary sources of funding

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

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

Liquidity metrics

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

Advances to deposit ratio

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

	2008 \$m	2007 \$m
Loans and advances to customers*	178,512	156,982
Customer accounts*	238,591	182,596
	%	%
Advances to deposits ratio	74.8	86.0

* See note 11 on page 53.

Liquid asset ratio

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

	2008 %	2007 %
Liquid assets* to total assets ratio	23.1	23.9

* Liquid assets are the total of Cash (less restricted balances), net interbank, Treasury Bills and Debt securities less illiquid securities.

Standard Chartered PLC – Risk review continued

Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. Any of these risks could result in an adverse impact on the Group's financial condition and results of operations. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

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

Group Operational Risk is responsible for setting the Operational Risk policy, defining standards for measurement and for Operational Risk capital calculation. A Group Operational Risk Assurance function, separate from the businesses, is responsible for deploying and assuring the operational risk management framework, and for monitoring the Group's key operational risk exposures.

Regulatory risk

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

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

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

Reputational risk

Reputational risk is the risk of failure to meet the standards of performance or behaviours mandated by the Group and expected by stakeholders in the way in which business is conducted. It is Group policy that, at all times, the protection of the Group's reputation should take priority over all other activities, including revenue generation.

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

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

The GRRRC is responsible for alerting the Group to emerging or thematic reputational risks; for seeking to ensure that effective risk monitoring is in place for reputational risk; and for reviewing the mitigation plan for any significant reputational risk that arises.

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

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

Pension risk

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

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

Tax risk

Tax risk is any uncertainty of outcome regarding the Group's tax position.

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

Pillar 3

The full Pillar 3 disclosures will be made annually as at 31 December, and the 2008 disclosures will be published in April 2009 on the Standard Chartered PLC website www.standardchartered.com.

Standard Chartered PLC – Capital

Capital

Capital management

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

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

The capital plan takes the following into account:

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

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

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

Compliance with Capital Adequacy Regulations

The Group's lead supervisor is the FSA. The capital that the Group is required to hold by the FSA is determined by its balance sheet, off-balance sheet and market risk positions weighted according to the type of counterparty instrument and collateral held. Further detail on counterparty and market risk positions is included in the Risk Review section on pages 20 to 39.

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

The table on page 41 summarises the capital position of the Group. The principal forms of capital are included in the following balances on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital increased by \$1,328 million during the year. The rights issue completed in December 2008 increased ordinary share capital by \$2,680 million. The issuance of preference shares in May and September 2008 increased capital by \$925 million. Qualifying subordinated liabilities increased following the issue of £700 million, €400 million, KRW350 billion, SGD450 million and JPY10billion of Lower Tier 2 subordinated debt. The increase attributable to qualifying securities is offset by the repurchase of \$1,025 million Upper Tier 2 capital which took place in December 2008.

Basel II

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

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

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

The EU Capital Requirements Directive ('CRD') is the means by which Basel II has been implemented in the EU. EU Member States were required to bring implementing provisions into force by 1 January 2007. In the case of the provisions relating to advanced approaches for credit risk and operational risk, implementation commenced from 1 January 2008. In the UK the CRD is implemented by the FSA through its General Prudential Sourcebook ('GENPRU') and BIPRU.

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

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

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

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

Standard Chartered PLC – Capital continued

The GALCO targets Tier 1 and total capital ratios within a range of seven to nine per cent and 12 to 14 per cent respectively.

	Basel II		Basel I
	2008 \$million	2007 \$million	2007* \$million
Tier 1 capital:			
Called up ordinary share capital and preference shares	12,478	8,915	8,915
Eligible reserves**	11,191	11,502	11,382
Minority interests	228	271	271
Innovative Tier 1 securities	1,974	2,338	2,338
Less: restriction on innovative Tier 1 securities	–	–	–
Less: excess expected losses **	(483)	(221)	–
Goodwill and other intangible assets	(6,361)	(6,374)	(6,374)
Unconsolidated associated companies	–	–	283
Other regulatory adjustments	5	(17)	(19)
Total Tier 1 capital	19,032	16,414	16,796
Tier 2 capital:			
Eligible revaluation reserves	107	927	927
Portfolio impairment provision	251	153	536
Less: excess expected losses **	(483)	(221)	–
Qualifying subordinated liabilities:			
Perpetual subordinated debt	1,823	3,394	3,394
Other eligible subordinated debt	10,520	8,764	8,764
Less: amortisation of qualifying subordinated liabilities	(1,126)	(1,037)	(1,037)
Total Tier 2 capital	11,092	11,980	12,584
Investments in other banks	(431)	(136)	(136)
Other deductions	(251)	(144)	(511)
Total deductions from Tier 1 and Tier 2 capital	(682)	(280)	(647)
Total capital base	29,442	28,114	28,733
Risk weighted assets			
Credit risk	161,276	162,995	163,437
Operational risk	18,340	13,963	–
Market risk	9,205	8,396	8,396
Total risk weighted assets	188,821	185,354	171,833
Capital ratios			
Core Tier 1 capital	7.6%	6.6%	7.2%
Tier 1 capital	10.1%	8.8%	9.8%
Total capital ratio	15.6%	15.2%	16.7%
Core Tier 1 capital			
Total Tier 1 capital	19,032	16,414	16,796
Less:			
Innovative Tier 1 securities	(1,974)	(2,338)	(2,338)
Preference shares	(2,664)	(1,847)	(1,847)
Other deductions	–	–	(282)
Total core Tier 1	14,394	12,229	12,329

* Amounts have been restated as explained in note 36 on page 71.

** Excess expected losses are shown gross, and the tax benefit on excess losses is included in eligible reserves.

Standard Chartered PLC

Consolidated income statement

For the year ended 31 December 2008

	Notes	2008 \$million	2007 \$million
Interest income		16,378	16,176
Interest expense		(8,991)	(9,911)
Net interest income		7,387	6,265
Fees and commission income		3,420	3,189
Fees and commission expense		(479)	(528)
Net trading income	3	2,405	1,261
Other operating income	4	1,235	880
Total non-interest income		6,581	4,802
Operating income		13,968	11,067
Staff costs		(4,737)	(3,949)
Premises costs		(738)	(592)
General administrative expenses		(1,711)	(1,329)
Depreciation and amortisation	5	(425)	(345)
Operating expenses		(7,611)	(6,215)
Operating profit before impairment losses and taxation		6,357	4,852
Impairment losses on loans and advances and other credit risk provisions		(1,321)	(761)
Other impairment	6	(469)	(57)
Profit from associates		1	1
Operating profit		4,568	4,035
Rights issue option	7	233	-
Profit before taxation		4,801	4,035
Taxation	8	(1,290)	(1,046)
Profit for the year		3,511	2,989
Profit attributable to:			
Minority interests	28	103	148
Parent company shareholders		3,408	2,841
Profit for the year		3,511	2,989
Earnings per share:			
Basic earnings per ordinary share (cents) †	10	202.4	176.0
Diluted earnings per ordinary share (cents) †	10	201.3	174.2
Dividends per ordinary share †† :			
Interim dividend paid (cents)	9	19.30	17.38
Final proposed dividend* (cents)	9	42.32	42.27
		61.62	59.65
Total dividend:			
Interim dividend paid (\$ million)	9	364	324
Final proposed dividend* (\$ million)	9	801	793
		1,165	1,117

* The final dividend will be accounted for in 2009 as explained in note 9.

† As required by IAS 33 'Earnings per share' the impact of the bonus element included within the rights issue has been included within the calculation of the basic and diluted earnings per share for the year and prior periods have been re-presented on this basis.

†† Dividends per ordinary share have been restated for the impacts of the rights issue as explained in note 9.

Standard Chartered PLC

Consolidated balance sheet

As at 31 December 2008

	Notes	2008 \$million	2007* \$million
Assets			
Cash and balances at central banks		24,161	10,175
Financial assets held at fair value through profit or loss	12	15,425	22,958
Derivative financial instruments	13	69,657	26,204
Loans and advances to banks	14	46,583	35,365
Loans and advances to customers	14	174,178	154,266
Investment securities	16	69,342	55,274
Interests in associates		511	269
Goodwill and intangible assets		6,361	6,374
Property, plant and equipment		3,586	2,892
Current tax assets		764	633
Deferred tax assets		660	593
Other assets	18	20,374	11,011
Prepayments and accrued income		3,466	3,857
Total assets		435,068	329,871
Liabilities			
Deposits by banks	19	31,909	25,880
Customer accounts	20	234,008	179,760
Financial liabilities held at fair value through profit or loss	21	15,478	14,250
Derivative financial instruments	13	67,775	26,270
Debt securities in issue	22	23,447	27,137
Current tax liabilities		512	818
Deferred tax liabilities		176	33
Other liabilities	23	17,363	14,742
Accruals and deferred income		4,132	3,429
Provisions for liabilities and charges		140	38
Retirement benefit obligations	24	447	322
Subordinated liabilities and other borrowed funds	25	16,986	15,740
Total liabilities		412,373	308,419
Equity			
Share capital	26	948	705
Reserves	27	21,192	20,146
Total parent company shareholders' equity		22,140	20,851
Minority interests	28	555	601
Total equity		22,695	21,452
Total equity and liabilities		435,068	329,871

* Amounts have been restated as explained in note 36.

