



# Leading the way

in Asia, Africa and the Middle East

# Standard Chartered PLC – Financial highlights

For six months ended 30 June 2010

## Reported results

### Operating income

**\$7,924m**

H1 2009: \$7,960m / H2 2009: \$7,224m

### Normalised income<sup>2</sup>

**\$7,908m**

H1 2009: \$7,704m / H2 2009: \$7,210m

### Total assets

**\$481bn**

H1 2009: \$411bn / H2 2009: \$437bn

### Profit before taxation

**\$3,116m**

H1 2009: \$2,838m / H2 2009: \$2,313m

### Profit attributed to ordinary shareholders<sup>1</sup>

**\$2,098m**

H1 2009: \$1,883m / H2 2009: \$1,396m

## Performance metrics<sup>2</sup>

### Normalised earnings per share

**104.9 cents**

H1 2009: 95.0 cents / H2 2009: 85.1 cents

### Interim dividend per share

**23.35 cents**

H1 2009: 21.23 cents / H2 2009: 44.80 cents

### Normalised return on ordinary shareholders' equity

**14.7%**

H1 2009: 17.0% / H2 2009: 12.2%

### Normalised cost income ratio

**54.3%**

H1 2009: 49.6% / H2 2009: 53.2%

### Core tier 1 capital ratio

**9.0%**

H1 2009: 7.6% / H2 2009: 8.9%

### Total capital ratio

**15.5%**

H1 2009: 15.8% / H2 2009: 16.5%

## Significant highlights

- Delivered strong broad-based performance, with profit before taxation of \$3,116 million, up strongly by 10 per cent on H1 2009 and up 35 per cent on H2 2009
- Significantly reduced impairment provisions, driven by disciplined and proactive approach to risk
- Raised over \$4 billion of lower Tier 2 and senior debt, prefunding all maturity requirements of 2010 and leaving minimal refinancing obligations over next few years
- Continued focus on the basics of good banking, maintaining a liquid, well diversified balance sheet with limited exposure to problem asset classes and a strong capital position
- Successful listing of Indian Depository Receipts on the Bombay and National stock exchanges in India

1 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 8 on page 63).

2 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 9 on page 64.

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.

Standard Chartered PLC is headquartered in London where it is regulated by the UK's Financial Services Authority. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock code: 02888.

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

# Standard Chartered PLC

For six months ended 30 June 2010

## Summary of results

|                                                                          | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Results</b>                                                           |                                            |                                            |                                            |
| Operating income                                                         | <b>7,924</b>                               | 7,960                                      | 7,224                                      |
| Impairment losses on loans and advances and other credit risk provisions | <b>(437)</b>                               | (1,088)                                    | (912)                                      |
| Other impairment                                                         | <b>(50)</b>                                | (15)                                       | (87)                                       |
| Profit before taxation                                                   | <b>3,116</b>                               | 2,838                                      | 2,313                                      |
| Profit attributable to parent company shareholders                       | <b>2,148</b>                               | 1,933                                      | 1,447                                      |
| Profit attributable to ordinary shareholders <sup>1</sup>                | <b>2,098</b>                               | 1,883                                      | 1,396                                      |

### Balance sheet

|                    |                |         |         |
|--------------------|----------------|---------|---------|
| Total assets       | <b>480,827</b> | 411,220 | 436,653 |
| Total equity       | <b>30,053</b>  | 23,890  | 27,920  |
| Total capital base | <b>36,246</b>  | 32,324  | 35,265  |

### Information per ordinary share

|                                              | Cents          | Cents   | Cents   |
|----------------------------------------------|----------------|---------|---------|
| Earnings per share – normalised <sup>2</sup> | <b>104.9</b>   | 95.0    | 85.1    |
| – basic                                      | <b>103.4</b>   | 98.8    | 69.9    |
| Dividend per share <sup>3</sup>              | <b>23.35</b>   | 21.23   | 44.80   |
| Net asset value per share                    | <b>1,358.1</b> | 1,133.1 | 1,281.6 |

### Ratios

|                                                                         |              |       |       |
|-------------------------------------------------------------------------|--------------|-------|-------|
| Return on ordinary shareholders' equity – normalised basis <sup>2</sup> | <b>14.7%</b> | 17.0% | 12.2% |
| Cost income ratio – normalised basis <sup>2</sup>                       | <b>54.3%</b> | 49.6% | 53.2% |
| <b>Capital ratios</b>                                                   |              |       |       |
| Core Tier 1 capital                                                     | <b>9.0%</b>  | 7.6%  | 8.9%  |
| Tier 1 capital                                                          | <b>11.2%</b> | 10.5% | 11.5% |
| Total capital                                                           | <b>15.5%</b> | 15.8% | 16.5% |

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<sup>1</sup> 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 8 on page 63).

<sup>2</sup> Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 9 on page 64.

<sup>3</sup> Represents the interim dividend per share declared for the six months ended 30 June 2010 and 30 June 2009 and the recommended final dividend per share for the six months ended 31 December 2009 (subsequently declared at the Annual General Meeting on 7 May 2010 and recognised in these financial statements).

## Standard Chartered PLC – Chairman's statement



“While there is economic improvement in our markets of Asia, Africa and the Middle East, they are still dependent on a recovery in the West which is much less certain.”

Standard Chartered has achieved another very good performance in the first six months of 2010:

- Profit before taxation rose 10 per cent to \$3.12 billion
- Income broadly flat at \$7.92 billion
- Normalised earnings per share were up 10 per cent to 104.9 cents

The Board has declared an interim dividend of 23.35 cents per share, up 10 per cent.

The Group has continued to perform strongly in the first half of 2010, despite increasing competition and tighter margins. We are investing for growth and Standard Chartered remains in excellent shape, with a strong and liquid balance sheet.

This has been an eventful as well as a successful six months for Standard Chartered. In June we became the first foreign company to list Indian Depository Receipts in Mumbai. We also launched our new brand promise, 'Here for good', with all the different and positive meanings it has for the Bank's stakeholders and for how we go about our business.

These remain challenging times. There is fragility in the global economy and nervousness in financial markets. While there is economic improvement in our markets of Asia, Africa and the Middle East, they are still dependent on a recovery in the West which is much less certain.

As a bank which spans East and West, we can see how much more positive the mood is across our markets. We can also see how differently the crisis affected each region and, now, how regulators are taking different approaches to reinforcing the financial system.

It is a matter of great concern to us, as a truly international bank, that regulations and taxes are not being introduced equivalently on an international basis and that UK banks could be put at a disadvantage to those elsewhere.

Despite the regulatory and economic uncertainties, our focus on the basics of banking will continue to hold us in good stead. Strong governance has also remained an

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### Profit before taxation

# +10%

\$3.12 billion

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### Interim dividend

# 23.35 cents

+10%

important focus. During the first half of the year, the Board was strengthened by the appointment of three non-executive directors. Dr Han Seung-Soo, former Prime Minister of the Republic of Korea; Richard Delbridge, who has a wealth of financial experience from a wide-ranging banking career; and Simon Lowth, currently an Executive Director and Chief Financial Officer of AstraZeneca PLC.

Jaspal Bindra, our Chief Executive for Asia, was appointed to the Board as a Group Executive Director. We also separated the existing Audit and Risk Committee to accentuate the focus on risk management.

I would like to thank the Board, management and staff of the Bank for their dedication and effort. We continued our strong performance in the first half of 2010 and both our businesses have had an encouraging start to the second half.



**John Peace**  
Chairman  
4 August 2010



“What is clear is that whatever happens, Asia will grow faster than the West. Indeed the crisis has accelerated the shift in economic power and influence from those who consume and borrow, to those who produce and save.”

This is a strong set of results, achieved against an uncertain and sometimes difficult external environment. Whilst the global economy is undoubtedly recovering, particularly in Asia, this recovery is very uneven, somewhat fragile, and there are still many risks.

In our pre-close trading statement at the end of June we deliberately used quite cautious language to describe the environment. Through May and June we had seen softer markets, trade and business volumes falling, investors spooked by sovereign debt and currency issues. Recently we have seen more positive sentiment in the markets, and encouraging upticks in some businesses.

However, we remain somewhat cautious. We don't expect a smooth recovery, and we anticipate further bursts of volatility.

Back in March, at our full year results, I outlined five key risks that I saw in the global economy. These are all still relevant. The imbalances in the world economy remain acute. Deleveraging in the West is now happening in both the public and private sectors, particularly in Europe. This will inevitably be painful. Central banks have only just begun to unwind liquidity support measures.

Unemployment remains the biggest political issue in most countries, creating pressure for populist and protectionist measures. The regulatory change agenda is enormously complex, often fragmented and fraught with unintended consequences.

With confidence febrile, and markets nervous, I would say we are over the worst, but we are not out of the woods. Our markets – Asia, Africa and the Middle East – are bouncing back. But to sustain that momentum they need the West to grow too. Whilst the global financial crisis was actually a Western financial crisis, it was big enough to impact everywhere. We live in an extraordinarily interconnected and interdependent world.

What is clear is that whatever happens, Asia will grow faster than the West. Indeed the crisis has accelerated the shift in economic power and influence from those who consume and borrow, to those who produce and save.

With our focus on Asia, Africa and the Middle East, it is clear that we are in the right markets.

### Asia – a platform for growth

The pace of the recovery in Asia has been remarkable. Asian exports have grown, on average, over 37 per cent year-on-year. Several of the most trade-dependent economies, such as Taiwan and Singapore, have seen double-digit GDP growth – and are now ahead of pre-crisis levels of activity. More domestically driven economies such as China and India continue to grow at pace.

Underpinning this growth are increasingly diversified trade and investment flows. Everyone talks about the China-Africa trade and investment corridor, but there is a profusion of non-traditional corridors: Korea and the Middle East; India and Africa; China and Brazil. Trade within the ASEAN (Association of South East Asian Nations) region now accounts for over a quarter of Indonesia's exports, and more than a third of Thailand's, Malaysia's and Singapore's. All of these markets now export more to the rest of ASEAN than they do to China.

Given our network and capabilities, these trends play to our strengths. For example, Hyundai Motor, a leading Korean car manufacturer, set up a state-of-the-art production facility in Chennai, India. Building on a long established relationship with Hyundai Motor and our on-the-ground capabilities in India we financed the building of the factory, provided banking services to many of the suppliers – both in Korea and locally – as well as auto-financing, working capital, foreign exchange hedging and cash management services. This illustrates the power of our network, the breadth of our product offering, and how we operate as 'one bank'.

### Strategy

As we emerge from the crisis, we have taken stock of our strategy, asking ourselves whether it's still right, still robust in the face of the fundamental shifts in the global economy, the avalanche of regulatory reforms, and the changes in competitive dynamics.

The answer is that we have the right strategy. It worked before the crisis. It worked during the worst of the crisis. And it's working now. We aspire to be the world's best international bank, leading the way in Asia, Africa and the Middle East – parts of the world that offer great prospects for growth, that we know intimately, and where we have deep roots. These are the right markets for us. We focus on customers and clients, on building deep, long-term relationships, on standing beside them through thick and thin. We are obsessive about the fundamentals of the Bank: the balance sheet, our infrastructure, our brand and reputation, our culture. We are equally obsessive about the way we run the Bank – how we manage costs, risk, liquidity, capital and controls. We believe investment in organic growth is the key to driving sustained value creation. Acquisitions and investments play an important part in our strategy – giving us new capabilities, creating new platforms, or overcoming obstacles to growth – but organic growth has been and will be the main driver of our success. Our approach to acquisitions can be summed up simply: we grow what we buy; we don't just buy to grow.

Inorganic investments and partnerships complement the growth of our organic business. We have a 20 per cent stake in Bohai Bank in China, which has now grown to over \$25 billion in assets, and has 42 branches in 11 cities.

Most recently, we established a strategic partnership with Agricultural Bank of China (ABC), underpinned by becoming a cornerstone investor in their IPO. With 2.6 million corporate clients, over 320 million personal customers, and nearly 24,000 branches, but virtually no international network, ABC offers plenty of scope for mutually beneficial cooperation; for example, in providing international trade services to their millions of Small and Medium Enterprise (SME) clients.

### Small and Medium Enterprises

Building the SME business is a key strategic priority across all our core markets, primarily because it's a great source of profit growth, but also because it's one area where we can powerfully demonstrate our distinctive contribution to the broader real economy.

SMEs are the main source of employment growth in most economies, and in several of our markets, they dominate the economy. In Korea, for example, SMEs account for over half of GDP, and 88 per cent of total employment. Helping SMEs trade, grow and prosper is an obvious way in which banks can be 'socially useful' and deliver value for their shareholders.

This is a business we have been investing in to build. Today, we have SME customers in 30 markets, who are served by 1,300 relationship managers. Consistent with our commitment to the segment, we continued to expand lending during and after the crisis – SME loans grew by 14 per cent from 2008-09 and a further seven per cent in the first six months of this year to \$14.2 billion. Meanwhile SME deposits have grown from \$17 billion to \$29 billion since the beginning of 2008, with 17 per cent growth in the first six months of 2010.

This growth has been achieved by investing in product capabilities and dedicated SME centres, and in recruiting and training relationship managers. However, we are also looking to complement our organic growth through selective acquisitions. For example, last month we acquired a factoring and hire purchase business in Singapore – a small, but targeted, acquisition that extends our product capabilities for SME customers.

### Corporate Finance

Our corporate finance business represents another good example of where we have combined investment in our organic business with carefully selected acquisitions that expand our capabilities.

The strategic rationale for building our corporate finance business from scratch, and quickly, was clear. We had great relationships with our clients, but we didn't have the product capabilities to take advantage of the growth in infrastructure, trade and investment flows emerging in our geographies. We needed to deepen our relationships with core clients and conduct more 'high end' advisory and finance business in order to take advantage of these growing flows. Alongside the process of hiring and building the business, select acquisitions were crucial: Harrison Lovegrove in the Oil and Gas sector, Cazenove Asia – now Standard Chartered Securities – on the equities side, Pembroke for the build out of our aircraft financing offering, and First Africa provided boutique advisory capability in Africa. The momentum in the business is self-evident. In seven years, we have built a business that has seen income grow from \$40 million in 2003 to \$932 million in the first half of this year. First half income is up 52 per cent on the first half of last year, driven by ever larger mandates, and is up 37 per cent on the second half of last year. This is a very strong performance, and now forms a significant contribution to our client business.

Corporate finance is a business where we had chosen to invest for growth and we are now seeing the benefit.

Of course, building businesses like SME or corporate finance, or expanding organically in markets like China, takes sustained investment, and while some of this can be funded through productivity enhancement, the pace of investment drives cost growth.

### Investing in the business

We have consistently said that we manage the bank so that our costs grow broadly in line with income. Last year we responded to the global economic turmoil by pulling back on costs sharply, and they grew significantly less than income. This year we decided to accelerate investment spending to ensure we took full advantage of the opportunities emerging from the crisis.

The margin pressure on deposits, and the sharp reduction in own account income year-on-year somewhat disguises the underlying business momentum, the pace at which we are winning market share – in most segments and products across most markets – and building volumes. We are investing to ensure we have the scalable infrastructure to enable us to continue to grow at pace in a controlled and cost-effective manner. If you look at our jaws or cost income ratio over a multi-year period we are doing exactly what we said we would do – keeping costs growing broadly in line with income.

We have deliberately stepped up our investment to transform Consumer Banking. Expenses in Consumer Banking climbed ten per cent during the first half, as we added 400 relationship managers across Premium Banking, Private Banking and SME, and some 700 front line sales and service staff. We also continued to invest in our branches and in enhancing our internet and mobile channels.

And while we still have much to do in Consumer Banking, and still face downward pressure on margins, we are getting the results. For example, in Hong Kong, mortgage

## Standard Chartered PLC – Group Chief Executive's review continued

volumes have grown 25 per cent year-on-year, giving us around 15 per cent market share, our highest ever. Deposits have grown by ten per cent, much faster than the market. As interest rates begin to rise – which they are just beginning to do – we will see the benefits of what we have done to build the scale and quality of our customer deposits across our markets in the income line.

Another area in which we have stepped up investment with an eye to our long term growth is in branding and marketing.

### Our brand

We have a great brand, but it could be a much more powerful driver of value creation. So far, our brand has been propelled by the success of our business, rather than helping drive our success. We want to make the brand far more potent as a source of competitive advantage.

This is not about throwing money around to achieve nebulous goals, but about controlled investment to achieve specific objectives:

- First, we want many more people, across all our markets, to be aware of the brand. Our brand recognition is just far too low.
- Second, we need them to understand what we stand for and why we are different. Because we really believe we are a different kind of bank.
- And finally, investment in the brand must drive incremental business.

Our sponsorship of Liverpool Football Club is all about building basic brand awareness. Given the number of people watching the English Premier League every week across Asia, Africa and the Middle East, and the extent of Liverpool's global fan base, we reckoned this was the most cost-effective way of putting our name on the TV in all our markets every week.

With the launch of our brand promise 'Here for good' we're telling the world what we stand for and why we're different. 'Here for good' is a simple phrase with multiple meanings. It captures our long term perspective, the fact that we're committed to clients and customers, to our markets and the communities in which we live and work. We've been around for a long time, and we'll stick around, through good times and bad. 'Here for good' also captures our belief in doing the right thing, in being a force for good, in making a positive contribution to the economies and societies in which we operate. At one level, it is about community initiatives, but even more profoundly, it's about the way we run our business every day and everywhere – what clients we take on, what products we sell, how we conduct ourselves.

### India

India was our second most profitable market in 2009, beaten by just a whisker by Hong Kong. But in 2010, India is certainly ahead at the halfway mark, with profits up 19 per cent to \$624 million. Both our consumer and wholesale businesses have great momentum, and we're continuing to invest to make the most of the opportunities. It's worth reflecting that in 2000, the year before we acquired Grindlays, our profits in India were only \$45 million; and those of Grindlays, \$90 million.

From my many visits to India, it is clear what a difference the listing has made to our brand and profile. For us, the IDR listing is a symbol of how we are 'Here for good' in

India. We've been in India for over 150 years. Our first ever two branches were opened in Kolkata and Shanghai in 1858. We've now become the first – indeed the only – international company to list in Mumbai. We're enormously appreciative of the support of our new investors in India.

### Outlook

These results demonstrate once again our commitment to delivering consistent and sustained performance. This is not a bounce back, a sharp recovery in profits; it is simply another set of record results, continuing a trajectory that now extends over more than seven years.

I would like to take this opportunity to thank the people of Standard Chartered for once again delivering for our shareholders.

Both businesses enter the second half with good momentum. However, we remain extremely watchful about the global outlook and are managing the business very dynamically. We are investing now in order to grasp the huge long term opportunities across our markets. But we are also ready and able to respond tactically as events unfold. We don't underestimate the scale and unpredictability of the external challenges. In this context, we have kept focused on the basics, kept driving the underlying momentum in both our businesses, and have stepped up investment in the brand.

In the second half, Consumer Banking income should benefit from continued balance sheet growth and selective re-balancing of the loan book. We are well positioned for the turn in the rates cycle, but now expect this to have the most impact in 2011.

Wholesale Banking client income remains strong and our deal pipelines remain both robust and active.

For the Group as a whole, we would expect to see jaws narrowing from eight per cent negative in the first half, but we still anticipate negative jaws at the full year. We are keeping a tight grip on expenses. Credit indicators in both businesses remain good.

The Bank is in great shape, has good momentum, and is superbly positioned for the future.



**Peter Sands**  
Group Chief Executive  
4 August 2010

## Standard Chartered PLC – Financial review

### Group summary

The Group has delivered another strong performance for the six months ended 30 June 2010. Operating profit rose 10 per cent to \$3,116 million. On a constant currency basis<sup>1</sup>, the increase in operating profit was 6 per cent.

Operating income fell marginally by \$36 million to \$7,924 million compared to the corresponding period last year, but grew 10 per cent over the second half of 2009. Income grew by 3 per cent over the first half of 2009 excluding the gain of \$248 million generated from the buyback of Tier 2 notes in April 2009. Consumer Banking grew income by 8 per cent and client income in Wholesale Banking grew by 18 per cent. Own account income fell from the very strong levels seen in the first half of 2009, but showed good growth of 14 per cent over the second half.

Normalised earnings per share grew 10 per cent to 104.9 cents and return on equity was 14.7 per cent. Further details of basic and diluted earnings per share are provided in note 9 on page 64.

Expenses continue to be managed tightly whilst still investing in both businesses to underpin income momentum. The increase over the first half of 2009 reflects our decision to hold back on investment expenditure in the first half of 2009 due to the uncertain environment at that time. With economies starting to improve in the latter half of 2009, we invested in people and infrastructure with a resultant flow through of expenses in the current year. This, coupled with the softness seen in own account income in the current year, has resulted in a normalised cost to income ratio of 54.3 per cent compared to 49.6 per cent in the first half of 2009, and cost growth exceeded income growth by 8 per cent.

The Group's overall asset quality remains good. The stress on asset quality seen in the early part of 2009, in line with that seen in the wider industry, has moderated considerably in both businesses and most geographies. Additionally, a disciplined and proactive approach to risk, has delivered a significant reduction in impairment provisions.

We continue to focus on the foundations of good banking with particular emphasis on liquidity and capital. We maintain a liquid balance sheet, with an advances to deposits ratio of 76.2 per cent, compared to the 2009 year end ratio of 78.6 per cent. We also continue to maintain a conservative funding structure with all debt maturity requirements for 2010 pre-funded and with very low levels of refinancing necessary over the next few years. Both businesses have focused on growing deposits through product and service innovation and enhancement of their partnering efforts to drive acquisition of payroll accounts.

We continue to maintain a strong capital position with a Core Tier 1 ratio of 9 per cent at 30 June 2010. In the first half of the year the Group generated \$2.1 billion of organic equity primarily as a result of strong profitability. In addition, we raised some \$504 million, net of expenses, through a listing of Indian Depository Receipts on the Bombay and National stock exchanges in India.

### Acquisitions

On 12 April 2010 the Group completed the purchase from GE Capital Hong Kong of its consumer finance business in Hong Kong. The effect of this acquisition was not material to the Group's performance in the first half of 2010.

**In the commentary below all comparisons are made in relation to the first half of 2009 unless otherwise stated.**

### Operating income and profit

|                                                                          | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million | H1 2010<br>vs<br>H1 2009<br>% | H1 2010<br>vs<br>H2 2009<br>% |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------------|-------------------------------|
| Net interest income                                                      | 4,155                                      | 3,700                                      | 3,923                                      | 12                            | 6                             |
| Fees and commissions income, net                                         | 2,148                                      | 1,685                                      | 1,685                                      | 27                            | 27                            |
| Net trading income                                                       | 1,351                                      | 1,740                                      | 1,150                                      | (22)                          | 17                            |
| Other operating income                                                   | 270                                        | 835                                        | 466                                        | (68)                          | (42)                          |
|                                                                          | 3,769                                      | 4,260                                      | 3,301                                      | (12)                          | 14                            |
| <b>Operating income</b>                                                  | <b>7,924</b>                               | <b>7,960</b>                               | <b>7,224</b>                               | <b>(0)</b>                    | <b>10</b>                     |
| <b>Operating expenses</b>                                                | <b>(4,344)</b>                             | <b>(4,027)</b>                             | <b>(3,925)</b>                             | <b>8</b>                      | <b>11</b>                     |
| <b>Operating profit before impairment losses and taxation</b>            | <b>3,580</b>                               | <b>3,933</b>                               | <b>3,299</b>                               | <b>(9)</b>                    | <b>9</b>                      |
| Impairment losses on loans and advances and other credit risk provisions | (437)                                      | (1,088)                                    | (912)                                      | 60                            | 52                            |
| Other impairment                                                         | (50)                                       | (15)                                       | (87)                                       | (233)                         | 43                            |
| Profit from associates                                                   | 23                                         | 8                                          | 13                                         | 188                           | 77                            |
| <b>Profit before taxation</b>                                            | <b>3,116</b>                               | <b>2,838</b>                               | <b>2,313</b>                               | <b>10</b>                     | <b>35</b>                     |

<sup>1</sup> Unless otherwise specified, constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet, respectively.

### Group performance

Net interest income grew by \$455 million, or 12 per cent, with higher volumes offsetting margin pressure. The Group net interest margin at 2.3 per cent was down from 2.4 percent in the first half of 2009. Both businesses continued to be impacted by liability margin pressures as interest rates remain low and uncertainty on sustained recovery persists, especially in the western economies with a knock on impact in some of our markets. Consumer Banking has seen good balance sheet velocity for both assets and liabilities. Higher volumes helped offset the fall in deposit margins and the impact of the shift to secured but lower yielding asset growth. In Wholesale Banking, margin compression, especially in the Cash business, was offset by an increase in Trade volumes, where we gained incremental market share.

Non-interest income, which comprises net fees and commissions, trading and other operating income fell \$491 million, or 12 per cent, to \$3,769 million. Excluding the gain of \$248 million on buy back of Tier 2 notes in the first half of 2009, non interest income was \$243 million, or 6 per cent, lower as a result of softer own account performance. Net fees and commission income increased by \$463 million, or 27 per cent, to \$2,148 million. In Consumer Banking, this was driven by better Wealth Management performance on the back of improved market sentiment and an increase in sales of mutual funds and structured products. In Wholesale Banking, the increase was driven by higher Corporate Advisory fees. Net trading income fell by \$389 million, or 22 per cent, to \$1,351 million as lower volatility limited trading opportunities. Other operating income primarily comprises gains arising on sale from the investment securities portfolio, aircraft lease income and dividend income. This income fell by \$565 million, or 68 per cent, to \$270 million as 2009 included gain arising from the buy back of own debt of \$248 million, which did not repeat in the current year. Consumer Banking non interest income registered a \$121 million increase benefitting from increased Wealth Management sales as market sentiment, although cautious, turned more positive. In Wholesale Banking, Corporate Finance performed very strongly on the back of some landmark deals and Transaction Banking benefitted from increased volumes. Own account income, however, was adversely impacted as volatility in our markets was low and offered few opportunities. The Group's income streams continue to be highly diversified with most geographies showing a positive growth. Americas UK and Europe was flat having benefitted in the first half of 2009 through the gain arising from the buy back of own debt.

Operating expenses increased by \$317 million, or 8 per cent, to \$4,344 million. Expenses in the first half of 2009 included \$170 million related to the buy back of structured notes issued by the PEM Group in Taiwan which were partially offset by a reduction in retirement obligations of \$52 million. Excluding these, costs were higher by 11 per cent. Both businesses continued to invest in specialist and front line staff and in infrastructure spend on new branches, renovations and relocations of branches, distribution channels such as ATMs and technology systems.

Operating profit before impairment losses and taxation (also referred to as "working profit") fell \$353 million, or 9 per cent, to \$3,580 million. On a constant currency basis, the decrease was 12 per cent.

Loan impairment was lower by \$651 million, or 60 per cent, at \$437 million. The challenging credit environment seen in early 2009 has continued to ease, resulting in lower delinquency trends since the second half of 2009 and consequent lower provisions, both at a specific and portfolio level. Flow rates and impairment in Consumer Banking have continued to improve in the first half of 2010 as the environment improved. Wholesale Banking has also seen an improvement in credit grade migration and early alerts with resultant lower provisions, which related mainly to incremental provisioning on a few existing problem accounts.

Profit before taxation increased by \$278 million, or 10 per cent, to \$3,116 million with Consumer Banking contributing 21 percent of the Group's first half profit, up from 12 per cent in the first half in 2009. On a geographic basis, India surpassed Hong Kong as the leading contributor.

The Group's effective tax rate (ETR) was 30 per cent compared to 29.8 per cent in the first half of 2009. Based on the underlying profit mix of the Group, generally, the full year ETR is expected to be in the range of 28 per cent to 29 per cent. The ETR in the first half of the year is higher than this range because of profit mix and the impact on deferred tax balances of a change in corporate tax rates, principally in Taiwan.

## Standard Chartered PLC – Financial review continued

### Consumer Banking

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

| 6 months ended 30.06.10 |           |           |           |                    |           |                            |           |                      |                        |
|-------------------------|-----------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|------------------------|
| Asia Pacific            |           |           |           |                    |           |                            |           |                      |                        |
|                         | Hong Kong | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Consumer Banking Total |
|                         | \$million | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million              |
| Operating income        | 523       | 333       | 510       | 704                | 251       | 344                        | 183       | 64                   | 2,912                  |
| Operating expenses      | (351)     | (172)     | (389)     | (486)              | (157)     | (221)                      | (121)     | (69)                 | (1,966)                |
| Loan impairment         | (22)      | (15)      | (60)      | (59)               | (41)      | (87)                       | (12)      | (3)                  | (299)                  |
| Other impairment        | -         | -         | -         | -                  | -         | -                          | (2)       | (2)                  | (4)                    |
| Operating profit/(loss) | 150       | 146       | 61        | 159                | 53        | 36                         | 48        | (10)                 | 643                    |

| 6 months ended 30.06.09 |           |           |           |                    |           |                            |           |                      |                        |
|-------------------------|-----------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|------------------------|
| Asia Pacific            |           |           |           |                    |           |                            |           |                      |                        |
|                         | Hong Kong | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Consumer Banking Total |
|                         | \$million | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million              |
| Operating income        | 545       | 302       | 423       | 612                | 213       | 337                        | 168       | 85                   | 2,685                  |
| Operating expenses      | (265)     | (140)     | (318)     | (557)              | (115)     | (196)                      | (105)     | (84)                 | (1,780)                |
| Loan impairment         | (58)      | (19)      | (116)     | (120)              | (77)      | (143)                      | (18)      | (12)                 | (563)                  |
| Other impairment        | 5         | -         | -         | -                  | 3         | -                          | -         | (2)                  | 6                      |
| Operating profit/(loss) | 227       | 143       | (11)      | (65)               | 24        | (2)                        | 45        | (13)                 | 348                    |

| 6 months ended 31.12.09 |           |           |           |                    |           |                            |           |                      |                        |
|-------------------------|-----------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|------------------------|
| Asia Pacific            |           |           |           |                    |           |                            |           |                      |                        |
|                         | Hong Kong | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Consumer Banking Total |
|                         | \$million | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million              |
| Operating income        | 537       | 333       | 572       | 671                | 231       | 341                        | 183       | 76                   | 2,944                  |
| Operating expenses      | (339)     | (157)     | (383)     | (489)              | (133)     | (199)                      | (124)     | (105)                | (1,929)                |
| Loan impairment         | (46)      | (15)      | (69)      | (120)              | (70)      | (142)                      | (10)      | (17)                 | (489)                  |
| Other impairment        | -         | -         | (1)       | (2)                | 2         | -                          | -         | (6)                  | (7)                    |
| Operating profit/(loss) | 152       | 161       | 119       | 60                 | 30        | -                          | 49        | (52)                 | 519                    |

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

|                                             | 6 months ended<br>30.06.10<br>\$million | 6 months ended<br>30.06.09<br>\$million | 6 months ended<br>31.12.09<br>\$million |
|---------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Operating income by product</b>          |                                         |                                         |                                         |
| Cards, Personal Loans and Unsecured Lending | 988                                     | 954                                     | 1,038                                   |
| Wealth Management and Deposits              | 1,106                                   | 1,100                                   | 1,132                                   |
| Mortgages and Auto Finance                  | 733                                     | 540                                     | 704                                     |
| Other                                       | 85                                      | 91                                      | 70                                      |
| <b>Total operating income</b>               | <b>2,912</b>                            | <b>2,685</b>                            | <b>2,944</b>                            |

## Standard Chartered PLC – Financial review continued

### Consumer Banking continued

Consumer Banking continued to make progress in executing its shift towards becoming more customer focused. Operating income grew by \$227 million or 8 per cent to \$2,912 million. On a constant currency basis, income was 3 per cent higher. Net interest income increased \$106 million, or 6 per cent, to \$1,981 million. Whilst asset and liability volumes increased, this was partially offset by lower margins. Compared to the first half of 2009, margins, on average, fell 27 basis points on deposits as the low interest rate environment persisted and 7 basis points on assets as growth was primarily in lower yielding secured products. Non interest income at \$931 million was 15 per cent higher driven by Wealth Management fees which have grown steadily, although investor confidence remains cautious as evidenced by a slowdown in momentum following the recent economic events in Europe.

Expenses increased \$186 million, or 10 per cent, to \$1,966 million. On a constant currency basis, expenses were up 4 per cent. Expenses were driven higher by investment expenditure, primarily hiring relationship managers and front office staff, new branches and ATMs, and also increased regulatory costs.

Loan impairment was lower by \$264 million, or 47 per cent, at \$299 million. Delinquency rates have continued to improve since the second half of 2009 with an easing in the economic environment and this, coupled with the de-risking of the loan portfolio, has helped impairment levels reduce across all geographies. We remain cautious in some markets such as UAE.

Operating profit increased by \$295 million, or 85 per cent, to \$643 million. On a constant currency basis, the increase in operating profit was 82 per cent.

### Product performance

Income from Cards, Personal Loans and Unsecured Lending increased by \$34 million, or 4 per cent, to \$988 million. In the face of worsening delinquency trends in late 2008 and early 2009, we de-risked our portfolios, reducing emphasis on unsecured products. With flow rates improving in the latter half of 2009, we have been selectively returning to unsecured lending with a small increase in income from this product stream.

Wealth Management and Deposits income was broadly flat. With a low interest rate environment continuing for a longer period than expected, deposit margins continued to be under pressure and this was further exacerbated by pricing competition in key markets. We continued our deposit gathering initiatives driven by product innovation and continued focus on co-operation with Wholesale Banking to source payroll accounts. We continue to strategically drive the deposit mix. In 2009, the focus was on increasing Current and Savings accounts (CASA) and reducing expensive term deposits. With rates continuing to be steady and an upward bias expected in some markets, the focus more recently has been to grow longer term deposits and encourage rollover of maturities at lower rates. Total deposits grew by \$11 billion to \$130 billion and helped partially offset margin compression. Wealth Management has shown some recovery and grew in the first few months of 2010. Our focus continued on markets in Asia, where investor appetite was higher on the back of relatively better economic and stock exchange indicators.

Mortgages and Auto Finance grew strongly against the first half of 2009, with income up \$193 million, or 36 per cent, to

\$733 million driven by higher volumes and improved margins. However, compared to the second half of 2009, margins fell due to an increase in funding costs and the impact of increased competition on pricing. This was partially offset by continued good volume growth, particularly in Hong Kong.

The “Other” classification primarily includes SME related trade and transactional income and has remained at similar levels compared to the previous period.

### Geographic performance

#### Hong Kong

Income was down \$22 million, or 4 per cent, to \$523 million. Hong Kong is our most liquid market. The low interest rate environment coupled with market competition put margins under pressure and interest income fell compared to the first half of 2009. The margin impact was partially offset by an increase in volumes across both liability and asset products. We continued to gain market share in both mortgages and credit cards whilst also growing the SME trade book. Liability growth continued to be driven through innovative programs such as MaxiRewards and variants such as Renminbi (RMB) deposits in addition to on-going efforts with Wholesale Banking to grow payroll accounts. Non funded income has grown steadily since the first half of 2009 driven primarily by unit trust sales and securities brokerage. In line with the trend across the Group, investment was held back in the first half of 2009. With income momentum improving in the second half of 2009, the business invested in front office staff and enhanced internet and mobile infrastructure, resulting in higher expenses in the current period, up 32 per cent to \$351 million. Working profit was down \$108 million, or 39 per cent, to \$172 million. Impairment was lower by \$36 million as personal bankruptcies fell by around 50 per cent in an improving economic climate and increased security related to the SME portfolio. Operating profit was down \$77 million, or 34 per cent, to \$150 million.

#### Singapore

Income was up \$31 million, or 10 per cent, to \$333 million. On a constant currency basis, income was up 5 per cent. Income from mortgages and cards benefitted from customer-centric innovation focused on enhancing transactional capabilities such as Breeze, Pay Any Card and the “8 minute service guarantee”. Wealth Management income grew on the back of increased sales of structured notes as markets and investor appetite recovered. Low interest rates and increased competition impacted deposit margins adversely but were partially offset by increased volumes. Operating expenses increased \$32 million, or 23 per cent, to \$172 million, driven higher by investment in frontline marketing and branch relocations and refurbishments. Working profit was flat at \$161 million. Loan impairment was marginally lower at \$15 million as the economic environment improved. Operating profit was broadly flat at \$146 million.

#### Korea

Income was up \$87 million, or 21 per cent, to \$510 million. On a constant currency basis, growth was 3 per cent. Income grew in Mortgages, Unsecured Lending and Wealth Management, and although liability volumes were higher this was largely offset by lower deposit margins. Operating expenses were up \$71 million, or 22 per cent, to \$389 million. On a constant currency basis, expenses were 5 per cent higher. Expenses were driven higher by investment in refurbishing and renovating existing branches and the opening of 10 new branches in the first half of this year.

## Standard Chartered PLC – Financial review continued

### **Consumer Banking** continued

Working profit was up 15 percent, but 2 percent lower on a constant currency basis at \$121 million. Loan impairment was down \$56 million, or 48 per cent, to \$60 million as bankruptcies and debt restructuring reduced. This was further helped by the benefits of a de-risked portfolio flowing through. Operating profit was \$61 million, up \$72 million from the \$11 million loss in the first half of 2009.

### **Other Asia Pacific**

Income was up \$92 million, or 15 per cent, at \$704 million. All major markets except Thailand registered positive income growth. Income in China was up 27 per cent to \$98 million driven by strong volume growth in personal loans and mortgages, improved liability margins and increased fee income on the back of higher sales of mutual funds and structured notes. Taiwan saw a 16 per cent increase in income with strong growth in Mortgages and Wealth Management momentum, primarily unit trust and mutual fund sales. In Thailand, income reduced as the political unrest impacted business sentiment and we continued to de-risk the portfolio. Income in Malaysia was up 6 per cent to \$128 million and benefitted from growth in assets, primarily SME and Mortgages. Operating expenses in the first half of 2009 included a \$170 million charge in Taiwan for the buy back of structured notes issued by the PEM Group which were partially offset by a reduction in retirement obligations of \$52 million. Excluding these items, expenses were up \$47 million, or 11 per cent, at \$486 million primarily driven by investments in frontline staff, branch infrastructure and ATMs. Working profit was up \$163 million to \$218 million. Loan impairment fell \$61 million, or 51 per cent, to \$59 million. Taiwan and Thailand saw a significant reduction in impairment as actions taken to de-risk the portfolios coupled with enhanced collection efforts took effect. This geography delivered an operating profit of \$159 million as compared to a loss of \$65 million in the first half of 2009.

### **India**

Income was up \$38 million, or 18 per cent, to \$251 million. On a constant currency basis, income grew 10 per cent. This was driven by the continuing momentum in focus segments such as Private Banking and Priority Banking since the second half of 2009. Mortgages and SME saw good growth in volumes and benefitted from an increase in margins. Wealth Management benefitted from a more buoyant stock market resulting in higher mutual fund sales. As in other major markets, deposits growth was driven by the focus on payroll accounts which helped CASA balances grow 2 per cent over the previous year end. Operating expenses were \$42 million, or 37 per cent, higher at \$157 million. On a constant currency basis, expenses were higher by 26 per cent. The first half of 2009 had benefitted from a service tax rebate. The underlying increase in expenses was driven by continued investments to support future growth and build the franchise including front office staff and Relationship Managers, increased brand visibility and ATM expansion. Working profit was down \$4 million, or 4 per cent, at \$94 million. On a constant currency basis, the drop in working profit was 10 per cent. Loan impairment was down \$36 million, or 47 per cent, to \$41 million as a result of the shift towards secured lending. Operating profit grew \$29 million, or 121 per cent, to \$53 million. On a constant currency basis, operating profit was 118 per cent higher.

### **MESA**

Income was up \$7 million, 2 per cent at \$344 million. Amongst the major markets in this geography, whilst UAE income grew 6 per cent, Pakistan income fell 6 per cent due to lower customer lending and compressed margins although this was partially offset by strong deposit growth. UAE income was helped by a stronger Wealth Management performance partially offset by a reduction of the high-yield personal loan portfolio in light of the economic stress and tighter underwriting criteria. Growth in focus segments such as Private Banking and Priority Banking was strong but liability margins continued to be under pressure in a low interest rate environment with increased competition. Operating expenses in MESA were higher by \$25 million, or 13 per cent, at \$221 million primarily driven by UAE where expenses were up by \$20 million, or 26 per cent, as the business continued to invest in frontline staff and realignment of distribution channels. Expenses in Pakistan were held flat as the business continued to maintain a strong cost discipline, phasing investments in line with income momentum. Working profit was down \$18 million, or 13 per cent, to \$123 million. Loan impairment was lower at \$87 million, 39 per cent down from \$143 million in the first half of 2009. Whilst the decrease was primarily in the UAE and Pakistan, all markets benefitted from an improving economic climate coupled with the shift to secured lending products. Despite a drop in income, Pakistan, through its cost discipline and lower impairment resulting from improved delinquency trends, returned to profit. MESA delivered an operating profit of \$36 million, compared to an operating loss of \$2 million in the first half of 2009.

### **Africa**

Income was up \$15 million, or 9 per cent, at \$183 million. On a constant currency basis, income grew 6 per cent with strong momentum in SME and Personal Loans. With the exception of smaller markets, such as Tanzania and Gambia, all other markets registered positive income growth. Uganda and Zambia saw asset growth in SME and Personal Lending whilst liabilities grew across all markets. Nigeria and Kenya gained market share across asset and liability products. Operating expenses were \$16 million, or 15 per cent, higher at \$121 million. On a constant currency basis, expenses were higher by 13 per cent. Expenses were driven by investments to strengthen the distribution network. Working profit was flat at \$62 million. Loan impairment was down \$6 million, or 33 per cent, to \$12 million. Operating profit was up \$3 million, or 7 per cent, at \$48 million. On a constant currency basis operating profit was up 3 per cent.

### **Americas, UK & Europe**

Income fell \$21 million or 25 per cent from \$85 million to \$64 million. The business in this region is primarily Private Banking in nature and continued to be impacted by low investor confidence resulting in AUM reduction with a corresponding income decline. Low interest rates resulted in a squeeze in liability margins. Operating expenses fell \$15 million, or 18 per cent, as restructuring initiatives undertaken in 2009 started to show results. Impairment was lower by \$9 million or 75 per cent. The operating loss reduced from \$13 million to \$10 million largely driven by cost efficiencies.

## Standard Chartered PLC – Financial review continued

### Wholesale Banking

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

|                    | 6 months ended 30.06.10 |           |           |                    |           |                            |           |                      |                         |
|--------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-------------------------|
|                    | Asia Pacific            |           |           |                    |           |                            |           |                      |                         |
|                    | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Wholesale Banking Total |
|                    | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million               |
| Operating income   | 668                     | 580       | 286       | 837                | 760       | 712                        | 463       | 706                  | 5,012                   |
| Operating expenses | (305)                   | (305)     | (129)     | (409)              | (187)     | (294)                      | (202)     | (526)                | (2,357)                 |
| Loan impairment    | (3)                     | (2)       | (69)      | (30)               | (2)       | (29)                       | 5         | (8)                  | (138)                   |
| Other impairment   | 1                       | -         | -         | (1)                | -         | (25)                       | (3)       | (18)                 | (46)                    |
| Operating profit   | 361                     | 273       | 88        | 397                | 571       | 364                        | 263       | 154                  | 2,471                   |

|                    | 6 months ended 30.06.09 |           |           |                    |           |                            |           |                      |                         |
|--------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-------------------------|
|                    | Asia Pacific            |           |           |                    |           |                            |           |                      |                         |
|                    | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Wholesale Banking Total |
|                    | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million               |
| Operating income   | 678                     | 581       | 282       | 902                | 691       | 806                        | 390       | 697                  | 5,027                   |
| Operating expenses | (302)                   | (290)     | (121)     | (375)              | (172)     | (267)                      | (164)     | (556)                | (2,247)                 |
| Loan impairment    | (30)                    | (4)       | (69)      | (71)               | (20)      | (317)                      | (6)       | (8)                  | (525)                   |
| Other impairment   | 5                       | -         | -         | 14                 | 3         | -                          | -         | (28)                 | (6)                     |
| Operating profit   | 351                     | 287       | 92        | 470                | 502       | 222                        | 220       | 105                  | 2,249                   |

|                    | 6 months ended 31.12.09 |           |           |                    |           |                            |           |                      |                         |
|--------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-------------------------|
|                    | Asia Pacific            |           |           |                    |           |                            |           |                      |                         |
|                    | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Wholesale Banking Total |
|                    | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million               |
| Operating income   | 610                     | 376       | 277       | 703                | 678       | 594                        | 348       | 678                  | 4,264                   |
| Operating expenses | (262)                   | (214)     | (131)     | (357)              | (151)     | (229)                      | (160)     | (434)                | (1,938)                 |
| Loan impairment    | (11)                    | 1         | (24)      | (84)               | (34)      | (209)                      | (20)      | (42)                 | (423)                   |
| Other impairment   | -                       | (40)      | -         | 14                 | 11        | (10)                       | -         | (51)                 | (76)                    |
| Operating profit   | 337                     | 123       | 122       | 276                | 504       | 146                        | 168       | 151                  | 1,827                   |

## Standard Chartered PLC – Financial review continued

### Wholesale Banking continued

|                                                   | 6 months<br>ended<br>30.06.10 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>31.12.09 |
|---------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                                   | \$million                     | \$million                     | \$million                     |
| <b>Operating income by product</b>                |                               |                               |                               |
| Lending and Portfolio Management                  | 465                           | 412                           | 437                           |
| Transaction Banking                               | 1,282                         | 1,272                         | 1,265                         |
| Global Markets <sup>1</sup>                       |                               |                               |                               |
| Financial Markets                                 | 1,711                         | 2,036                         | 1,275                         |
| Asset and Liability Management ('ALM')            | 488                           | 557                           | 406                           |
| Corporate Finance                                 | 932                           | 615                           | 679                           |
| Principal Finance                                 | 134                           | 135                           | 202                           |
| Total Global Markets                              | 3,265                         | 3,343                         | 2,562                         |
| Total operating income                            | 5,012                         | 5,027                         | 4,264                         |
|                                                   |                               |                               |                               |
|                                                   | 6 months<br>ended<br>30.06.10 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>31.12.09 |
|                                                   | \$million                     | \$million                     | \$million                     |
| <b>Financial Markets operating income by desk</b> |                               |                               |                               |
| Foreign Exchange                                  | 646                           | 831                           | 518                           |
| Rates                                             | 512                           | 573                           | 306                           |
| Commodities and Equities                          | 165                           | 236                           | 153                           |
| Capital Markets                                   | 233                           | 226                           | 183                           |
| Credit and Other                                  | 155                           | 170                           | 115                           |
| Total Financial Markets operating income          | 1,711                         | 2,036                         | 1,275                         |

<sup>1</sup> 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).

Wholesale Banking has delivered a robust financial performance in a challenging environment. We have continued to focus on deepening client relationships, using our network capabilities as a source of differentiation, and a disciplined approach to managing the cost base and the balance sheet. Client income has grown strongly at 18 per cent with broad based growth across product lines. This has largely helped offset the fall in own account income. Income was broadly flat at \$5,012 million. Net interest income was up \$349 million, or 19 per cent, to \$2,174 million with volumes in Lending and Trade helping offset lower margins in Cash. Non-interest income was lower by \$364 million, or 11 per cent, at \$2,838 million. Client income continued to be significant at over 80 per cent of total income.

Corporate Finance delivered a 52 per cent increase in income compared to the first half of 2009 with a continuing stream of landmark deals, especially in India and Africa. Financial Markets performance was adversely impacted as market conditions were much less favourable than the first half of 2009. Reduced volatility and spreads coupled with increased competition offset volume gains. Volume growth was driven across product lines through our focus on strategic and transactional client opportunities. Own account income was down 40 per cent compared to the exceptional levels in the first half of last year, although it has grown 14 per cent against the second half of 2009. Interest and exchange volatility was low due to strong government and regulator interventions in most markets and a low interest rate environment offered limited trading opportunities. Asset and Liability Management (ALM), which benefitted in early 2009 from higher yielding assets, has seen a churn in early 2010 with replacements at lower yields in a falling interest rate environment.

Operating expenses were up \$110 million, or 5 per cent, to \$2,357 million. The increase was largely driven by higher regulatory costs, investments in systems and infrastructure and the flow through in staff costs arising from prior year initiatives on resourcing in specialist areas such as sales, trading and financial institutions teams. Other increases were driven off a tightly controlled prior year first half in view of the uncertain outlook at the beginning of 2009. These increases have been partially offset by lower bonus accruals reflecting lower Global Market income and increased deferral rates.

The negative jaws of 5 per cent have resulted in a drop in working profit of \$125 million, or 4 per cent, to \$2,655 million.

Impairment was significantly lower by \$387 million at \$138 million. Impairment in the first half of 2010 has related mainly to incremental provisioning on a few existing problem accounts, particularly related to the Korean shipbuilding sector. There have been no new material impairments in the first half of the year. The portfolio remains well diversified and well collateralised.

Operating profit increased \$222 million, or 10 per cent, to \$2,471 million and constitutes nearly 80 per cent of the Group's operating profit.

## Standard Chartered PLC – Financial review continued

### Wholesale Banking continued

#### Product performance

Lending and Portfolio Management income increased by \$53 million, or 13 per cent, to \$465 million driven by an increase in lending volumes, related fee income and improved margins through re-pricing.

Transaction Banking income was flat at \$1,282 million. Income from Trade grew 11 per cent on the back of a 26 per cent increase in volumes compensating for a squeeze in margins as competition increased. The Cash business was significantly impacted by a 43 basis point drop in margins due to the effect of aggressive interest rate cuts since the latter half of 2009 and income was 9 per cent lower than the first half of 2009. However, a 24 per cent increase in liabilities and a 25 per cent growth in transaction volumes helped gain market share and partially offset the impact of falling margins. Securities income grew 21 per cent as the increase in Assets under Administration (AUA) and related fees helped offset the drop in interest as liability balances fell 13 per cent.

Global Markets income fell by \$78 million, or 2 per cent, to \$3,265 million.

Within Global Markets, the Financial Markets (FM) business, whilst continuing to be the largest contributor, saw income falling \$325 million, or 16 per cent, to \$1,711 million. The FM business primarily comprises sales and trading of exchange and interest rate products and over the period has seen diversification of income streams, with increased contributions from commodity, equity and credit derivatives. Over 75 per cent of this income was client driven arising from client flows and their hedging requirements, which we supported through our upgraded risk management capabilities.

FM Sales and Trading income was adversely impacted in the first half of 2010 by spread compression, increased competition and less volatile market conditions providing fewer opportunities. Income in the Foreign Exchange and Rates businesses, whilst lower than the first half of 2009, was higher than the latter half of 2009 with higher volumes helping to partially offset the margin compression. The Commodities business saw a fall in income as reduced volatility resulted in a drop in customer flows. The Equities business whilst benefitting from increased flows was adversely impacted by mark downs as global equity markets fell in the second quarter of 2010.

ALM income was \$69 million, or 12 per cent, lower at \$488 million. This was primarily driven by high yielding positions maturing which have been replaced by lower yielding securities.

Corporate Finance income was up \$317 million, or 52 per cent, to \$932 million with strong income growth across all products. Much of the growth was in Corporate Advisory, driven by deals across our footprint and further client penetration in India and Africa.

Principal Finance income was broadly flat at \$134 million with higher recoveries and sales of distressed debts partially offsetting lower gains in private equity. As Asian market prices rose in the first half of 2009, our private equity business gained from both upward marks and disposals. This did not replicate to the same extent in this period.

### Geographic performance

#### Hong Kong

Income was down \$10 million, or 1 per cent, to \$668 million. Client income was up 16 per cent driven by an increase in Lending and Trade volumes coupled with proactive re-pricing of the Lending book. Corporate Finance benefitted from advisory and structured finance deals and the Custody business also saw an increase in volumes although this was partially offset by shrinking margins in the Cash business in a low interest rate environment. The increase in Client income was offset by a decline in own account income and downward marks on convertible bonds as credit spreads widened in the second quarter of 2010. Operating expenses were up \$3 million, or 1 per cent, to \$305 million with an increase in salaries and infrastructure being offset by lower bonus accruals on the back of depressed trading performance. Working profit was down \$13 million, or 3 per cent, to \$363 million. Impairment was negligible in the current period resulting in an increase in operating profit to \$361 million, compared to \$351 million in the prior period.

#### Singapore

Income was broadly flat at \$580 million with Client income growth offset by the drop in own account income. Client income benefitted from increased trade finance, structured corporate finance deals and increased lending volumes. Trading income was however adversely impacted due to decreased market volatility and tighter margins. Operating expenses grew \$15 million, or 5 per cent, to \$305 million driven by staff costs arising from flow through of previous year investment in specialist teams in areas such as commodities, options and interest rate derivatives. Working profit fell by \$16 million or 5 per cent, to \$275 million. Operating profit was lower by \$14 million, or 5 per cent, at \$273 million.

#### Korea

Income was flat. On a constant currency basis, income was 15 per cent lower. Client income grew 3 per cent on a headline basis but declined on a constant currency basis due to margin compression as liquidity levels increased and competition returned to the market. Own account had record income in the first half of 2009 due to market volatility and the absence of liquidity. In contrast, the current half year was relatively stable and trading opportunities were limited. Operating expenses were higher by \$8 million, or 7 per cent, at \$129 million primarily driven by investment related to the securities business. On a constant currency basis, expenses were lower by 8 per cent. Working profit was lower by \$4 million, or 2 per cent, at \$157 million. On a constant currency basis, working profit fell 20 per cent. Loan impairment was flat at \$69 million, mainly relating to additional provisions on a small number of specific exposures primarily in the ship building sector. Operating profit was marginally lower by \$4 million, or 4 per cent, at \$88 million. On a constant currency basis, operating profit fell 23 per cent.

## Standard Chartered PLC – Financial review continued

### **Wholesale Banking** continued

#### **Other Asia Pacific**

Income was down \$65 million, or 7 per cent, at \$837 million. All major markets in this region were impacted by a fall in own account income due to lower volatility resulting in reduced trading opportunities. The first half of 2009 saw private equity gains in China which have not replicated in the first half of 2010. Across the region, Client income was strong through higher trade and lending volumes and structured transactions by the Corporate Finance team. Excluding the private equity gains, China delivered income growth of 9 per cent on the back of higher Trade and Lending volumes and improved Lending and Cash margins. Income in Taiwan fell with margin compression being only partially offset by higher volumes. Malaysia income was down 6 per cent to \$140 million as own account was impacted due to reduced opportunities. Operating expenses were up \$34 million, or 9 per cent, to \$409 million. Expenses were driven higher by staff and premises expenses and flow through from prior year investments. China operating expenses were up 15 per cent to \$150 million. Working profit was lower by 19 per cent at \$428 million. Impairment was down \$41 million at \$30 million. The previous period charge had been largely driven by disputes on certain foreign exchange related transactions. Operating profit was \$73 million lower at \$397 million, down 16 per cent. Operating profit in China was \$93 million.

#### **India**

Income grew \$69 million, or 10 per cent, to \$760 million. On a constant currency basis income grew 2 per cent. Client income grew, primarily driven by corporate advisory leveraging on cross border financing and deal structuring capabilities. Trade and Lending margins fell but were partially offset by higher volumes. With equity markets improving, the Custody business saw an increase in volumes which more than offset the margin compression. Operating expenses were up \$15 million, or 9 per cent, driven primarily by staff costs. Working profit was up \$54 million, or 10 per cent, at \$573 million. On a constant currency basis, working profit grew 3 per cent. Loan impairment was lower by \$18 million, driven by an improving economic environment. Operating profit was up \$69 million, or 14 per cent, to \$571 million. On a constant currency basis operating profit grew 6 per cent.

#### **MESA**

Income was down \$94 million, or 12 per cent, to \$712 million with increases in Client income partially offsetting the drop in own account incomes. Client income growth was broad based with Lending, Trade and Corporate Advisory reflecting increased volumes and steady margins and Islamic banking continued to be a key focus area. UAE income was lower with the growth in local corporate segment being offset by a drop in other client segments. Bahrain saw an income drop of 35 per cent as a deteriorating credit environment in the region impacted risk appetite and business flow. Income in Pakistan fell as political and economic uncertainty impacted business sentiment. Operating expenses were up \$27 million, or 10 per cent, to \$294 million driven by staff and investment expenditure. Working profit was down \$121 million, or 22 per cent, to \$418 million. Impairment in the region, which continues to be driven by a few existing problem exposures, was significantly lower than in the first half of 2009. Operating profit at \$364 million was \$142 million, or 64 per cent higher.

#### **Africa**

Income was up \$73 million, or 19 per cent, to \$463 million. On a constant currency basis, income grew 14 per cent. Income was driven primarily by excellent Corporate Finance performance. Trade and Lending income also increased as a result of re-pricing. This helped offset a fall in Cash income where higher volumes only partially made up for margin compression. Corporate Finance benefitted from landmark deals as we continued to deepen client relationships and move up the value chain. South Africa, Ghana and Zambia drove income momentum through higher trade volumes, while Nigeria, Kenya and Zambia saw an increase in lending volumes. Operating expenses were up \$38 million, or 23 per cent, to \$202 million. On a constant currency basis expenses were 21 per cent higher reflecting investments in people and infrastructure. Working profit was up \$35 million, or 15 per cent, to \$261 million. Loan impairment benefitted in the current year with net recoveries of \$5 million. Operating profit was up \$43 million, or 20 per cent, to \$263 million. On a constant currency basis operating profit grew 13 per cent.

#### **Americas, UK & Europe**

This region continued to support cross border business originating in other geographies and in sourcing business across the franchise. Income was marginally higher by \$9 million, or 1 per cent, at \$706 million. There was broad based Client income growth across Trade, Lending and Corporate Finance which offset the drop in own account income. Lending and Trade saw increased volumes with re-pricing actions, which helped offset margin compression in Cash income. In the first half of 2009, trading income benefitted from a favourable positioning of our ALM book against a declining interest rate environment. Trading opportunities were significantly lower in the current period. Foreign Exchange and Rates business was also impacted by lower spreads. Operating expenses were lower by \$30 million with staff expense increases being offset through a reduction in premises costs and other efficiencies. Working profit grew \$39 million or 28 per cent. Impairment was flat. Other impairment, which primarily relates to the asset backed securities (ABS) portfolio, was lower by \$10 million or 36 per cent, at \$18 million. Operating profit was up 47 per cent at \$154 million.

# Standard Chartered PLC – Financial review continued

## Group summary consolidated balance sheet

|                                                                 | 30.06.10  | 30.06.09  | 31.12.09  | H1 2010 vs<br>H1 2009 | H1 2010 vs<br>H2 2009 | H1 2010 vs<br>H1 2009 | H1 2010 vs<br>H2 2009 |
|-----------------------------------------------------------------|-----------|-----------|-----------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                 | \$million | \$million | \$million | \$million             | \$million             | %                     | %                     |
| <b>Assets</b>                                                   |           |           |           |                       |                       |                       |                       |
| <b>Advances and investments</b>                                 |           |           |           |                       |                       |                       |                       |
| Cash and balances at central banks                              | 29,694    | 12,141    | 18,131    | 17,553                | 11,563                | 145                   | 64                    |
| Loans and advances to banks                                     | 49,390    | 45,366    | 50,885    | 4,024                 | (1,495)               | 9                     | (3)                   |
| Loans and advances to customers                                 | 215,005   | 182,748   | 198,292   | 32,257                | 16,713                | 18                    | 8                     |
| Investment securities held at amortised cost                    | 6,006     | 6,254     | 6,688     | (248)                 | (682)                 | (4)                   | (10)                  |
|                                                                 | 300,095   | 246,509   | 273,996   | 53,586                | 26,099                | 22                    | 10                    |
| <b>Assets held at fair value</b>                                |           |           |           |                       |                       |                       |                       |
| Financial assets held at fair value through profit or loss      | 24,287    | 16,450    | 22,446    | 7,837                 | 1,841                 | 48                    | 8                     |
| Derivative financial instruments                                | 44,555    | 45,823    | 38,193    | (1,268)               | 6,362                 | (3)                   | 17                    |
| Available-for-sale investment securities                        | 70,781    | 66,362    | 69,040    | 4,419                 | 1,741                 | 7                     | 3                     |
|                                                                 | 139,623   | 128,635   | 129,679   | 10,988                | 9,944                 | 9                     | 8                     |
| <b>Other assets</b>                                             | 41,109    | 36,076    | 32,978    | 5,033                 | 8,131                 | 14                    | 25                    |
| <b>Total assets</b>                                             | 480,827   | 411,220   | 436,653   | 69,607                | 44,174                | 17                    | 10                    |
| <b>Liabilities</b>                                              |           |           |           |                       |                       |                       |                       |
| <b>Deposits and debt securities in issue</b>                    |           |           |           |                       |                       |                       |                       |
| Deposits by banks                                               | 31,903    | 33,634    | 38,461    | (1,731)               | (6,558)               | (5)                   | (17)                  |
| Customer accounts                                               | 279,089   | 230,147   | 251,244   | 48,942                | 27,845                | 21                    | 11                    |
| Debt securities in issue                                        | 33,364    | 20,860    | 29,272    | 12,504                | 4,092                 | 60                    | 14                    |
|                                                                 | 344,356   | 284,641   | 318,977   | 59,715                | 25,379                | 21                    | 8                     |
| <b>Liabilities held at fair value</b>                           |           |           |           |                       |                       |                       |                       |
| Financial liabilities held at fair value through profit or loss | 18,380    | 16,947    | 14,505    | 1,433                 | 3,875                 | 8                     | 27                    |
| Derivative financial instruments                                | 43,425    | 43,109    | 36,584    | 316                   | 6,841                 | 1                     | 19                    |
|                                                                 | 61,805    | 60,056    | 51,089    | 1,749                 | 10,716                | 3                     | 21                    |
| <b>Subordinated liabilities and other borrowed funds</b>        | 15,555    | 16,922    | 16,730    | (1,367)               | (1,175)               | (8)                   | (7)                   |
| <b>Other liabilities</b>                                        | 29,058    | 25,711    | 21,937    | 3,347                 | 7,121                 | 13                    | 32                    |
| <b>Total liabilities</b>                                        | 450,774   | 387,330   | 408,733   | 63,444                | 42,041                | 16                    | 10                    |
| <b>Equity</b>                                                   | 30,053    | 23,890    | 27,920    | 6,163                 | 2,133                 | 26                    | 8                     |
| <b>Total liabilities and shareholders' funds</b>                | 480,827   | 411,220   | 436,653   | 69,607                | 44,174                | 17                    | 10                    |

## Standard Chartered PLC – Financial review continued

### Balance sheet

**Unless otherwise stated, the variance and analysis explanations compare the position as at 30 June 2010 with the position as at 31 December 2009.**

The Group is focused on maintaining a strong balance sheet. We remain highly liquid and continue to attract deposits. The balance sheet remains well diversified and conservative with very low exposure to problem asset classes and European sovereign debt. Our advances to deposits ratio is lower than at the year end. We remain well capitalised and continue to be disciplined in the management of growth in risk weighted assets. All maturity requirements for 2010 have been prefunded and the Group continued to see good appetite for its paper when raising senior debt funding in April and June this year.

Balance sheet footings grew by \$44 billion, or 10 per cent from the year-end. Whilst we experienced currency volatility in markets such as Korea, the change between the two balance sheet dates was not significant and growth in footings on a constant currency basis was also around 10 per cent. This growth was primarily driven by the increase in customer lending on the back of significant growth in customer deposits, with more of our surplus liquidity being held with central banks. Our equity position further strengthened by \$2.1 billion primarily due to profit accretion during the period and \$0.5 billion capital raised through the India listing. Offsetting this were dividend payouts and movements in foreign currency translation reserve, primarily Korean Won. Around 70 per cent of the balance sheet continues to be held and managed on an amortised cost basis. Over 50 per cent of assets have a residual contractual maturity of less than a year.

### Advances

Customer advances, including those held at fair value, grew by \$18 billion, or 9 per cent, to \$219 billion. Economies, especially in our footprint markets, have recovered well, supported by government intervention in some instances, resulting in customer demand and our risk appetite growing steadily. Consumer Banking grew their book by \$8 billion to \$103 billion, which constituted 47 per cent of the Group's advances. Mortgages grew across all markets by \$3.5 billion, or 6 per cent, in line with the strategy to pursue secured lending. With delinquency trends and flow rates improving on the back of improved economic indicators, we have started to selectively drive growth in unsecured products. Other lending including Credit Card and Personal Loan advances are up by \$3.9 billion at the end of the first half of 2010 and the SME book grew by \$0.9 billion. We continue to reshape the SME book with a greater focus on secured and partly secured lending including government guaranteed schemes in some markets.

Wholesale Banking has also maintained strong momentum and focused on deepening existing client relationships with resultant growth across our major markets. As economies improved, manufacturing and infrastructure projects saw a revival leading to increased demand for funding. Lending in first half of 2010 was primarily directed towards the "Manufacturing" and "Transport, storage and communication" sectors, which grew by \$6 billion and \$2 billion, respectively. Correspondingly, exposures to governments reduced by \$3 billion as liquidity was channelled to other sectors.

### Investment securities

Investment securities, including those held at fair value, grew by \$3 billion due to increased statutory requirements in

some countries and on account of higher trading positions based on expected rate movements. The maturity profile of our investments continues to be largely consistent with around 55 per cent of the book having a residual maturity less than twelve months.

### Derivatives

In the aftermath of the volatility seen in the foreign exchange and securities markets in 2008, customer confidence and appetite for derivative transactions reduced. With volatility reducing, confidence is slowly being restored and volumes are increasing with a resultant increase of \$6 billion to \$45 billion in the unrealised mark to market as at the balance sheet date. Our risk positions remain largely balanced resulting in a corresponding increase in the negative mark to market. Of the total \$45 billion of unrealised market to market, \$20 billion is available for offset due to master netting agreements.

### Deposits

The Group continues to drive deposit gathering leveraging on its franchise and brand promise. Customer deposits including those held at fair value increased by \$31 billion, or 12 per cent, with both CASA and term deposits growing as we continued to strategically drive the deposit mix. Whilst in 2009, the focus was on increasing CASA and reducing expensive term deposits, the steady interest rate environment with the expectation of an upward bias has in recent months resulted in renewed focus on longer term time deposits. Overall CASA continues to constitute over 50 per cent of total deposits including those held with banks.

### Subordinated liabilities and other borrowed funds

Subordinated liabilities were reduced by \$1.2 billion with redemptions being partly replaced with senior funding leveraging on the market appetite for our paper. This aligns with the move to change our capital mix by reducing over time the proportion of Tier 2 capital whilst further strengthening Tier 1 capital thereby enabling us to be better prepared to meet potential changes in regulations.

Debt securities in issue, including those held at fair value, increased by \$3 billion compared to 31 December 2009 with issuance of new senior debt in the United Kingdom at competitive pricing.

### Cash and balances held with Central Banks

Our continued emphasis on liquidity has resulted in our deposit growth exceeding asset growth in this period and surplus funds continue to be held with central banks as at the balance sheet date pending alternate deployment.