Standard Chartered PLC

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	Notes	2008 \$million	2007 \$million
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity		(2,794)	415
Transferred to income on repatriation of branch capital		—	(109)
Actuarial (losses)/gains on retirement benefit obligations	24	(229)	237
Available-for-sale investments:			
Net valuation (losses)/gains taken to equity		(738)	675
Transferred to income		(198)	(252)
Cash flow hedges:			
Net (losses)/gains taken to equity		(176)	57
Net gains transferred to income		(18)	(58)
Taxation on items recognised directly in equity		218	(99)
Net (expense)/income recognised in equity		(3,935)	866
Profit for the year		3,511	2,989
Total recognised income and expense for the year		(424)	3,855
Attributable to:			
Minority interests	28	(3)	196
Parent company shareholders	27	(421)	3,659
		(424)	3,855

Standard Chartered PLC

Consolidated cash flow statement

For the year ended 31 December 2008

	Notes	2008 \$million	2007 \$million
Cash flows from operating activities			
Profit before taxation		4,801	4,035
Adjustments for:			
Non-cash items included within income statement	29	1,762	1,259
Change in operating assets	29	(87,251)	(38,199)
Change in operating liabilities	29	105,810	53,102
Net return from defined benefit schemes		8	16
UK and overseas taxes paid, net of refunds		(1,400)	(1,097)
Net cash from operating activities		23,730	19,116
Net cash flows used in investing activities			
Purchase of property, plant and equipment		(1,431)	(471)
Disposal of property, plant and equipment		73	22
Acquisition of investment in subsidiaries, net of cash acquired		6,209	(85)
Disposal of investment in subsidiaries		159	-
Purchase of investment securities		(109,938)	(78,292)
Disposal and maturity of investment securities		97,756	74,457
Net cash used in investing activities		(7,172)	(4,369)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		2,753	861
Purchase of own shares		(76)	(15)
Exercise of share options through ESOP		9	39
Interest paid on subordinated liabilities		(718)	(737)
Gross proceeds from issue of subordinated liabilities		3,667	3,051
Repayment of subordinated liabilities		(1,436)	(505)
Dividends paid to minority interests and preference shareholders		(257)	(148)
Dividends paid to ordinary shareholders		(815)	(573)
Net cash from financing activities		3,127	1,973
Net increase in cash and cash equivalents		19,685	16,720
Cash and cash equivalents at beginning of year		55,338	38,161
Effect of exchange rate movements on cash and cash equivalents		(1,324)	457
Cash and cash equivalents at end of year	30	73,699	55,338

Standard Chartered PLC – Notes

1. Basis of preparation

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

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretation Committee ('IFRIC') interpretations as adopted by the EU (together 'adopted IFRS').

The Group has retrospectively adopted IFRIC 11 'IFRS 2: Group and Treasury Share Transactions' and prospectively adopted IFRIC 14 'IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction' neither of which had an impact on the Group's consolidated financial statements.

The Group has adopted the amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' in respect of the reclassification of financial assets which was effective from 1 July 2008 for those assets identified and approved by management for reclassification before 31 October 2008. The details of the assets reclassified and the amounts involved are set out in note 11.

The consolidated balance sheet at 31 December 2007 has been restated as explained in note 36 to (a) reflect the fair values of the assets and liabilities acquired on the acquisition of Pembroke and Harrison Lovegrove and (b) to reflect the re-presentation of current and deferred tax balances.

A summary of the Group's significant accounting policies will be included in the 2008 Annual Report.

2. Segmental information

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

By class of business

	2008				2007			
	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	(78)	78	–	–	(77)	77	–	–
Net interest income	4,224	3,163	–	7,387	4,194	2,071	–	6,265
Other income	1,806	4,248	527	6,581	1,689	3,095	18	4,802
Operating income	5,952	7,489	527	13,968	5,806	5,243	18	11,067
Operating expenses	(3,843)	(3,768)	–	(7,611)	(3,393)	(2,814)	(8)	(6,215)
Operating profit before impairment losses and taxation	2,109	3,721	527	6,357	2,413	2,429	10	4,852
Impairment losses on loans and advance and other credit risk provisions	(937)	(384)	–	(1,321)	(736)	(25)	–	(761)
Other impairment	(56)	(336)	(77)	(469)	–	(57)	–	(57)
Profit from associates	–	–	1	1	–	–	1	1
Operating profit	1,116	3,001	451	4,568	1,677	2,347	11	4,035
Rights issue option	–	–	233	233	–	–	–	–
Profit before taxation	1,116	3,001	684	4,801	1,677	2,347	11	4,035
Total assets employed**	86,504	347,140	*1,424	435,068	90,237	238,408	*1,226	329,871
Total liabilities employed**	129,029	282,656	*688	412,373	†110,904	†196,664	*851	308,419
Total risk weighted assets and contingents (Basel I)	–	–	–	–	63,516	108,317	–	171,833
Total risk weighted assets (Basel II)	52,124	136,697	–	188,821	53,636	131,718	–	185,354
Other segment items:								
Capital expenditure***	375	1,207	–	1,582	418	208	–	626
Depreciation	157	93	–	250	136	46	–	182
Amortisation of intangible assets	93	82	–	175	68	95	–	163

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

** Amounts have been restated as explained in note 36.

*** Includes capital expenditure in Wholesale Banking of \$852 million (2007: \$nil million) in respect of operating lease assets.

† Amounts have been re-presented to appropriately report certain liabilities previously included within Consumer Banking.

Standard Chartered PLC – Notes continued

2. Segmental information continued

By geographic segment

The Group manages its business segments on a global basis. The operations are based in nine main geographic areas. The UK is the home country of the parent.

	2008									
	Asia Pacific					India \$million	Middle East & S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Internal income	1	105	(10)	(109)	35	12	16	2	(52)	–
Net interest income	1,296	364	274	1,234	1,301	724	991	503	700	7,387
Fees and commissions income, net	507	246	60	183	441	450	452	227	375	2,941
Net trading income	369	468	152	191	542	350	258	166	(91)	2,405
Other operating income	94	243	39	77	119	210	17	11	425	1,235
Operating income	2,267	1,426	515	1,576	2,438	1,746	1,734	909	1,357	13,968
Operating expenses	(1,017)	(637)	(212)	(955)	(1,509)	(646)	(813)	(564)	(1,258)	(7,611)
Operating profit before impairment losses and taxation	1,250	789	303	621	929	1,100	921	345	99	6,357
Impairment losses on loans and advances and other credit risk provisions	(183)	(15)	(47)	(263)	(389)	(133)	(185)	(33)	(73)	(1,321)
Other impairment	(52)	(30)	(21)	–	(81)	(24)	–	–	(261)	(469)
Profit/(loss) from associates	(1)	–	–	–	4	–	–	–	(2)	1
Operating profit/(loss)	1,014	744	235	358	463	943	736	312	(237)	4,568
Rights issue option	–	–	–	–	–	–	–	–	233	233
Profit/(loss) before taxation	1,014	744	235	358	463	943	736	312	(4)	4,801
Loans and advances to customers – average	26,610	19,610	10,275	34,867	29,841	8,612	16,041	3,091	29,970	178,917
Net interest margins (%)	2.1	0.8	1.9	2.5	2.4	3.4	3.0	4.4	0.4	2.5
Loans and advances to customers – period end	28,004	20,349	7,955	31,763	30,411	7,863	17,476	3,642	31,049	178,512
Loans and advances to banks – period end	18,963	9,283	411	1,594	4,790	291	1,504	587	10,523	47,946
Total assets employed*	76,162	57,422	13,935	70,438	68,732	31,362	38,194	12,154	147,934	516,333
Total risk weighted assets (Basel II)**	21,072	15,064	6,314	27,020	30,739	15,578	22,070	7,247	51,744	196,848
Capital expenditure†	25	140	13	59	157	178	40	31	939	1,582

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

** Total risk weighted assets include \$8,027 million of intra-group balances which are netted in calculating capital ratios.

† Includes capital expenditure in Americas, UK and Europe of \$852 million (2007: \$nil million) in respect of operating lease assets.

Standard Chartered PLC – Notes continued

2. Segmental information continued

2007

	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Internal income	(81)	119	11	(58)	16	23	(15)	20	(35)	–
Net interest income	1,288	182	225	1,289	1,118	608	873	444	238	6,265
Fees and commissions Income, net	539	233	83	227	466	353	436	194	130	2,661
Net trading income	180	80	63	(72)	330	145	100	121	314	1,261
Other operating income	142	278	77	178	171	179	34	16	(195)	880
Operating income	2,068	892	459	1,564	2,101	1,308	1,428	795	452	11,067
Operating expenses	(825)	(430)	(185)	(1,146)	(1,213)	(528)	(694)	(468)	(726)	(6,215)
Operating profit before impairment losses and taxation	1,243	462	274	418	888	780	734	327	(274)	4,852
Impairment (losses)/releases on loans and advances and other credit risk provisions	(50)	(16)	(38)	(94)	(318)	(90)	(143)	(27)	15	(761)
Other impairment	–	–	–	–	–	–	–	(2)	(55)	(57)
(Loss)/profit from associates	–	–	–	–	2	–	–	–	(1)	1
Profit/(loss) before taxation	1,193	446	236	324	572	690	591	298	(315)	4,035
Loans and advances to customers – average	23,712	14,897	9,518	41,962	23,545	7,611	10,679	2,437	17,059	151,420
Net interest margin (%)	2.3	1.0	1.8	2.1	2.8	4.3	4.1	5.6	0.2	2.5
Loans and advances to customers – period end	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Loans and advances to banks – period end	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679
Total assets employed*,**	61,348	39,362	14,614	67,244	55,890	23,210	28,616	11,132	85,891	387,307
Total risk weighted assets and contingents (Basel I)^{†,‡}	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785
Capital expenditure	39	131	9	53	116	138	88	45	7	626

* Amounts have been restated as explained in note 36.

** Total assets employed includes intra-group items of \$58,662 million and excludes tax balances of \$1,226 million.

† Comparative numbers for Basel II risk weighted assets have not been included as it is not considered practicable to restate the data on this basis.