### Equity

As of 30 June 2010, total equity was \$30 billion, an increase of \$2.1 billion from the year end. This is driven by profit accretion of \$2.1 billion during the six months ended 30 June 2010. The increase of \$0.5 billion arising from the issue of Indian Depository Receipts and the positive revaluation movement on available-for-sale investments amounting to \$0.4 billion have been offset by dividend payment and movements in the foreign currency translation reserve.

### Summary

During this half year, we have further strengthened the balance sheet across both businesses and geographies whilst continuing to maintain high levels of liquidity and capital.

## Standard Chartered PLC – Risk review

### Risk overview

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

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

Our proactive approach to risk management, and steps taken early on in the economic crisis of 2008-09 to reshape our portfolios and tighten underwriting standards, helped to mitigate the impact of market turbulence on our performance. Through the first half of 2010, our balance sheet and liquidity position remained strong, and we are well positioned in mid-2010 to address further challenges and potential economic weakness this year and in 2011.

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in more than 70 countries and there is no single country which accounts for more than 20 per cent of loans and advances to customers, or operating income. Our cross-border asset exposure is diversified and reflects our strategic focus on our core markets and customer segments. Approximately 45 per cent of our loans and advances to customers are of short maturity, and within Wholesale Banking approximately 65 per cent of loans and advances have a tenor of one year or less. More than 75 per cent of Consumer Banking assets are secured.

We also have low exposure to asset classes and segments outside of our core markets and target customer base. Our commercial real estate exposure accounts for less than two per cent of our total assets, and our exposure to leveraged loans and European sovereign debt is very low. Our portfolio of asset backed securities (ABS) accounts for 0.5 per cent of our total assets.

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

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

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

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

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

### Risk performance review

In the first half of 2010, credit conditions in our footprint continued to improve. There remains some uncertainty around the pace and strength of the global economic recovery, but economies in our footprint performed well in the first half of the year and appear well-positioned for further growth in the second half of 2010.

In Consumer Banking, there was a significant improvement in loan impairment in the first half of 2010. Impairment levels peaked in the second quarter of 2009, but have steadily declined since then, primarily as a result of strengthening macroeconomic conditions in our footprint countries.

The improvement in impairment was also supported by a disciplined approach to risk management and continued investment in collections infrastructure to minimise account delinquency. In our major markets (Korea, Hong Kong, Singapore and Taiwan), which constitute over 75 per cent of the Consumer Banking portfolio, the average first half 2010 loan impairment was 21 basis points. We also saw improvements in UAE and India in the first half of 2010.

In Wholesale Banking loan impairment fell in the first half of 2010 after the increase experienced in 2008-2009. Portfolio indicators trended positively in the Wholesale Banking book in the first half of 2010, reflecting the improving credit environment in our footprint. As a consequence, the level of loan impairment in the first half of 2010 was lower than both the first and second half of 2009.

Elsewhere, the portfolio remained resilient. There were non-material levels of impairment on the ABS portfolio in the first half of 2010. The carrying value of the ABS portfolio reduced, primarily as a result of redemptions and some sales. The overall quality of the ABS book remains good with no direct US sub-prime, and minimal Alt-A, exposures. Our net exposure to ABS represents less than 1 per cent of total Group assets.

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

## Standard Chartered PLC – Risk review continued

### Principal uncertainties

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

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

### Changing macroeconomic conditions in footprint countries

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

In the first half of 2010, the world economy continued to emerge from the crisis, but the pace of recovery has been uneven. Accelerated fiscal retrenchment in Europe, combined with the risk aversion created by recent volatility in the Euro area, mean the possibility of a return to negative growth is significant. However, we operate primarily in countries that have led the global recovery in the first half of 2010, and our major markets appear well positioned to avoid another downturn.

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

### Regulatory changes and compliance

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

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

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

Both unilaterally and through our participation in industry forums, we respond to consultation papers and discussions initiated by regulators and governments. We also keep a close watch on key regulatory developments in order to anticipate changes and their potential impact.

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

HM Treasury regulations require compliance with sanctions adopted by the UK government. Similarly, US laws and regulations require compliance with US economic sanctions against designated foreign countries, nationals and others. The Group has a US dollar payments and clearing business and has policies, procedures and controls designed to ensure compliance with relevant laws and regulations. Several US agencies have investigated how a number of other financial institutions have processed US dollar payments potentially involving sanctioned parties. In light of that activity relating to other institutions, the Group initiated discussions with US authorities to discuss its past business. These discussions are continuing and the Group is conducting a review of its historical business and related activities relevant to US sanctions compliance, predominantly with respect to Iranian business. The Group cannot predict when the review and these discussions will be completed or what the outcome will be.

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

### Financial markets dislocation

Financial market volatility subsided in the second half of 2009 and in the first half of 2010. However there remains a risk that renewed volatility or a sudden financial market dislocation could affect our performance through the second half of 2010 and in 2011. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain customers holding derivative contracts during periods of financial market volatility could also lead to an increase in customer disputes and corporate defaults.

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

We have low exposure to risky asset classes and segments. We also maintain robust appropriateness and suitability processes to mitigate the risk of customer disputes. We closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary.

## Standard Chartered PLC – Risk review continued

### Principal uncertainties continued

#### Geopolitical events

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

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

#### Reduced access to funding

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

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

#### Exchange rate movements

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

We monitor exchange rate movements closely and adjust our exposures accordingly. Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated by corresponding movements in risk weighted assets. The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for the first half of 2010, and the half-year periods ending 30 June 2009 and 31 December 2009.

|                  | 6 months<br>ended<br>30.06.10 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>31.12.09 |
|------------------|-------------------------------|-------------------------------|-------------------------------|
| Indian rupee     |                               |                               |                               |
| Average          | 45.79                         | 49.22                         | 47.50                         |
| Period end       | 46.39                         | 47.89                         | 46.54                         |
| Korean won       |                               |                               |                               |
| Average          | 1,155.30                      | 1,352.04                      | 1,202.42                      |
| Period end       | 1,222.16                      | 1,274.09                      | 1,164.47                      |
| Singapore dollar |                               |                               |                               |
| Average          | 1.40                          | 1.49                          | 1.41                          |
| Period end       | 1.40                          | 1.45                          | 1.40                          |

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

### Risk management

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

#### Risk management framework

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

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

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

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

#### Risk governance

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

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

The BRC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to

## Standard Chartered PLC – Risk review continued

### Risk management continued

investigate or seek any information relating to an activity within its terms of reference.

Executive responsibility for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the executive directors and other directors of Standard Chartered Bank.

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

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

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

The Group PEC is responsible for the management of pension risk.

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

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

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

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

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

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

risk officers take overall responsibility for risk within our principal countries.

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

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

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

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

Group Internal Audit (GIA) is a separate Group function that reports to the chairman of the Board Audit Committee (BAC) and to the Group Chief Executive Officer. Its role is to provide independent assurance to the BAC and senior management that risks associated with the Group's business have been identified and appropriately designed controls have been put in place to cover risks, and to ensure that these controls are operating as intended.

### Risk appetite

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

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

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

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

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

### Stress testing

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

## Standard Chartered PLC – Risk review continued

### Stress testing continued

Our stress testing framework is designed to:

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

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

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

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

### Credit risk

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

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

### Credit policies

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

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

### Credit rating and measurement

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

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

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

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

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

### Credit approval

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

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

### Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties, by 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.

## Standard Chartered PLC – Risk review continued

### Credit risk continued

#### Credit monitoring

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

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

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

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

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

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

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

#### Credit mitigation

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

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank

guarantees; and letters of credit. Standard Chartered also enters into collateralised reverse repurchase agreements.

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

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

#### Traded products

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

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

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

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

#### Securities

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

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

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

## Standard Chartered PLC – Risk review continued

### Loan portfolio

Loans and advances to customers have grown by \$34.4 billion since 30 June 2009 and \$17.6 billion since 31 December 2009 to \$219 billion.

As of 30 June 2010, the Consumer Banking portfolio had grown by \$18.4 billion or 22 per cent since 30 June 2009 and by \$8.3 billion or 9 per cent since 31 December 2009. The growth was largely in the residential mortgages, SME and Private Banking portfolios. The increase in the first six months of 2010 in the Americas, UK and Europe portfolio is almost entirely due to growth in the offshore portfolio for Private Banking clients in our footprint markets.

Growth in the Wholesale Banking customer portfolio was \$16.0 billion, or 16 per cent, since 30 June 2009, and \$9.1 billion, or 8 per cent, since 31 December 2009. Most of the growth since December 2009 has been in Singapore and Hong Kong, primarily driven by growth in trade loans and the acquisition of new clients. In addition, over the same period there was 17 per cent growth in Americas, UK and

Europe, as a result of credit facilities extended to customers to support the business they do elsewhere in the Group's network, and the booking of capital markets syndications and corporate finance transactions originated in our footprint.

Exposures to banks reduced by 5 per cent in June 2010 compared to December 2009, as a portion of our surplus liquidity was redeployed to Government and supranational counterparties. Despite this, we continued to be a net provider of liquidity to the interbank money markets.

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

Single borrower concentration risk continues to be 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.

| 30.06.10                                         |               |               |               |                    |               |                            |              |                      |                |
|--------------------------------------------------|---------------|---------------|---------------|--------------------|---------------|----------------------------|--------------|----------------------|----------------|
|                                                  | Asia Pacific  |               |               |                    |               | Middle East & Other S Asia | Africa       | Americas UK & Europe | Total          |
|                                                  | Hong Kong     | Singapore     | Korea         | Other Asia Pacific | India         |                            |              |                      |                |
|                                                  | \$million     | \$million     | \$million     | \$million          | \$million     | \$million                  | \$million    | \$million            | \$million      |
| Loans to individuals                             |               |               |               |                    |               |                            |              |                      |                |
| Mortgages                                        | 16,831        | 9,111         | 18,855        | 12,731             | 1,925         | 1,241                      | 188          | 213                  | 61,095         |
| Other                                            | 3,377         | 5,417         | 6,487         | 5,314              | 1,045         | 2,384                      | 664          | 2,898                | 27,586         |
| Small and medium enterprises                     | 1,863         | 2,325         | 4,085         | 3,871              | 1,351         | 600                        | 116          | 2                    | 14,213         |
| Consumer Banking                                 | 22,071        | 16,853        | 29,427        | 21,916             | 4,321         | 4,225                      | 968          | 3,113                | 102,894        |
| Agriculture, forestry and fishing                | 74            | 110           | 37            | 647                | 109           | 76                         | 748          | 555                  | 2,356          |
| Construction                                     | 194           | 60            | 221           | 440                | 432           | 694                        | 47           | 229                  | 2,317          |
| Commerce                                         | 3,524         | 5,455         | 723           | 4,002              | 415           | 4,822                      | 654          | 4,029                | 23,624         |
| Electricity, gas and water                       | 562           | 335           | 88            | 685                | -             | 276                        | 149          | 1,406                | 3,501          |
| Financing, insurance and business services       | 2,894         | 3,749         | 585           | 3,991              | 812           | 3,478                      | 183          | 6,248                | 21,940         |
| Governments                                      | -             | 1,243         | -             | 60                 | 2             | 287                        | 9            | 776                  | 2,377          |
| Mining and quarrying                             | 60            | 569           | -             | 392                | 76            | 285                        | 204          | 6,104                | 7,690          |
| Manufacturing                                    | 4,046         | 1,698         | 3,581         | 9,134              | 2,656         | 2,378                      | 769          | 7,727                | 31,989         |
| Commercial real estate                           | 2,064         | 2,524         | 1,023         | 845                | 513           | 847                        | 5            | 454                  | 8,275          |
| Transport, storage and communication             | 739           | 2,127         | 344           | 878                | 891           | 1,177                      | 218          | 5,093                | 11,467         |
| Other                                            | 121           | 338           | 224           | 345                | 5             | 138                        | 62           | 473                  | 1,706          |
| Wholesale Banking                                | 14,278        | 18,208        | 6,826         | 21,419             | 5,911         | 14,458                     | 3,048        | 33,094               | 117,242        |
| Portfolio impairment provision                   | (55)          | (45)          | (106)         | (191)              | (61)          | (245)                      | (36)         | (42)                 | (781)          |
| <b>Total loans and advances to customers</b>     | <b>36,294</b> | <b>35,016</b> | <b>36,147</b> | <b>43,144</b>      | <b>10,171</b> | <b>18,438</b>              | <b>3,980</b> | <b>36,165</b>        | <b>219,355</b> |
| <b>Total loans and advances to banks</b>         | <b>12,838</b> | <b>8,554</b>  | <b>2,675</b>  | <b>8,573</b>       | <b>590</b>    | <b>1,763</b>               | <b>467</b>   | <b>14,941</b>        | <b>50,401</b>  |
| <b>Loans and advances to customers – average</b> | <b>32,595</b> | <b>35,053</b> | <b>37,903</b> | <b>44,298</b>      | <b>9,372</b>  | <b>18,498</b>              | <b>3,902</b> | <b>33,228</b>        | <b>214,849</b> |

Total loans and advances to customers include \$4,350 million held at fair value through profit or loss. Total loans and advances to banks include \$1,011 million held at fair value through profit or loss.

## Standard Chartered PLC – Risk review continued

### Loan portfolio continued

| 30.06.09                                   |              |           |           |                    |           |                            |           |                      |           |
|--------------------------------------------|--------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                                            | Asia Pacific |           |           |                    |           | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                                            | Hong Kong    | Singapore | Korea     | Other Asia Pacific | India     |                            |           |                      |           |
|                                            | \$million    | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Loans to individuals                       |              |           |           |                    |           |                            |           |                      |           |
| Mortgages                                  | 13,496       | 6,687     | 17,629    | 9,837              | 1,538     | 994                        | 205       | 145                  | 50,531    |
| Other                                      | 2,785        | 4,886     | 4,419     | 4,785              | 829       | 2,469                      | 597       | 831                  | 21,601    |
| Small and medium enterprises               | 1,333        | 2,036     | 3,564     | 2,651              | 1,159     | 671                        | 121       | 806                  | 12,341    |
| Consumer Banking                           | 17,614       | 13,609    | 25,612    | 17,273             | 3,526     | 4,134                      | 923       | 1,782                | 84,473    |
| Agriculture, forestry and fishing          | 20           | 72        | 32        | 305                | 71        | 83                         | 498       | 600                  | 1,681     |
| Construction                               | 243          | 119       | 295       | 385                | 335       | 728                        | 108       | 219                  | 2,432     |
| Commerce                                   | 2,557        | 3,738     | 692       | 3,040              | 787       | 4,721                      | 703       | 2,258                | 18,496    |
| Electricity, gas and water                 | 444          | 14        | 52        | 538                | 34        | 253                        | 66        | 1,373                | 2,774     |
| Financing, insurance and business services | 3,349        | 2,622     | 328       | 3,569              | 453       | 2,834                      | 299       | 9,739                | 23,193    |
| Governments                                | -            | 1,165     | 331       | 3,305              | -         | 941                        | 12        | 426                  | 6,180     |
| Mining and quarrying                       | -            | 402       | 12        | 254                | 123       | 309                        | 279       | 5,095                | 6,474     |
| Manufacturing                              | 2,616        | 1,177     | 2,914     | 7,256              | 2,429     | 1,914                      | 657       | 5,505                | 24,468    |
| Commercial real estate                     | 1,473        | 2,226     | 781       | 889                | 324       | 680                        | 6         | 426                  | 6,805     |
| Transport, storage and communication       | 594          | 725       | 381       | 835                | 208       | 1,376                      | 218       | 2,704                | 7,041     |
| Other                                      | 357          | 467       | 198       | 281                | 5         | 290                        | 17        | 70                   | 1,685     |
| Wholesale Banking                          | 11,653       | 12,727    | 6,016     | 20,657             | 4,769     | 14,129                     | 2,863     | 28,415               | 101,229   |
| Portfolio impairment provision             | (64)         | (42)      | (123)     | (199)              | (78)      | (150)                      | (43)      | (51)                 | (750)     |
| Total loans and advances to customers      | 29,203       | 26,294    | 31,505    | 37,731             | 8,217     | 18,113                     | 3,743     | 30,146               | 184,952   |
| Total loans and advances to banks          | 18,288       | 7,115     | 2,665     | 5,830              | 323       | 1,774                      | 637       | 9,644                | 46,276    |
| Loans and advances to customers – average  | 28,113       | 23,538    | 30,809    | 37,285             | 8,285     | 17,561                     | 3,380     | 26,699               | 175,670   |

Total loans and advances to customers include \$2,204 million held at fair value through profit or loss. Total loans and advances to banks include \$910 million held at fair value through profit or loss.

| 31.12.09                                   |              |           |           |                    |           |                            |           |                      |           |
|--------------------------------------------|--------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                                            | Asia Pacific |           |           |                    |           | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                                            | Hong Kong    | Singapore | Korea     | Other Asia Pacific | India     |                            |           |                      |           |
|                                            | \$million    | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Loans to individuals                       |              |           |           |                    |           |                            |           |                      |           |
| Mortgages                                  | 14,816       | 8,149     | 20,460    | 11,016             | 1,685     | 1,128                      | 212       | 171                  | 57,637    |
| Other                                      | 2,971        | 4,957     | 4,951     | 5,012              | 772       | 2,396                      | 678       | 1,909                | 23,646    |
| Small and medium enterprises               | 1,641        | 2,370     | 4,024     | 3,258              | 1,255     | 636                        | 113       | 3                    | 13,300    |
| Consumer Banking                           | 19,428       | 15,476    | 29,435    | 19,286             | 3,712     | 4,160                      | 1,003     | 2,083                | 94,583    |
| Agriculture, forestry and fishing          | 16           | 81        | 25        | 351                | 75        | 150                        | 613       | 630                  | 1,941     |
| Construction                               | 274          | 49        | 370       | 350                | 342       | 788                        | 116       | 234                  | 2,523     |
| Commerce                                   | 2,508        | 4,819     | 939       | 3,612              | 861       | 4,959                      | 765       | 4,576                | 23,039    |
| Electricity, gas and water                 | 538          | 53        | 188       | 523                | 31        | 371                        | 239       | 1,395                | 3,338     |
| Financing, insurance and business services | 2,319        | 4,150     | 668       | 4,515              | 543       | 4,036                      | 174       | 5,406                | 21,811    |
| Governments                                | -            | 966       | 344       | 3,256              | 1         | 250                        | 34        | 366                  | 5,217     |
| Mining and quarrying                       | 120          | 569       | 3         | 280                | 139       | 185                        | 172       | 4,941                | 6,409     |
| Manufacturing                              | 2,586        | 1,061     | 3,369     | 7,794              | 2,485     | 1,857                      | 685       | 5,735                | 25,572    |
| Commercial real estate                     | 1,274        | 2,275     | 997       | 908                | 360       | 672                        | 4         | 518                  | 7,008     |
| Transport, storage and communication       | 579          | 1,438     | 310       | 1,024              | 399       | 1,115                      | 258       | 4,323                | 9,446     |
| Other                                      | 397          | 507       | 268       | 296                | 6         | 234                        | 21        | 61                   | 1,790     |
| Wholesale Banking                          | 10,611       | 15,968    | 7,481     | 22,909             | 5,242     | 14,617                     | 3,081     | 28,185               | 108,094   |
| Portfolio impairment provision             | (66)         | (45)      | (112)     | (203)              | (88)      | (293)                      | (55)      | (12)                 | (874)     |
| Total loans and advances to customers      | 29,973       | 31,399    | 36,804    | 41,992             | 8,866     | 18,484                     | 4,029     | 30,256               | 201,803   |
| Total loans and advances to banks          | 19,453       | 5,085     | 2,780     | 7,232              | 511       | 1,864                      | 300       | 15,708               | 52,933    |
| Loans and advances to customers – average  | 30,257       | 28,299    | 33,910    | 40,631             | 8,416     | 20,360                     | 3,253     | 35,897               | 201,023   |

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

## Standard Chartered PLC – Risk review continued

### Maturity analysis

Approximately 46 per cent of our loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio remains predominantly short-term, with 65 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 59 per cent of the portfolio is in the mortgage book, which is traditionally longer term in nature

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

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

|                                            | 30.06.10            |                      |                    |           |
|--------------------------------------------|---------------------|----------------------|--------------------|-----------|
|                                            | One year<br>or less | One to<br>five years | Over<br>five years | Total     |
|                                            | \$million           | \$million            | \$million          | \$million |
| Loans to individuals                       |                     |                      |                    |           |
| Mortgages                                  | 2,587               | 8,287                | 50,221             | 61,095    |
| Other                                      | 14,550              | 9,095                | 3,941              | 27,586    |
| Small and medium enterprises               | 7,264               | 3,272                | 3,677              | 14,213    |
| Consumer Banking                           | 24,401              | 20,654               | 57,839             | 102,894   |
| Agriculture, forestry and fishing          | 1,900               | 298                  | 158                | 2,356     |
| Construction                               | 1,665               | 590                  | 62                 | 2,317     |
| Commerce                                   | 20,182              | 2,590                | 852                | 23,624    |
| Electricity, gas and water                 | 1,079               | 987                  | 1,435              | 3,501     |
| Financing, insurance and business services | 14,272              | 7,570                | 98                 | 21,940    |
| Governments                                | 2,070               | 236                  | 71                 | 2,377     |
| Mining and quarrying                       | 3,008               | 2,739                | 1,943              | 7,690     |
| Manufacturing                              | 22,244              | 8,192                | 1,553              | 31,989    |
| Commercial real estate                     | 3,515               | 4,504                | 256                | 8,275     |
| Transport, storage and communication       | 4,714               | 4,981                | 1,772              | 11,467    |
| Other                                      | 1,227               | 341                  | 138                | 1,706     |
| Wholesale Banking                          | 75,876              | 33,028               | 8,338              | 117,242   |
| Total loans to customers                   | 100,277             | 53,682               | 66,177             | 220,136   |
| Portfolio impairment provision             |                     |                      |                    | (781)     |
|                                            |                     |                      |                    | 219,355   |

|                                            | 30.06.09            |                      |                    |           |
|--------------------------------------------|---------------------|----------------------|--------------------|-----------|
|                                            | One year<br>or less | One to<br>five years | Over<br>five years | Total     |
|                                            | \$million           | \$million            | \$million          | \$million |
| Loans to individuals                       |                     |                      |                    |           |
| Mortgages                                  | 2,339               | 7,403                | 40,789             | 50,531    |
| Other                                      | 12,448              | 6,915                | 2,238              | 21,601    |
| Small and medium enterprises               | 7,193               | 2,629                | 2,519              | 12,341    |
| Consumer Banking                           | 21,980              | 16,947               | 45,546             | 84,473    |
| Agriculture, forestry and fishing          | 1,194               | 353                  | 134                | 1,681     |
| Construction                               | 1,707               | 602                  | 123                | 2,432     |
| Commerce                                   | 15,988              | 2,342                | 166                | 18,496    |
| Electricity, gas and water                 | 1,003               | 651                  | 1,120              | 2,774     |
| Financing, insurance and business services | 16,933              | 6,027                | 233                | 23,193    |
| Governments                                | 5,756               | 273                  | 151                | 6,180     |
| Mining and quarrying                       | 3,430               | 1,724                | 1,320              | 6,474     |
| Manufacturing                              | 18,233              | 5,119                | 1,116              | 24,468    |
| Commercial real estate                     | 2,583               | 3,746                | 476                | 6,805     |
| Transport, storage and communication       | 2,908               | 2,605                | 1,528              | 7,041     |
| Other                                      | 1,001               | 629                  | 55                 | 1,685     |
| Wholesale Banking                          | 70,736              | 24,071               | 6,422              | 101,229   |
| Total loans to customers                   | 92,716              | 41,018               | 51,968             | 185,702   |
| Portfolio impairment provision             |                     |                      |                    | (750)     |
|                                            |                     |                      |                    | 184,952   |

## Standard Chartered PLC – Risk review continued

### Maturity analysis continued

|                                            | 31.12.09                      |                                |                              |                    |
|--------------------------------------------|-------------------------------|--------------------------------|------------------------------|--------------------|
|                                            | One year or less<br>\$million | One to five years<br>\$million | Over five years<br>\$million | Total<br>\$million |
| Loans to individuals                       |                               |                                |                              |                    |
| Mortgages                                  | 2,455                         | 7,818                          | 47,364                       | 57,637             |
| Other                                      | 14,266                        | 7,158                          | 2,222                        | 23,646             |
| Small and medium enterprises               | 7,110                         | 3,054                          | 3,136                        | 13,300             |
| Consumer Banking                           | 23,831                        | 18,030                         | 52,722                       | 94,583             |
| Agriculture, forestry and fishing          | 1,515                         | 348                            | 78                           | 1,941              |
| Construction                               | 1,921                         | 482                            | 120                          | 2,523              |
| Commerce                                   | 19,981                        | 2,919                          | 139                          | 23,039             |
| Electricity, gas and water                 | 1,056                         | 825                            | 1,457                        | 3,338              |
| Financing, insurance and business services | 15,282                        | 6,484                          | 45                           | 21,811             |
| Governments                                | 4,754                         | 398                            | 65                           | 5,217              |
| Mining and quarrying                       | 3,296                         | 1,531                          | 1,582                        | 6,409              |
| Manufacturing                              | 18,979                        | 5,286                          | 1,307                        | 25,572             |
| Commercial real estate                     | 3,325                         | 3,523                          | 160                          | 7,008              |
| Transport, storage and communication       | 3,665                         | 4,312                          | 1,469                        | 9,446              |
| Other                                      | 1,369                         | 268                            | 153                          | 1,790              |
| Wholesale Banking                          | 75,143                        | 26,376                         | 6,575                        | 108,094            |
| Total loans to customers                   | 98,974                        | 44,406                         | 59,297                       | 202,677            |
| Portfolio impairment provision             |                               |                                |                              | (874)              |
|                                            |                               |                                |                              | 201,803            |

#### Analysis of the loan portfolio

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

Loans neither past due nor impaired are analysed by internal credit gradings, which are based on a probability of default measure as discussed on page 21. The bandings reflect management's segmentation of the risk grades.

Loans past due but not individually impaired are analysed by the number of days that contractual payments are past due. A loan is considered past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired.

Individual impairment provisions are generally raised at 90 days past due, with the exception of mortgages within Consumer Banking, where individual impairment provisions are raised after 150 days past due. Individual impaired loans for Consumer Banking will therefore not equate to those reported as non-performing on page 30.

As described on page 29, prior to the raising of an individual impairment provision, impairment on these loans is captured through the portfolio impairment provision.

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

In the Wholesale Banking corporate portfolio, the negative credit grade migration observed during 2009 largely subsided in the first half of 2010, in line with improving macroeconomic conditions across our footprint. This is also reflected in a sustained reduction in the number of accounts on Early Alert since June 2009.

During the period, Consumer Banking portfolio quality indicators have improved across all of our major markets and products. The proportion of loans in CG 12 has also reduced in the last half year as a result of improving economic conditions in our footprint markets.

## Standard Chartered PLC – Risk review continued

### Analysis of the loan portfolio continued

|                                                         | 30.06.10          |                                                 |                                                |                             | 30.06.09          |                                                 |                                                |                             |
|---------------------------------------------------------|-------------------|-------------------------------------------------|------------------------------------------------|-----------------------------|-------------------|-------------------------------------------------|------------------------------------------------|-----------------------------|
|                                                         | Loans to<br>banks | Loans to<br>customers –<br>Wholesale<br>Banking | Loans to<br>customers –<br>Consumer<br>Banking | Total loans to<br>customers | Loans to<br>banks | Loans to<br>customers –<br>Wholesale<br>Banking | Loans to<br>customers –<br>Consumer<br>Banking | Total loans to<br>customers |
|                                                         | \$million         | \$million                                       | \$million                                      | \$million                   | \$million         | \$million                                       | \$million                                      | \$million                   |
| <b>Neither past due nor individually impaired loans</b> |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| - Grades 1-5                                            | 42,725            | 44,972                                          | 47,631                                         | 92,603                      | 41,382            | 44,986                                          | 37,524                                         | 82,510                      |
| - Grades 6-8                                            | 6,342             | 46,812                                          | 29,679                                         | 76,491                      | 3,945             | 35,876                                          | 20,163                                         | 56,039                      |
| - Grades 9-11                                           | 1,145             | 21,607                                          | 19,524                                         | 41,131                      | 786               | 17,262                                          | 21,132                                         | 38,394                      |
| - Grade 12                                              | 18                | 1,404                                           | 1,932                                          | 3,336                       | 61                | 970                                             | 1,533                                          | 2,503                       |
|                                                         | 50,230            | 114,795                                         | 98,766                                         | 213,561                     | 46,174            | 99,094                                          | 80,352                                         | 179,446                     |
| <b>Past due but not individually impaired loans</b>     |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| - Up to 30 days past due                                | 18                | 571                                             | 2,749                                          | 3,320                       | 25                | 375                                             | 2,458                                          | 2,833                       |
| - 31 - 60 days past due                                 | -                 | 231                                             | 401                                            | 632                         | -                 | 85                                              | 445                                            | 530                         |
| - 61 - 90 days past due                                 | -                 | 123                                             | 303                                            | 426                         | -                 | 468                                             | 278                                            | 746                         |
| - 91 - 150 days past due                                | -                 | -                                               | 188                                            | 188                         | -                 | -                                               | 309                                            | 309                         |
|                                                         | 18                | 925                                             | 3,641                                          | 4,566                       | 25                | 928                                             | 3,490                                          | 4,418                       |
| Individually impaired loans                             | 289               | 2,822                                           | 997                                            | 3,819                       | 98                | 2,437                                           | 1,244                                          | 3,681                       |
| Individually impairment provisions                      | (134)             | (1,300)                                         | (510)                                          | (1,810)                     | (16)              | (1,230)                                         | (613)                                          | (1,843)                     |
| <b>Net individually impaired loans</b>                  | <b>155</b>        | <b>1,522</b>                                    | <b>487</b>                                     | <b>2,009</b>                | <b>82</b>         | <b>1,207</b>                                    | <b>631</b>                                     | <b>1,838</b>                |
| Total loans and advances                                | 50,403            | 117,242                                         | 102,894                                        | 220,136                     | 46,281            | 101,229                                         | 84,473                                         | 185,702                     |
| Portfolio impairment provision                          | (2)               | (313)                                           | (468)                                          | (781)                       | (5)               | (250)                                           | (500)                                          | (750)                       |
|                                                         | 50,401            | 116,929                                         | 102,426                                        | 219,355                     | 46,276            | 100,979                                         | 83,973                                         | 184,952                     |
| Of which, held at fair value through profit or loss:    |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| Neither past due nor individually impaired              |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| Grades 1-5                                              | 569               | 3,005                                           | -                                              | 3,005                       | 335               | 917                                             | -                                              | 917                         |
| Grades 6-8                                              | 442               | 744                                             | -                                              | 744                         | 575               | 708                                             | -                                              | 708                         |
| Grades 9-11                                             | -                 | 601                                             | -                                              | 601                         | -                 | 579                                             | -                                              | 579                         |
|                                                         | 1,011             | 4,350                                           | -                                              | 4,350                       | 910               | 2,204                                           | -                                              | 2,204                       |
| Estimated fair value of collateral:                     |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| Held against past due loans                             | -                 | 175                                             | 2,231                                          | 2,406                       | -                 | 130                                             | 2,025                                          | 2,155                       |
| Held against individually impaired loans                | -                 | 353                                             | 543                                            | 896                         | -                 | 416                                             | 565                                            | 981                         |
| Non-performing loans:                                   |                   |                                                 |                                                |                             |                   |                                                 |                                                |                             |
| - past due more than 90 days                            | -                 | -                                               | 188                                            | 188                         | -                 | -                                               | 309                                            | 309                         |
| - individually impaired loans                           | 289               | 2,822                                           | 997                                            | 3,819                       | 98                | 2,437                                           | 1,244                                          | 3,681                       |
|                                                         | 289               | 2,822                                           | 1,185                                          | 4,007                       | 98                | 2,437                                           | 1,553                                          | 3,990                       |

## Standard Chartered PLC – Risk review continued

### Analysis of the loan portfolio continued

|                                                      | 31.12.09       |                                        |                                       |                          |
|------------------------------------------------------|----------------|----------------------------------------|---------------------------------------|--------------------------|
|                                                      | Loans to banks | Loans to customers – Wholesale Banking | Loans to customers – Consumer Banking | Total loans to customers |
|                                                      | \$million      | \$million                              | \$million                             | \$million                |
| Neither past due nor individually impaired loans     |                |                                        |                                       |                          |
| - Grades 1-5                                         | 46,534         | 43,811                                 | 44,158                                | 87,969                   |
| - Grades 6-8                                         | 5,485          | 38,375                                 | 21,570                                | 59,945                   |
| - Grades 9-11                                        | 730            | 22,177                                 | 22,728                                | 44,905                   |
| - Grade 12                                           | 30             | 2,034                                  | 2,246                                 | 4,280                    |
|                                                      | 52,779         | 106,397                                | 90,702                                | 197,099                  |
| Past due but not individually impaired loans         |                |                                        |                                       |                          |
| - Up to 30 days past due                             | 2              | 369                                    | 2,522                                 | 2,891                    |
| - 31 - 60 days past due                              | -              | 98                                     | 406                                   | 504                      |
| - 61 - 90 days past due                              | -              | 71                                     | 239                                   | 310                      |
| - 91 - 150 days past due                             | -              | -                                      | 222                                   | 222                      |
|                                                      | 2              | 538                                    | 3,389                                 | 3,927                    |
| Individually impaired loans                          | 286            | 2,474                                  | 1,030                                 | 3,504                    |
| Individually impairment provisions                   | (132)          | (1,315)                                | (538)                                 | (1,853)                  |
| Net individually impaired loans                      | 154            | 1,159                                  | 492                                   | 1,651                    |
| Total loans and advances                             | 52,935         | 108,094                                | 94,583                                | 202,677                  |
| Portfolio impairment provision                       | (2)            | (355)                                  | (519)                                 | (874)                    |
|                                                      | 52,933         | 107,739                                | 94,064                                | 201,803                  |
| Of which, held at fair value through profit or loss: |                |                                        |                                       |                          |
| Neither past due nor individually impaired           |                |                                        |                                       |                          |
| Grades 1-5                                           | 1,192          | 2,092                                  | -                                     | 2,092                    |
| Grades 6-8                                           | 855            | 870                                    | -                                     | 870                      |
| Grades 9-11                                          | 1              | 549                                    | -                                     | 549                      |
|                                                      | 2,048          | 3,511                                  | -                                     | 3,511                    |
| Estimated fair value of collateral:                  |                |                                        |                                       |                          |
| Held against past due loans                          | -              | 458                                    | 1,980                                 | 2,438                    |
| Held against individually impaired loans             | -              | 557                                    | 601                                   | 1,158                    |
| Non-performing loans:                                |                |                                        |                                       |                          |
| - past due more than 90 days                         | -              | -                                      | 222                                   | 222                      |
| - individually impaired loans                        | 286            | 2,474                                  | 1,030                                 | 3,504                    |
|                                                      | 286            | 2,474                                  | 1,252                                 | 3,726                    |

Details of loan loss provisions and individually impaired loans are disclosed in notes 15 and 16.