Total risk weighted asset and contingents include \$6,952 million of intra-group balances which are netted in calculating capital ratios.

Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between segments in proportion to their direct costs, and the benefit of the Group's capital has been distributed between segments in proportion to their average risk weighted assets. In the year in which an acquisition is made the Group does not charge or allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on an estimate of central management costs associated with the acquisition.

In 2008, corporate items not allocated to businesses relate to profits on disposal of the Indian asset management business, the gain on repurchase of subordinated liabilities, impairment of associates and other strategic investments, and the Group's share of profits from associates.

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

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

Standard Chartered PLC – Notes continued

2. Segmental information continued

The following tables set out the structure of the Group's deposits by principal geographic areas as at 31 December 2008 and 31 December 2007.

	2008									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non interest bearing current and demand accounts	4,947	3,550	1,168	64	2,131	2,215	5,313	2,031	2,776	24,195
Interest bearing current accounts and savings deposits	27,131	9,340	2,485	14,094	19,545	1,634	2,888	2,632	13,343	93,092
Time deposits	31,471	20,875	5,488	13,187	27,237	5,313	9,574	1,335	30,726	145,206
Other deposits	52	92	117	1,079	610	677	1,320	75	8,062	12,084
Total	63,601	33,857	9,258	28,424	49,523	9,839	19,095	6,073	54,907	274,577
Deposits by banks	1,140	1,701	593	8,478	4,155	254	1,687	193	17,785	35,986
Customer accounts	62,461	32,156	8,665	19,946	45,368	9,585	17,408	5,880	37,122	238,591
	63,601	33,857	9,258	28,424	49,523	9,839	19,095	6,073	54,907	274,577
Debt securities in issue	530	1,291	617	12,656	1,232	622	29	145	9,947	27,069
Total	64,131	35,148	9,875	41,080	50,755	10,461	19,124	6,218	64,854	301,646

	2007									
	Asia Pacific					India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
	Hong Kong \$million	Singapore \$million	Malaysia \$million	Korea \$million	Other Asia Pacific \$million					
Non interest bearing current and demand accounts	3,838	2,310	639	91	1,818	2,569	2,915	1,768	1,189	17,137
Interest bearing current accounts and savings deposits	22,971	8,062	2,598	13,287	18,658	1,843	5,600	2,784	7,730	83,533
Time deposits	21,734	10,892	6,608	12,172	19,529	4,757	6,929	1,380	20,912	104,913
Other deposits	32	20	208	1,223	815	317	593	452	1,938	5,598
Total	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Deposits by banks	1,128	1,548	883	6,964	5,464	585	2,039	568	9,406	28,585
Customer accounts	47,447	19,736	9,170	19,809	35,356	8,901	13,998	5,816	22,363	182,596
	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Debt securities in issue	545	2,065	792	19,701	2,830	1,556	22	141	4,501	32,153
Total	49,120	23,349	10,845	46,474	43,650	11,042	16,059	6,525	36,270	243,334

Standard Chartered PLC – Notes continued

3. Net trading income

	2008 \$million	2007 \$million
Gains less losses on instruments held for trading:		
Foreign currency	2,596	862
Trading securities	238	102
Interest rate derivatives	(402)	257
Credit and other derivatives	(30)	39
Gains less losses from fair value hedged items and hedging instruments	6	(3)
Gains less losses on instruments designated at fair value:		
Financial assets designated at fair value through profit or loss	150	44
Financial liabilities designated at fair value through profit or loss	(118)	(37)
Derivatives managed with financial instruments designated at fair value through profit or loss	(35)	(3)
	2,405	1,261

4. Other operating income

	2008 \$million	2007 \$million
Other operating income includes:		
Gains less losses on available-for-sale financial assets:		
On disposal	322	339
Writedowns on asset backed securities	(49)	(87)
Gains less losses on disposal of loan and receivable financial assets	–	3
Dividend income	203	279
Gains arising on repurchase of subordinated liabilities	384	–
Gains arising on assets fair valued at acquisition	80	98
Rental income from operating lease assets	67	5
Recognition of profit on Visa shares	17	107
Foreign exchange gain on repatriation of branch capital	–	109
Profit on sale of businesses	146	18

5. Depreciation and amortisation

	2008 \$million	2007 \$million
Premises	98	78
Equipment	152	104
Intangibles:		
Software	94	86
Acquired on business combinations	81	77
	425	345

6. Other impairment

	2008 \$million	2007 \$million
Intangible assets	–	17
Impairment losses on available-for-sale financial assets	417	40
Impairment of investment in associates	46	–
Other	6	–
	469	57

Impairment losses on available-for-sale financial assets includes \$315 million (2007: \$nil million) in relation to impairment of equity investments, \$41 million (2007: \$35 million) impairment on asset backed securities, and \$61 million (2007: \$5 million) on other debt securities.

In 2007, impairment of intangible assets related to the write-off of a customer relationship asset relating to Whistlejacket, a structured investment vehicle previously sponsored by the Group.

Standard Chartered PLC – Notes continued

7. Rights issue option

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

As the option was out-of-the-money at inception, an initial liability was established based on the difference between the

share price when the documents were posted (as this created the legal obligation on the Company) and the rights price, with a corresponding charge to equity.

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

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

8. Taxation

Analysis of taxation charge in the year:

	2008 \$million	2007 \$million
The charge for taxation based upon the profits for the year comprises:		
Current tax:		
United Kingdom corporation tax at 28.5% (2007: 30%):		
Current tax on income for the year	774	385
Adjustments in respect of prior periods (including double taxation relief)	(135)	(18)
Double taxation relief	(602)	(385)
Foreign tax:		
Current tax on income for the year	1,221	1,258
Adjustments in respect of prior periods	(117)	13
Total current tax	1,141	1,253
Deferred tax:		
Origination/reversal of temporary differences	89	(167)
Adjustments in respect of prior periods	60	(40)
Total deferred tax	149	(207)
Tax on profits on ordinary activities	1,290	1,046
Effective tax rate	26.9%	25.9%

Overseas taxation includes taxation on Hong Kong profits of \$156 million (2007: \$195 million) provided at a rate of 16.5 per cent (2007: 17.5 per cent) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom

corporation tax rate was reduced from 30 per cent to 28 per cent. This gives a blended 28.5 per cent tax rate for the full year.

9. Dividends

	2008			2007		
	Post-rights cents per share*	Pre-rights cents per share	\$million	Post-rights cents per share*	Pre-rights cents per share	\$million
Ordinary Equity Shares						
Final dividend declared and paid during the period	42.27	56.23	793	37.74	50.21	695
Interim dividend declared and paid during the period	19.30	25.67	364	17.38	23.12	324
	61.57	81.90	1,157	55.12	73.33	1,019

* On a post rights basis, the dividend has been adjusted by the ratio of shares outstanding immediately before the rights issue to the number of shares outstanding immediately following the rights issue. The total dividend for 2007 on a post-rights basis is 59.65 cents per share (2006: 53.40 cents per share).

		2008 \$million	2007 \$million
Preference Shares			
Non-cumulative irredeemable preference shares:	7 ³ / ₈ per cent preference shares of £1 each [†]	15	15
	8 ¹ / ₄ per cent preference shares of £1 each [†]	16	16
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of \$5 each [†]	32	-
	7.014 per cent preference shares of \$5 each	62	-
	6.409 per cent preference shares of \$5 each	48	28

† Dividends on these preference shares are treated as interest expense and accrued accordingly.

Standard Chartered PLC – Notes continued

9. Dividends continued

Dividends on ordinary equity and those preference shares classified as equity are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2008 final ordinary equity share dividend of 42.32 cents per share (\$801 million) will be paid in either sterling, Hong Kong dollars or US dollars on 15 May 2009 to shareholders on the UK register of members at the close of

business in the UK (10.00 pm UK time) on 13 March 2009, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 13 March 2009. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of this dividend will be sent to shareholders on or around 27 March 2009.

10. Earnings per ordinary share

	2008			2007		
	Profit* \$million	Weighted average number of shares ('000)	Per share amount cents	Profit* \$million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	–	–	–	2,813	1,398,747	201.1
Pre-rights issue bonus earnings per ordinary share	3,298	1,418,117	232.6	–	–	–
Impact of rights issue bonus	–	211,516	–	–	199,237	–
Post-rights issue bonus basic earnings per ordinary share	3,298	1,629,633	202.4	2,813	1,597,984	176.0 [†]
Effect of dilutive potential ordinary shares:						
Options**	–	8,622	–	–	17,048	–
Diluted earnings per ordinary share	3,298	1,638,255	201.3	2,813	1,615,032	174.2 [†]

[†] On 24 November 2008 the Company announced the issue of 470,014,830 New Ordinary shares by way of rights to qualifying shareholders at 390 pence per share. The issue was on the basis of 30 shares for every 91 held on 24 November 2008. As required by IAS 33 'Earnings per Share' the impact of the bonus element included within the rights issue has been included within the calculations of the basic and diluted earnings per share for the year and prior periods have been re-presented on this basis.

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

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

There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculations had they been issued prior to the end of the balance sheet period.

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33, Earnings per share. The table below provides a reconciliation.

	2008 \$million	2007 \$million
Profit attributable to ordinary shareholders*	3,298	2,813
Amortisation of intangible assets arising on business combinations	81	77
Impairment of customer relationship intangible	–	17
Profit on sale of property, plant and equipment	(10)	(1)
Pre-incorporation costs in China	–	8
Gains arising on repurchase of subordinated liabilities	(384)	–
Foreign exchange gain on repatriation of branch capital	–	(109)
Profit on sale of businesses	(146)	(18)
Day one investment loss on strategic investment	3	–
Impairment of associates and other strategic investments	77	–
Rights issue option	(233)	–
Tax on normalised items	164	(23)
Normalised earnings	2,850	2,764
Normalised basic earnings per ordinary share (cents) [†]	174.9	173.0
Normalised diluted earnings per ordinary share (cents) [†]	174.0	171.1

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

[†] As required by IAS 33 'Earnings per Share' the impact of the bonus element included within the rights issue has been included within the calculation of the basic and diluted earnings per share for the year and prior periods have been re-presented on this basis.