### **Problem credit management and provisioning Consumer Banking**

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

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

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

The provisions are based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of

recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off and IIP is accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

The procedures for managing problem credits for the Private Bank and the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 32).

Non-performing loans are defined as loans past due by more than 90 days or that are otherwise individually impaired. Consumer Banking has seen significant improvements in the level of non-performing loans in the first half of 2010, particularly in Taiwan, Korea, and Hong Kong due to strengthening macroeconomic conditions in those markets, as well as de-risking actions taken and intensified collections activities.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, however, that, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing. This metric should be considered in conjunction with other credit risk and collateral information including that contained in page 27.

The total net impairment charge in Consumer Banking in the first half of 2010 improved by \$264 million or 47 per cent over 30 June 2009 and by \$190 million or 39 per cent over 31 December 2009. The lower individual impairment in the first half of 2010 compared to both the first and second halves of 2009 is visible across all of our major markets, particularly in Korea, Hong Kong, and Other Asia Pacific.

There was a portfolio impairment release of \$52 million in the first half of 2010 (compared to a charge of \$48 million in the first half of 2009 and \$6 million in the second half 2009) as a direct result of the improvement in portfolio performance indicators as macroeconomic conditions strengthened in our markets.

## Standard Chartered PLC – Risk review continued

### Consumer Banking continued

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

| 30.06.10                                                    |                        |                        |                    |                                 |       |                            |        |                      |       |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |       |
| Gross non-performing                                        | 67                     | 52                     | 169                | 431                             | 64    | 270                        | 36     | 96                   | 1,185 |
| Individual impairment provision                             | (33)                   | (20)                   | (54)               | (180)                           | (25)  | (123)                      | (14)   | (61)                 | (510) |
| Non-performing loans net of individual impairment provision | 34                     | 32                     | 115                | 251                             | 39    | 147                        | 22     | 35                   | 675   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (468) |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 207   |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 83%   |

| 30.06.09                                                    |                        |                        |                    |                                 |       |                            |        |                      |       |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |       |
| Gross non-performing                                        | 90                     | 59                     | 315                | 589                             | 65    | 225                        | 39     | 171                  | 1,553 |
| Individual impairment provision                             | (56)                   | (21)                   | (70)               | (243)                           | (13)  | (92)                       | (14)   | (104)                | (613) |
| Non-performing loans net of individual impairment provision | 34                     | 38                     | 245                | 346                             | 52    | 133                        | 25     | 67                   | 940   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (500) |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 440   |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 72%   |

| 31.12.09                                                    |                        |                        |                    |                                 |       |                            |        |                      |       |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |       |
| Gross non-performing                                        | 80                     | 47                     | 190                | 482                             | 65    | 263                        | 28     | 97                   | 1,252 |
| Individual impairment provision                             | (64)                   | (20)                   | (63)               | (212)                           | (17)  | (91)                       | (10)   | (61)                 | (538) |
| Non-performing loans net of individual impairment provision | 16                     | 27                     | 127                | 270                             | 48    | 172                        | 18     | 36                   | 714   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (519) |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 195   |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 84%   |

## Standard Chartered PLC – Risk review continued

### Consumer Banking continued

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

|                                          | 6 months ended 30.06.10 |           |           |                    |           |                            |           |                      |           |
|------------------------------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                                          | Asia Pacific            |           |           |                    |           |                            |           |                      |           |
|                                          | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                                          | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Gross impairment charge                  | 40                      | 28        | 85        | 148                | 71        | 120                        | 16        | 6                    | 514       |
| Recoveries/provisions no longer required | (14)                    | (9)       | (18)      | (75)               | (21)      | (19)                       | (5)       | (2)                  | (163)     |
| Net individual impairment charge         | 26                      | 19        | 67        | 73                 | 50        | 101                        | 11        | 4                    | 351       |
| Portfolio impairment provision release   |                         |           |           |                    |           |                            |           |                      | (52)      |
| Net impairment charge                    |                         |           |           |                    |           |                            |           |                      | 299       |

|                                          | 6 months ended 30.06.09 |           |           |                    |           |                            |           |                      |           |
|------------------------------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                                          | Asia Pacific            |           |           |                    |           |                            |           |                      |           |
|                                          | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                                          | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Gross impairment charge                  | 76                      | 35        | 102       | 223                | 77        | 115                        | 15        | 14                   | 657       |
| Recoveries/provisions no longer required | (16)                    | (10)      | (8)       | (70)               | (11)      | (20)                       | (5)       | (2)                  | (142)     |
| Net individual impairment charge         | 60                      | 25        | 94        | 153                | 66        | 95                         | 10        | 12                   | 515       |
| Portfolio impairment provision charge    |                         |           |           |                    |           |                            |           |                      | 48        |
| Net impairment charge                    |                         |           |           |                    |           |                            |           |                      | 563       |

|                                          | 6 months ended 31.12.09 |           |           |                    |           |                            |           |                      |           |
|------------------------------------------|-------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                                          | Asia Pacific            |           |           |                    |           |                            |           |                      |           |
|                                          | Hong Kong               | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                                          | \$million               | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Gross impairment charge                  | 63                      | 29        | 98        | 201                | 86        | 141                        | 16        | 19                   | 653       |
| Recoveries/provisions no longer required | (22)                    | (10)      | (13)      | (80)               | (15)      | (19)                       | (6)       | (5)                  | (170)     |
| Net individual impairment charge         | 41                      | 19        | 85        | 121                | 71        | 122                        | 10        | 14                   | 483       |
| Portfolio impairment provision charge    |                         |           |           |                    |           |                            |           |                      | 6         |
| Net impairment charge                    |                         |           |           |                    |           |                            |           |                      | 489       |

## Standard Chartered PLC – Risk review continued

### Wholesale Banking

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

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

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

As with Consumer Banking, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the

economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Gross non-performing loans in Wholesale Banking have increased by \$576 million or 23 per cent since June 2009 and by \$351 million or 13 per cent since December 2009. This is largely due to the downgrade of one significant account within the MESA region. The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. The cover ratio decreased from 59 per cent as at 30 June 2009 and 65 per cent as at 31 December 2009 to 56 per cent as at 30 June 2010 as a result of the downgrade of the single account referred to above. Excluding the impact of this single account, the cover ratio would be only marginally lower than the cover ratio as at 31 December 2009. The balance uncovered by individual impairment provisions represents the value of collateral held and the Group's estimate of the net outcome of any work-out strategy.

The total net impairment charge in the first half of 2010 was significantly lower than in the first half of 2009 (lower by \$387 million) and the second half of 2009 (lower by \$285 million) reflecting the improving credit environment.

This improvement, along with strengthening key portfolio quality indicators in the first half of 2010, led to a moderate reduction in the PIP balance since December 2009.

## Standard Chartered PLC – Risk review continued

### Wholesale Banking continued

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

| 30.06.10                                                    |                        |                        |                    |                                 |       |                            |        |                      |         |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|---------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total   |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |         |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |         |
| Gross non-performing                                        | 152                    | 28                     | 345                | 662                             | 184   | 1,336                      | 104    | 300                  | 3,111   |
| Individual impairment provision                             | (120)                  | (5)                    | (182)              | (380)                           | (69)  | (510)                      | (53)   | (115)                | (1,434) |
| Non-performing loans net of individual impairment provision | 32                     | 23                     | 163                | 282                             | 115   | 826                        | 51     | 185                  | 1,677   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (315)   |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 1,362   |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 56%     |

| 30.06.09                                                    |                        |                        |                    |                                 |       |                            |        |                      |         |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|---------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total   |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |         |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |         |
| Gross non-performing                                        | 248                    | 22                     | 348                | 723                             | 112   | 756                        | 124    | 202                  | 2,535   |
| Individual impairment provision                             | (133)                  | (5)                    | (141)              | (385)                           | (50)  | (389)                      | (44)   | (99)                 | (1,246) |
| Non-performing loans net of individual impairment provision | 115                    | 17                     | 207                | 338                             | 62    | 367                        | 80     | 103                  | 1,289   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (255)   |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 1,034   |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 59%     |

| 31.12.09                                                    |                        |                        |                    |                                 |       |                            |        |                      |         |
|-------------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|---------|
|                                                             | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total   |
|                                                             | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |         |
| Loans and advances                                          |                        |                        |                    |                                 |       |                            |        |                      |         |
| Gross non-performing                                        | 207                    | 10                     | 352                | 780                             | 207   | 855                        | 160    | 189                  | 2,760   |
| Individual impairment provision                             | (117)                  | (7)                    | (204)              | (408)                           | (74)  | (469)                      | (53)   | (115)                | (1,447) |
| Non-performing loans net of individual impairment provision | 90                     | 3                      | 148                | 372                             | 133   | 386                        | 107    | 74                   | 1,313   |
| Portfolio impairment provision                              |                        |                        |                    |                                 |       |                            |        |                      | (357)   |
| Net non-performing loans and advances                       |                        |                        |                    |                                 |       |                            |        |                      | 956     |
| Cover ratio                                                 |                        |                        |                    |                                 |       |                            |        |                      | 65%     |

## Standard Chartered PLC – Risk review continued

### Wholesale Banking continued

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

| 6 months ended 30.06.10                  |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|------------------------------------------|------------------------|------------------------|--------------------|------------------------------------|--------------------|--------------------------------------------|---------------------|-----------------------------------------|--------------------|
| Asia Pacific                             |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|                                          | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia<br>Pacific<br>\$million | India<br>\$million | Middle East &<br>Other S Asia<br>\$million | Africa<br>\$million | Americas<br>UK &<br>Europe<br>\$million | Total<br>\$million |
| Gross impairment charge                  | 9                      | -                      | 62                 | 38                                 | 12                 | 61                                         | 6                   | 16                                      | 204                |
| Recoveries/provisions no longer required | (2)                    | -                      | -                  | (9)                                | (3)                | (3)                                        | (2)                 | (11)                                    | (30)               |
| Net individual impairment charge         | 7                      | -                      | 62                 | 29                                 | 9                  | 58                                         | 4                   | 5                                       | 174                |
| Portfolio impairment provision release   |                        |                        |                    |                                    |                    |                                            |                     |                                         | (36)               |
| Net impairment charge                    |                        |                        |                    |                                    |                    |                                            |                     |                                         | 138                |

| 6 months ended 30.06.09                  |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|------------------------------------------|------------------------|------------------------|--------------------|------------------------------------|--------------------|--------------------------------------------|---------------------|-----------------------------------------|--------------------|
| Asia Pacific                             |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|                                          | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia<br>Pacific<br>\$million | India<br>\$million | Middle East &<br>Other S Asia<br>\$million | Africa<br>\$million | Americas<br>UK &<br>Europe<br>\$million | Total<br>\$million |
| Gross impairment charge                  | 31                     | 1                      | 62                 | 75                                 | 22                 | 298                                        | 2                   | 7                                       | 498                |
| Recoveries/provisions no longer required | (3)                    | -                      | -                  | (6)                                | (2)                | (2)                                        | (1)                 | (5)                                     | (19)               |
| Net individual impairment charge         | 28                     | 1                      | 62                 | 69                                 | 20                 | 296                                        | 1                   | 2                                       | 479                |
| Portfolio impairment provision charge    |                        |                        |                    |                                    |                    |                                            |                     |                                         | 46                 |
| Net impairment charge                    |                        |                        |                    |                                    |                    |                                            |                     |                                         | 525                |

| 6 months ended 31.12.09                    |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|--------------------------------------------|------------------------|------------------------|--------------------|------------------------------------|--------------------|--------------------------------------------|---------------------|-----------------------------------------|--------------------|
| Asia Pacific                               |                        |                        |                    |                                    |                    |                                            |                     |                                         |                    |
|                                            | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia<br>Pacific<br>\$million | India<br>\$million | Middle East &<br>Other S Asia<br>\$million | Africa<br>\$million | Americas<br>UK &<br>Europe<br>\$million | Total<br>\$million |
| Gross impairment charge                    | 21                     | 2                      | 49                 | 119                                | 33                 | 96                                         | 13                  | 51                                      | 384                |
| Recoveries/provisions no longer required   | (5)                    | (5)                    | (18)               | (17)                               | (4)                | (4)                                        | (2)                 | (2)                                     | (57)               |
| Net individual impairment charge/(release) | 16                     | (3)                    | 31                 | 102                                | 29                 | 92                                         | 11                  | 49                                      | 327                |
| Portfolio impairment provision charge      |                        |                        |                    |                                    |                    |                                            |                     |                                         | 96                 |
| Net impairment charge                      |                        |                        |                    |                                    |                    |                                            |                     |                                         | 423                |

## Standard Chartered PLC – Risk review continued

### Movement in Group Individual impairment provision

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

| 30.06.10                                     |                        |                        |                    |                                 |       |                            |        |                      |       |
|----------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                              | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                              | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Provisions held at 1 January 2010            | 181                    | 27                     | 267                | 620                             | 91    | 560                        | 63     | 176                  | 1,985 |
| Exchange translation differences             | (1)                    | -                      | (12)               | 12                              | -     | (6)                        | (4)    | (1)                  | (12)  |
| Amounts written off                          | (70)                   | (27)                   | (145)              | (202)                           | (65)  | (83)                       | (8)    | (11)                 | (611) |
| Recoveries of acquisition fair values        | -                      | -                      | -                  | (12)                            | -     | (2)                        | -      | -                    | (14)  |
| Recoveries of amounts previously written off | 12                     | 6                      | 6                  | 55                              | 12    | 10                         | 1      | 2                    | 104   |
| Discount unwind                              | (2)                    | -                      | (7)                | (10)                            | (3)   | (6)                        | -      | (2)                  | (30)  |
| Other                                        | -                      | -                      | (2)                | (5)                             | -     | 1                          | -      | 5                    | (1)   |
| New provisions                               | 49                     | 28                     | 147                | 186                             | 83    | 181                        | 22     | 20                   | 716   |
| Recoveries/provisions no longer required     | (16)                   | (9)                    | (18)               | (84)                            | (24)  | (22)                       | (7)    | (13)                 | (193) |
| Net charge against profit                    | 33                     | 19                     | 129                | 102                             | 59    | 159                        | 15     | 7                    | 523   |
| Provisions held at 30 June 2010              | 153                    | 25                     | 236                | 560                             | 94    | 633                        | 67     | 176                  | 1,944 |

| 30.06.09                                     |                        |                        |                    |                                 |       |                            |        |                      |       |
|----------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                              | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                              | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Provisions held at 1 January 2009            | 164                    | 20                     | 154                | 605                             | 44    | 170                        | 54     | 113                  | 1,324 |
| Exchange translation differences             | -                      | -                      | 2                  | 5                               | 1     | -                          | 2      | 10                   | 20    |
| Amounts written off                          | (74)                   | (26)                   | (88)               | (222)                           | (76)  | (87)                       | (10)   | (7)                  | (590) |
| Recoveries of acquisition fair values        | -                      | -                      | (2)                | (11)                            | -     | (1)                        | -      | -                    | (14)  |
| Recoveries of amounts previously written off | 14                     | 7                      | (2)                | 44                              | 9     | 11                         | 1      | 1                    | 85    |
| Discount unwind                              | (3)                    | (1)                    | (6)                | (14)                            | (1)   | -                          | -      | (5)                  | (30)  |
| Other                                        | -                      | -                      | (3)                | -                               | -     | (1)                        | -      | 77                   | 73    |
| New provisions                               | 107                    | 36                     | 164                | 297                             | 99    | 411                        | 17     | 21                   | 1,152 |
| Recoveries/provisions no longer required     | (19)                   | (10)                   | (8)                | (76)                            | (13)  | (22)                       | (6)    | (7)                  | (161) |
| Net charge against profit                    | 88                     | 26                     | 156                | 221                             | 86    | 389                        | 11     | 14                   | 991   |
| Provisions held at 30 June 2009              | 189                    | 26                     | 211                | 628                             | 63    | 481                        | 58     | 203                  | 1,859 |

| 31.12.09                                     |                        |                        |                    |                                 |       |                            |        |                      |       |
|----------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------|----------------------------|--------|----------------------|-------|
|                                              | Asia Pacific           |                        |                    |                                 | India | Middle East & Other S Asia | Africa | Americas UK & Europe | Total |
|                                              | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |       |                            |        |                      |       |
| Provisions held at 1 July 2009               | 189                    | 26                     | 211                | 628                             | 63    | 481                        | 58     | 203                  | 1,859 |
| Exchange translation differences             | -                      | -                      | 19                 | 21                              | 3     | (6)                        | 1      | (9)                  | 29    |
| Amounts written off                          | (80)                   | (24)                   | (127)              | (279)                           | (86)  | (131)                      | (14)   | 2                    | (739) |
| Recoveries of acquisition fair values        | -                      | -                      | (5)                | (18)                            | -     | (3)                        | -      | -                    | (26)  |
| Recoveries of amounts previously written off | 18                     | 7                      | 8                  | 56                              | 10    | 8                          | (1)    | 2                    | 108   |
| Discount unwind                              | (3)                    | -                      | (7)                | (13)                            | (1)   | (6)                        | (2)    | 3                    | (29)  |
| Other                                        | -                      | -                      | 52                 | 1                               | 2     | -                          | -      | (80)                 | (25)  |
| New provisions                               | 84                     | 33                     | 147                | 321                             | 119   | 240                        | 29     | 62                   | 1,035 |
| Recoveries/provisions no longer required     | (27)                   | (15)                   | (31)               | (97)                            | (19)  | (23)                       | (8)    | (7)                  | (227) |
| Net charge against profit                    | 57                     | 18                     | 116                | 224                             | 100   | 217                        | 21     | 55                   | 808   |
| Provisions held at 31 December 2009          | 181                    | 27                     | 267                | 620                             | 91    | 560                        | 63     | 176                  | 1,985 |

## Standard Chartered PLC – Risk review continued

### Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

|                                           | 30.06.10                     |                             |                    | 30.06.09                     |                             |                    |
|-------------------------------------------|------------------------------|-----------------------------|--------------------|------------------------------|-----------------------------|--------------------|
|                                           | Debt securities<br>\$million | Treasury bills<br>\$million | Total<br>\$million | Debt securities<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
| Net impaired securities:                  |                              |                             |                    |                              |                             |                    |
| Impaired securities                       | 239                          | -                           | 239                | 169                          | 26                          | 195                |
| Impairment provisions                     | (162)                        | -                           | (162)              | (168)                        | (2)                         | (170)              |
|                                           | 77                           | -                           | 77                 | 1                            | 24                          | 25                 |
| Securities neither past due nor impaired: |                              |                             |                    |                              |                             |                    |
| AAA                                       | 9,015                        | 2,697                       | 11,712             | 9,797                        | 334                         | 10,131             |
| AA- to AA+                                | 20,260                       | 11,216                      | 31,476             | 21,627                       | 8,295                       | 29,922             |
| A- to A+                                  | 19,186                       | 9,293                       | 28,479             | 19,036                       | 9,767                       | 28,803             |
| BBB- to BBB+                              | 8,071                        | 1,695                       | 9,766              | 4,325                        | 1,997                       | 6,322              |
| Lower than BBB-                           | 3,073                        | 1,089                       | 4,162              | 2,206                        | 1,006                       | 3,212              |
| Unrated                                   | 6,328                        | 459                         | 6,787              | 4,810                        | 343                         | 5,153              |
|                                           | 65,933                       | 26,449                      | 92,382             | 61,801                       | 21,742                      | 83,543             |
|                                           | 66,010                       | 26,449                      | 92,459             | 61,802                       | 21,766                      | 83,568             |
| Of which:                                 |                              |                             |                    |                              |                             |                    |
| Held at fair value through profit or loss | 11,752                       | 5,794                       | 17,546             | 8,476                        | 4,096                       | 12,572             |

  

|                                           | 31.12.09                     |                             |                    |
|-------------------------------------------|------------------------------|-----------------------------|--------------------|
|                                           | Debt securities<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
| Net impaired securities:                  |                              |                             |                    |
| Impaired securities                       | 231                          | -                           | 231                |
| Impairment provisions                     | (191)                        | -                           | (191)              |
|                                           | 40                           | -                           | 40                 |
| Securities neither past due nor impaired: |                              |                             |                    |
| AAA                                       | 10,706                       | 630                         | 11,336             |
| AA- to AA+                                | 21,246                       | 9,618                       | 30,864             |
| A- to A+                                  | 17,770                       | 10,757                      | 28,527             |
| BBB- to BBB+                              | 7,243                        | 1,930                       | 9,173              |
| Lower than BBB-                           | 2,422                        | 1,193                       | 3,615              |
| Unrated                                   | 5,805                        | 389                         | 6,194              |
|                                           | 65,192                       | 24,517                      | 89,709             |
|                                           | 65,232                       | 24,517                      | 89,749             |
| Of which:                                 |                              |                             |                    |
| Held at fair value through profit or loss | 10,111                       | 5,559                       | 15,670             |

The impaired debt securities largely includes the Group's holdings of asset backed securities, on which a \$15 million (30 June 2009: \$23 million, 31 December 2009: \$43 million) impairment charge was taken in 30 June 2010. There has been no significant movement in provisions on impaired securities since December 2009.

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

Unrated securities primarily relate to corporate issues. Using internal credit ratings, \$5,875 million (30 June 2009: \$4,078 million, 31 December 2009: \$5,674 million) of these securities are considered to be equivalent to investment grade and \$912 million (30 June 2009: \$1,075 million, 31 December 2009: \$520 million) sub-investment grade.

## Standard Chartered PLC – Risk review continued

### Asset backed securities

#### Total exposures to asset backed securities

|                                                              | 30.06.10                                  |                    |                          |                                   | 30.06.09                                  |                    |                          |                                   |
|--------------------------------------------------------------|-------------------------------------------|--------------------|--------------------------|-----------------------------------|-------------------------------------------|--------------------|--------------------------|-----------------------------------|
|                                                              | Percentage of notional value of portfolio | Notional \$million | Carrying value \$million | Fair value <sup>1</sup> \$million | Percentage of notional value of portfolio | Notional \$million | Carrying value \$million | Fair value <sup>1</sup> \$million |
| Residential Mortgage Backed Securities ('RMBS')              |                                           |                    |                          |                                   |                                           |                    |                          |                                   |
| - US Alt-A                                                   | 2%                                        | 69                 | 39                       | 30                                | 2%                                        | 79                 | 49                       | 25                                |
| - US Prime                                                   | -                                         | 1                  | -                        | -                                 | -                                         | 1                  | 1                        | 1                                 |
| - Other                                                      | 26%                                       | 777                | 730                      | 700                               | 23%                                       | 823                | 758                      | 607                               |
| Collateralised Debt Obligations ('CDOs')                     |                                           |                    |                          |                                   |                                           |                    |                          |                                   |
| - Asset Backed Securities                                    | 2%                                        | 69                 | 12                       | 11                                | 4%                                        | 159                | 20                       | 17                                |
| - Other CDOs                                                 | 11%                                       | 322                | 273                      | 268                               | 10%                                       | 367                | 292                      | 233                               |
| Commercial Mortgage Backed Securities ('CMBS')               |                                           |                    |                          |                                   |                                           |                    |                          |                                   |
| - US CMBS                                                    | 5%                                        | 135                | 119                      | 110                               | 4%                                        | 142                | 125                      | 84                                |
| - Other                                                      | 20%                                       | 587                | 432                      | 381                               | 19%                                       | 686                | 485                      | 339                               |
| Other Asset Backed Securities ('Other ABS')                  | 34%                                       | 1,028              | 960                      | 967                               | 38%                                       | 1,388              | 1,268                    | 1,185                             |
|                                                              | 100%                                      | 2,988              | 2,565                    | 2,467                             | 100%                                      | 3,645              | 2,998                    | 2,491                             |
| Of which included within:                                    |                                           |                    |                          |                                   |                                           |                    |                          |                                   |
| - Financial assets held at fair value through profit or loss | 2%                                        | 50                 | 48                       | 48                                | -                                         | -                  | -                        | -                                 |
| - Investment securities - available-for-sale                 | 28%                                       | 828                | 586                      | 586                               | 27%                                       | 972                | 539                      | 539                               |
| - Investment securities - loans and receivables              | 70%                                       | 2,110              | 1,931                    | 1,833                             | 73%                                       | 2,673              | 2,459                    | 1,952                             |
|                                                              | 100%                                      | 2,988              | 2,565                    | 2,467                             | 100%                                      | 3,645              | 2,998                    | 2,491                             |

  

|                                                              | 31.12.09                                  |                    |                          |                                   |
|--------------------------------------------------------------|-------------------------------------------|--------------------|--------------------------|-----------------------------------|
|                                                              | Percentage of notional value of portfolio | Notional \$million | Carrying value \$million | Fair value <sup>1</sup> \$million |
| Residential Mortgage Backed Securities ('RMBS')              |                                           |                    |                          |                                   |
| - US Alt-A                                                   | 2%                                        | 74                 | 42                       | 31                                |
| - US Prime                                                   | -                                         | 1                  | -                        | -                                 |
| - Other                                                      | 24%                                       | 819                | 767                      | 708                               |
| Collateralised Debt Obligations ('CDOs')                     |                                           |                    |                          |                                   |
| - Asset Backed Securities                                    | 2%                                        | 77                 | 13                       | 10                                |
| - Other CDOs                                                 | 10%                                       | 353                | 285                      | 273                               |
| Commercial Mortgage Backed Securities ('CMBS')               |                                           |                    |                          |                                   |
| - US CMBS                                                    | 4%                                        | 139                | 122                      | 108                               |
| - Other                                                      | 19%                                       | 664                | 480                      | 373                               |
| Other Asset Backed Securities ('Other ABS')                  | 39%                                       | 1,315              | 1,227                    | 1,204                             |
|                                                              | 100%                                      | 3,442              | 2,936                    | 2,707                             |
| Of which included within:                                    |                                           |                    |                          |                                   |
| - Financial assets held at fair value through profit or loss | 3%                                        | 103                | 97                       | 97                                |
| - Investment securities - available-for-sale                 | 26%                                       | 903                | 608                      | 608                               |
| - Investment securities - loans and receivables              | 71%                                       | 2,436              | 2,231                    | 2,002                             |
|                                                              | 100%                                      | 3,442              | 2,936                    | 2,707                             |

<sup>1</sup> Fair value reflects the value of the entire portfolio, including assets redesignated to loans and receivables

## Standard Chartered PLC – Risk review continued

### Asset backed securities continued

The carrying value of asset backed securities represents 0.5 per cent (30 June 2009: 0.7 per cent, 31 December 2009: 0.7 per cent) of our total assets.

The notional value of the ABS portfolio fell by approximately \$450 million during the first half of 2010 due to natural redemptions in the portfolio and some asset sales. The difference between carrying value and fair value of the remaining portfolio narrowed to approximately \$100 million at 30 June 2010, benefiting from both the redemptions and a recovery in market prices in certain asset classes.

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities subject to an impairment charge, 76 per cent of the overall portfolio is rated A or better, and 30 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market. The portfolio has an average credit grade of A+, down by one notch since December 2009.

28 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AA (AA in 2009). 46 per cent of the residential mortgage exposures were originated in 2005 or earlier.

13 per cent of the overall portfolio is in CDOs. This includes \$69 million of exposures to Mezzanine and High Grade CDOs of ABS, of which \$50 million have been impaired. The remainder of the CDOs has a weighted average credit rating of A+ (AA+ in 2008).

25 per cent of the overall portfolio is in CMBS, of which \$135 million is in respect of US CMBS with a weighted average credit grade of AA- (AAA in 2009). The weighted average credit rating of the Other CMBS is A- (A- in 2009).

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

The Group reclassified some asset backed securities from trading and available-for-sale to loans and receivables with effect from 1 July 2008. The securities were reclassified at their fair value on the date of reclassification. Note 10 on page 71 provides details of the remaining balance of those assets reclassified in 2008. No assets were reclassified in the six months to 30 June 2010 or during 2009.

### Writedowns of asset backed securities

|                                       | Available-<br>for-sale<br>\$million | Loans and<br>receivables<br>\$million | Total<br>\$million |
|---------------------------------------|-------------------------------------|---------------------------------------|--------------------|
| Six months to 30 June 2010            |                                     |                                       |                    |
| Credit to available-for-sale reserves | 32                                  | -                                     | 32                 |
| Charge to the profit and loss account | (15)                                | -                                     | (15)               |
| Six months to 31 December 2009        |                                     |                                       |                    |
| Credit to available-for-sale reserves | 60                                  | -                                     | 60                 |
| Charge to the profit and loss account | (47)                                | (7)                                   | (54)               |
| Six months to 30 June 2009            |                                     |                                       |                    |
| Charge to available-for-sale reserves | (34)                                | -                                     | (34)               |
| Charge to the profit and loss account | (23)                                | -                                     | (23)               |

## Standard Chartered PLC – Risk review continued

### Country cross-border risk

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

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

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

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

Our cross-border exposure to China, India, and UAE has risen significantly over the past year, reflecting our focus and continued expansion in our core countries.

The increase in our China cross border exposure over the past year reflects growth across many business and product segments. In Hong Kong our cross border exposure reduced in the first six months of 2010, as the local business strategically switched some focus from foreign currency to local currency lending.

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

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

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

|                      | 30.06.10         |               |           | 30.06.09         |               |           | 31.12.09         |               |           |
|----------------------|------------------|---------------|-----------|------------------|---------------|-----------|------------------|---------------|-----------|
|                      | One year or less | Over one year | Total     | One year or less | Over one year | Total     | One year or less | Over one year | Total     |
|                      | \$million        | \$million     | \$million | \$million        | \$million     | \$million | \$million        | \$million     | \$million |
| US                   | 13,674           | 5,686         | 19,360    | 12,047           | 6,157         | 18,204    | 14,484           | 5,604         | 20,088    |
| India                | 12,396           | 11,040        | 23,436    | 9,517            | 8,008         | 17,525    | 8,370            | 10,470        | 18,840    |
| Hong Kong            | 11,578           | 4,215         | 15,793    | 11,103           | 4,629         | 15,732    | 12,410           | 4,856         | 17,266    |
| Singapore            | 11,629           | 3,497         | 15,126    | 9,824            | 3,142         | 12,966    | 13,135           | 3,411         | 16,546    |
| South Korea          | 8,519            | 5,945         | 14,464    | 9,032            | 6,952         | 15,984    | 8,555            | 6,500         | 15,055    |
| United Arab Emirates | 7,491            | 9,501         | 16,992    | 5,549            | 6,808         | 12,357    | 5,807            | 9,071         | 14,878    |
| China                | 9,590            | 5,507         | 15,097    | 4,277            | 2,937         | 7,214     | 5,979            | 4,007         | 9,986     |
| France               | 3,902            | 1,691         | 5,593     | 3,108            | 2,333         | 5,441     | 5,680            | 2,328         | 8,008     |

## Standard Chartered PLC – Risk review continued

### Market risk

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

The primary categories of market risk for Standard Chartered are:

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

### Market risk governance

The Group Risk Committee (GRC) approves our market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. Market risk appetite has remained broadly stable in the first half of 2010.

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

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

### Value at Risk ('VaR')

We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market

value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily profit and loss outcome.

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

We apply two VaR methodologies:

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

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

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

### Back testing

To assess their predictive power, VaR models are back tested against actual results. In the first half of 2010 there were no exceptions in the regulatory back testing, compared with one in 2009. This is well within the 'green zone' applied internationally to internal models by bank supervisors, and implies that model reliability is statistically greater than 95 per cent.

### Stress testing

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

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

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

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

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and

## Standard Chartered PLC – Risk review continued

### Market risk continued

equity prices. This covers all asset classes in the Financial Markets banking and trading books.

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

### Market risk changes

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

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

- Group Treasury positions were transferred from VaR to net interest income sensitivity basis from the start of 2010 (see details below). This resulted in a \$3.6 million reduction in total VaR in the first half of 2010.
- The listed part of the private equities portfolio was included in non-trading VaR from October 2009 resulting in an increase of \$3 million in total VaR in the second half of 2009.
- Securities classed as loans and receivables or held to maturity were removed from VaR in June 2009. These non-traded securities are accounted for on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves. This alignment of VaR with accounting treatment resulted in an \$8.6 million reduction in total VaR at the time of implementation.

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

| 6 months to 30.06.10            |                      |                                |                               |                                  | 6 months to 30.06.09 |                                |                               |                                  |
|---------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|
|                                 | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million |
| <b>Trading and Non-trading</b>  |                      |                                |                               |                                  |                      |                                |                               |                                  |
| Interest rate risk <sup>1</sup> | 21.6                 | 25.5                           | 16.3                          | 16.3                             | 41.6                 | 46.7                           | 35.3                          | 35.6                             |
| Foreign exchange risk           | 5.8                  | 12.5                           | 3.3                           | 6.8                              | 8.2                  | 16.1                           | 4.5                           | 6.5                              |
| Commodity risk                  | 2.0                  | 4.0                            | 0.7                           | 0.7                              | 3.2                  | 5.5                            | 1.3                           | 4.2                              |
| Equity risk                     | 10.3                 | 11.3                           | 9.4                           | 9.8                              | 1.7                  | 2.8                            | 1.0                           | 2.1                              |
| Total <sup>2</sup>              | 23.9                 | 31.0                           | 18.6                          | 19.7                             | 42.9                 | 47.9                           | 36.1                          | 36.8                             |

  

| 6 months to 31.12.09            |                      |                                |                               |                                  |  |  |  |  |
|---------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|--|--|--|--|
|                                 | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million |  |  |  |  |
| <b>Trading and Non-trading</b>  |                      |                                |                               |                                  |  |  |  |  |
| Interest rate risk <sup>1</sup> | 33.2                 | 40.7                           | 24.7                          | 25.5                             |  |  |  |  |
| Foreign exchange risk           | 7.4                  | 13.3                           | 3.5                           | 5.0                              |  |  |  |  |
| Commodity risk                  | 2.9                  | 5.5                            | 1.3                           | 3.7                              |  |  |  |  |
| Equity risk                     | 6.0                  | 11.1                           | 2.9                           | 10.8                             |  |  |  |  |
| Total <sup>2</sup>              | 35.1                 | 40.8                           | 27.6                          | 31.8                             |  |  |  |  |

  

| 6 months to 30.06.10            |                      |                                |                               |                                  | 6 months to 30.06.09 |                                |                               |                                  |
|---------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|
|                                 | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million |
| <b>Trading</b>                  |                      |                                |                               |                                  |                      |                                |                               |                                  |
| Interest rate risk <sup>1</sup> | 9.3                  | 11.9                           | 6.3                           | 6.3                              | 10.9                 | 14.2                           | 8.7                           | 10.5                             |
| Foreign exchange risk           | 5.8                  | 12.5                           | 3.3                           | 6.8                              | 8.2                  | 16.1                           | 4.5                           | 6.5                              |
| Commodity risk                  | 2.0                  | 4.0                            | 0.7                           | 0.7                              | 3.2                  | 5.5                            | 1.3                           | 4.2                              |
| Equity risk                     | 2.0                  | 2.9                            | 1.3                           | 1.5                              | 1.7                  | 2.8                            | 1.0                           | 2.1                              |
| Total <sup>2</sup>              | 12.0                 | 16.7                           | 8.7                           | 11.7                             | 13.7                 | 18.0                           | 9.9                           | 16.6                             |

  

| 6 months to 31.12.09            |                      |                                |                               |                                  |  |  |  |  |
|---------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|--|--|--|--|
|                                 | Average<br>\$million | High <sup>3</sup><br>\$million | Low <sup>3</sup><br>\$million | Actual <sup>4</sup><br>\$million |  |  |  |  |
| <b>Trading</b>                  |                      |                                |                               |                                  |  |  |  |  |
| Interest rate risk <sup>1</sup> | 12.5                 | 17.8                           | 9.3                           | 10.5                             |  |  |  |  |
| Foreign exchange risk           | 7.4                  | 13.3                           | 3.5                           | 5.0                              |  |  |  |  |
| Commodity risk                  | 2.9                  | 5.5                            | 1.3                           | 3.7                              |  |  |  |  |
| Equity risk <sup>5</sup>        | 3.0                  | 3.6                            | 2.1                           | 2.5                              |  |  |  |  |
| Total <sup>2</sup>              | 15.3                 | 19.3                           | 12.6                          | 13.2                             |  |  |  |  |

<sup>1</sup> Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale.

<sup>2</sup> The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.

<sup>3</sup> Highest and lowest VaR for each risk factor are independent and usually occur on different days.

<sup>4</sup> Actual one day VAR at period end date.

<sup>5</sup> Non-trading equity risk VaR was included only from October 2009. For the period October to December 2009, non-trading equity risk VaR average was \$9.1 million, with a low of \$8.7 million.

## Standard Chartered PLC – Risk review continued

### Market risk continued

|                                 | 6 months to 30.06.10 |                   |                  |                     | 6 months to 30.06.09 |                   |                  |                     |
|---------------------------------|----------------------|-------------------|------------------|---------------------|----------------------|-------------------|------------------|---------------------|
|                                 | Average              | High <sup>3</sup> | Low <sup>3</sup> | Actual <sup>4</sup> | Average              | High <sup>3</sup> | Low <sup>3</sup> | Actual <sup>4</sup> |
| Non-trading                     | \$million            | \$million         | \$million        | \$million           | \$million            | \$million         | \$million        | \$million           |
| Interest rate risk <sup>1</sup> | 17.1                 | 22.2              | 11.8             | 12.9                | 36.3                 | 41.0              | 31.4             | 31.4                |
| Equity risk <sup>5</sup>        | 9.5                  | 10.0              | 9.1              | 9.8                 | -                    | -                 | -                | -                   |
| Total <sup>2</sup>              | 19.7                 | 23.2              | 15.7             | 16.0                | 36.3                 | 41.0              | 31.4             | 31.4                |

  

|                                 | 6 months to 31.12.09 |                   |                  |                     |
|---------------------------------|----------------------|-------------------|------------------|---------------------|
|                                 | Average              | High <sup>3</sup> | Low <sup>3</sup> | Actual <sup>4</sup> |
| Non-trading                     | \$million            | \$million         | \$million        | \$million           |
| Interest rate risk <sup>1</sup> | 28.6                 | 35.9              | 20.8             | 22.2                |
| Equity risk <sup>5</sup>        | 3.5                  | 9.9               | -                | 9.1                 |
| Total <sup>2</sup>              | 29.3                 | 35.9              | 22.6             | 23.5                |

<sup>1</sup> Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale.

<sup>2</sup> The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.

<sup>3</sup> Highest and lowest VaR for each risk factor are independent and usually occur on different days.

<sup>4</sup> Actual one day VaR as at period end date.

<sup>5</sup> Non-trading equity risk VaR was included only from October 2009. For the period October to December 2009, non-trading equity risk VaR average was \$9.1 million, with a low of \$8.7 million

### Average daily income earned from market risk related activities

|                       | 6 months to<br>30.06.10 | 6 months to<br>30.06.09 | 6 months to<br>31.12.09 |
|-----------------------|-------------------------|-------------------------|-------------------------|
| Trading               | \$million               | \$million               | \$million               |
| Interest rate risk    | 6.1                     | 7.7                     | 2.3                     |
| Foreign exchange risk | 5.2                     | 6.4                     | 4.1                     |
| Commodity risk        | 0.9                     | 1.3                     | 0.7                     |
| Equity risk           | 0.4                     | 0.1                     | 0.4                     |
| Total                 | 12.6                    | 16.0                    | 7.6                     |

  

| Non-Trading        |     |     |     |
|--------------------|-----|-----|-----|
| Interest rate risk | 4.0 | 5.6 | 3.6 |
| Equity risk        | 0.2 | 1.0 | 1.0 |
| Total              | 4.2 | 6.6 | 4.6 |

## Standard Chartered PLC – Risk review continued

### Market risk continued

#### Market risk VaR coverage

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

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

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

Equity risk relating to non-listed Private Equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee.

#### Group Treasury market risk

The proceeds of Group Treasury's debt and equity capital raising activities are invested within the Group as capital or placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is hedged to floating rate, and measured using the projected sensitivity of net interest income (NII) to a parallel shift in yield curves and interest rate gap re-pricing tables and is monitored over a one-year time horizon (see table below).

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

#### Group Treasury

##### NII sensitivity to parallel shifts in yield curves

|                  | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|------------------|-----------------------|-----------------------|-----------------------|
| +25 basis points | 21.5                  | 13.3                  | 14.0                  |
| -25 basis points | (21.5)                | (13.3)                | (14.0)                |

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of CMC, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. At 30 June 2010, the Group had taken net investment hedges of \$803 million (30 June 2009: \$1,333 million; 31 December 2009: \$644 million) to partly cover its exposure to Korean won and \$nil million (30 June 2009: \$558 million; 31 December 2009: \$94 million) to partly cover its exposure to Taiwanese dollars.

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

|                   | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|-------------------|-----------------------|-----------------------|-----------------------|
| Hong Kong dollar  | 6,248                 | 5,405                 | 5,852                 |
| Korean won        | 4,944                 | 3,765                 | 5,133                 |
| Indian rupee      | 3,159                 | 2,766                 | 2,828                 |
| Taiwanese dollar  | 2,365                 | 1,461                 | 2,071                 |
| Thai baht         | 1,347                 | 1,262                 | 1,291                 |
| UAE dirham        | 1,193                 | 1,151                 | 1,008                 |
| Singapore dollar  | 739                   | 375                   | 986                   |
| Malaysian ringgit | 949                   | 761                   | 834                   |
| Chinese yuan      | 1,217                 | 896                   | 795                   |
| Indonesian rupiah | 734                   | 557                   | 595                   |
| Pakistani rupee   | 592                   | 563                   | 562                   |
| Other             | 2,438                 | 2,118                 | 2,293                 |
|                   | 25,925                | 21,080                | 24,248                |

#### 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 as well as precious and base metals market risk. Positions outside the CAD2 scope are assessed according to standard FSA rules.

At 30 June 2010 our market risk regulatory capital requirement was \$1.4 billion (31 December 2009: \$1.6 billion; 30 June 2009: \$1.4 billion).

#### Derivatives

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

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

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

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

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

#### Hedging

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

## Standard Chartered PLC – Risk review continued

### Market risk continued

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

The use of interest rate swaps for the purposes of fair value and cash flow hedging increased in 2010 compared to December 2009, as we continued our focus on liquidity management. Currency swaps and forwards for fair value hedging increased primarily to hedge exposures in Taiwan, in view of the foreign exchange movements in the currency pair of US dollar and Taiwanese dollar in the first half of the year. In respect of cash flow hedging, during the second half of 2009 the Group started to use foreign exchange options in preference to forward foreign exchange contracts to provide more flexibility in managing the foreign exchange risks in elements of our non-US dollar cost base, and this has been further expanded through the first six months of 2010.

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

### Liquidity risk

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

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

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

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact us adversely, thereby affecting our ability to fulfill our obligations as they fall due. The principal uncertainties for liquidity risk are that customer depositors withdraw their funds at a substantially faster rate than expected, or that repayment for asset maturities is not received on the intended day. To mitigate these

uncertainties, our customer deposit base is diversified by type and maturity. In addition we have a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

### Policies and procedures

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

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

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

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

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

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

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

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

### Primary sources of funding

A substantial portion of our assets is funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely

## Standard Chartered PLC – Risk review continued

### Liquidity risk continued

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

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

### Liquidity metrics

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

#### Advances to deposit ratio

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

|                                              | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|
| Loans and advances to customers <sup>1</sup> | 219,355               | 184,952               | 201,803               |
| Customer accounts <sup>2</sup>               | 287,740               | 235,972               | 256,746               |
|                                              | %                     | %                     | %                     |
| Advances to deposits ratio                   | 76.2                  | 78.4                  | 78.6                  |

<sup>1</sup> see note 14 on page 76.

<sup>2</sup> see note 21 on page 83.

#### Liquid asset ratio

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

|                                                  | 30.06.10<br>% | 30.06.09<br>% | 31.12.09<br>% |
|--------------------------------------------------|---------------|---------------|---------------|
| Liquid assets <sup>1</sup> to total assets ratio | 27.2          | 24.1          | 26.2          |

<sup>1</sup> Liquid assets are the total of Cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

### Operational risk

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

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

Group Operational Risk is responsible for setting and maintaining standards for operational risk management and measurement. In addition specialist operational risk control owners have responsibility for the management of operational risk arising from the following activities group-wide: regulatory compliance, legal processes, people management, technology management, vendor management, property management, security management, accounting and financial control, tax management, and corporate authorities and structure. Each risk control owner is responsible for identifying risks which are material to the group and for maintaining an effective control environment, which includes defining appropriate policies and procedures for approval by authorized risk committees.

### Reputational risk

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

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

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

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

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

### Pension risk

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

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

# Standard Chartered PLC – Capital

## Capital management

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

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

The capital plan takes the following into account:

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

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

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

## Current compliance with Capital Adequacy Regulations

Our lead supervisor is the UK's Financial Services Authority (FSA). The capital that we are required to hold by the FSA is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk review on pages 17 to 45.

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

The table on page 47 summarises the consolidated capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

## Movement in capital

On a Basel II basis, total capital has increased by \$981 million since 31 December 2009. The issue of India Depository Receipts in June 2010 increased ordinary share capital and the \$1,878 million increase in Core Tier 1 is

primarily on account of retained profits, the proceeds from the Indian Depository Receipt issuance in India less the annual dividend, which was accounted for and paid during the period. Qualifying subordinated liabilities decreased by \$485 million on account of the redemption of Lower Tier 2 securities amounting to approximately \$500 million, foreign exchange translation of non-dollar denominated Tier 2 securities which are economically hedged but whose hedges are ignored for regulatory purposes and the issuance of \$750 million Lower Tier 2 subordinated debt from Standard Chartered Bank (Hong Kong) Limited.

## Basel II

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

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

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

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

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

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

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

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

## Standard Chartered PLC – Capital continued

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

|                                                   | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Tier 1 capital:</b>                            |                       |                       |                       |
| Called-up ordinary share capital                  | 1,037                 | 967                   | 1,013                 |
| Eligible reserves <sup>1</sup>                    | 26,828                | 21,355                | 25,001                |
| Non-controlling interests                         | 274                   | 238                   | 256                   |
| Less: excess expected losses <sup>2</sup>         | (590)                 | (517)                 | (502)                 |
| Less: securitisation                              | (138)                 | (75)                  | (97)                  |
| Goodwill and other intangible assets              | (6,513)               | (6,404)               | (6,620)               |
| Other regulatory adjustments                      | 82                    | 22                    | 51                    |
| <b>Core Tier 1 capital</b>                        | <b>20,980</b>         | <b>15,586</b>         | <b>19,102</b>         |
| Innovative Tier 1 securities                      | 2,790                 | 3,579                 | 2,860                 |
| Less: restriction on Innovative Tier 1 securities | -                     | (275)                 | -                     |
| Preference shares                                 | 2,674                 | 2,699                 | 2,694                 |
| Tax on excess expected losses <sup>1</sup>        | 177                   | 154                   | 163                   |
| Less: material holdings                           | (370)                 | (229)                 | (237)                 |
| <b>Total Tier 1 capital</b>                       | <b>26,251</b>         | <b>21,514</b>         | <b>24,582</b>         |
| <b>Tier 2 capital:</b>                            |                       |                       |                       |
| Eligible revaluation reserves                     | 293                   | 210                   | 253                   |
| Portfolio impairment provision                    | 258                   | 262                   | 242                   |
| Less: excess expected losses <sup>2</sup>         | (590)                 | (517)                 | (502)                 |
| Qualifying subordinated liabilities:              |                       |                       |                       |
| Perpetual subordinated debt                       | 1,447                 | 1,558                 | 1,535                 |
| Other eligible subordinated debt                  | 9,150                 | 9,404                 | 9,547                 |
| Restricted Innovative Tier 1 Securities           | -                     | 275                   | -                     |
| Less: material holdings and securitisations       | (508)                 | (304)                 | (335)                 |
| <b>Total Tier 2 capital</b>                       | <b>10,050</b>         | <b>10,888</b>         | <b>10,740</b>         |
| Deductions from Tier 1 and Tier 2 capital         | (55)                  | (78)                  | (57)                  |
| <b>Total capital base</b>                         | <b>36,246</b>         | <b>32,324</b>         | <b>35,265</b>         |
| <b>Risk weighted assets</b>                       |                       |                       |                       |
| Credit risk                                       | 190,001               | 166,554               | 173,315               |
| Operational risk                                  | 26,972                | 20,696                | 20,696                |
| Market risk                                       | 17,211                | 17,766                | 19,912                |
| <b>Total risk weighted assets</b>                 | <b>234,184</b>        | <b>205,016</b>        | <b>213,923</b>        |
| <b>Capital ratios</b>                             |                       |                       |                       |
| Core Tier 1 capital                               | 9.0%                  | 7.6%                  | 8.9%                  |
| Tier 1 capital                                    | 11.2%                 | 10.5%                 | 11.5%                 |
| <b>Total capital ratio</b>                        | <b>15.5%</b>          | <b>15.8%</b>          | <b>16.5%</b>          |

<sup>1</sup> The tax benefit on excess expected losses is included 50 per cent in eligible reserves and 50 per cent in tax on excess expected losses.

<sup>2</sup> Excess expected losses are shown gross of any tax benefit.

## Standard Chartered PLC – Capital continued

### Risk weighted assets

|                                          | 30.06.10       | 30.06.09       | 31.12.09       |
|------------------------------------------|----------------|----------------|----------------|
|                                          | \$million      | \$million      | \$million      |
| Consumer Banking                         | 59,547         | 51,761         | 53,215         |
| Wholesale Banking                        | 174,637        | 153,255        | 160,708        |
| <b>Total risk weighted assets</b>        | <b>234,184</b> | <b>205,016</b> | <b>213,923</b> |
| Hong Kong                                | 27,781         | 19,293         | 24,706         |
| Singapore                                | 25,135         | 19,525         | 21,531         |
| Korea                                    | 26,421         | 27,577         | 26,093         |
| Other Asia Pacific                       | 45,976         | 43,480         | 41,276         |
| India                                    | 19,615         | 16,144         | 17,381         |
| Middle East & Other S Asia               | 31,828         | 27,569         | 28,727         |
| Africa                                   | 10,245         | 7,675          | 10,228         |
| Americas, UK & Europe                    | 53,827         | 50,280         | 52,921         |
|                                          | 240,828        | 211,543        | 222,863        |
| Less : Intra-group balances <sup>1</sup> | (6,644)        | (6,527)        | (8,940)        |
| <b>Total risk weighted assets</b>        | <b>234,184</b> | <b>205,016</b> | <b>213,923</b> |

<sup>1</sup> Intra-group balances are netted in calculating capital ratios.

Risk weighted assets (RWA) increased by \$20 billion or 9 per cent compared to December 2009, mainly on account of Wholesale Banking, whose RWA increased by \$14 billion, or 9 per cent. RWA growth was concentrated in Other Asia Pacific, Singapore, Hong Kong and the Middle East and Other South Asia (MESA). The remaining growth of \$6 billion or 12 per cent was in Consumer Banking mainly in Hong Kong, Other Asia Pacific and Americas, UK and Europe.

Credit risk RWA increased by \$17 billion, or 10 per cent, largely driven by Wholesale Banking of \$12 billion. The growth in Wholesale Banking was driven by good levels of asset growth in Transaction Banking, Corporate Finance and Lending (\$12 billion). Credit migration of \$4 billion, down from the average level experienced in 2009, was offset by RWA efficiencies (\$3 billion) and Portfolio Management saves of (\$1 billion).

The growth in Consumer Banking credit risk RWA (\$5 billion) primarily arose from strong growth in the mortgage portfolio across Other Asia Pacific, cards and SME businesses in Hong Kong, SME supply chain financing in India and Private Banking in the Americas, UK and Europe region.

Market risk RWA decreased by \$3 billion, or 14 per cent as a result of reduced market risk positions in our commodities and FX businesses.

Operational risk RWA increased by \$6 billion, or 30 per cent. Given that this is primarily determined by the change in income over a rolling three year time horizon, the growth reflects the strong performance of the Group over that period.

# Standard Chartered PLC

## Condensed consolidated interim income statement

For the six months ended 30 June 2010

|                                                                          |       | 6 months ended<br>30.06.10<br>\$million | 6 months ended<br>30.06.09<br>\$million | 6 months ended<br>31.12.09<br>\$million |
|--------------------------------------------------------------------------|-------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                          | Notes |                                         |                                         |                                         |
| Interest income                                                          |       | 6,462                                   | 6,490                                   | 6,436                                   |
| Interest expense                                                         |       | (2,307)                                 | (2,790)                                 | (2,513)                                 |
| <b>Net interest income</b>                                               |       | <b>4,155</b>                            | <b>3,700</b>                            | <b>3,923</b>                            |
| Fees and commission income                                               |       | 2,288                                   | 1,853                                   | 1,971                                   |
| Fees and commission expense                                              |       | (140)                                   | (168)                                   | (286)                                   |
| Net trading income                                                       | 3     | 1,351                                   | 1,740                                   | 1,150                                   |
| Other operating income                                                   | 4     | 270                                     | 835                                     | 466                                     |
| <b>Non-interest income</b>                                               |       | <b>3,769</b>                            | <b>4,260</b>                            | <b>3,301</b>                            |
| <b>Operating income</b>                                                  |       | <b>7,924</b>                            | <b>7,960</b>                            | <b>7,224</b>                            |
| Staff costs                                                              |       | (2,808)                                 | (2,618)                                 | (2,294)                                 |
| Premises costs                                                           |       | (381)                                   | (314)                                   | (384)                                   |
| General administrative expenses                                          |       | (884)                                   | (860)                                   | (962)                                   |
| Depreciation and amortisation                                            | 5     | (271)                                   | (235)                                   | (285)                                   |
| <b>Operating expenses</b>                                                |       | <b>(4,344)</b>                          | <b>(4,027)</b>                          | <b>(3,925)</b>                          |
| <b>Operating profit before impairment losses and taxation</b>            |       | <b>3,580</b>                            | <b>3,933</b>                            | <b>3,299</b>                            |
| Impairment losses on loans and advances and other credit risk provisions | 15    | (437)                                   | (1,088)                                 | (912)                                   |
| Other impairment                                                         | 6     | (50)                                    | (15)                                    | (87)                                    |
| Profit from associates                                                   |       | 23                                      | 8                                       | 13                                      |
| <b>Profit before taxation</b>                                            |       | <b>3,116</b>                            | <b>2,838</b>                            | <b>2,313</b>                            |
| Taxation                                                                 | 7     | (935)                                   | (847)                                   | (827)                                   |
| <b>Profit for the period</b>                                             |       | <b>2,181</b>                            | <b>1,991</b>                            | <b>1,486</b>                            |

### Profit attributable to:

|                              |    |              |              |              |
|------------------------------|----|--------------|--------------|--------------|
| Non-controlling interests    | 27 | 33           | 58           | 39           |
| Parent company shareholders  |    | 2,148        | 1,933        | 1,447        |
| <b>Profit for the period</b> |    | <b>2,181</b> | <b>1,991</b> | <b>1,486</b> |

|                                     |   | cents | cents | cents |
|-------------------------------------|---|-------|-------|-------|
| <b>Earnings per share:</b>          |   |       |       |       |
| Basic earnings per ordinary share   | 9 | 103.4 | 98.8  | 69.9  |
| Diluted earnings per ordinary share | 9 | 101.9 | 98.0  | 69.2  |

### Dividends per ordinary share:

|                           |   |       |       |       |
|---------------------------|---|-------|-------|-------|
| Interim dividend declared | 8 | 23.35 | -     | -     |
| Interim dividend paid     | 8 | -     | 21.23 | -     |
| Final dividend paid       | 8 | -     | -     | 44.80 |

|                                              |  | \$million | \$million | \$million |
|----------------------------------------------|--|-----------|-----------|-----------|
| <b>Total dividend:</b>                       |  |           |           |           |
| Total interim dividend payable <sup>1</sup>  |  | 481       | -         | -         |
| Total interim dividend (paid 8 October 2009) |  | -         | 425       | -         |
| Total final dividend (paid 13 May 2010)      |  | -         | -         | 904       |

<sup>1</sup> Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 4 August 2010 and is expected to be paid on 5 October 2010. This dividend does not represent a liability to the Group at 30 June 2010 and is a non-adjusting event as defined by IAS 10 'Events after the reporting period'.

# Standard Chartered PLC

## Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2010

|                                                               |       | 6 months ended<br>30.06.10<br>\$million | 6 months ended<br>30.06.09<br>\$million | 6 months ended<br>31.12.09<br>\$million |
|---------------------------------------------------------------|-------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                               | Notes |                                         |                                         |                                         |
| <b>Profit for the period</b>                                  |       | <b>2,181</b>                            | <b>1,991</b>                            | <b>1,486</b>                            |
| <b>Other comprehensive income :</b>                           |       |                                         |                                         |                                         |
| Exchange differences on translation of foreign operations:    |       |                                         |                                         |                                         |
| Net (losses)/gains taken to equity                            |       | <b>(291)</b>                            | <b>(38)</b>                             | <b>638</b>                              |
| Actuarial losses on retirement benefit obligations            | 24    | <b>(42)</b>                             | <b>(127)</b>                            | <b>(23)</b>                             |
| Share of other comprehensive income from associates           |       | <b>(3)</b>                              | <b>-</b>                                | <b>19</b>                               |
| Available-for-sale investments:                               |       |                                         |                                         |                                         |
| Net valuation gains/(losses) taken to equity                  |       | <b>479</b>                              | <b>(30)</b>                             | <b>485</b>                              |
| Reclassified to income                                        |       | <b>(73)</b>                             | <b>(380)</b>                            | <b>(200)</b>                            |
| Cash flow hedges:                                             |       |                                         |                                         |                                         |
| Net (losses)/gains taken to equity                            |       | <b>(36)</b>                             | <b>44</b>                               | <b>(30)</b>                             |
| Reclassified to income                                        |       | <b>36</b>                               | <b>69</b>                               | <b>37</b>                               |
| Taxation relating to components of other comprehensive income |       | <b>(94)</b>                             | <b>105</b>                              | <b>(43)</b>                             |
| Other comprehensive income for the period, net of taxation    |       | <b>(24)</b>                             | <b>(357)</b>                            | <b>883</b>                              |
| <b>Total comprehensive income for the period</b>              |       | <b>2,157</b>                            | <b>1,634</b>                            | <b>2,369</b>                            |
| <b>Total comprehensive income attributable to:</b>            |       |                                         |                                         |                                         |
| Non-controlling interests                                     | 27    | <b>48</b>                               | <b>65</b>                               | <b>46</b>                               |
| Parent company shareholders                                   |       | <b>2,109</b>                            | <b>1,569</b>                            | <b>2,323</b>                            |
|                                                               |       | <b>2,157</b>                            | <b>1,634</b>                            | <b>2,369</b>                            |

# Standard Chartered PLC

## Condensed consolidated interim balance sheet

As at 30 June 2010

|                                                                 | Notes      | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|-----------------------------------------------------------------|------------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                                                   |            |                       |                       |                       |
| Cash and balances at central banks                              | 10, 29     | 29,694                | 12,141                | 18,131                |
| Financial assets held at fair value through profit or loss      | 10, 11     | 24,287                | 16,450                | 22,446                |
| Derivative financial instruments                                | 10, 12     | 44,555                | 45,823                | 38,193                |
| Loans and advances to banks                                     | 10, 13, 15 | 49,390                | 45,366                | 50,885                |
| Loans and advances to customers                                 | 10, 14, 15 | 215,005               | 182,748               | 198,292               |
| Investment securities                                           | 10, 17     | 76,787                | 72,616                | 75,728                |
| Other assets                                                    | 10, 19     | 24,771                | 19,653                | 17,201                |
| Current tax assets                                              |            | 159                   | 649                   | 203                   |
| Prepayments and accrued income                                  |            | 4,072                 | 4,274                 | 3,241                 |
| Interests in associates                                         |            | 620                   | 487                   | 514                   |
| Goodwill and intangible assets                                  |            | 6,513                 | 6,404                 | 6,620                 |
| Property, plant and equipment                                   |            | 3,971                 | 3,934                 | 4,103                 |
| Deferred tax assets                                             |            | 1,003                 | 675                   | 1,096                 |
| <b>Total assets</b>                                             |            | <b>480,827</b>        | <b>411,220</b>        | <b>436,653</b>        |
| <b>Liabilities</b>                                              |            |                       |                       |                       |
| Deposits by banks                                               | 10, 20     | 31,903                | 33,634                | 38,461                |
| Customer accounts                                               | 10, 21     | 279,089               | 230,147               | 251,244               |
| Financial liabilities held at fair value through profit or loss | 10, 11     | 18,380                | 16,947                | 14,505                |
| Derivative financial instruments                                | 10, 12     | 43,425                | 43,109                | 36,584                |
| Debt securities in issue                                        | 10, 22     | 33,364                | 20,860                | 29,272                |
| Other liabilities                                               | 10, 23     | 23,716                | 20,598                | 16,139                |
| Current tax liabilities                                         |            | 897                   | 592                   | 802                   |
| Accruals and deferred income                                    |            | 3,572                 | 3,493                 | 4,113                 |
| Subordinated liabilities and other borrowed funds               | 10, 25     | 15,555                | 16,922                | 16,730                |
| Deferred tax liabilities                                        |            | 179                   | 176                   | 193                   |
| Provisions for liabilities and charges                          |            | 224                   | 310                   | 184                   |
| Retirement benefit obligations                                  | 24         | 470                   | 542                   | 506                   |
| <b>Total liabilities</b>                                        |            | <b>450,774</b>        | <b>387,330</b>        | <b>408,733</b>        |
| <b>Equity</b>                                                   |            |                       |                       |                       |
| Share capital                                                   | 26         | 1,037                 | 967                   | 1,013                 |
| Reserves                                                        |            | 28,421                | 22,360                | 26,327                |
| <b>Total parent company shareholders' equity</b>                |            | <b>29,458</b>         | <b>23,327</b>         | <b>27,340</b>         |
| Non-controlling interests                                       | 27         | 595                   | 563                   | 580                   |
| <b>Total equity</b>                                             |            | <b>30,053</b>         | <b>23,890</b>         | <b>27,920</b>         |
| <b>Total equity and liabilities</b>                             |            | <b>480,827</b>        | <b>411,220</b>        | <b>436,653</b>        |

# Standard Chartered PLC

## Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2010

|                                       | Share capital | Share premium account | Capital and redemption reserve <sup>1</sup> | Merger reserve | Available-for-sale reserve | Cash flow hedge reserve | Translation reserve | Retained earnings | Parent company shareholders equity | Non-controlling interests | Total     |
|---------------------------------------|---------------|-----------------------|---------------------------------------------|----------------|----------------------------|-------------------------|---------------------|-------------------|------------------------------------|---------------------------|-----------|
|                                       | \$million     | \$million             | \$million                                   | \$million      | \$million                  | \$million               | \$million           | \$million         | \$million                          | \$million                 | \$million |
| At 1 January 2009                     | 948           | 4,743                 | 18                                          | 5,617          | (5)                        | (83)                    | (1,784)             | 12,686            | 22,140                             | 555                       | 22,695    |
| Profit for the period                 | -             | -                     | -                                           | -              | -                          | -                       | -                   | 1,933             | 1,933                              | 58                        | 1,991     |
| Other comprehensive income            | -             | -                     | -                                           | -              | (316)                      | 78                      | (38)                | (88) <sup>2</sup> | (364)                              | 7                         | (357)     |
| Distributions                         | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | (54)                      | (54)      |
| Shares issued, net of expenses        | 3             | 39                    | -                                           | -              | -                          | -                       | -                   | -                 | 42                                 | -                         | 42        |
| Net own shares adjustment             | -             | -                     | -                                           | -              | -                          | -                       | -                   | (69)              | (69)                               | -                         | (69)      |
| Share option expense, net of taxation | -             | -                     | -                                           | -              | -                          | -                       | -                   | 117               | 117                                | -                         | 117       |
| Capitalised on scrip dividend         | 16            | (16)                  | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | -                         | -         |
| Dividends, net of scrip               | -             | -                     | -                                           | -              | -                          | -                       | -                   | (472)             | (472)                              | -                         | (472)     |
| Other decreases                       | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | (3)                       | (3)       |
| At 30 June 2009                       | 967           | 4,766                 | 18                                          | 5,617          | (321)                      | (5)                     | (1,822)             | 14,107            | 23,327                             | 563                       | 23,890    |
| Profit for the period                 | -             | -                     | -                                           | -              | -                          | -                       | -                   | 1,447             | 1,447                              | 39                        | 1,486     |
| Other comprehensive income            | -             | -                     | -                                           | -              | 228                        | 20                      | 637                 | (9) <sup>2</sup>  | 876                                | 7                         | 883       |
| Distributions                         | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | (33)                      | (33)      |
| Shares issued, net of expenses        | 41            | 67                    | -                                           | 1,667          | -                          | -                       | -                   | -                 | 1,775                              | -                         | 1,775     |
| Net own shares adjustment             | -             | -                     | -                                           | -              | -                          | -                       | -                   | (12)              | (12)                               | -                         | (12)      |
| Share option expense, net of taxation | -             | -                     | -                                           | -              | -                          | -                       | -                   | 194               | 194                                | -                         | 194       |
| Capitalised on scrip dividend         | 5             | (5)                   | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | -                         | -         |
| Dividends, net of scrip               | -             | -                     | -                                           | -              | -                          | -                       | -                   | (267)             | (267)                              | -                         | (267)     |
| Other increases                       | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | 4                         | 4         |
| At 31 December 2009                   | 1,013         | 4,828                 | 18                                          | 7,284          | (93)                       | 15                      | (1,185)             | 15,460            | 27,340                             | 580                       | 27,920    |
| Profit for the period                 | -             | -                     | -                                           | -              | -                          | -                       | -                   | 2,148             | 2,148                              | 33                        | 2,181     |
| Other comprehensive income            | -             | -                     | -                                           | -              | 287                        | (1)                     | (288)               | (37) <sup>2</sup> | (39)                               | 15                        | (24)      |
| Distributions                         | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | (32)                      | (32)      |
| Shares issued, net of expenses        | 15            | 519                   | -                                           | -              | -                          | -                       | -                   | -                 | 534                                | -                         | 534       |
| Net own shares adjustment             | -             | -                     | -                                           | -              | -                          | -                       | -                   | (163)             | (163)                              | -                         | (163)     |
| Share option expense, net of taxation | -             | -                     | -                                           | -              | -                          | -                       | -                   | 115               | 115                                | -                         | 115       |
| Capitalised on scrip dividend         | 9             | (9)                   | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | -                         | -         |
| Dividends, net of scrip               | -             | -                     | -                                           | -              | -                          | -                       | -                   | (477)             | (477)                              | -                         | (477)     |
| Other decreases                       | -             | -                     | -                                           | -              | -                          | -                       | -                   | -                 | -                                  | (1)                       | (1)       |
| At 30 June 2010                       | 1,037         | 5,338                 | 18                                          | 7,284          | 194                        | 14                      | (1,473)             | 17,046            | 29,458                             | 595                       | 30,053    |

<sup>1</sup> Includes capital reserve of \$5 million and capital redemption reserve of \$13 million at 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010.