Standard Chartered PLC – Notes continued

11. Financial instruments classification summary

Financial instruments are classified between four categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity, loans and receivables, and for financial liabilities, amortised cost. The face of the balance sheet combines financial instruments that are held at their fair value, and subdivided between those assets and liabilities held for trading purposes and those that the Group has elected to hold at fair value.

The Group's classification of its principal financial assets and liabilities (excluding derivatives which are classified as trading and are disclosed in note 13) is summarised in the table below. Cash and balances at central banks of \$24,161 million (2007: \$10,175 million) is deemed to be held at amortised cost.

Assets	Trading \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Total \$million
Loans and advances to banks	1,351	12	—	46,583	—	47,946
Loans and advances to customers	4,103	231	—	174,178	—	178,512
Treasury bills and other eligible bills	2,502	205	16,713	—	—	19,420
Debt securities	6,193	203	43,543	7,456	37	57,432
Equity shares	165	460	1,593	—	—	2,218
Total at 31 December 2008	14,314	1,111	61,849	228,217	37	305,528
Loans and advances to banks	2,314	—	—	35,365	—	37,679
Loans and advances to customers	1,978	738	—	154,266	—	156,982
Treasury bills and other eligible bills	2,942	453	11,667	—	—	15,062
Debt securities	13,829	334	38,098	2,719	100	55,080
Equity shares	108	262	2,690	—	—	3,060
Total at 31 December 2007	21,171	1,787	52,455	192,350	100	267,863
Liabilities	Trading \$million	Designated at fair value through profit or loss \$million	Amortised cost \$million	Total \$million		
Due to banks	4,028	49	31,909	35,986		
Customer accounts	1,207	3,376	234,008	238,591		
Debt securities in issue	2,128	1,494	23,447	27,069		
Short positions	3,196	—	—	3,196		
Total liabilities at 31 December 2008	10,559	4,919	289,364	304,842		
Due to banks	2,532	173	25,880	28,585		
Customer accounts	772	2,064	179,760	182,596		
Debt securities in issue	2,665	2,351	27,137	32,153		
Short positions	3,693	—	—	3,693		
Total liabilities at 31 December 2007	9,662	4,588	232,777	247,027		

Standard Chartered PLC – Notes continued

11. Financial instruments classification summary continued

Reclassification of financial assets

The Group has reclassified certain financial assets classified as held for trading into the available-for-sale ('AFS') category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit

crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from the trading and available-for-sale categories to loans and receivables as set out below. In total, assets with a notional value of \$8.3 billion were reclassified.

The following table provides details of the assets reclassified in 2008 as at and up to the date of reclassification:

For assets reclassified:	Carrying amount reclassified \$million	Fair value gain or (loss) from 1 January 2008 to the reclassification date recognised within:		Fair value loss to 31 December 2007 recognised within:		Effective interest rate %	Estimated amounts of expected cash flows \$million
		Income \$million	AFS reserve \$million	Income \$million	AFS reserve \$million		
From trading to AFS							
- asset backed securities	248	(23)	–	(7)	–	8.2	277
- other financial assets	2,558	5	–	(6)	–	5.9	2,799
	2,806	(18)	–	(13)	–		3,076
From trading to loans and receivables							
- asset backed securities	1,009	(61)	–	(30)	–	5.7	1,017
- other financial assets	1,821	(117)	–	(1)	–	4.9	2,040
	2,830	(178)	–	(31)	–		3,057
From AFS to loan and receivables							
- asset backed securities	2,105	–	(231)	–	(86)	5.5	2,307
	7,741	(196)	(231)	(44)	(86)		8,440

The reclassified assets were included in the following lines on the Group's balance sheet:

	From trading to available-for-sale \$million	From trading to loans and receivables \$million	From available-for-sale to loans and receivables \$million	Total \$million
Debt securities and treasury bills	2,796	2,484	2,105	7,385
Loans to banks	–	91	–	91
Loans and advances to customers	10	255	–	265
	2,806	2,830	2,105	7,741

The following table provides details of the reclassified assets from the date of reclassification until 31 December 2008:

For assets reclassified:	Carrying amount at 31 December 2008 \$million	Fair value at 31 December 2008 \$million	If assets had not been reclassified, fair value loss from the date of reclassification to 31 December 2008 which would have been recognised within		Income recognised in income statement \$million
			Income \$million	AFS reserve \$million	
From trading to AFS	2,485	2,485	*(83)	–	12
From trading to loans and receivables	2,754	2,456	(298)	–	15
From AFS to loan and receivables	2,095	1,685	–	(410)	11
	7,334	6,626	(381)	(410)	38
Of which asset backed securities:					
reclassified to AFS	171	171	*(66)	–	2
reclassified to loans and receivables	3,044	2,532	(102)	(410)	15

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

Standard Chartered PLC – Notes continued

12. Financial assets held at fair value through profit or loss

For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and

debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

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

	2008			2007		
	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million
Loans and advances to banks	1,351	12	1,363	2,314	—	2,314
Loans and advances to customers	4,103	231	4,334	1,978	738	2,716
Treasury bills and other eligible bills	2,502	205	2,707	2,942	453	3,395
Debt securities	6,193	203	6,396	13,829	334	14,163
Equity shares	165	460	625	108	262	370
	14,314	1,111	15,425	21,171	1,787	22,958

Debt securities

	2008 \$million	2007 \$million
Issued by public bodies:		
Government securities	4,346	5,344
Other public sector securities	17	30
	4,363	5,374
Issued by banks:		
Certificates of deposit	33	479
Other debt securities	798	2,672
	831	3,151
Issued by corporate entities and other issuers:		
Other debt securities	1,202	5,638
Total debt securities	6,396	14,163
Of which:		
Listed on a recognised UK exchange	14	536
Listed elsewhere	2,216	5,641
Unlisted	4,166	7,986
	6,396	14,163

Equity shares

Listed elsewhere	197	3
Unlisted	428	367
Total equity shares	625	370

Standard Chartered PLC – Notes continued

13. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Group are set out below.

All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow hedging has been achieved, in which case the effective portion of changes in fair value go through reserves).

These tables analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net.

	2008			2007		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	832,915	23,096	21,017	775,663	7,376	7,852
Currency swaps and options	528,957	18,760	19,253	512,833	8,955	8,516
	1,361,872	41,856	40,270	1,288,496	16,331	16,368
Interest rate derivative contracts:						
Swaps	1,089,407	21,992	21,451	979,727	8,473	8,365
Forward rate agreements and options	170,700	1,076	1,451	166,563	556	745
Exchange traded futures and options	242,694	557	429	322,520	336	282
	1,502,801	23,625	23,331	1,468,810	9,365	9,392
Credit derivative contracts	29,033	926	961	21,035	165	160
Equity and stock index options	1,075	219	233	1,057	58	106
Commodity derivative contracts	16,200	3,031	2,980	16,971	285	244
Total derivatives	2,910,981	69,657	67,775	2,796,369	26,204	26,270

The Group uses derivatives primarily to mitigate interest rate and foreign exchange risk. Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The table below lists the types of derivatives that the Group holds for hedge accounting.

	2008			2007		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives held for hedging						
Derivatives designated as fair value hedges:						
Swaps	18,376	1,393	251	13,392	352	161
	18,376	1,393	251	13,392	352	161
Derivatives designated as cash flow hedges:						
Swaps	4,514	92	13	5,120	35	13
Forward foreign exchange contracts	1,015	6	210	1,414	37	19
	5,529	98	223	6,534	72	32
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	600	–	89	81	1	–
Total derivatives held for hedging	24,505	1,491	563	20,007	425	193

Standard Chartered PLC – Notes continued

14. Loans and advances

	2008		2007	
	Loans to banks \$million	Loans to customers \$million	Loans to banks \$million	Loans to customers \$million
Loans and advances	47,969	180,470	37,682	158,788
Individual impairment provision	(17)	(1,307)	(2)	(1,271)
Portfolio impairment provision	(6)	(651)	(1)	(535)
	47,946	178,512	37,679	156,982
Of which: loans and advances held at fair value through profit or loss	(1,363)	(4,334)	(2,314)	(2,716)
	46,583	174,178	35,365	154,266

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

variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Korea residents of \$17.1 billion (2007: \$22.6 billion) and Hong Kong residents of approximately \$13.0 billion (2007: \$11.8 billion).

The following table shows the movement in impairment provisions for 2008 and 2007:

	2008 Total \$million	2007 Total \$million
At 1 January	1,809	2,225
Exchange translation differences	(179)	28
Acquisitions	109	–
Amounts written off	(1,119)	(1,183)
Recoveries of acquisition fair values	(78)	(98)
Recoveries of amounts previously written off	180	139
Discount unwind	(40)	(66)
Other	13	10
New provisions	1,796	1,352
Recoveries/provisions no longer required	(510)	(598)
Net charge against profit	1,286	754
Provisions held at 31 December	1,981	1,809

Of which:	2008 \$million	2007 \$million
Individual impairment provision	1,324	1,273
Portfolio impairment provision	657	536
Provisions held at end of period	1,981	1,809

The following table reconciles the charge for impairment provisions on loans and advances to the total impairment charge and other credit commitments:

	2008 \$million	2007 \$million
Net charge/(release) against profit on loans and advances:		
Individual impairment charge	1,168	769
Portfolio impairment charge/(release)	118	(15)
	1,286	754
Provisions/(releases) related to credit commitments	27	(3)
Impairment charges relating to debt securities classified as loans	8	10
Total impairment charge and other credit risk provisions	1,321	761

Standard Chartered PLC – Notes continued

15. Individually impaired loans and advances

	2008			2007		
	Consumer Banking \$million	Wholesale Banking \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Total \$million
Individually impaired loans	1,062	1,611	2,673	1,172	990	2,162
Individual impairment provisions	(543)	(781)	(1,324)	(655)	(618)	(1,273)
Net impaired loans	519	830	1,349	517	372	889

Net impaired loans within Wholesale Banking includes individually impaired loans to banks of \$35 million (2007: \$10 million) and individual impairment provisions on these loans of \$17 million (2007: \$2 million).