<sup>2</sup> For the period ended 30 June 2010, comprises actuarial losses, net of taxation and non-controlling interests of \$(34) million (30 June 2009: \$(88) million and 31 December 2009: \$(28) million) and share of comprehensive income from associates of \$(3) million (30 June 2009: \$nil million and 31 December 2009: \$19 million).

# Standard Chartered PLC

## Condensed consolidated interim cash flow statement

For the six months ended 30 June 2010

|                                                                                       |       | 6 months ended<br>30.06.10 | 6 months ended<br>30.06.09 <sup>1</sup> | 6 months ended<br>31.12.09 <sup>1</sup> |
|---------------------------------------------------------------------------------------|-------|----------------------------|-----------------------------------------|-----------------------------------------|
|                                                                                       | Notes | \$million                  | \$million                               | \$million                               |
| <b>Cash flows from operating activities</b>                                           |       |                            |                                         |                                         |
| Profit before taxation                                                                |       | 3,116                      | 2,838                                   | 2,313                                   |
| Adjustments for:                                                                      |       |                            |                                         |                                         |
| Non-cash items included within income statement                                       | 28    | 820                        | 405                                     | 980                                     |
| Change in operating assets                                                            | 28    | (57,979)                   | 10,921                                  | (7,959)                                 |
| Change in operating liabilities                                                       | 28    | 46,115                     | (24,578)                                | 13,870                                  |
| Contributions to defined benefit schemes                                              |       | (75)                       | (21)                                    | (103)                                   |
| UK and overseas taxes paid, net of refund                                             |       | (798)                      | (567)                                   | (643)                                   |
| <b>Net cash (used in)/from operating activities</b>                                   |       | <b>(8,801)</b>             | <b>(11,002)</b>                         | <b>8,458</b>                            |
| <b>Net cash flows from investing activities</b>                                       |       |                            |                                         |                                         |
| Purchase of property, plant and equipment                                             |       | (159)                      | (85)                                    | (176)                                   |
| Disposal of property, plant and equipment                                             |       | 121                        | 52                                      | 166                                     |
| Acquisition of investment in subsidiaries and associates, net of cash acquired        |       | (228)                      | (45)                                    | (23)                                    |
| Purchase of investment securities                                                     |       | (56,589)                   | (58,501)                                | (71,238)                                |
| Disposal and maturity of investment securities                                        |       | 55,295                     | 56,331                                  | 70,347                                  |
| Dividends received from investment in associates                                      |       | 9                          | 10                                      | 1                                       |
| <b>Net cash used in investing activities</b>                                          |       | <b>(1,551)</b>             | <b>(2,238)</b>                          | <b>(923)</b>                            |
| <b>Net cash flows from financing activities</b>                                       |       |                            |                                         |                                         |
| Issue of ordinary and preference share capital, net of expenses                       |       | 534                        | 42                                      | 1,775                                   |
| Purchase of own shares                                                                |       | (178)                      | (82)                                    | (21)                                    |
| Exercise of share options through ESOP                                                |       | 15                         | 13                                      | 9                                       |
| Interest paid on subordinated liabilities                                             |       | (561)                      | (568)                                   | (304)                                   |
| Gross proceeds from issue of subordinated liabilities                                 |       | 750                        | 1,742                                   | 321                                     |
| Repayment of subordinated liabilities                                                 |       | (1,534)                    | (1,757)                                 | (683)                                   |
| Dividends paid to non-controlling interests and preference shareholders, net of scrip |       | (82)                       | (104)                                   | (84)                                    |
| Dividends paid to ordinary shareholders, net of scrip                                 |       | (427)                      | (422)                                   | (216)                                   |
| <b>Net cash (used in)/from financing activities</b>                                   |       | <b>(1,483)</b>             | <b>(1,136)</b>                          | <b>797</b>                              |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                           |       | <b>(11,835)</b>            | <b>(14,376)</b>                         | <b>8,332</b>                            |
| Cash and cash equivalents at beginning of the period                                  |       | 68,073                     | 73,699                                  | 59,210                                  |
| Effect of exchange rate movements on cash and cash equivalents                        |       | (70)                       | (113)                                   | 531                                     |
| <b>Cash and cash equivalents at end of the period</b>                                 | 29    | <b>56,168</b>              | <b>59,210</b>                           | <b>68,073</b>                           |

<sup>1</sup> Amounts have been restated as explained in note 33

# Standard Chartered PLC – Notes

## 1. Basis of preparation

The Group condensed consolidated interim 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 interest in jointly controlled entities.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the FSA and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at end for the year ended 31 December 2009, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the EU.

These interim financial statements were approved by the Board of Directors on 4 August 2010.

Except as noted below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for, the year ended 31 December 2009.

On 1 January 2010, the Group adopted prospectively IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investment in Associates', and IAS 31 'Interest in Joint Ventures', none of which had any material impact on the Group's interim financial statements.

IFRS 3 (revised) continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all acquisition-related costs are expensed and no longer capitalised as part of the cost of acquisition and all payments to acquire a business – including those that are contingent – are recorded at fair value at the acquisition date. Also, when a controlling interest in an entity is acquired, any previously held interest in that entity is effectively disposed of at its fair value – with any gain or loss when compared to its carrying value recognised in the income statement – and re-acquired in aggregate with the controlling stake acquired. The revised standard has also changed certain terminology with minority interests now referred to as non-controlling interests.

The amendments to IAS 27 (revised) require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The amendments also specify the accounting when control is lost, with any remaining interest in the entity re-measured to fair value and any resulting gain or loss is recognised in profit or loss.

On 1 January 2010, the Group and Company adopted improvements to IFRS (2009), a collection of amendments to a number of IFRSs. The amendments to IFRS 2, IFRS 8, IAS 1, IAS 7, IAS 18, IAS 39 and IFRIC 16 were applied on a retrospective basis and amendments to IFRS 5, IAS 36, IAS 38 and IFRIC 9 were applied on a prospective basis. None of these amendments had a material impact on the Group's interim financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2009.

A summary of the Group's significant accounting policies will be included in the 2010 Annual Report.

## Standard Chartered PLC – Notes continued

### 2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into two main business segments: Consumer Banking and Wholesale Banking. The products offered by these segments are summarised under 'Income by product' below. The businesses' focus is on broadening and deepening the relationship with customers, rather than maximising a particular product line. Hence the Group evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing customer needs and trends in the market place. The strategies adopted by Consumer Banking and Wholesale Banking need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's matrix structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the businesses because of the one-off nature of these items.

The Group's entity-wide disclosure comprises geographic areas, classified by the location of the customer.

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

#### By class of business

|                                                                          | 30.06.10         |                   |                           |                                            |                | 30.06.09         |                   |                           |                                            |                |
|--------------------------------------------------------------------------|------------------|-------------------|---------------------------|--------------------------------------------|----------------|------------------|-------------------|---------------------------|--------------------------------------------|----------------|
|                                                                          | Consumer Banking | Wholesale Banking | Total reportable segments | Corporate items not allocated <sup>2</sup> | Total          | Consumer Banking | Wholesale Banking | Total reportable segments | Corporate items not allocated <sup>3</sup> | Total          |
|                                                                          | \$million        | \$million         | \$million                 | \$million                                  | \$million      | \$million        | \$million         | \$million                 | \$million                                  | \$million      |
| Internal income                                                          | (16)             | 16                | -                         | -                                          | -              | (33)             | 33                | -                         | -                                          | -              |
| Net interest income                                                      | 1,996            | 2,159             | 4,155                     | -                                          | 4,155          | 1,902            | 1,798             | 3,700                     | -                                          | 3,700          |
| Non-interest income                                                      | 932              | 2,837             | 3,769                     | -                                          | 3,769          | 816              | 3,196             | 4,012                     | 248                                        | 4,260          |
| <b>Operating income</b>                                                  | <b>2,912</b>     | <b>5,012</b>      | <b>7,924</b>              | <b>-</b>                                   | <b>7,924</b>   | <b>2,685</b>     | <b>5,027</b>      | <b>7,712</b>              | <b>248</b>                                 | <b>7,960</b>   |
| <b>Operating expenses</b>                                                | <b>(1,966)</b>   | <b>(2,357)</b>    | <b>(4,323)</b>            | <b>(21)</b>                                | <b>(4,344)</b> | <b>(1,780)</b>   | <b>(2,247)</b>    | <b>(4,027)</b>            | <b>-</b>                                   | <b>(4,027)</b> |
| <b>Operating profit/(loss) before impairment losses and taxation</b>     | <b>946</b>       | <b>2,655</b>      | <b>3,601</b>              | <b>(21)</b>                                | <b>3,580</b>   | <b>905</b>       | <b>2,780</b>      | <b>3,685</b>              | <b>248</b>                                 | <b>3,933</b>   |
| Impairment losses on loans and advances and other credit risk provisions | (299)            | (138)             | (437)                     | -                                          | (437)          | (563)            | (525)             | (1,088)                   | -                                          | (1,088)        |
| Other impairment                                                         | (4)              | (46)              | (50)                      | -                                          | (50)           | 6                | (6)               | -                         | (15)                                       | (15)           |
| Profit from associates                                                   | -                | -                 | -                         | 23                                         | 23             | -                | -                 | -                         | 8                                          | 8              |
| <b>Profit before taxation</b>                                            | <b>643</b>       | <b>2,471</b>      | <b>3,114</b>              | <b>2</b>                                   | <b>3,116</b>   | <b>348</b>       | <b>2,249</b>      | <b>2,597</b>              | <b>241</b>                                 | <b>2,838</b>   |
| <b>Total assets employed</b>                                             | <b>110,921</b>   | <b>368,124</b>    | <b>479,045</b>            | <b>1,782</b>                               | <b>480,827</b> | <b>93,094</b>    | <b>316,315</b>    | <b>409,409</b>            | <b>1,811</b>                               | <b>411,220</b> |
| <b>Total liabilities employed</b>                                        | <b>148,182</b>   | <b>301,515</b>    | <b>449,697</b>            | <b>1,077</b>                               | <b>450,774</b> | <b>138,974</b>   | <b>247,588</b>    | <b>386,562</b>            | <b>768</b>                                 | <b>387,330</b> |
| Other segment items:                                                     |                  |                   |                           |                                            |                |                  |                   |                           |                                            |                |
| Capital expenditure <sup>1</sup>                                         | 108              | 130               | 238                       | -                                          | 238            | 78               | 559               | 637                       | -                                          | 637            |
| Depreciation                                                             | 73               | 85                | 158                       | -                                          | 158            | 86               | 62                | 148                       | -                                          | 148            |
| Interests in associates                                                  | -                | -                 | -                         | 620                                        | 620            | -                | -                 | -                         | 487                                        | 487            |
| Amortisation of intangible assets                                        | 33               | 80                | 113                       | -                                          | 113            | 40               | 47                | 87                        | -                                          | 87             |

<sup>1</sup> Includes capital expenditure in Wholesale Banking of \$nil million in respect of operating lease assets (30 June 2009: \$464 million).

<sup>2</sup> Relates to UK payroll tax and the Group's share of profit from associates.

<sup>3</sup> Relates to gain on buy-back of subordinated debt, impairment of associates and other strategic investments and the Group's share of profit from associates.

## Standard Chartered PLC – Notes continued

### 2. Segmental Information continued

#### By class of business

|                                                                          | 31.12.09         |                   |                           |                                            |                |
|--------------------------------------------------------------------------|------------------|-------------------|---------------------------|--------------------------------------------|----------------|
|                                                                          | Consumer Banking | Wholesale Banking | Total reportable segments | Corporate items not allocated <sup>2</sup> | Total          |
|                                                                          | \$million        | \$million         | \$million                 | \$million                                  | \$million      |
| Internal income                                                          | (22)             | 22                | -                         | -                                          | -              |
| Net interest income                                                      | 1,974            | 1,949             | 3,923                     | -                                          | 3,923          |
| Non-interest income                                                      | 992              | 2,293             | 3,285                     | 16                                         | 3,301          |
| <b>Operating income</b>                                                  | <b>2,944</b>     | <b>4,264</b>      | <b>7,208</b>              | <b>16</b>                                  | <b>7,224</b>   |
| <b>Operating expenses</b>                                                | <b>(1,929)</b>   | <b>(1,938)</b>    | <b>(3,867)</b>            | <b>(58)</b>                                | <b>(3,925)</b> |
| <b>Operating profit/(loss) before impairment losses and taxation</b>     | <b>1,015</b>     | <b>2,326</b>      | <b>3,341</b>              | <b>(42)</b>                                | <b>3,299</b>   |
| Impairment losses on loans and advances and other credit risk provisions | (489)            | (423)             | (912)                     | -                                          | (912)          |
| Other impairment                                                         | (7)              | (76)              | (83)                      | (4)                                        | (87)           |
| Profit from associates                                                   | -                | -                 | -                         | 13                                         | 13             |
| <b>Profit before taxation</b>                                            | <b>519</b>       | <b>1,827</b>      | <b>2,346</b>              | <b>(33)</b>                                | <b>2,313</b>   |
| <b>Total assets employed</b>                                             | <b>103,534</b>   | <b>331,306</b>    | <b>434,840</b>            | <b>1,813</b>                               | <b>436,653</b> |
| <b>Total liabilities employed</b>                                        | <b>144,167</b>   | <b>263,571</b>    | <b>407,738</b>            | <b>995</b>                                 | <b>408,733</b> |
| Other segment items:                                                     |                  |                   |                           |                                            |                |
| Capital expenditure <sup>1</sup>                                         | 82               | 342               | 424                       | -                                          | 424            |
| Depreciation                                                             | 75               | 89                | 164                       | -                                          | 164            |
| Interests in associates                                                  | -                | -                 | -                         | 514                                        | 514            |
| Amortisation of intangible assets                                        | 31               | 90                | 121                       | -                                          | 121            |

<sup>1</sup> Includes capital expenditure in Wholesale Banking of \$167 million in respect of operating lease assets.

<sup>2</sup> Relates to gain on buy-back of subordinated debt, UK payroll tax, impairment of associates and the Group's share of profit from associates.

The following table details entity-wide operating income by product:

|                                             | 6 months ended<br>30.06.10<br>\$million | 6 months ended<br>30.06.09<br>\$million | 6 months ended<br>31.12.09<br>\$million |
|---------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Consumer Banking</b>                     |                                         |                                         |                                         |
| Cards, Personal Loans and Unsecured Lending | 988                                     | 954                                     | 1,038                                   |
| Wealth Management and Deposits              | 1,106                                   | 1,100                                   | 1,132                                   |
| Mortgage and Auto Finance                   | 733                                     | 540                                     | 704                                     |
| Other                                       | 85                                      | 91                                      | 70                                      |
| <b>Total operating income by product</b>    | <b>2,912</b>                            | <b>2,685</b>                            | <b>2,944</b>                            |
| <b>Wholesale Banking</b>                    |                                         |                                         |                                         |
| Lending and Portfolio Management            | 465                                     | 412                                     | 437                                     |
| Transaction Banking                         | 1,282                                   | 1,272                                   | 1,265                                   |
| Global Markets                              |                                         |                                         |                                         |
| Financial Markets                           | 1,711                                   | 2,036                                   | 1,275                                   |
| Asset and Liability Management (ALM)        | 488                                     | 557                                     | 406                                     |
| Corporate Finance                           | 932                                     | 615                                     | 679                                     |
| Principal Finance                           | 134                                     | 135                                     | 202                                     |
| Total Global Markets                        | 3,265                                   | 3,343                                   | 2,562                                   |
| <b>Total operating income by product</b>    | <b>5,012</b>                            | <b>5,027</b>                            | <b>4,264</b>                            |

## Standard Chartered PLC – Notes continued

### 2. Segmental Information continued

#### Entity-wide information

##### By geography

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

|                                                                          | 30.06.10     |              |              |                    |              |                            |              |                                   |                |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------------|--------------|----------------------------|--------------|-----------------------------------|----------------|
|                                                                          | Asia Pacific |              |              |                    |              |                            |              |                                   |                |
|                                                                          | Hong Kong    | Singapore    | Korea        | Other Asia Pacific | India        | Middle East & Other S Asia | Africa       | Americas UK & Europe <sup>1</sup> | Total          |
|                                                                          | \$million    | \$million    | \$million    | \$million          | \$million    | \$million                  | \$million    | \$million                         | \$million      |
| Internal income                                                          | 24           | (68)         | (30)         | 32                 | 187          | (18)                       | 39           | (166)                             | -              |
| Net interest income                                                      | 580          | 446          | 583          | 867                | 401          | 579                        | 251          | 448                               | 4,155          |
| Fees and commissions income, net                                         | 302          | 219          | 115          | 377                | 249          | 312                        | 217          | 357                               | 2,148          |
| Net trading income                                                       | 269          | 280          | 115          | 190                | 155          | 168                        | 119          | 55                                | 1,351          |
| Other operating income                                                   | 16           | 36           | 13           | 75                 | 19           | 15                         | 20           | 76                                | 270            |
| <b>Operating income</b>                                                  | <b>1,191</b> | <b>913</b>   | <b>796</b>   | <b>1,541</b>       | <b>1,011</b> | <b>1,056</b>               | <b>646</b>   | <b>770</b>                        | <b>7,924</b>   |
| <b>Operating expenses</b>                                                | <b>(656)</b> | <b>(477)</b> | <b>(518)</b> | <b>(895)</b>       | <b>(344)</b> | <b>(515)</b>               | <b>(323)</b> | <b>(616)</b>                      | <b>(4,344)</b> |
| <b>Operating profit before impairment losses and taxation</b>            | <b>535</b>   | <b>436</b>   | <b>278</b>   | <b>646</b>         | <b>667</b>   | <b>541</b>                 | <b>323</b>   | <b>154</b>                        | <b>3,580</b>   |
| Impairment losses on loans and advances and other credit risk provisions | (25)         | (17)         | (129)        | (89)               | (43)         | (116)                      | (7)          | (11)                              | (437)          |
| Other impairment                                                         | 1            | -            | -            | (1)                | -            | (25)                       | (5)          | (20)                              | (50)           |
| Profit from associates                                                   | -            | -            | -            | 23                 | -            | -                          | -            | -                                 | 23             |
| <b>Profit before taxation</b>                                            | <b>511</b>   | <b>419</b>   | <b>149</b>   | <b>579</b>         | <b>624</b>   | <b>400</b>                 | <b>311</b>   | <b>123</b>                        | <b>3,116</b>   |
| <b>Capital expenditure<sup>2</sup></b>                                   | <b>11</b>    | <b>133</b>   | <b>31</b>    | <b>27</b>          | <b>15</b>    | <b>8</b>                   | <b>6</b>     | <b>7</b>                          | <b>238</b>     |

<sup>1</sup> Americas UK & Europe includes operating income of \$381 million in respect of the UK, the Company's country of domicile.

<sup>2</sup> Includes capital expenditure in Americas, UK and Europe of \$nil million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities.

|                                                                          | 30.06.09     |           |           |                    |           |                            |           |                       |           |
|--------------------------------------------------------------------------|--------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|-----------------------|-----------|
|                                                                          | Asia Pacific |           |           |                    |           |                            |           |                       |           |
|                                                                          | Hong Kong    | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe¹ | Total     |
|                                                                          | \$million    | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million             | \$million |
| Internal income                                                          | 8            | (30)      | (37)      | 42                 | 82        | 13                         | 30        | (108)                 | -         |
| Net interest income                                                      | 695          | 341       | 431       | 731                | 344       | 537                        | 232       | 389                   | 3,700     |
| Fees and commissions income, net                                         | 225          | 180       | 98        | 213                | 337       | 264                        | 165       | 203                   | 1,685     |
| Net trading income                                                       | 252          | 240       | 154       | 281                | 110       | 234                        | 112       | 357                   | 1,740     |
| Other operating income                                                   | 43           | 152       | 59        | 247                | 31        | 95                         | 19        | 189                   | 835       |
| <b>Operating income</b>                                                  | 1,223        | 883       | 705       | 1,514              | 904       | 1,143                      | 558       | 1,030                 | 7,960     |
| <b>Operating expenses</b>                                                | (567)        | (430)     | (439)     | (932)              | (287)     | (463)                      | (269)     | (640)                 | (4,027)   |
| <b>Operating profit before impairment losses and taxation</b>            | 656          | 453       | 266       | 582                | 617       | 680                        | 289       | 390                   | 3,933     |
| Impairment losses on loans and advances and other credit risk provisions | (88)         | (23)      | (185)     | (191)              | (97)      | (460)                      | (24)      | (20)                  | (1,088)   |
| Other impairment                                                         | 10           | -         | -         | 14                 | 6         | -                          | -         | (45)                  | (15)      |
| (Loss)/profit from associates                                            | (2)          | -         | -         | 11                 | -         | -                          | -         | (1)                   | 8         |
| <b>Profit before taxation</b>                                            | 576          | 430       | 81        | 416                | 526       | 220                        | 265       | 324                   | 2,838     |
| <b>Capital expenditure²</b>                                              | 23           | 63        | 16        | 12                 | 15        | 8                          | 17        | 483                   | 637       |

<sup>1</sup> Americas UK & Europe includes operating income of \$584 million in respect of the UK, the Company's country of domicile.

<sup>2</sup> Includes capital expenditure in Americas, UK and Europe of \$464 million in respect of operating lease assets. Other 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

|                                                                          | 31.12.09     |              |              |                    |              |                            |              |                       |                |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------------|--------------|----------------------------|--------------|-----------------------|----------------|
|                                                                          | Asia Pacific |              |              |                    |              |                            |              |                       |                |
|                                                                          | Hong Kong    | Singapore    | Korea        | Other Asia Pacific | India        | Middle East & Other S Asia | Africa       | Americas UK & Europe¹ | Total          |
|                                                                          | \$million    | \$million    | \$million    | \$million          | \$million    | \$million                  | \$million    | \$million             | \$million      |
| Internal income                                                          | 6            | 12           | (25)         | 1                  | 113          | (55)                       | 9            | (61)                  | -              |
| Net interest income                                                      | 613          | 441          | 477          | 774                | 380          | 597                        | 259          | 382                   | 3,923          |
| Fees and commissions income, net                                         | 317          | 111          | 89           | 289                | 209          | 230                        | 155          | 285                   | 1,685          |
| Net trading income                                                       | 204          | 117          | 168          | 221                | 149          | 122                        | 109          | 60                    | 1,150          |
| Other operating income                                                   | 7            | 28           | 140          | 89                 | 58           | 41                         | (1)          | 104                   | 466            |
| <b>Operating income</b>                                                  | <b>1,147</b> | <b>709</b>   | <b>849</b>   | <b>1,374</b>       | <b>909</b>   | <b>935</b>                 | <b>531</b>   | <b>770</b>            | <b>7,224</b>   |
| <b>Operating expenses</b>                                                | <b>(601)</b> | <b>(371)</b> | <b>(514)</b> | <b>(846)</b>       | <b>(284)</b> | <b>(428)</b>               | <b>(284)</b> | <b>(597)</b>          | <b>(3,925)</b> |
| <b>Operating profit before impairment losses and taxation</b>            | <b>546</b>   | <b>338</b>   | <b>335</b>   | <b>528</b>         | <b>625</b>   | <b>507</b>                 | <b>247</b>   | <b>173</b>            | <b>3,299</b>   |
| Impairment losses on loans and advances and other credit risk provisions | (57)         | (14)         | (93)         | (204)              | (104)        | (351)                      | (30)         | (59)                  | (912)          |
| Other impairment                                                         | -            | (40)         | (1)          | 12                 | 13           | (10)                       | -            | (61)                  | (87)           |
| (Loss)/profit from associates                                            | (3)          | -            | -            | 18                 | -            | -                          | -            | (2)                   | 13             |
| <b>Profit before taxation</b>                                            | <b>486</b>   | <b>284</b>   | <b>241</b>   | <b>354</b>         | <b>534</b>   | <b>146</b>                 | <b>217</b>   | <b>51</b>             | <b>2,313</b>   |
| <b>Capital expenditure²</b>                                              | <b>1</b>     | <b>101</b>   | <b>47</b>    | <b>20</b>          | <b>34</b>    | <b>11</b>                  | <b>20</b>    | <b>190</b>            | <b>424</b>     |

<sup>1</sup> Americas UK & Europe includes operating income of \$383 million in respect of the UK, the Company's country of domicile.

<sup>2</sup> Includes capital expenditure in Americas, UK and Europe of \$167 million in respect of operating lease assets. Other 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

#### Net interest margin and yield

|                                      | 6 months ended<br>30.06.10<br>\$million | 6 months ended<br>30.06.09<br>\$million | 6 months ended<br>31.12.09<br>\$million |
|--------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| Net interest margin (%)              | 2.3                                     | 2.4                                     | 2.2                                     |
| Net interest yield (%)               | 2.1                                     | 2.3                                     | 2.1                                     |
| Average interest earning assets      | 363,886                                 | 312,358                                 | 344,752                                 |
| Average interest bearing liabilities | 325,820                                 | 294,741                                 | 301,930                                 |

#### Net interest margin by geography

|                                 | 30.06.10               |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|---------------------------------|------------------------|------------------------|--------------------|---------------------------------|--------------------|-----------------------------------------|---------------------|------------------------------------------------|--------------------------------------|--------------------|
|                                 | Asia Pacific           |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|                                 | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million | India<br>\$million | Middle East & Other S Asia<br>\$million | Africa<br>\$million | Americas UK & Europe <sup>1</sup><br>\$million | Intra-group/ tax assets<br>\$million | Total<br>\$million |
| Total assets employed           | 94,266                 | 75,218                 | 64,095             | 92,469                          | 37,239             | 46,968                                  | 15,069              | 109,041                                        | (53,538)                             | 480,827            |
| Average interest-earning assets | 78,499                 | 51,339                 | 54,207             | 74,853                          | 27,044             | 31,001                                  | 11,618              | 72,097                                         | (36,772)                             | 363,886            |
| Net interest income             | 603                    | 404                    | 548                | 888                             | 507                | 580                                     | 291                 | 334                                            | -                                    | 4,155              |
| Net interest margin (%)         | 1.5                    | 1.6                    | 2.0                | 2.4                             | 3.8                | 3.8                                     | 5.1                 | 0.9                                            | -                                    | 2.3                |

<sup>1</sup> Americas UK & Europe includes total assets employed of \$78,546 million in respect of the UK, the Company's country of domicile.

|                                      | 30.06.09               |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|--------------------------------------|------------------------|------------------------|--------------------|---------------------------------|--------------------|-----------------------------------------|---------------------|------------------------------------------------|--------------------------------------|--------------------|
|                                      | Asia Pacific           |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|                                      | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million | India<br>\$million | Middle East & Other S Asia<br>\$million | Africa<br>\$million | Americas UK & Europe <sup>1</sup><br>\$million | Intra-group/ tax assets<br>\$million | Total<br>\$million |
| Total assets employed <sup>2</sup>   | 87,934                 | 59,398                 | 61,854             | 78,971                          | 29,321             | 43,767                                  | 13,705              | 87,230                                         | (50,960)                             | 411,220            |
| Average interest-earning assets      | 74,175                 | 40,857                 | 44,936             | 69,106                          | 21,648             | 26,709                                  | 10,964              | 61,143                                         | (37,180)                             | 312,358            |
| Net interest income                  | 692                    | 339                    | 394                | 766                             | 377                | 552                                     | 262                 | 318                                            | -                                    | 3,700              |
| Net interest margin (%) <sup>2</sup> | 1.9                    | 1.7                    | 1.8                | 2.2                             | 3.5                | 4.2                                     | 4.8                 | 1.1                                            | -                                    | 2.4                |

<sup>1</sup> Americas UK & Europe includes total assets employed of \$69,519 million in respect of the UK, the Company's country of domicile.

<sup>2</sup> Amounts have been restated as set out in note 33

|                                 | 31.12.09               |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|---------------------------------|------------------------|------------------------|--------------------|---------------------------------|--------------------|-----------------------------------------|---------------------|------------------------------------------------|--------------------------------------|--------------------|
|                                 | Asia Pacific           |                        |                    |                                 |                    |                                         |                     |                                                |                                      |                    |
|                                 | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million | India<br>\$million | Middle East & Other S Asia<br>\$million | Africa<br>\$million | Americas UK & Europe <sup>1</sup><br>\$million | Intra-group/ tax assets<br>\$million | Total<br>\$million |
| Total assets employed           | 91,739                 | 62,137                 | 63,222             | 83,191                          | 31,719             | 44,275                                  | 13,633              | 91,149                                         | (44,412)                             | 436,653            |
| Average interest-earning assets | 79,591                 | 47,239                 | 49,521             | 68,034                          | 25,418             | 31,747                                  | 11,121              | 65,399                                         | (33,318)                             | 344,752            |
| Net interest income             | 649                    | 403                    | 447                | 773                             | 522                | 562                                     | 270                 | 297                                            | -                                    | 3,923              |
| Net interest margin (%)         | 1.6                    | 1.7                    | 1.8                | 2.3                             | 4.1                | 3.5                                     | 4.8                 | 0.9                                            | -                                    | 2.2                |

<sup>1</sup> Americas UK & Europe includes total assets employed of \$76,541 million in respect of the UK, the Company's country of domicile.