16. Investment securities

	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	Total \$million
Treasury and other eligible bills	–	16,713	–	16,713
Debt securities	37	43,543	7,456	51,036
Equity shares	–	1,593	–	1,593
At 31 December 2008	37	61,849	7,456	69,342
Treasury and other eligible bills	–	11,667	–	11,667
Debt securities	100	38,098	2,719	40,917
Equity shares	–	2,690	–	2,690
At 31 December 2007	100	52,455	2,719	55,274

	2008					
	Debt Securities					
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	Equity shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:						
Government securities	37	17,849	389			
Other public sector securities	—	1,864	—			
	37	19,713	389			
Issued by banks:						
Certificates of deposit	—	6,771	1,969			
Other debt securities	—	13,597	735			
	—	20,368	2,704			
Issued by corporate entities and other issuers:						
Other debt securities	—	3,462	4,363			
Total debt securities	37	43,543	7,456			
Listed on a recognised UK exchange	—	4,096	1,217	35	—	5,348
Listed elsewhere	35	15,479	2,750	586	5,711	24,561
Unlisted	2	23,968	3,489	972	11,002	39,433
	37	43,543	7,456	1,593	16,713	69,342
Market value of listed securities	35	19,575	3,903	621	5,711	29,845

Standard Chartered PLC – Notes continued

16. Investment securities continued

	2007					
	Debt Securities					
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	Equity shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:						
Government securities	100	12,658	–			
Other public sector securities	–	1,008	–			
	100	13,666	–			
Issued by banks:						
Certificates of deposit	–	6,248	2,175			
Other debt securities	–	12,904	18			
	–	19,152	2,193			
Issued by corporate entities and other issuers:						
Other debt securities	–	5,280	526			
Total debt securities	100	38,098	2,719			
Listed on a recognised UK exchange	–	3,663	–	58	–	3,721
Listed elsewhere	77	16,060	–	1,842	6,346	24,325
Unlisted	23	18,375	2,719	790	5,321	27,228
	100	38,098	2,719	2,690	11,667	55,274
Market value of listed securities	75	19,723	–	1,900	6,346	28,044

Equity shares largely comprise investments in corporates.

The change in the carrying amount of investment securities comprised:

	2008				2007			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
At 1 January	40,917	2,690	11,667	55,274	35,497	1,478	12,522	49,497
Exchange translation differences	(3,318)	(97)	(2,171)	(5,586)	846	20	171	1,037
Acquisitions	2,572	4	382	2,958	–	–	–	–
Additions	71,073	933	37,932	109,938	53,574	1,248	23,470	78,292
Reclassifications*	5,237	(69)	43	5,211	–	–	–	–
Disposals n sale of business	–	(9)	–	(9)	–	–	–	–
Maturities and disposals	(65,426)	(854)	(31,476)	(97,756)	(48,850)	(970)	(24,637)	(74,457)
Provisions	(109)	(315)	(1)	(425)	(45)	(3)	(2)	(50)
Changes in fair value (including the effect of fair value hedging)	(106)	(687)	140	(653)	(205)	920	(19)	696
Amortisation of discounts and premiums	196	(3)	197	390	100	(3)	162	259
At 31 December	51,036	1,593	16,713	69,342	40,917	2,690	11,667	55,274

* Reclassifications for equity shares relates to a security held by the Group's private equity business which became eligible to be designated at fair value through profit or loss as permitted by IAS 28. The remainder of the reclassifications are in respect of securities reclassified as disclosed in note 11.

Treasury bills and other eligible bills include \$903 million (2007: \$492 million) of bills sold subject to sale and repurchase transactions. Debt securities include \$1,593 million (2007: \$1,958 million) of securities sold subject to sale and repurchase transactions.

The Group has taken advantage of the Term Auction Facility ('TAF') introduced by the Federal Reserve Bank of New York, borrowing \$2,850 million. Under the TAF, no single security is earmarked as collateral for the borrowing. The value of securities that are considered encumbered in relation to this

borrowing is \$3,197 million, and the borrowing is included as a sale and repurchase transaction within customer accounts

At 31 December 2008, unamortised premiums on debt securities held for investment purposes amounted to \$271 million (2007: \$46 million) and unamortised discounts amounted to \$743 million (2007: \$186 million).

Income from listed equity shares amounted to \$20 million (2007: \$9 million) and income from unlisted equity shares amounted to \$183 million (2007: \$270 million).

Standard Chartered PLC – Notes continued

17. Business combinations

2008 acquisitions

On 25 February 2008, the Group acquired 100 per cent of the share capital of Yeahreum Mutual Savings Bank ('Yeahreum'), a Korean banking company.

On 29 February 2008, the Group acquired 100 per cent of the share capital of American Express Bank Limited ('AEB'), a financial services company. The Group also entered into a put and call option agreement with American Express, exercisable 18 months from the acquisition of AEB, to purchase 100 per cent of American Express International Deposit Corporation at a purchase price equivalent to its net asset value at the time of exercise.

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

	AEB		Other acquisitions	
	Fair value \$million	Acquiree's carrying amount \$million	Fair value \$million	Acquiree's carrying amount \$million
Cash and balances at central banks*	1,041	1,041	131	131
Derivative financial instruments	511	511	–	–
Loans and advances to banks	7,142	7,143	639	667
Loans and advances to customers	4,781	4,783	233	233
Investment securities	2,864	2,883	87	88
Intangibles other than goodwill	88	4	–	–
Property, plant and equipment	27	34	30	23
Deferred tax assets	10	–	4	–
Other assets	527	544	21	23
Total assets	16,991	16,943	1,145	1,165
Derivative financial instruments	514	514	–	–
Deposits by banks	5,519	5,519	–	–
Customer accounts	8,392	8,392	1,192	1,192
Other liabilities	1,848	1,829	47	43
Provisions for liabilities and charges	55	–	–	–
Retirement benefit obligations	46	46	–	–
Subordinated liabilities and other borrowed funds	190	190	–	–
Total liabilities	16,564	16,490	1,239	1,235
Net assets acquired	427	453	(94)	(70)
Purchase consideration settled in cash	(823)		(161)	
Cash and cash equivalents in subsidiary acquired	6,700		551	
Cash inflow on acquisition	5,877		390	
Purchase consideration:				
– cash paid	798		160	
– direct costs relating to the acquisition	25		1	
Total purchase consideration	823		161	
Less: Fair value of net assets/(liabilities) acquired/(assumed)	427		(94)	
Goodwill	396		255	
Intangible assets acquired:				
Customer relationships	84		–	
Capitalised software	4		–	
Total	88		–	
Contribution from acquisition to 31 December 2008 :				
Operating income	552		1	
Loss before taxation	(124)		(9)	

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

The fair value amounts for other acquisitions contain some provisional balances which will be finalised within 12 months of the acquisition date. Goodwill arising on the acquisition of AEB is attributable to the significant synergies expected to arise from their development within the Group and to those

On 27 December 2008, the Group acquired the 'good bank' portion of Asia Trust and Investment Corporation, a Taiwanese banking company.

If the acquisitions had occurred on 1 January 2008, the operating income of the Group would have been approximately \$14,093 million and profit before taxation would have been approximately \$4,809 million.

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

intangibles which are not recognised separately, such as the distribution network and acquired workforce. Goodwill arising on other acquisitions is attributable to those intangibles which are not recognised separately, such as the distribution network.

Standard Chartered PLC – Notes continued

17. Business combinations continued

2007 acquisitions

On 5 October 2007, the Group acquired 100 per cent of the share capital of Pembroke Group Limited, an aircraft leasing, financing and management company. On 3 December 2007, the Group acquired 100 per cent of the share capital of Harrison Lovegrove & Co Limited, an oil and gas advisory boutique company. On 5 December 2007, the Group acquired 80 per cent of A Brain Limited, a Korean fund administration company. None of these acquisitions were individually material.

The acquired businesses contributed operating income of \$7 million and loss before tax of \$2 million to the Group from the date of their acquisition to 31 December 2007.

If the acquisition had occurred on 1 January 2007, the operating income of the Group would have been approximately \$11,132

million and profit before taxation would have been approximately \$4,043 million.

During 2007, the Group acquired the remaining minority interest of Hsinchu for a consideration of \$43 million and generated additional goodwill of \$34 million.

Deferred consideration is payable between 6 months and 36 months after the date of acquisition.

Goodwill arising on these acquisitions is attributable to the synergies expected to arise and to the value of the workforce in place which is not recognised separately.

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

	Fair value* \$million	Acquiree's carrying amount \$million
Cash and balances at central banks**	66	66
Loans and advances to customers	2	2
Intangibles other than goodwill	63	–
Property, plant and equipment	194	152
Deferred tax assets	5	10
Other assets	28	28
Total assets	358	258
Other liabilities	162	162
Total liabilities	162	162
Minority interest	3	–
Net assets acquired	193	96
Purchase consideration settled in cash	(151)	
Cash and cash equivalents in subsidiary acquired	66	
Cash outflow on acquisition	(85)	
Total purchase consideration***	224	
Fair value of net assets acquired	(193)	
Goodwill	31	
Intangible assets acquired:		
Brand names	6	
Customer relationships	55	
Capitalised software	2	
Total	63	

* Restated as explained in note 36.

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

*** Includes cash paid \$151 million; loan notes issued \$5 million; deferred consideration \$65 million; and cost \$3 million.

18. Other assets

	2008 \$million	2007 \$million
Hong Kong SAR Government certificates of indebtedness	3,097	2,862
Cash collateral	9,102	2,015
Other	8,175	6,134
	20,374	11,011

Standard Chartered PLC – Notes continued

19. Deposits by banks

	2008 \$million	2007 \$million
Deposits by banks	31,909	25,880
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 21)	4,077	2,705
	35,986	28,585

20. Customer accounts

	2008 \$million	2007 \$million
Customer accounts	234,008	179,760
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 21)	4,583	2,836
	238,591	182,596

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

	2008			2007		
	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million	Trading \$million	Designated at fair value through profit or loss \$million	Total \$million
Deposits by banks	4,028	49	4,077	2,532	173	2,705
Customer accounts	1,207	3,376	4,583	772	2,064	2,836
Debt securities in issue	2,128	1,494	3,622	2,665	2,351	5,016
Short positions	3,196	–	3,196	3,693	–	3,693
	10,559	4,919	15,478	9,662	4,588	14,250

22. Debt securities in issue

	2008			2007		
	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	13,284	10,163	23,447	8,502	18,635	27,137
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 21)	460	3,162	3,622	951	4,065	5,016
	13,744	13,325	27,069	9,453	22,700	32,153

Standard Chartered PLC – Notes continued

23. Other liabilities

	2008 \$million	2007 \$million
Notes in circulation	3,097	2,862
Acceptances and endorsements	2,539	2,242
Cash collateral	3,765	1,086
Cash-settled share based payments	31	73
Other liabilities	7,931	8,479
	17,363	14,742

Hong Kong currency notes in circulation of \$3,097 million (2007: \$2,862 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets.

24. Retirement benefit obligations

Retirement benefit obligations comprise:

	2008 \$million	2007 \$million
Total market value of assets	1,721	2,488
Present value of the schemes' liabilities	(2,154)	(2,801)
Defined benefit schemes obligation	(433)	(313)
Defined contribution schemes obligation	(14)	(9)
Net book amount	(447)	(322)

Retirement benefit charge comprises:

	2008 \$million	2007 \$million
Defined benefit schemes	45	110
Defined contribution schemes	127	103
	172	213

The pension cost for defined benefit schemes was:

	2008 \$million	2007 \$million
Current service cost	88	95
Past service cost	5	7
Gain on settlement and curtailments	(54)	(3)
Expected return on pension scheme assets	(140)	(132)
Interest on pension scheme liabilities	146	143
Total charge to profit before deduction of tax	45	110
Loss/(gain) on assets below/(in excess of) expected return	333	(30)
Experience gain on liabilities	(104)	(207)
Total loss/(gain) directly recognised in Statement of recognised income and expense before tax	229	(237)
Deferred taxation	(60)	71
Total loss/(gain) after tax	169	(166)

Standard Chartered PLC – Notes continued

25. Subordinated liabilities and other borrowed funds

	2008 \$million	2007 \$million
Subordinated liabilities and other borrowed funds	16,986	15,740
<p>All subordinated liabilities described above are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.</p> <p>Of the total subordinated liabilities and other borrowings, \$11,865 million is at fixed interest rates (2007: \$10,166 million).</p> <p>On 19 March 2008, Standard Chartered First Bank Korea Limited ('SCFB') issued KRW90 billion Lower Tier 2 Notes with a coupon of 6.05 per cent maturing March 2018. At 31 December 2008 this is equivalent to \$81 million.</p> <p>On 2 April 2008 and 18 April 2008 Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for GBP500 million and GBP200 million respectively, with a maturity date of April 2018, and a coupon of 7.75 percent. The Notes were consolidated and formed a single series with effect from 29 May 2008. At 31 December 2008 this is equivalent to \$1,090 million.</p> <p>On 10 April 2008 and 18 April 2008, Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for SGD200 million and SGD250 million respectively, with a coupon of 5.25 per cent. The Notes have a maturity date of April 2023, and an issuer's call option in April 2018. The Notes were consolidated and form a single series with effect from 18 April 2008. At 31 December 2008 this is equivalent to \$334 million.</p> <p>On 18 April 2008, Standard Chartered Bank issued EUR400 million Lower Tier 2 Notes, due 2017, with a coupon of 5.875 per cent, as a tap on the EUR700 million Lower Tier 2 Notes issued in September 2007. The two issues were consolidated and formed a single series with effect from 29 May 2008. At 31 December 2008 this is equivalent to \$1,609 million.</p> <p>On 18 April 2008, Standard Chartered Bank issued JPY10 billion Lower Tier 2 Fixed Rate Notes, due 2023 with an issuer's call option after 10 years, with a coupon of 3.35 per cent. At 31 December 2008 this is equivalent to \$116 million.</p> <p>On 25 May 2008, SCFB issued KRW260 billion Lower Tier 2 Fixed Rate Notes, due 2018 with an issuer's call option after five years, with a coupon of 6.08 per cent. At 31 December 2008 this is equivalent to \$219 million.</p> <p>On 27 May 2008, the Company issued \$675 million non-cumulative redeemable preference shares of \$5 each, with a coupon of 8.125 per cent and with an issuer's call option in November 2013, at a premium of \$1,995 each.</p> <p>On 19 September 2008, the Company issued \$250 million 8.125 per cent non-cumulative redeemable preference shares of \$5 each, with an issuer's call option in November 2013, at a premium of \$1,995 per share. From 27 November 2008, the shares were consolidated to form a single series with the \$675 million 8.125 per cent non-cumulative redeemable preference shares issued on 27 May 2008.</p> <p>On 19 November 2008 the Company launched a tender offer for all Primary Capital Floating Rate Notes denominated in US Dollars for repurchase at 62.5 per cent of their par value. \$1,024 million Notes were redeemed, generating a profit of \$384 million.</p>		

Standard Chartered PLC – Notes continued

26. Share capital

The authorised share capital of the Company at 31 December 2008 was \$4,933 million (2007: \$5,269 million) made up of 2,632 million ordinary shares of \$0.50 each, 500 million non-cumulative irredeemable preference shares of £1 each, 300 million non-cumulative redeemable preference shares of \$5 each and one million non-cumulative redeemable preference share of €1,000 each.

The available profits of the Company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or *pari passu* with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or *pari passu* with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as

determined by the Board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

As at 31 December 2008, 477,500 \$5 non-cumulative redeemable preference shares were in issue, of which 462,500 are classified within 'Subordinated liabilities and other borrowed funds' and include a premium of \$923 million. The irredeemable preference shares of £1 each are also classified within 'Subordinated liabilities and other borrowed funds' as required by IAS 32.

	Number of ordinary shares (millions)	Ordinary share capital \$million	Preference share capital \$million	Total \$million
At 1 January 2007	1,384	692	–	692
Capitalised on scrip dividend	16	8	–	8
Shares issued	10	5	–	5
At 31 December 2007	1,410	705	–	705
Capitalised on scrip dividend	11	6	–	6
Shares issued	475	237	–	237
At 31 December 2008	1,896	948	–	948

On 16 May 2008, the Company issued 8,142,490 new ordinary shares instead of the 2007 final dividend. On October 2008, the Company issued 2,940,049 new ordinary shares instead of the 2008 interims dividend.

On 24 November 2008 the Company announced the issue of 470,014,830 new ordinary shares by way of rights to Qualifying shareholders at 390 pence per new ordinary share. The issue was on the basis of 30 shares for every 91 ordinary shares held on 24 November 2008. The rights issue raised \$2.7 billion in additional capital for the Company. The rights issue used a cash box structure involving a Jersey subsidiary ('JerseyCo') which was 89 per cent owned by the Company prior to the transaction. In return for an issue of shares by the Company to the placees, the net proceeds of the placing were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11 per cent of the ordinary shares it did not own. Under this structure merger relief applies under Section 131 of the Companies Act 1985 which provides relief from the requirements under Section 130 of the Companies Act 1985 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the placing proceeds.

The middle market price on 17 December 2008 was 766 pence. The proceeds of the issue of ordinary shares was used in the ordinary course of business.

During 2008, 5,410,537 ordinary shares were issued under the Company's employee share plans at prices between nil and 1243 pence.

During 2007, 9,012,891 ordinary shares were issued under the Company's employee share plans at prices between nil and 1064 pence.

On 10 May 2007, the Company issued 12,765,274 new ordinary shares instead of the 2006 final dividend. On 10 October 2007, the Company issued 3,163,466 new ordinary shares instead of the 2007 interim dividend.

On 25 May 2007, the Company issued 7,500 non-cumulative redeemable preference shares of \$5 each at a placing price of \$100,000 each. The shares are redeemable at the option of the Company in accordance with the terms of the shares at the paid up amount (which includes premium), have discretionary dividend payments and are accordingly classified as equity as required by IAS 32. The shares were issued to fund the continuing business of the Group.

The holding of Standard Chartered PLC shares for the beneficiaries of the Group's share-based award schemes is set out in note 27.