## 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 30 June 2010, 30 June 2009 and 31 December 2009:

| 30.06.10                                               |                        |                        |                    |                                 |               |                            |              |                      |                |
|--------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|---------------|----------------------------|--------------|----------------------|----------------|
|                                                        | Asia Pacific           |                        |                    |                                 | India         | Middle East & Other S Asia | Africa       | Americas UK & Europe | Total          |
|                                                        | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |               |                            |              |                      |                |
| Non-interest bearing current and demand accounts       | 5,758                  | 5,711                  | 162                | 4,851                           | 3,716         | 7,761                      | 3,210        | 2,753                | 33,922         |
| Interest bearing current accounts and savings deposits | 40,048                 | 19,284                 | 16,104             | 25,668                          | 2,157         | 3,600                      | 2,207        | 17,932               | 127,000        |
| Time deposits                                          | 26,091                 | 23,042                 | 16,283             | 32,327                          | 5,994         | 11,359                     | 2,241        | 36,498               | 153,835        |
| Other deposits                                         | 79                     | 50                     | 516                | 1,052                           | 1,766         | 269                        | 72           | 1,586                | 5,390          |
| <b>Total</b>                                           | <b>71,976</b>          | <b>48,087</b>          | <b>33,065</b>      | <b>63,898</b>                   | <b>13,633</b> | <b>22,989</b>              | <b>7,730</b> | <b>58,769</b>        | <b>320,147</b> |
| Deposits by banks                                      | 2,131                  | 1,417                  | 3,586              | 6,866                           | 466           | 2,323                      | 532          | 15,086               | 32,407         |
| Customer accounts                                      | 69,845                 | 46,670                 | 29,479             | 57,032                          | 13,167        | 20,666                     | 7,198        | 43,683               | 287,740        |
|                                                        | 71,976                 | 48,087                 | 33,065             | 63,898                          | 13,633        | 22,989                     | 7,730        | 58,769               | 320,147        |
| Debt securities in issue                               | 10                     | 697                    | 10,669             | 1,846                           | 312           | 51                         | 370          | 22,657               | 36,612         |
| <b>Total</b>                                           | <b>71,986</b>          | <b>48,784</b>          | <b>43,734</b>      | <b>65,744</b>                   | <b>13,945</b> | <b>23,040</b>              | <b>8,100</b> | <b>81,426</b>        | <b>356,759</b> |

| 30.06.09                                               |                        |                        |                    |                                 |               |                            |              |                      |                |
|--------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|---------------|----------------------------|--------------|----------------------|----------------|
|                                                        | Asia Pacific           |                        |                    |                                 | India         | Middle East & Other S Asia | Africa       | Americas UK & Europe | Total          |
|                                                        | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |               |                            |              |                      |                |
| Non-interest bearing current and demand accounts       | 4,433                  | 3,837                  | 69                 | 3,382                           | 2,204         | 5,874                      | 1,867        | 2,575                | 24,241         |
| Interest bearing current accounts and savings deposits | 37,148                 | 13,139                 | 15,796             | 23,890                          | 1,798         | 3,092                      | 3,688        | 12,425               | 110,976        |
| Time deposits                                          | 25,365                 | 20,064                 | 13,283             | 27,865                          | 5,827         | 10,260                     | 1,727        | 25,335               | 129,726        |
| Other deposits                                         | 51                     | 108                    | 517                | 1,178                           | 165           | 604                        | 139          | 2,233                | 4,995          |
| <b>Total</b>                                           | <b>66,997</b>          | <b>37,148</b>          | <b>29,665</b>      | <b>56,315</b>                   | <b>9,994</b>  | <b>19,830</b>              | <b>7,421</b> | <b>42,568</b>        | <b>269,938</b> |
| Deposits by banks                                      | 1,961                  | 1,755                  | 8,591              | 4,532                           | 84            | 1,000                      | 523          | 15,520               | 33,966         |
| Customer accounts                                      | 65,036                 | 35,393                 | 21,074             | 51,783                          | 9,910         | 18,830                     | 6,898        | 27,048               | 235,972        |
|                                                        | 66,997                 | 37,148                 | 29,665             | 56,315                          | 9,994         | 19,830                     | 7,421        | 42,568               | 269,938        |
| Debt securities in issue                               | 252                    | 1,546                  | 11,406             | 1,987                           | 543           | 114                        | 257          | 8,557                | 24,662         |
| <b>Total</b>                                           | <b>67,249</b>          | <b>38,694</b>          | <b>41,071</b>      | <b>58,302</b>                   | <b>10,537</b> | <b>19,944</b>              | <b>7,678</b> | <b>51,125</b>        | <b>294,600</b> |

| 31.12.09                                               |                        |                        |                    |                                 |               |                            |              |                      |                |
|--------------------------------------------------------|------------------------|------------------------|--------------------|---------------------------------|---------------|----------------------------|--------------|----------------------|----------------|
|                                                        | Asia Pacific           |                        |                    |                                 | India         | Middle East & Other S Asia | Africa       | Americas UK & Europe | Total          |
|                                                        | Hong Kong<br>\$million | Singapore<br>\$million | Korea<br>\$million | Other Asia Pacific<br>\$million |               |                            |              |                      |                |
| Non-interest bearing current and demand accounts       | 6,220                  | 6,343                  | 81                 | 4,393                           | 2,779         | 6,571                      | 2,274        | 1,911                | 30,572         |
| Interest bearing current accounts and savings deposits | 42,493                 | 16,544                 | 16,663             | 24,480                          | 2,051         | 3,093                      | 3,386        | 18,016               | 126,726        |
| Time deposits                                          | 22,964                 | 20,731                 | 13,840             | 27,855                          | 5,101         | 11,086                     | 1,694        | 30,611               | 133,882        |
| Other deposits                                         | 73                     | 52                     | 458                | 1,048                           | 1,291         | 408                        | 146          | 1,033                | 4,509          |
| <b>Total</b>                                           | <b>71,750</b>          | <b>43,670</b>          | <b>31,042</b>      | <b>57,776</b>                   | <b>11,222</b> | <b>21,158</b>              | <b>7,500</b> | <b>51,571</b>        | <b>295,689</b> |
| Deposits by banks                                      | 2,898                  | 1,972                  | 8,287              | 6,673                           | 620           | 1,353                      | 294          | 16,846               | 38,943         |
| Customer accounts                                      | 68,852                 | 41,698                 | 22,755             | 51,103                          | 10,602        | 19,805                     | 7,206        | 34,725               | 256,746        |
|                                                        | 71,750                 | 43,670                 | 31,042             | 57,776                          | 11,222        | 21,158                     | 7,500        | 51,571               | 295,689        |
| Debt securities in issue                               | 145                    | 679                    | 12,608             | 1,695                           | 520           | 45                         | 326          | 17,241               | 33,259         |
| <b>Total</b>                                           | <b>71,895</b>          | <b>44,349</b>          | <b>43,650</b>      | <b>59,471</b>                   | <b>11,742</b> | <b>21,203</b>              | <b>7,826</b> | <b>68,812</b>        | <b>328,948</b> |

## Standard Chartered PLC – Notes continued

### 3. Net trading income

|                                                                                                | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Gains less losses on instruments held for trading:                                             |                                            |                                            |                                            |
| Foreign currency <sup>1</sup>                                                                  | 574                                        | 916                                        | 914                                        |
| Trading securities                                                                             | 141                                        | 224                                        | 105                                        |
| Interest rate derivatives                                                                      | 433                                        | 361                                        | 215                                        |
| Credit and other derivatives                                                                   | 79                                         | 253                                        | (218)                                      |
|                                                                                                | 1,227                                      | 1,754                                      | 1,016                                      |
| Gains less losses from fair value hedging:                                                     |                                            |                                            |                                            |
| Gains less losses from fair value hedged items                                                 | (702)                                      | 511                                        | (57)                                       |
| Gains less losses from fair value hedged instruments                                           | 708                                        | (542)                                      | 80                                         |
|                                                                                                | 6                                          | (31)                                       | 23                                         |
| Gains less losses on instruments designated at fair value:                                     |                                            |                                            |                                            |
| Financial assets designated at fair value through profit or loss                               | 168                                        | (56)                                       | 78                                         |
| Financial liabilities designated at fair value through profit or loss                          | (11)                                       | 42                                         | 28                                         |
| Derivatives managed with financial instruments designated at fair value through profit or loss | (39)                                       | 31                                         | 5                                          |
|                                                                                                | 118                                        | 17                                         | 111                                        |
| <b>Total net trading income</b>                                                                | <b>1,351</b>                               | <b>1,740</b>                               | <b>1,150</b>                               |

<sup>1</sup> Includes foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities.

### 4. Other operating income

|                                                           | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|-----------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Other operating income includes:                          |                                            |                                            |                                            |
| Gains less losses on available-for-sale financial assets: |                                            |                                            |                                            |
| On disposal                                               | 73                                         | 391                                        | 201                                        |
| Write downs on asset backed securities                    | -                                          | -                                          | (4)                                        |
| Dividend income                                           | 20                                         | 85                                         | 24                                         |
| Gains arising on repurchase of subordinated liabilities   | -                                          | 248                                        | 16                                         |
| Gains arising on assets fair valued at acquisition        | 16                                         | 18                                         | 25                                         |
| Rental income from operating lease assets                 | 87                                         | 67                                         | 89                                         |
| Profit on sale of property, plant and equipment           | 25                                         | 10                                         | 30                                         |
| Loss on sale of businesses                                | -                                          | (2)                                        | -                                          |

Gains arising on assets fair valued at acquisition primarily relate to recoveries of fair value adjustments on loans and advances.

### 5. Depreciation and amortisation

|                                            | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Premises                                   | 57                                         | 57                                         | 62                                         |
| Equipment                                  | 101                                        | 91                                         | 102                                        |
| Intangibles:                               |                                            |                                            |                                            |
| Software                                   | 82                                         | 53                                         | 86                                         |
| Acquired on business combinations          | 31                                         | 34                                         | 35                                         |
| <b>Total depreciation and amortisation</b> | <b>271</b>                                 | <b>235</b>                                 | <b>285</b>                                 |

## Standard Chartered PLC – Notes continued

### 6. Other impairment

|                                                          | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|----------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Impairment losses on available-for-sale financial assets |                                            |                                            |                                            |
| - Asset backed securities                                | 15                                         | 23                                         | 43                                         |
| - Other debt securities                                  | -                                          | -                                          | 8                                          |
| - Equity shares                                          | 5                                          | 7                                          | 42                                         |
|                                                          | 20                                         | 30                                         | 93                                         |
| Impairment of investment in associates                   | -                                          | 15                                         | 4                                          |
| Other                                                    | 31                                         | 2                                          | 15                                         |
|                                                          | 51                                         | 47                                         | 112                                        |
| Recovery of impairment on disposal of equity instruments | (1)                                        | (32)                                       | (25)                                       |
| Total other impairment                                   | 50                                         | 15                                         | 87                                         |

Recoveries of impairments of \$1 million (30 June 2009: \$32 million and 31 December 2009: \$25 million) are in respect of private and strategic equity investments sold during the period which had impairment provisions raised against them in previous periods.

### 7. Taxation

Analysis of taxation charge in the period:

|                                                                                                 | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|-------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| The charge for taxation based upon the profits for the period comprises:                        |                                            |                                            |                                            |
| <b>Current tax:</b>                                                                             |                                            |                                            |                                            |
| United Kingdom corporation tax at 28 per cent (30 June 2009 and 31 December 2009: 28 per cent): |                                            |                                            |                                            |
| Current tax on income for the period                                                            | 409                                        | 510                                        | 383                                        |
| Adjustments in respect of prior periods (including double taxation relief)                      | 2                                          | 34                                         | 364                                        |
| Double taxation relief                                                                          | (380)                                      | (344)                                      | (279)                                      |
| Foreign tax:                                                                                    |                                            |                                            |                                            |
| Current tax on income for the period                                                            | 821                                        | 694                                        | 615                                        |
| Adjustments in respect of prior periods                                                         | 17                                         | 14                                         | 34                                         |
|                                                                                                 | 869                                        | 908                                        | 1,117                                      |
| <b>Deferred tax:</b>                                                                            |                                            |                                            |                                            |
| Origination/(reversal) of temporary differences                                                 | 81                                         | (50)                                       | (142)                                      |
| Adjustments in respect of prior periods                                                         | (15)                                       | (11)                                       | (148)                                      |
|                                                                                                 | 66                                         | (61)                                       | (290)                                      |
| Tax on profits on ordinary activities                                                           | 935                                        | 847                                        | 827                                        |
| Effective tax rate                                                                              | 30.0%                                      | 29.8%                                      | 35.8%                                      |

Foreign taxation includes current taxation on Hong Kong profits of \$62 million (30 June 2009: \$83 million, 31 December 2009: \$68 million) provided at a rate of 16.5 per cent (30 June 2009 and 31 December 2009: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred taxation includes origination/(reversal) of temporary differences on Hong Kong profits of \$(2) million (30 June 2009: \$1 million, 31 December 2009: \$(49) million) provided at a rate of 16.5 per cent (30 June 2009 and 31 December 2009: 16.5 per cent) on the profits assessable in Hong Kong.

## Standard Chartered PLC – Notes continued

### 8. Dividends

|                                                      | 30.06.10           |           | 30.06.09           |           | 31.12.09           |           |
|------------------------------------------------------|--------------------|-----------|--------------------|-----------|--------------------|-----------|
| Ordinary equity shares                               | Cents<br>per share | \$million | Cents<br>per share | \$million | Cents<br>per share | \$million |
| Final dividend declared and paid during the period   | 44.80              | 904       | 42.32              | 801       | -                  | -         |
| Interim dividend declared and paid during the period | -                  | -         | -                  | -         | 21.23              | 425       |
|                                                      | 44.80              | 904       | 42.32              | 801       | 21.23              | 425       |

|                                                |                                                                                  | 30.06.10  | 30.06.09  | 31.12.09  |
|------------------------------------------------|----------------------------------------------------------------------------------|-----------|-----------|-----------|
| Preference shares                              |                                                                                  | \$million | \$million | \$million |
| Non-cumulative irredeemable preference shares: | 7 <sup>3</sup> / <sub>8</sub> per cent preference shares of £1 each <sup>1</sup> | 6         | 6         | 5         |
|                                                | 8 <sup>1</sup> / <sub>4</sub> per cent preference shares of £1 each <sup>1</sup> | 7         | 7         | 6         |
| Non-cumulative redeemable preference shares:   | 8.125 per cent preference shares of \$5 each <sup>1</sup>                        | 38        | 38        | 37        |
|                                                | 7.014 per cent preference shares of \$5 each                                     | 26        | 26        | 27        |
|                                                | 6.409 per cent preference shares of \$5 each                                     | 24        | 24        | 24        |

<sup>1</sup> Dividends on these preference shares are treated as interest expense and accrued accordingly.

Dividends on ordinary equity and those preference shares classified as equity are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2009 interim dividend of 21.23 cents per ordinary share (\$425 million) was paid to eligible shareholders on 8 October 2009 and the final dividend of 44.80 cents per ordinary share (\$904 million) was paid to eligible shareholders on 13 May 2010.

The 2010 interim dividend of 23.35 cents per share (\$481 million) will be paid in either sterling, Hong Kong dollars or US dollars on 5 October 2010 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 13 August 2010, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 13 August 2010. The 2010 interim dividend will be paid in Indian Rupees on 5 October 2010 to Indian Depository Receipt holders on the Indian register at the close of business in India on 13 August 2010.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 1 September 2010. Indian Depository Receipt holders will receive their dividend in Indian Rupees only.

## Standard Chartered PLC – Notes continued

### 9. Earnings per ordinary share

|                                               | 6 months ended 30.06.10 |                                   |                  | 6 months ended 30.06.09 |                                   |                  |
|-----------------------------------------------|-------------------------|-----------------------------------|------------------|-------------------------|-----------------------------------|------------------|
|                                               | Profit <sup>1</sup>     | Weighted average number of shares | Per share amount | Profit <sup>1</sup>     | Weighted average number of shares | Per share amount |
|                                               | \$million               | ('000)                            | cents            | \$million               | ('000)                            | cents            |
| <b>Basic earnings per ordinary share</b>      | <b>2,098</b>            | <b>2,028,825</b>                  | <b>103.4</b>     | <b>1,883</b>            | <b>1,906,239</b>                  | <b>98.8</b>      |
| Effect of dilutive potential ordinary shares: |                         |                                   |                  |                         |                                   |                  |
| Options <sup>2</sup>                          | -                       | 30,589                            | -                | -                       | 15,300                            | -                |
| <b>Diluted earnings per ordinary share</b>    | <b>2,098</b>            | <b>2,059,414</b>                  | <b>101.9</b>     | <b>1,883</b>            | <b>1,921,539</b>                  | <b>98.0</b>      |

  

|                                               | 6 months ended 31.12.09 |                                   |                  |
|-----------------------------------------------|-------------------------|-----------------------------------|------------------|
|                                               | Profit <sup>1</sup>     | Weighted average number of shares | Per share amount |
|                                               | \$million               | ('000)                            | cents            |
| <b>Basic earnings per ordinary share</b>      | <b>1,396</b>            | <b>1,998,105</b>                  | <b>69.9</b>      |
| Effect of dilutive potential ordinary shares: |                         |                                   |                  |
| Options <sup>2</sup>                          | -                       | 18,699                            | -                |
| <b>Diluted earnings per ordinary share</b>    | <b>1,396</b>            | <b>2,016,804</b>                  | <b>69.2</b>      |

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

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.

|                                                                    | 30.06.10     | 30.06.09  | 31.12.09        |
|--------------------------------------------------------------------|--------------|-----------|-----------------|
|                                                                    | \$million    | \$million | \$million       |
| Profit attributable to ordinary shareholders                       | <b>2,098</b> | 1,883     | 1,396           |
| Amortisation of intangible assets arising on business combinations | <b>31</b>    | 34        | 35              |
| (Profit)/loss on sale of property, plant and equipment             | <b>(16)</b>  | (10)      | 10 <sup>3</sup> |
| Gains arising on repurchase of subordinated liabilities            | -            | (248)     | (16)            |
| Loss on sale of businesses                                         | -            | 2         | -               |
| Loss on PEM Group structured notes                                 | -            | 170       | -               |
| Pre-incorporation costs of Korean principal holding company        | -            | 5         | -               |
| UK bank payroll tax                                                | <b>21</b>    | -         | 58              |
| Impairment of associates and other strategic investments           | -            | 15        | 4               |
| One-off settlement with the UK Tax authority <sup>4</sup>          | -            | -         | 190             |
| Tax on normalised items                                            | <b>(5)</b>   | (41)      | 24              |
| <b>Normalised earnings</b>                                         | <b>2,129</b> | 1,810     | 1,701           |
| <b>Normalised basic earnings per ordinary share (cents)</b>        | <b>104.9</b> | 95.0      | 85.1            |
| <b>Normalised diluted earnings per ordinary share (cents)</b>      | <b>103.4</b> | 94.2      | 84.3            |

<sup>1</sup> The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 8).

<sup>2</sup> The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 'Earnings Per Share'.

<sup>3</sup> In the second half of 2009, the Group prospectively re-evaluated its definition of normalised earnings and as a consequence profits or losses on sale of Consumer Banking branches are no longer considered to be normalising items as they are not of a capital, infrequent or exceptional nature nor arise consequent to investment transactions driven by strategic intent.

<sup>4</sup> This amount represents \$192 million one-off tax settlement with the UK tax authority, net of interest income on tax receivables of \$8 million and related tax of \$6 million.

## Standard Chartered PLC – Notes continued

### 10. Financial instruments

#### Classification

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity; and two measurement categories for financial liabilities: held at fair value through profit or loss (comprising trading and designated) and amortised cost. Instruments are classified in the balance sheet in accordance with their legal form, except for instruments that are held for trading purposes and those that the Group has designated to hold at fair value through the profit or loss account. The latter are combined on the face of the balance sheet and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities is summarised in the table below.

| Assets                                                            | Assets at fair value |                                                 |                                                                       |                                     | Assets at amortised cost              |                                   |                                      | Total          |
|-------------------------------------------------------------------|----------------------|-------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|--------------------------------------|----------------|
|                                                                   | Trading<br>\$million | Derivatives<br>held for<br>hedging<br>\$million | Designated<br>at fair value<br>through<br>profit or loss<br>\$million | Available-<br>for-sale<br>\$million | Loans and<br>receivables<br>\$million | Held-to-<br>maturity<br>\$million | Non-financial<br>assets<br>\$million |                |
| Cash and balances at central banks                                | -                    | -                                               | -                                                                     | -                                   | 29,694                                | -                                 | -                                    | 29,694         |
| <b>Financial assets held at fair value through profit or loss</b> |                      |                                                 |                                                                       |                                     |                                       |                                   |                                      |                |
| Loans and advances to banks                                       | 941                  | -                                               | 70                                                                    | -                                   | -                                     | -                                 | -                                    | 1,011          |
| Loans and advances to customers                                   | 4,208                | -                                               | 142                                                                   | -                                   | -                                     | -                                 | -                                    | 4,350          |
| Treasury bills and other eligible bills                           | 5,548                | -                                               | 246                                                                   | -                                   | -                                     | -                                 | -                                    | 5,794          |
| Debt securities                                                   | 11,630               | -                                               | 122                                                                   | -                                   | -                                     | -                                 | -                                    | 11,752         |
| Equity shares                                                     | 663                  | -                                               | 717                                                                   | -                                   | -                                     | -                                 | -                                    | 1,380          |
|                                                                   | 22,990               | -                                               | 1,297                                                                 | -                                   | -                                     | -                                 | -                                    | 24,287         |
| Derivative financial instruments                                  | 43,504               | 1,051                                           | -                                                                     | -                                   | -                                     | -                                 | -                                    | 44,555         |
| Loans and advances to banks                                       | -                    | -                                               | -                                                                     | -                                   | 49,390                                | -                                 | -                                    | 49,390         |
| Loans and advances to customers                                   | -                    | -                                               | -                                                                     | -                                   | 215,005                               | -                                 | -                                    | 215,005        |
| <b>Investment securities</b>                                      |                      |                                                 |                                                                       |                                     |                                       |                                   |                                      |                |
| Treasury bills and other eligible bills                           | -                    | -                                               | -                                                                     | 20,655                              | -                                     | -                                 | -                                    | 20,655         |
| Debt securities                                                   | -                    | -                                               | -                                                                     | 48,252                              | 5,975                                 | 31                                | -                                    | 54,258         |
| Equity shares                                                     | -                    | -                                               | -                                                                     | 1,874                               | -                                     | -                                 | -                                    | 1,874          |
|                                                                   | -                    | -                                               | -                                                                     | 70,781                              | 5,975                                 | 31                                | -                                    | 76,787         |
| Other assets                                                      | -                    | -                                               | -                                                                     | -                                   | 17,796                                | -                                 | 6,975                                | 24,771         |
| <b>Total at 30 June 2010</b>                                      | <b>66,494</b>        | <b>1,051</b>                                    | <b>1,297</b>                                                          | <b>70,781</b>                       | <b>317,860</b>                        | <b>31</b>                         | <b>6,975</b>                         | <b>464,489</b> |
| Cash and balances at central banks                                | -                    | -                                               | -                                                                     | -                                   | 12,141                                | -                                 | -                                    | 12,141         |
| <b>Financial assets held at fair value through profit or loss</b> |                      |                                                 |                                                                       |                                     |                                       |                                   |                                      |                |
| Loans and advances to banks                                       | 905                  | -                                               | 5                                                                     | -                                   | -                                     | -                                 | -                                    | 910            |
| Loans and advances to customers                                   | 2,010                | -                                               | 194                                                                   | -                                   | -                                     | -                                 | -                                    | 2,204          |
| Treasury bills and other eligible bills                           | 3,821                | -                                               | 275                                                                   | -                                   | -                                     | -                                 | -                                    | 4,096          |
| Debt securities                                                   | 8,236                | -                                               | 240                                                                   | -                                   | -                                     | -                                 | -                                    | 8,476          |
| Equity shares                                                     | 305                  | -                                               | 459                                                                   | -                                   | -                                     | -                                 | -                                    | 764            |
|                                                                   | 15,277               | -                                               | 1,173                                                                 | -                                   | -                                     | -                                 | -                                    | 16,450         |
| Derivative financial instruments                                  | 44,417               | 1,406                                           | -                                                                     | -                                   | -                                     | -                                 | -                                    | 45,823         |
| Loans and advances to banks                                       | -                    | -                                               | -                                                                     | -                                   | 45,366                                | -                                 | -                                    | 45,366         |
| Loans and advances to customers                                   | -                    | -                                               | -                                                                     | -                                   | 182,748                               | -                                 | -                                    | 182,748        |
| <b>Investment securities</b>                                      |                      |                                                 |                                                                       |                                     |                                       |                                   |                                      |                |
| Treasury bills and other eligible bills                           | -                    | -                                               | -                                                                     | 17,670                              | -                                     | -                                 | -                                    | 17,670         |
| Debt securities                                                   | -                    | -                                               | -                                                                     | 47,072                              | 6,223                                 | 31                                | -                                    | 53,326         |
| Equity shares                                                     | -                    | -                                               | -                                                                     | 1,620                               | -                                     | -                                 | -                                    | 1,620          |
|                                                                   | -                    | -                                               | -                                                                     | 66,362                              | 6,223                                 | 31                                | -                                    | 72,616         |
| Other assets                                                      | -                    | -                                               | -                                                                     | -                                   | 12,946                                | -                                 | 6,707                                | 19,653         |
| <b>Total at 30 June 2009</b>                                      | <b>59,694</b>        | <b>1,406</b>                                    | <b>1,173</b>                                                          | <b>66,362</b>                       | <b>259,424</b>                        | <b>31</b>                         | <b>6,707</b>                         | <b>394,797</b> |

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Classification continued

| Assets                                                            | Assets at fair value |                              |                                                 |                    | Assets at amortised cost |                  |                      | Total          |
|-------------------------------------------------------------------|----------------------|------------------------------|-------------------------------------------------|--------------------|--------------------------|------------------|----------------------|----------------|
|                                                                   | Trading              | Derivatives held for hedging | Designated at fair value through profit or loss | Available-for-sale | Loans and receivables    | Held-to-maturity | Non-financial assets |                |
|                                                                   | \$million            | \$million                    | \$million                                       | \$million          | \$million                | \$million        | \$million            | \$million      |
| Cash and balances at central banks                                | -                    | -                            | -                                               | -                  | 18,131                   | -                | -                    | 18,131         |
| <b>Financial assets held at fair value through profit or loss</b> |                      |                              |                                                 |                    |                          |                  |                      |                |
| Loans and advances to banks                                       | 1,947                | -                            | 101                                             | -                  | -                        | -                | -                    | 2,048          |
| Loans and advances to customers                                   | 3,373                | -                            | 138                                             | -                  | -                        | -                | -                    | 3,511          |
| Treasury bills and other eligible bills                           | 5,319                | -                            | 240                                             | -                  | -                        | -                | -                    | 5,559          |
| Debt securities                                                   | 9,941                | -                            | 170                                             | -                  | -                        | -                | -                    | 10,111         |
| Equity shares                                                     | 633                  | -                            | 584                                             | -                  | -                        | -                | -                    | 1,217          |
|                                                                   | 21,213               | -                            | 1,233                                           | -                  | -                        | -                | -                    | 22,446         |
| Derivative financial instruments                                  | 36,858               | 1,335                        | -                                               | -                  | -                        | -                | -                    | 38,193         |
| Loans and advances to banks                                       | -                    | -                            | -                                               | -                  | 50,885                   | -                | -                    | 50,885         |
| Loans and advances to customers                                   | -                    | -                            | -                                               | -                  | 198,292                  | -                | -                    | 198,292        |
| <b>Investment securities</b>                                      |                      |                              |                                                 |                    |                          |                  |                      |                |
| Treasury bills and other eligible bills                           | -                    | -                            | -                                               | 18,958             | -                        | -                | -                    | 18,958         |
| Debt securities                                                   | -                    | -                            | -                                               | 48,433             | 6,657                    | 31               | -                    | 55,121         |
| Equity shares                                                     | -                    | -                            | -                                               | 1,649              | -                        | -                | -                    | 1,649          |
|                                                                   | -                    | -                            | -                                               | 69,040             | 6,657                    | 31               | -                    | 75,728         |
| Other assets                                                      | -                    | -                            | -                                               | -                  | 12,237 <sup>1</sup>      | -                | 4,964                | 17,201         |
| <b>Total at 31 December 2009</b>                                  | <b>58,071</b>        | <b>1,335</b>                 | <b>1,233</b>                                    | <b>69,040</b>      | <b>286,202</b>           | <b>31</b>        | <b>4,964</b>         | <b>420,876</b> |

<sup>1</sup> Includes unsettled trades and other financial assets previously included within non-financial assets.

|                                                                 | Liabilities at fair value |                              |                                                 |                |                           |           |  |
|-----------------------------------------------------------------|---------------------------|------------------------------|-------------------------------------------------|----------------|---------------------------|-----------|--|
|                                                                 | Trading                   | Derivatives held for hedging | Designated at fair value through profit or loss | Amortised cost | Non-financial liabilities | Total     |  |
| Liabilities                                                     | \$million                 | \$million                    | \$million                                       | \$million      | \$million                 | \$million |  |
| Financial liabilities held at fair value through profit or loss |                           |                              |                                                 |                |                           |           |  |
| Deposits by banks                                               | 379                       | -                            | 125                                             | -              | -                         | 504       |  |
| Customer accounts                                               | 2,114                     | -                            | 6,537                                           | -              | -                         | 8,651     |  |
| Debt securities in issue                                        | 1,814                     | -                            | 1,434                                           | -              | -                         | 3,248     |  |
| Short positions                                                 | 5,977                     | -                            | -                                               | -              | -                         | 5,977     |  |
|                                                                 | 10,284                    | -                            | 8,096                                           | -              | -                         | 18,380    |  |
| Derivative financial instruments                                | 42,270                    | 1,155                        | -                                               | -              | -                         | 43,425    |  |
| Deposits by banks                                               | -                         | -                            | -                                               | 31,903         | -                         | 31,903    |  |
| Customer accounts                                               | -                         | -                            | -                                               | 279,089        | -                         | 279,089   |  |
| Debt securities in issue                                        | -                         | -                            | -                                               | 33,364         | -                         | 33,364    |  |
| Other liabilities                                               | -                         | -                            | -                                               | 17,804         | 5,912                     | 23,716    |  |
| Subordinated liabilities and other borrowed funds               | -                         | -                            | -                                               | 15,555         | -                         | 15,555    |  |
| Total at 30 June 2010                                           | 52,554                    | 1,155                        | 8,096                                           | 377,715        | 5,912                     | 445,432   |  |

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Classification continued

|                                                                 | Liabilities at fair value |                              |                                                 |                |                           |           |
|-----------------------------------------------------------------|---------------------------|------------------------------|-------------------------------------------------|----------------|---------------------------|-----------|
|                                                                 | Trading                   | Derivatives held for hedging | Designated at fair value through profit or loss | Amortised cost | Non-financial liabilities | Total     |
| Liabilities                                                     | \$million                 | \$million                    | \$million                                       | \$million      | \$million                 | \$million |
| Financial liabilities held at fair value through profit or loss |                           |                              |                                                 |                |                           |           |
| Deposits by banks                                               | 260                       | -                            | 72                                              | -              | -                         | 332       |
| Customer accounts                                               | 487                       | -                            | 5,338                                           | -              | -                         | 5,825     |
| Debt securities in issue                                        | 2,659                     | -                            | 1,143                                           | -              | -                         | 3,802     |
| Short positions                                                 | 6,988                     | -                            | -                                               | -              | -                         | 6,988     |
|                                                                 | 10,394                    | -                            | 6,553                                           | -              | -                         | 16,947    |
| Derivative financial instruments                                | 42,662                    | 447                          | -                                               | -              | -                         | 43,109    |
| Deposits by banks                                               | -                         | -                            | -                                               | 33,634         | -                         | 33,634    |
| Customer accounts                                               | -                         | -                            | -                                               | 230,147        | -                         | 230,147   |
| Debt securities in issue                                        | -                         | -                            | -                                               | 20,860         | -                         | 20,860    |
| Other liabilities                                               | -                         | -                            | -                                               | 14,318         | 6,280                     | 20,598    |
| Subordinated liabilities and other borrowed funds               | -                         | -                            | -                                               | 16,922         | -                         | 16,922    |
| Total at 30 June 2009                                           | 53,056                    | 447                          | 6,553                                           | 315,881        | 6,280                     | 382,217   |

#### Financial liabilities held at fair value through profit or loss

|                                                   |               |            |              |                     |              |                |
|---------------------------------------------------|---------------|------------|--------------|---------------------|--------------|----------------|
| Deposits by banks                                 | 432           | -          | 50           | -                   | -            | 482            |
| Customer accounts                                 | 1,886         | -          | 3,616        | -                   | -            | 5,502          |
| Debt securities in issue                          | 2,618         | -          | 1,369        | -                   | -            | 3,987          |
| Short positions                                   | 4,534         | -          | -            | -                   | -            | 4,534          |
|                                                   | 9,470         | -          | 5,035        | -                   | -            | 14,505         |
| Derivative financial instruments                  | 36,007        | 577        | -            | -                   | -            | 36,584         |
| Deposits by banks                                 | -             | -          | -            | 38,461              | -            | 38,461         |
| Customer accounts                                 | -             | -          | -            | 251,244             | -            | 251,244        |
| Debt securities in issue                          | -             | -          | -            | 29,272              | -            | 29,272         |
| Other liabilities                                 | -             | -          | -            | 11,051 <sup>1</sup> | 5,088        | 16,139         |
| Subordinated liabilities and other borrowed funds | -             | -          | -            | 16,730              | -            | 16,730         |
| <b>Total at 31 December 2009</b>                  | <b>45,477</b> | <b>577</b> | <b>5,035</b> | <b>346,758</b>      | <b>5,088</b> | <b>402,935</b> |

<sup>1</sup> Includes unsettled trades and other financial liabilities previously included within non-financial liabilities.

#### Valuation of financial instruments

##### Valuation hierarchy

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

|                                 | Level 1                                                                                                                                                                       | Level 2                                                                                                                                       | Level 3                                                                                                                                                        |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fair value determined using:    | Unadjusted quoted prices in an active market for identical assets and liabilities                                                                                             | Valuation models with directly or indirectly market observable inputs                                                                         | Valuation models using significant non-market observable inputs                                                                                                |
| Types of financial assets:      | Actively traded government and agency securities<br>Listed equities<br>Listed derivative instruments<br>Investments in publicly traded mutual funds with listed market prices | Corporate and other government bonds and loans<br>Over-the-counter (OTC) derivatives<br>Asset backed securities<br>Private equity investments | Asset backed securities<br>Private equity investments<br>Highly structured OTC derivatives with unobservable parameters<br>Corporate bonds in illiquid markets |
| Types of financial liabilities: | Listed derivative instruments                                                                                                                                                 | OTC derivatives                                                                                                                               | Highly structured OTC derivatives with unobservable parameters.                                                                                                |

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Valuation hierarchy continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 30 June 2010.

| <b>Assets</b>                                                          | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b>   | <b>Total</b>     |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                        | <b>\$million</b> | <b>\$million</b> | <b>\$million</b> | <b>\$million</b> |
| <b>Financial instruments held at fair value through profit or loss</b> |                  |                  |                  |                  |
| Loans and advances to banks                                            | 595              | 416              | -                | 1,011            |
| Loans and advances to customers                                        | 63               | 4,287            | -                | 4,350            |
| Treasury bills and other eligible bills                                | 4,564            | 1,230            | -                | 5,794            |
| Debt securities                                                        | 6,601            | 5,061            | 90               | 11,752           |
| Equity shares                                                          | 654              | 34               | 692              | 1,380            |
|                                                                        | 12,477           | 11,028           | 782              | 24,287           |
| Derivative financial instruments                                       | 151              | 44,331           | 73               | 44,555           |
| <b>Available-for-sale financial assets</b>                             |                  |                  |                  |                  |
| Treasury bills and other eligible bills                                | 18,300           | 2,355            | -                | 20,655           |
| Debt securities                                                        | 18,149           | 29,534           | 569              | 48,252           |
| Equity shares                                                          | 480              | 433              | 961              | 1,874            |
|                                                                        | 36,929           | 32,322           | 1,530            | 70,781           |
| <b>Total at 30 June 2010</b>                                           | <b>49,557</b>    | <b>87,681</b>    | <b>2,385</b>     | <b>139,623</b>   |
| <b>Liabilities</b>                                                     |                  |                  |                  |                  |
| <b>Financial instruments held at fair value through profit or loss</b> |                  |                  |                  |                  |
| Deposit by banks                                                       | -                | 504              | -                | 504              |
| Customer accounts                                                      | -                | 8,651            | -                | 8,651            |
| Debt securities in issue                                               | -                | 3,223            | 25               | 3,248            |
| Short positions                                                        | 5,154            | 823              | -                | 5,977            |
|                                                                        | 5,154            | 13,201           | 25               | 18,380           |
| Derivative financial instruments                                       | 85               | 43,242           | 98               | 43,425           |
| <b>Total at 30 June 2010</b>                                           | <b>5,239</b>     | <b>56,443</b>    | <b>123</b>       | <b>61,805</b>    |

There were no significant transfers between level 1, level 2 and level 3 during the period.