Standard Chartered PLC – Notes continued

27. Reserves

	*Share premium account \$million	Capital reserve \$million	Capital redemption reserve \$million	Merger reserve \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Total \$million
At 1 January 2007	3,865	5	13	3,149	410	51	678	7,990	16,161
Recognised income and expense	–	–	–	–	340	6	303	3,010	3,659
Capitalised on scrip dividend	(8)	–	–	–	–	–	–	–	(8)
Shares issued, net of expenses	856	–	–	–	–	–	–	–	856
Net own shares adjustment	–	–	–	–	–	–	–	24	24
Share option expense and related taxation	–	–	–	–	–	–	–	55	55
Dividends, net of scrip	–	–	–	–	–	–	–	(601)	(601)
At 31 December 2007	4,713	5	13	3,149	750	57	981	10,478	20,146
Recognised income and expense	–	–	–	–	(755)	(140)	(2,765)	3,239	(421)
Capitalised on scrip dividend	(6)	–	–	–	–	–	–	–	(6)
Shares issued, net of expenses	36	–	–	2,468	–	–	–	–	2,504
Rights issue option, net of tax	–	–	–	(167)	–	–	–	–	(167)
Net own shares adjustment	–	–	–	–	–	–	–	(67)	(67)
Share option expense and related taxation	–	–	–	–	–	–	–	128	128
Dividends, net of scrip	–	–	–	–	–	–	–	(925)	(925)
At 31 December 2008	4,743	5	13	5,450	(5)	(83)	(1,784)	12,853	21,192

* The premium of \$923 million arising on the issue of the \$5 non-cumulative redeemable preference shares classified within 'Subordinated liabilities and other borrowed funds' is not included within the share premium account and forms part of the reported liability.

Transaction costs relating to share issues deducted from reserves account total \$84 million (2007: \$5 million).

Shares of the Group held for the beneficiaries of the Group's share based payment schemes

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust ('the 1995 trust'), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust ('the 2004 trust') which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant

employee benefit trust. As part of these arrangements Group companies fund the trust, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the company listed on The Stock Exchange of Hong Kong Limited during the year. Details of the shares purchased and held by the trusts are set out below.

Number of shares	1995 Trust		2004 Trust		Total	
	2008	2007	2008	2007	2008	2007
Shares purchased:		190,600		351,340		541,940
- 6 March 2008	–	–	307,849	–	307,849	–
- 9 March 2008	1,650,000	–	–	–	1,650,000	–
- 9 October 2008	375,000	–	–	–	375,000	–
- 17 December 2008 (rights issue)	731,296	–	119,049	–	850,345	–
Market price of shares purchased (\$million)	66	5	10	10	76	15
Shares held at the end of the year	2,949,563	261,495	480,166	377,270	3,429,729	638,765
Maximum number of shares held during year					3,429,729	2,526,144

Standard Chartered PLC – Notes continued

28. Minority interests

	\$300m 7.267% Hybrid Tier-1 Securities \$million	Other minority interests \$million	Total \$million
At 1 January 2007	333	209	542
Arising on acquisitions	–	3	3
Income in equity attributable to minority interests	–	48	48
Other profits attributable to minority interests	19	129	148
Recognised income and expense	19	177	196
Distributions	(22)	(98)	(120)
Reductions	–	(20)	(20)
At 31 December 2007	330	271	601
Expenses in equity attributable to minority interests	–	(106)	(106)
Other profits attributable to minority interests	19	84	103
Recognised income and expense	19	(22)	(3)
Distributions	(22)	(125)	(147)
Other increases*	–	104	104
At 31 December 2008	327	228	555

* Other increases primarily relate to acquisition of a private equity investment.

29. Cash flow statement

Adjustment for non-cash items and other accounts

	2008 \$million	2007 \$million
Depreciation and amortisation	425	345
Gain on disposal of property, plant and equipment	(10)	(1)
Gain on disposal of investment securities and loan and receivable financial assets	(322)	(342)
Gain arising on repurchase of subordinated liabilities	(384)	–
Rights issue option	(233)	–
Gain arising on initial recognition and partial redemption of Visa Inc. shares	(17)	(107)
Writedowns relating to asset backed securities	49	87
Movement in fair value hedges on available-for-sale assets	26	(21)
Amortisation of discounts and premiums of investment securities	(390)	(259)
Pension costs for defined benefit schemes	45	110
Impairment losses on loans and advances and other credit risk provisions	1,321	761
Other impairment	469	57
Profit on sale of businesses	(146)	(18)
Gains arising on acquisition fair values and discount unwind	(120)	(164)
Interest expense on subordinated liabilities	1,049	811
Total	1,762	1,259

Change in operating assets

	2008 \$million	2007 \$million
Increase in derivative financial instruments	(47,138)	(12,610)
Net decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	7,590	(3,691)
Net increase in loans and advances to banks and customers	(39,160)	(14,983)
Decrease/(increase) in prepayments and accrued income	213	(519)
Increase in other assets	(8,756)	(6,396)
Total	(87,251)	(38,199)

Standard Chartered PLC – Notes continued

29. Cash flow statement continued

Change in operating liabilities

	2008 \$million	2007 \$million
Increase in derivative financial instruments	44,943	12,144
Net increase in deposits from banks, customer accounts and debt securities in issue	60,295	36,135
Increase in accruals and deferred income	1,025	289
(Decrease)/increase in other liabilities	(453)	4,534
Total	105,810	53,102

30. Cash and cash equivalents

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

	2008 \$million	2007 \$million
Cash and balances at central banks	24,161	10,175
Less restricted balances	(4,615)	(4,846)
Treasury bills and other eligible bills	9,303	6,203
Loans and advances to banks	33,913	32,464
Trading securities	10,937	11,342
Total	73,699	55,338

31. Net interest margin and interest spread

	2008 %	2007 %
Net interest margin	2.5	2.5
Interest spread	2.2	1.9

	\$million	\$million
Average interest earning assets	299,239	251,747
Average interest bearing liabilities	277,996	219,191

Standard Chartered PLC – Notes continued

32. Remuneration

The Group employed 73,802 staff at 31 December 2008 (2007: 69,612).

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

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

33. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts and risk weighted amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

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.

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans, which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of tough performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 37 per cent (2007: 42 per cent) of employees participate.

The risk weighted amounts have been calculated in accordance with the FSA guidelines implementing the Basel Accord on capital adequacy, after taking account of collateral and guarantees received.

	2008 \$million	2007 \$million
Contingent liabilities*		
Guarantees and irrevocable letters of credit	28,051	25,681
Other contingent liabilities	11,494	8,038
	39,545	33,719
Commitments*		
Documentary credits and short term trade-related transactions	5,270	6,504
Forward asset purchases and forward deposits placed	40	64
Undrawn formal standby facilities, credit lines and other commitments to lend:		
One year and over	14,450	13,888
Less than one year	14,903	18,260
Unconditionally cancellable	42,388	45,279
	77,051	83,995
Risk weighted amount:		
Contingent liabilities	19,625	16,385 [†]
Commitments	7,258	7,194 [†]

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

† On a Basel I basis.

Standard Chartered PLC – Notes continued

34. Liquidity risk

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date, on a discounted

basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

The Risk review section explains the Group's risk management.

	2008				Total \$million
	Three months or less \$million	Between three months and one year \$million	Between one year and five years \$million	More than five years \$million	
Assets					
Cash and balances at central banks	19,546	–	–	4,615	24,161
Derivative financial instruments	13,791	18,743	27,821	9,302	69,657
Loans and advances to banks**	33,913	11,749	2,132	152	47,946
Loans and advances to customers**	63,829	27,541	38,044	49,098	178,512
Investment securities**	20,736	28,137	21,758	8,439	79,070
Other assets	12,791	1,231	27	21,673	35,722
Total assets	164,606	87,401	89,782	93,279	435,068
Liabilities					
Deposits by banks**	31,168	3,382	1,359	77	35,986
Customer accounts**	210,449	21,674	4,824	1,644	238,591
Derivative financial instruments	15,004	18,207	25,430	9,134	67,775
Debt securities in issue**	12,568	5,801	5,695	3,005	27,069
Other liabilities	12,163	1,707	503	11,593	25,966
Subordinated liabilities and other borrowed funds	845	1,304	2,189	12,648	16,986
Total liabilities	282,197	52,075	40,000	38,101	412,373
Net liquidity gap	(117,591)	35,326	49,782	55,178	22,695

	2007				Total \$million
	Three months or less \$million	Between three months and one year \$million	Between one year and five years \$million	More than five years \$million	
Assets					
Cash and balances at central banks	5,329	–	–	4,846	10,175
Derivative financial instruments	6,228	7,042	9,740	3,194	26,204
Loans and advances to banks**	32,461	3,613	1,269	336	37,679
Loans and advances to customers**	51,010	28,334	29,921	47,717	156,982
Investment securities**	18,526	21,269	20,034	13,373	73,202
Other assets*	7,139	1,025	322	17,143	25,629
Total assets	120,693	61,283	61,286	86,609	329,871
Liabilities					
Deposits by banks**	25,524	2,361	540	160	28,585
Customer accounts**	160,925	15,883	3,791	1,997	182,596
Derivative financial instruments	6,810	7,024	9,716	2,720	26,270
Debt securities in issue**	10,964	11,637	6,363	3,189	32,153
Other liabilities*	9,533	1,357	739	11,446	23,075
Subordinated liabilities and other borrowed funds	–	502	6,092	9,146	15,740
Total liabilities	213,756	38,764	27,241	28,658	308,419
Net liquidity gap	(93,063)	22,519	34,045	57,951	21,452

* Amounts have been restated as explained in note 36.

** Amounts include financial instruments held at fair value through profit or loss (see note 11).

Standard Chartered PLC – Notes continued

35. 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.

	2008		2007	
	Book amount \$million	Fair value \$million	Book amount \$million	Fair value \$million
Assets				
Cash and balances at central banks	24,161	24,161	10,175	10,175
Loans and advances to banks	46,583	45,855	35,365	35,316
Loans and advances to customers	174,178	170,410	154,266	153,828
Investment securities	7,493	6,729	2,819	2,779
Liabilities				
Deposits by banks	31,909	31,713	25,880	25,844
Customer accounts	234,008	230,558	179,760	179,694
Debt securities in issue	23,447	23,097	27,137	27,072
Subordinated liabilities and other borrowed funds	16,986	13,903	15,740	15,029

36. Restatement of prior periods

Acquisitions

In the consolidated balance sheet as at 31 December 2007, the fair value amounts in relation to the acquisitions of Pembroke, Harrison Lovegrove and A Brain contained some provisional balances. During the year to 31 December 2008, certain of these balances have been revised. In accordance with IFRS 3 'Business Combinations', the adjustments to the provisional balances have been made as at the date of acquisition and the

2007 balance sheet amounts restated, with a corresponding adjustment to goodwill, reducing goodwill on acquisitions by \$6 million. The adjustments primarily relate to a reassessment of the value of property, plant and equipment, together with associated deferred tax. The income statement for 2007 has not been restated, because any effect is immaterial.

	As reported at 2007 \$million	Adjustment \$million	Restated at 2007 \$million
Goodwill and intangible assets	6,380	(6)	6,374
Property, plant and equipment	2,887	5	2,892
Deferred tax assets	559	1	560

Other balance sheet adjustments

A re-presentation was made within the Group's balance sheet at 31 December 2007 in respect of the current tax creditor and deferred tax asset to show the current tax and deferred tax

asset and liability separately. Details of the re-presentation are set out below.

	As reported at 2007 \$million	Re- presentation \$million	Restated at 2007 \$million
Current tax assets	–	633	633
Current tax liabilities	185	633	818
Deferred tax assets	560	33	593
Deferred tax liabilities	–	33	33

Standard Chartered PLC – Notes continued

37. Special purpose entities

The Group uses Special Purpose Entities ('SPEs') in the normal course of business across a variety of activities. SPEs are established for specific limited purposes and take a number of legal forms. The main types of activities for which the Group utilises SPEs cover synthetic credit default swaps for portfolio management purposes, managed investment funds (including specialised principal finance funds) and structured finance.

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages.

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

	2008		2007	
	Total assets \$million	Maximum exposure \$million	Total assets \$million	Maximum exposure \$million
Portfolio management vehicles	1,694	252	1,279	176
Principal Finance Funds*	898	124	150	15
Global Liquidity Fund	–	–	1,325	251
AEB Funds	2,487	4	–	–
Structured Finance	290	–	290	–
	5,369	380	3,044	442

* Committed capital for these funds is \$375 million (2007: \$150 million) of which \$124 million (2007: \$15 million) has been drawn down.

Since December 2007, the Group has had no capital investment in Whistlejacket Capital Limited, a structured investment vehicle ('SIV') previously sponsored by the Group, which entered into administration on 11 February 2008. Other than the relationship it had with Whistlejacket, the Group has no exposures or commitments to SIVs or SIV-lites.

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated Government securities, which are used to collateralize the SPE's swap obligations to the Group, and to repay the principal to investors at maturity. The SPEs reimburse the Group on actual losses incurred, through the realization of the collateral security. Correspondingly, the SPEs write down the notes

issued by an equal amount of the losses incurred, in reverse order of seniority. All the funding is committed for the life of these vehicles and hence the Group has no indirect exposure in respect of the vehicles' liquidity position.

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

Following the acquisition of AEB, the Group is also the investment manager for a number of AEB's investment funds, although the Group's investment in such funds represents approximately 0.2 per cent of these funds' total assets.

The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the SPEs have Standard Chartered branding.

Standard Chartered PLC – Notes continued

38. Related party transactions

Directors and officers

IAS 24 'Related party disclosures' requires the following additional information for key management compensation. Key management comprises members of the Group Management Committee, which includes all executive and non-executive directors.

	2008 \$million	2007 \$million
Salaries, allowances and benefits in kind	20	19
Pension contributions	6	6
Bonuses paid or payable	18	23
Share based payments	25	22
	69	70

Transactions with directors, officers and others

At 31 December 2008, the total amounts to be disclosed under the Companies Act 1985 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited ('HK Listing Rules') about loans to directors and officers were as follows:

	2008		2007	
	Number	\$000	Number	\$000
Directors	2	635	1	14
Officers*	3	7,898	4	7,090

* For this disclosure, the term 'Officers' means the members of the Group Management Committee, other than those who are directors of Standard Chartered PLC, and the company secretary.

Mr Sunil Mittal, appointed as an independent non-executive director of Standard Chartered PLC with effect from 1 August 2007, is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it is a related party of Standard Chartered PLC. As at 31 December 2008, the Group had loans to the Bharti Enterprises Group of \$137 million (2007: \$123 million), guarantees of \$39 million (2007: \$47 million) and foreign exchange deals with a notional value of \$103 million (2007: \$52 million).

As at 31 December 2008, Standard Chartered Bank had created a charge over \$24 million (2007: \$24 million) of cash assets in favour of the independent trustees of its employer financial retirement benefit schemes.

Other than as disclosed, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the HK Listing Rules.

39. Post balance sheet events

On 13 November 2008, the Group announced that it had entered into an agreement to acquire 100 per cent of Cazenove Asia Limited, a leading Asian equity capital markets, corporate finance and institutional brokerage business, from JPMorgan Cazenove. The acquisition completed on 30 January 2009. The initial accounting for this acquisition has not yet been fully completed.

40. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the HK Listing Rules. The directors also confirm that the

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$5 million at 31 December 2008 (2007: \$4 million), and deposits of \$16 million (2007: \$7 million).

The Group has loans and advances with STCI totalling \$12 million (2007: \$nil million).

Associates

On 2 July 2008 the Group acquired a further 6.16 per cent equity stake in Asia Commercial Bank (including convertible bonds) for \$211 million to bring the total shareholding to 15 per cent.

Open ended investment company

Standard Chartered Global Liquidity Funds P.L.C. was an open-ended investment company which was closed on 7 July 2008. At 31 December 2008 the Group held an investment in shares of the fund of \$nil million (31 December 2007: \$251 million).

On 3 March 2009 the board recommended a final dividend of 42.32 cents per share.

announcement of these results has been reviewed by the Company's Audit and Risk Committee.

Standard Chartered PLC – Notes continued

41. Other information

The financial information included within this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2008 were approved by the directors on 3 March 2009. These accounts will be

published on 27 March 2009 after which they will be delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not include a statement under section 237(2) or (3) of the Companies Act 1985.

42. UK and Hong Kong accounting requirements

As required by the HK Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed.

There would be no significant difference had the accounts been prepared in accordance with Hong Kong Financial

Reporting Standards. EU endorsed IFRS may differ from IFRS published by the International Accounting Standards Board if a standard has not been endorsed by the European Union.

Standard Chartered PLC – Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- (a) the consolidated financial information contained herein has been prepared in accordance with IFRSs as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) this announcement includes:
 - (i) an indication of important events that have occurred during the year ended 31 December 2008 and their impact on the consolidated financial statements, and a description of the principal risks and uncertainties; and
 - (ii) details of material related party transactions in the year ended 31 December 2008 and any material changes in the related party transactions described in the last annual report of the Group.

By order of the Board

R H Meddings
Group finance director
3 March 2009

Standard Chartered PLC – Additional Information

Summarised consolidated income statement

	1st half 2008 \$million	2nd half 2008 \$million	2008 \$million
First and second half 2008			
Interest income	8,276	8,102	16,378
Interest expense	(4,566)	(4,425)	(8,991)
Net interest income	3,710	3,677	7,387
Fees and commission income	1,955	1,465	3,420
Fees and commission expense	(274)	(205)	(479)
Net trading income	1,151	1,254	2,405
Other operating income	445	790	1,235
Total non-interest income	3,277	3,304	6,581
Operating income	6,987	6,981	13,968
Staff costs	(2,585)	(2,152)	(4,737)
Premises costs	(347)	(391)	(738)
General administrative expenses	(767)	(944)	(1,711)
Depreciation and amortisation	(201)	(224)	(425)
Operating expenses	(3,900)	(3,711)	(7,611)
Operating profit before impairment losses and taxation	3,087	3,270	6,357
Impairment losses on loans and advances and other credit risk provisions	(465)	(856)	(1,321)
Other impairment	(26)	(443)	(469)
(Loss)/profit from associates	(10)	11	1
Operating profit	2,586	1,982	4,568
Rights issue option	-	233	233
Profit before taxation	2,586	2,215	4,801
Taxation	(698)	(592)	(1,290)
Profit for the year	1,888	1,623	3,511
Profit attributable to:			
Minority interests	44	59	103
Parent company shareholders	1,844	1,564	3,408
Profit for the year	1,888	1,623	3,511
Basic earnings per ordinary share †	107.0	91.8	202.4
Diluted earnings per ordinary share †	106.0	91.4	201.3

† As required by IAS 33 'Earnings per share' the impact of the bonus element included within the rights issue has been included within the calculation of the basic and diluted earnings per share for the year and prior periods have been re-presented on this basis.

Standard Chartered PLC – Additional Information continued

Financial Calendar

Ex-dividend date	11 March 2009
Record date	13 March 2009
Expected posting to shareholders of 2008 Report and Accounts	27 March 2009
Annual General Meeting	7 May 2009
Payment date – final dividend on ordinary shares	15 May 2009

Copies of this statement are available from:

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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 2 pm GMT)*
- *Interviews with Peter Sands, Group Chief Executive Officer and Richard Meddings, Group Finance Director available from 8.15 am 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 Sustainability is available at <http://www.standardchartered.com/sustainability>

The 2008 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.

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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