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Valuation hierarchy continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 30 June 2009.

| <b>Assets</b>                                                          | <b>Level 1<br/>\$million</b> | <b>Level 2<br/>\$million</b> | <b>Level 3<br/>\$million</b> | <b>Total<br/>\$million</b> |
|------------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
| <b>Financial instruments held at fair value through profit or loss</b> |                              |                              |                              |                            |
| Loans and advances to banks                                            | 427                          | 483                          | -                            | 910                        |
| Loans and advances to customers                                        | 453                          | 1,751                        | -                            | 2,204                      |
| Treasury bills and other eligible bills                                | 3,923                        | 173                          | -                            | 4,096                      |
| Debt securities                                                        | 4,170                        | 4,089                        | 217                          | 8,476                      |
| Equity shares                                                          | 233                          | 88                           | 443                          | 764                        |
|                                                                        | 9,206                        | 6,584                        | 660                          | 16,450                     |
| Derivative financial instruments                                       | 1,011                        | 44,628                       | 184                          | 45,823                     |
| <b>Available-for-sale financial assets</b>                             |                              |                              |                              |                            |
| Treasury bills and other eligible bills                                | 15,819                       | 1,851                        | -                            | 17,670                     |
| Debt securities                                                        | 14,808                       | 31,852                       | 412                          | 47,072                     |
| Equity shares                                                          | 557                          | 412                          | 651                          | 1,620                      |
|                                                                        | 31,184                       | 34,115                       | 1,063                        | 66,362                     |
| <b>Total at 30 June 2009</b>                                           | <b>41,401</b>                | <b>85,327</b>                | <b>1,907</b>                 | <b>128,635</b>             |
| <b>Liabilities</b>                                                     |                              |                              |                              |                            |
| <b>Financial instruments held at fair value through profit or loss</b> |                              |                              |                              |                            |
| Deposit by banks                                                       | -                            | 332                          | -                            | 332                        |
| Customer accounts                                                      | -                            | 5,825                        | -                            | 5,825                      |
| Debt securities in issue                                               | -                            | 3,642                        | 160                          | 3,802                      |
| Short positions                                                        | 4,576                        | 2,412                        | -                            | 6,988                      |
|                                                                        | 4,576                        | 12,211                       | 160                          | 16,947                     |
| Derivative financial instruments                                       | 961                          | 41,973                       | 175                          | 43,109                     |
| <b>Total at 30 June 2009</b>                                           | <b>5,537</b>                 | <b>54,184</b>                | <b>335</b>                   | <b>60,056</b>              |

There were no significant transfers between level 1, level 2 and level 3 during the period

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Valuation hierarchy continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2009.

|                                                                        | Level 1<br>\$million | Level 2<br>\$million | Level 3<br>\$million | Total<br>\$million |
|------------------------------------------------------------------------|----------------------|----------------------|----------------------|--------------------|
| <b>Assets</b>                                                          |                      |                      |                      |                    |
| <b>Financial instruments held at fair value through profit or loss</b> |                      |                      |                      |                    |
| Loans and advances to banks                                            | 372                  | 1,676                | -                    | 2,048              |
| Loans and advances to customers                                        | 170                  | 3,341                | -                    | 3,511              |
| Treasury bills and other eligible bills                                | 4,537                | 1,022                | -                    | 5,559              |
| Debt securities                                                        | 5,250                | 4,732                | 129                  | 10,111             |
| Equity shares                                                          | 604                  | 37                   | 576                  | 1,217              |
|                                                                        | 10,933               | 10,808               | 705                  | 22,446             |
| Derivative financial instruments                                       | 623                  | 37,432               | 138                  | 38,193             |
| <b>Available-for-sale financial assets</b>                             |                      |                      |                      |                    |
| Treasury bills and other eligible bills                                | 17,987 <sup>1</sup>  | 971                  | -                    | 18,958             |
| Debt securities                                                        | 16,366               | 31,630               | 437                  | 48,433             |
| Equity shares                                                          | 595                  | 298                  | 756                  | 1,649              |
|                                                                        | 34,948               | 32,899               | 1,193                | 69,040             |
| Total at 31 December 2009                                              | 46,504               | 81,139               | 2,036                | 129,679            |

#### Liabilities

|                                                                        |       |        |     |        |
|------------------------------------------------------------------------|-------|--------|-----|--------|
| <b>Financial instruments held at fair value through profit or loss</b> |       |        |     |        |
| Deposit by banks                                                       | -     | 482    | -   | 482    |
| Customer accounts                                                      | 39    | 5,463  | -   | 5,502  |
| Debt securities in issue                                               | -     | 3,987  | -   | 3,987  |
| Short positions                                                        | 4,302 | 232    | -   | 4,534  |
|                                                                        | 4,341 | 10,164 | -   | 14,505 |
| Derivative financial instruments                                       | 578   | 35,856 | 150 | 36,584 |
| Total at 31 December 2009                                              | 4,919 | 46,020 | 150 | 51,089 |

<sup>1</sup> Certain government securities amounting to \$5,193 million were initially classified within level 2 as at 31 December 2009. These have been re-presented as level 1 as they are actively traded and market quotes are available.

#### Instruments carried at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. The fair values in the table below are stated as at the reporting dates and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument.

|                                                   | 30.06.10                 |                         | 30.06.09                 |                         | 31.12.09                 |                         |
|---------------------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
|                                                   | Book amount<br>\$million | Fair value<br>\$million | Book amount<br>\$million | Fair value<br>\$million | Book amount<br>\$million | Fair value<br>\$million |
| <b>Assets</b>                                     |                          |                         |                          |                         |                          |                         |
| Cash and balances at central banks                | 29,694                   | 29,694                  | 12,141                   | 12,141                  | 18,131                   | 18,131                  |
| Loans and advances to banks                       | 49,390                   | 49,297                  | 45,366                   | 45,082                  | 50,885                   | 50,906                  |
| Loans and advances to customers                   | 215,005                  | 215,347                 | 182,748                  | 183,209                 | 198,292                  | 199,739                 |
| Investment securities                             | 6,006                    | 5,844                   | 6,254                    | 5,680                   | 6,688                    | 6,556                   |
| Other assets                                      | 17,796                   | 17,796                  | 12,946                   | 12,946                  | 12,237                   | 12,237                  |
| <b>Liabilities</b>                                |                          |                         |                          |                         |                          |                         |
| Deposits by banks                                 | 31,903                   | 32,102                  | 33,634                   | 33,407                  | 38,461                   | 38,169                  |
| Customer accounts                                 | 279,089                  | 279,746                 | 230,147                  | 230,453                 | 251,244                  | 249,548                 |
| Debt securities in issue                          | 33,364                   | 34,591                  | 20,860                   | 21,543                  | 29,272                   | 27,261                  |
| Subordinated liabilities and other borrowed funds | 15,555                   | 15,901                  | 16,922                   | 15,631                  | 16,730                   | 16,687                  |
| Other liabilities                                 | 17,804                   | 17,804                  | 14,318                   | 14,318                  | 11,051                   | 11,051                  |

## Standard Chartered PLC – Notes continued

### 10. Financial instruments continued

#### Reclassification of financial assets

In 2008 the Group reclassified certain non-derivative financial assets classified as held for trading into the available-for-sale ('AFS') category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and available-for-sale categories to loans and receivables where the Group had the intent and ability to hold the reclassified assets for the foreseeable future or until maturity. There were no reclassifications during the six months to 30 June 2010 or during 2009.

The following tables provide details of the remaining balance of assets reclassified during 2008 as at 30 June 2010, 30 June 2009 and 31 December 2009:

|                                       | If assets had not been reclassified, fair value gain from 1 January 2010 to 30 June 2010 which would have been recognised within |                            |                 |             |                                       | Effective interest rate at date of reclassification % |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------|-------------|---------------------------------------|-------------------------------------------------------|
|                                       | Carrying amount at 30 June 2010                                                                                                  | Fair value at 30 June 2010 | Income          | AFS reserve | Income recognised in income statement |                                                       |
| For assets reclassified:              | \$million                                                                                                                        | \$million                  | \$million       | \$million   | \$million                             | %                                                     |
| From trading to AFS                   | 352                                                                                                                              | 352                        | 27 <sup>1</sup> | -           | 12                                    | 5.3                                                   |
| From trading to loans and receivables | 1,972                                                                                                                            | 1,847                      | 31              | -           | 34                                    | 5.5                                                   |
| From AFS to loans and receivables     | 1,200                                                                                                                            | 1,146                      | -               | 76          | 10                                    | 5.6                                                   |
|                                       | 3,524                                                                                                                            | 3,345                      | 58              | 76          | 56                                    |                                                       |
| Of which asset backed securities:     |                                                                                                                                  |                            |                 |             |                                       |                                                       |
| reclassified to AFS                   | 126                                                                                                                              | 126                        | 23 <sup>1</sup> | -           | 4                                     |                                                       |
| reclassified to loans and receivables | 1,931                                                                                                                            | 1,833                      | 19              | 76          | 19                                    |                                                       |

<sup>1</sup> Post reclassification, the gain is recognised within the available-for-sale reserve.

|                                       | If assets had not been reclassified, fair value (loss)/gain from 1 January 2009 to 30 June 2009 which would have been recognised within |                            |                   |             |                                       | Effective interest rate at date of reclassification % |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|-------------|---------------------------------------|-------------------------------------------------------|
|                                       | Carrying amount at 30 June 2009                                                                                                         | Fair value at 30 June 2009 | Income            | AFS reserve | Income recognised in income statement |                                                       |
| For assets reclassified:              | \$million                                                                                                                               | \$million                  | \$million         | \$million   | \$million                             | %                                                     |
| From trading to AFS                   | 1,127                                                                                                                                   | 1,127                      | (56) <sup>1</sup> | -           | 51                                    | 6.3                                                   |
| From trading to loans and receivables | 2,583                                                                                                                                   | 2,354                      | 25                | -           | 40                                    | 4.6                                                   |
| From AFS to loans and receivables     | 1,498                                                                                                                                   | 1,206                      | -                 | (34)        | 7                                     | 5.2                                                   |
|                                       | 5,208                                                                                                                                   | 4,687                      | (31)              | (34)        | 98                                    |                                                       |
| Of which asset backed securities:     |                                                                                                                                         |                            |                   |             |                                       |                                                       |
| reclassified to AFS                   | 133                                                                                                                                     | 133                        | (45) <sup>1</sup> | -           | -                                     |                                                       |
| reclassified to loans and receivables | 2,388                                                                                                                                   | 1,957                      | (61)              | (34)        | 10                                    |                                                       |

<sup>1</sup> Post reclassification, the loss is recognised within the available-for-sale reserve.

|                                       | If assets had not been reclassified, fair value gain from 1 July 2009 to 31 December 2009 which would have been recognised within |                                |                 |             |                                                  | Effective interest rate at date of reclassification % |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|-------------|--------------------------------------------------|-------------------------------------------------------|
|                                       | Carrying amount at 31 December 2009                                                                                               | Fair value at 31 December 2009 | Income          | AFS reserve | Income/ (expense) recognised in income statement |                                                       |
| For assets reclassified:              | \$million                                                                                                                         | \$million                      | \$million       | \$million   | \$million                                        | %                                                     |
| From trading to AFS                   | 593                                                                                                                               | 593                            | 36 <sup>1</sup> | -           | (28)                                             | 6.2                                                   |
| From trading to loans and receivables | 2,213                                                                                                                             | 2,049                          | 102             | -           | 55                                               | 5.8                                                   |
| From AFS to loans and receivables     | 1,362                                                                                                                             | 1,216                          | -               | 179         | 42                                               | 5.3                                                   |
|                                       | 4,168                                                                                                                             | 3,858                          | 138             | 179         | 69                                               |                                                       |
| Of which asset backed securities:     |                                                                                                                                   |                                |                 |             |                                                  |                                                       |
| reclassified to AFS                   | 148                                                                                                                               | 148                            | 28 <sup>1</sup> | -           | (36)                                             |                                                       |
| reclassified to loans and receivables | 2,231                                                                                                                             | 2,002                          | 82              | 179         | 66                                               |                                                       |

<sup>1</sup> Post reclassification, the gain is recognised within the available-for-sale reserve.

## Standard Chartered PLC – Notes continued

### 11. Financial instruments held at fair value through profit or loss

#### Financial assets held at fair value through profit or loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss. For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

#### Investment securities held at fair value through profit or loss

|                                                                | 30.06.10                     |                            |                             |                    |
|----------------------------------------------------------------|------------------------------|----------------------------|-----------------------------|--------------------|
|                                                                | Debt Securities<br>\$million | Equity Shares<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
| Issued by public bodies:                                       |                              |                            |                             |                    |
| Government securities                                          | 7,412                        |                            |                             |                    |
| Other public sector securities                                 | 66                           |                            |                             |                    |
|                                                                | <b>7,478</b>                 |                            |                             |                    |
| Issued by banks:                                               |                              |                            |                             |                    |
| Certificates of deposit                                        | 114                          |                            |                             |                    |
| Other debt securities                                          | 1,063                        |                            |                             |                    |
|                                                                | <b>1,177</b>                 |                            |                             |                    |
| Issued by corporate entities and other issuers:                |                              |                            |                             |                    |
| Other debt securities                                          | 3,097                        |                            |                             |                    |
| <b>Total debt securities</b>                                   | <b>11,752</b>                |                            |                             |                    |
| Of which:                                                      |                              |                            |                             |                    |
| Listed on a recognised UK exchange                             | 85                           | -                          | -                           | 85                 |
| Listed elsewhere                                               | 5,110                        | 687                        | 971                         | 6,768              |
| Unlisted                                                       | 6,557                        | 693                        | 4,823                       | 12,073             |
|                                                                | <b>11,752</b>                | <b>1,380</b>               | <b>5,794</b>                | <b>18,926</b>      |
| Market value of listed securities                              | 5,195                        | 687                        | 971                         | 6,853              |
| Trading securities subject to sale and repurchase transactions | 937                          | -                          | 715                         | 1,652              |

|                                                                | 30.06.09                     |                            |                             |                    |
|----------------------------------------------------------------|------------------------------|----------------------------|-----------------------------|--------------------|
|                                                                | Debt Securities<br>\$million | Equity Shares<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
| Issued by public bodies:                                       |                              |                            |                             |                    |
| Government securities                                          | 4,124                        |                            |                             |                    |
| Other public sector securities                                 | 136                          |                            |                             |                    |
|                                                                | <b>4,260</b>                 |                            |                             |                    |
| Issued by banks:                                               |                              |                            |                             |                    |
| Certificates of deposit                                        | 618                          |                            |                             |                    |
| Other debt securities                                          | 695                          |                            |                             |                    |
|                                                                | <b>1,313</b>                 |                            |                             |                    |
| Issued by corporate entities and other issuers:                |                              |                            |                             |                    |
| Other debt securities                                          | 2,903                        |                            |                             |                    |
| <b>Total debt securities</b>                                   | <b>8,476</b>                 |                            |                             |                    |
| Of which:                                                      |                              |                            |                             |                    |
| Listed on a recognised UK exchange                             | 195                          | -                          | -                           | 195                |
| Listed elsewhere                                               | 3,418                        | 320                        | 550                         | 4,288              |
| Unlisted                                                       | 4,863                        | 444                        | 3,546                       | 8,853              |
|                                                                | <b>8,476</b>                 | <b>764</b>                 | <b>4,096</b>                | <b>13,336</b>      |
| Market value of listed securities                              | 3,613                        | 320                        | 550                         | 4,483              |
| Trading securities subject to sale and repurchase transactions | 457                          | -                          | 87                          | 544                |

## Standard Chartered PLC – Notes continued

### 11. Financial instruments held at fair value through profit or loss continued

#### Financial assets held at fair value through profit or loss continued

|                                                                | 31.12.09                     |                            |                             |                    |
|----------------------------------------------------------------|------------------------------|----------------------------|-----------------------------|--------------------|
|                                                                | Debt Securities<br>\$million | Equity Shares<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
| Issued by public bodies:                                       |                              |                            |                             |                    |
| Government securities                                          | 5,568                        |                            |                             |                    |
| Other public sector securities                                 | 18                           |                            |                             |                    |
|                                                                | 5,586                        |                            |                             |                    |
| Issued by banks:                                               |                              |                            |                             |                    |
| Certificates of deposit                                        | 628                          |                            |                             |                    |
| Other debt securities                                          | 968                          |                            |                             |                    |
|                                                                | 1,596                        |                            |                             |                    |
| Issued by corporate entities and other issuers:                |                              |                            |                             |                    |
| Other debt securities                                          | 2,929                        |                            |                             |                    |
| Total debt securities                                          | 10,111                       |                            |                             |                    |
| Of which:                                                      |                              |                            |                             |                    |
| Listed on a recognised UK exchange                             | 440                          | -                          | -                           | 440                |
| Listed elsewhere                                               | 4,835                        | 604                        | 1,516                       | 6,955              |
| Unlisted                                                       | 4,836                        | 613                        | 4,043                       | 9,492              |
|                                                                | 10,111                       | 1,217                      | 5,559                       | 16,887             |
| Market value of listed securities                              | 5,275                        | 604                        | 1,516                       | 7,395              |
| Trading securities subject to sale and repurchase transactions | 240                          | -                          | -                           | 240                |

#### Financial liabilities held at fair value through profit or loss

The Group designates certain financial liabilities at fair value through profit or loss where either the liabilities:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered into with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets, or where the assets and liabilities are managed, and performance evaluated, on a fair value basis for a documented risk management or investment strategy.

Derivatives are recorded at fair value whereas non-trading financial liabilities (unless designated at fair value) are recorded at amortised cost. Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition (a criterion of IAS 39). The Group ensures the criteria under IAS 39 are met by matching the principal terms of derivatives to the corresponding liabilities, either individually or on a portfolio basis.

## Standard Chartered PLC – Notes continued

### 12. Derivative financial instruments

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

All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within 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. At 30 June 2010, \$19,578 million (30 June 2009: \$23,684 million, 31 December 2009: \$30,539 million) is available for offset as a result of such agreements which do not meet the criteria under IAS 32, to enable these exposures to be presented on a net basis in these accounts as in the ordinary course of business they are not intended to be settled net.

|                                               | 30.06.10                                |                     |                          | 30.06.09                                |                     |                          |
|-----------------------------------------------|-----------------------------------------|---------------------|--------------------------|-----------------------------------------|---------------------|--------------------------|
|                                               | Notional principal amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million | Notional principal amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million |
| <b>Total derivatives</b>                      |                                         |                     |                          |                                         |                     |                          |
| <b>Foreign exchange derivative contracts:</b> |                                         |                     |                          |                                         |                     |                          |
| Forward foreign exchange contracts            | 856,789                                 | 10,458              | 9,346                    | 802,304                                 | 12,422              | 10,218                   |
| Currency swaps and options                    | 531,875                                 | 9,632               | 10,427                   | 485,810                                 | 11,261              | 10,891                   |
| Exchange traded futures and options           | 456                                     | -                   | -                        | 920                                     | -                   | -                        |
|                                               | <b>1,389,120</b>                        | <b>20,090</b>       | <b>19,773</b>            | <b>1,289,034</b>                        | <b>23,683</b>       | <b>21,109</b>            |
| <b>Interest rate derivative contracts:</b>    |                                         |                     |                          |                                         |                     |                          |
| Swaps                                         | 1,467,540                               | 18,694              | 18,192                   | 1,055,433                               | 15,328              | 15,507                   |
| Forward rate agreements and options           | 271,726                                 | 2,438               | 2,210                    | 188,407                                 | 3,312               | 3,128                    |
| Exchange traded futures and options           | 577,989                                 | 262                 | 243                      | 701,075                                 | 519                 | 592                      |
|                                               | <b>2,317,255</b>                        | <b>21,394</b>       | <b>20,645</b>            | <b>1,944,915</b>                        | <b>19,159</b>       | <b>19,227</b>            |
| <b>Credit derivative contracts</b>            | <b>57,093</b>                           | <b>1,291</b>        | <b>1,336</b>             | <b>33,294</b>                           | <b>680</b>          | <b>643</b>               |
| <b>Equity and stock index options</b>         | <b>6,338</b>                            | <b>293</b>          | <b>299</b>               | <b>1,249</b>                            | <b>310</b>          | <b>332</b>               |
| <b>Commodity derivative contracts</b>         | <b>30,372</b>                           | <b>1,487</b>        | <b>1,372</b>             | <b>21,684</b>                           | <b>1,991</b>        | <b>1,798</b>             |
| <b>Total derivatives</b>                      | <b>3,800,178</b>                        | <b>44,555</b>       | <b>43,425</b>            | <b>3,290,176</b>                        | <b>45,823</b>       | <b>43,109</b>            |

|                                               | 31.12.09                                |                     |                          |
|-----------------------------------------------|-----------------------------------------|---------------------|--------------------------|
|                                               | Notional principal amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million |
| <b>Total derivatives</b>                      |                                         |                     |                          |
| <b>Foreign exchange derivative contracts:</b> |                                         |                     |                          |
| Forward foreign exchange contracts            | 701,502                                 | 9,052               | 7,920                    |
| Currency swaps and options                    | 448,615                                 | 9,753               | 9,621                    |
| Exchange traded futures and options           | 774                                     | -                   | -                        |
|                                               | <b>1,150,891</b>                        | <b>18,805</b>       | <b>17,541</b>            |
| <b>Interest rate derivative contracts:</b>    |                                         |                     |                          |
| Swaps                                         | 1,210,432                               | 14,230              | 13,946                   |
| Forward rate agreements and options           | 233,769                                 | 2,498               | 2,472                    |
| Exchange traded futures and options           | 252,625                                 | 83                  | 84                       |
|                                               | <b>1,696,826</b>                        | <b>16,811</b>       | <b>16,502</b>            |
| <b>Credit derivative contracts</b>            | <b>35,133</b>                           | <b>835</b>          | <b>845</b>               |
| <b>Equity and stock index options</b>         | <b>3,208</b>                            | <b>470</b>          | <b>613</b>               |
| <b>Commodity derivative contracts</b>         | <b>19,066</b>                           | <b>1,272</b>        | <b>1,083</b>             |
| <b>Total derivatives</b>                      | <b>2,905,124</b>                        | <b>38,193</b>       | <b>36,584</b>            |

## Standard Chartered PLC – Notes continued

### 12. Derivative financial instruments continued

#### Derivatives held for hedging

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.

|                                                         | 30.06.10                                      |                     |                          | 30.06.09                                      |                     |                          |
|---------------------------------------------------------|-----------------------------------------------|---------------------|--------------------------|-----------------------------------------------|---------------------|--------------------------|
|                                                         | Notional<br>principal<br>amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million | Notional<br>principal<br>amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million |
| <b>Derivatives designated as fair value hedges:</b>     |                                               |                     |                          |                                               |                     |                          |
| Interest rate swaps                                     | 31,518                                        | 937                 | 1,066                    | 26,139                                        | 1,313               | 210                      |
| Forward foreign exchange contracts                      | 1,547                                         | 13                  | 3                        | -                                             | -                   | -                        |
| Currency swaps                                          | 2,311                                         | 37                  | 40                       | -                                             | -                   | -                        |
|                                                         | 35,376                                        | 987                 | 1,109                    | 26,139                                        | 1,313               | 210                      |
| <b>Derivatives designated as cash flow hedges:</b>      |                                               |                     |                          |                                               |                     |                          |
| Interest rate swaps                                     | 17,778                                        | 42                  | 29                       | 11,662                                        | 52                  | 20                       |
| Options                                                 | 1,082                                         | 21                  | -                        | 888                                           | 35                  | -                        |
| Forward foreign exchange contracts                      | 377                                           | 1                   | 4                        | 1,603                                         | 5                   | 91                       |
| Currency swaps                                          | 467                                           | -                   | 1                        | -                                             | -                   | -                        |
|                                                         | 19,704                                        | 64                  | 34                       | 14,153                                        | 92                  | 111                      |
| <b>Derivatives designated as net investment hedges:</b> |                                               |                     |                          |                                               |                     |                          |
| Forward foreign exchange contracts                      | 803                                           | -                   | 12                       | 1,891                                         | 1                   | 126                      |
| <b>Total derivatives held for hedging</b>               | <b>55,883</b>                                 | <b>1,051</b>        | <b>1,155</b>             | <b>42,183</b>                                 | <b>1,406</b>        | <b>447</b>               |

|                                                         | 31.12.09                                      |                     |                          |
|---------------------------------------------------------|-----------------------------------------------|---------------------|--------------------------|
|                                                         | Notional<br>principal<br>amounts<br>\$million | Assets<br>\$million | Liabilities<br>\$million |
| <b>Derivatives designated as fair value hedges:</b>     |                                               |                     |                          |
| Interest rate swaps                                     | 29,595                                        | 1,247               | 440                      |
| Forward foreign exchange contracts                      | 825                                           | -                   | 1                        |
| Currency swaps                                          | 607                                           | 14                  | 9                        |
|                                                         | 31,027                                        | 1,261               | 450                      |
| <b>Derivatives designated as cash flow hedges:</b>      |                                               |                     |                          |
| Interest rate swaps                                     | 14,673                                        | 46                  | 23                       |
| Options                                                 | 898                                           | 23                  | -                        |
| Forward foreign exchange contracts                      | 410                                           | -                   | 37                       |
| Currency swaps                                          | 218                                           | -                   | 1                        |
|                                                         | 16,199                                        | 69                  | 61                       |
| <b>Derivatives designated as net investment hedges:</b> |                                               |                     |                          |
| Forward foreign exchange contracts                      | 738                                           | 5                   | 66                       |
| <b>Total derivatives held for hedging</b>               | <b>47,964</b>                                 | <b>1,335</b>        | <b>577</b>               |

## Standard Chartered PLC – Notes continued

### 13. Loans and advances to banks

|                                                                                  | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Loans and advances to banks                                                      | 50,537                | 46,297                | 53,067                |
| Individual impairment provision (note 15)                                        | (134)                 | (16)                  | (132)                 |
| Portfolio impairment provision (note 15)                                         | (2)                   | (5)                   | (2)                   |
|                                                                                  | 50,401                | 46,276                | 52,933                |
| Of which: loans and advances held at fair value through profit or loss (note 10) | (1,011)               | (910)                 | (2,048)               |
|                                                                                  | 49,390                | 45,366                | 50,885                |

### 14. Loans and advances to customers

|                                                                                  | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Loans and advances to customers                                                  | 221,946               | 187,545               | 204,530               |
| Individual impairment provision (note 15)                                        | (1,810)               | (1,843)               | (1,853)               |
| Portfolio impairment provision (note 15)                                         | (781)                 | (750)                 | (874)                 |
|                                                                                  | 219,355               | 184,952               | 201,803               |
| Of which: loans and advances held at fair value through profit or loss (note 10) | (4,350)               | (2,204)               | (3,511)               |
|                                                                                  | 215,005               | 182,748               | 198,292               |
| Loans and advances sold subject to sale and repurchase transactions              | 213                   | 48                    | 231                   |

The Group has transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of \$3,122 million (30 June 2009: \$3,756 million, 31 December 2009: \$3,601 million). The Group continues to be exposed to related credit and foreign exchange risk on these assets. The Group continues to recognise these assets in addition to the proceeds and related liability of \$2,691 million (30 June 2009: \$3,725 million, 31 December 2009: \$3,063 million) arising from the securitisations.

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of \$18.3 billion (30 June 2009: \$15.7 billion, 31 December 2009: \$15.4 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

The Group has outstanding residential mortgage loans to Korea residents of \$18.9 billion (30 June 2009: \$17.6 billion, 31 December 2009: \$20.5 billion) and Hong Kong residents of \$16.8 billion (30 June 2009: \$13.5 billion, 31 December 2009: \$14.8 billion).

## Standard Chartered PLC – Notes continued

### 15. Impairment provisions on loans and advances

|                                                    | 30.06.10  | 30.06.09  | 31.12.09  |
|----------------------------------------------------|-----------|-----------|-----------|
|                                                    | \$million | \$million | \$million |
| Provisions held at beginning of period             | 2,861     | 1,981     | 2,614     |
| Exchange translation differences                   | (14)      | 22        | 49        |
| Amounts written off                                | (611)     | (590)     | (742)     |
| Recoveries of acquisition fair values <sup>1</sup> | (14)      | (14)      | (25)      |
| Recoveries of amounts previously written off       | 104       | 85        | 106       |
| Discount unwind                                    | (30)      | (30)      | (29)      |
| Other                                              | (4)       | 75        | (22)      |
| New provisions                                     | 747       | 1,397     | 1,216     |
| Recoveries/provisions no longer required           | (312)     | (312)     | (306)     |
| Net charge against profit                          | 435       | 1,085     | 910       |
| Provisions held at end of period                   | 2,727     | 2,614     | 2,861     |
| Of which:                                          |           |           |           |
| Individual impairment provision (note 13, 14, 16)  | 1,944     | 1,859     | 1,985     |
| Portfolio impairment provision (note 13, 14)       | 783       | 755       | 876       |
| Provisions held at end of period                   | 2,727     | 2,614     | 2,861     |

<sup>1</sup> Relates to acquisitions completed prior to 1 January 2010.

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

|                                                                                               | 30.06.10  | 30.06.09  | 31.12.09  |
|-----------------------------------------------------------------------------------------------|-----------|-----------|-----------|
|                                                                                               | \$million | \$million | \$million |
| Net charge against profit on loans and advances:                                              |           |           |           |
| Individual impairment charge                                                                  | 523       | 991       | 808       |
| Portfolio impairment (release)/charge                                                         | (88)      | 94        | 102       |
|                                                                                               | 435       | 1,085     | 910       |
| Provisions/(release) related to credit commitments                                            | 3         | 3         | (5)       |
| Impairment (releases)/charges relating to debt securities classified as loans and receivables | (1)       | -         | 7         |
| Total impairment charge and other credit risk provisions                                      | 437       | 1,088     | 912       |

## Standard Chartered PLC – Notes continued

### 16. Individually impaired loans and advances

|                                            | 30.06.10         |                                        |                                    |                      | 30.06.09         |                                        |                                    |                      |
|--------------------------------------------|------------------|----------------------------------------|------------------------------------|----------------------|------------------|----------------------------------------|------------------------------------|----------------------|
|                                            | Consumer Banking | Wholesale Banking - Loans to customers | Wholesale Banking - Loans to banks | Total Wholesale Bank | Consumer Banking | Wholesale Banking - Loans to customers | Wholesale Banking - Loans to banks | Total Wholesale Bank |
|                                            | \$million        | \$million                              | \$million                          | \$million            | \$million        | \$million                              | \$million                          | \$million            |
| Individual impaired loans                  | 997              | 2,822                                  | 289                                | 3,111                | 1,244            | 2,437                                  | 98                                 | 2,535                |
| Individual impairment provisions (note 15) | (510)            | (1,300)                                | (134)                              | (1,434)              | (613)            | (1,230)                                | (16)                               | (1,246)              |
| Net impaired loans                         | 487              | 1,522                                  | 155                                | 1,677                | 631              | 1,207                                  | 82                                 | 1,289                |
| Estimated fair value of collateral held:   | 543              | 353                                    | -                                  | 353                  | 565              | 416                                    | -                                  | 416                  |

|                                            | 31.12.09         |                                        |                                    |                      |
|--------------------------------------------|------------------|----------------------------------------|------------------------------------|----------------------|
|                                            | Consumer Banking | Wholesale Banking - Loans to customers | Wholesale Banking - Loans to banks | Total Wholesale Bank |
|                                            | \$million        | \$million                              | \$million                          | \$million            |
| Individual impaired loans                  | 1,030            | 2,474                                  | 286                                | 2,760                |
| Individual impairment provisions (note 15) | (538)            | (1,315)                                | (132)                              | (1,447)              |
| Net impaired loans                         | 492              | 1,159                                  | 154                                | 1,313                |
| Estimated fair value of collateral held:   | 601              | 557                                    | -                                  | 557                  |

Collateral held as security against impaired loans primarily relates to property and equipment. Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans.

### 17. Investment securities

|                                                                        | 30.06.10         |                    |                       |               |                |           |
|------------------------------------------------------------------------|------------------|--------------------|-----------------------|---------------|----------------|-----------|
|                                                                        | Debt securities  |                    |                       | Equity shares | Treasury bills | Total     |
|                                                                        | Held-to-maturity | Available-for-sale | Loans and receivables |               |                |           |
|                                                                        | \$million        | \$million          | \$million             | \$million     | \$million      | \$million |
| Issued by public bodies:                                               |                  |                    |                       |               |                |           |
| Government securities                                                  | 31               | 19,563             | 389                   |               |                |           |
| Other public sector securities                                         | -                | 675                | -                     |               |                |           |
|                                                                        | 31               | 20,238             | 389                   |               |                |           |
| Issued by banks:                                                       |                  |                    |                       |               |                |           |
| Certificates of deposit                                                | -                | 4,532              | 1,100                 |               |                |           |
| Other debt securities                                                  | -                | 15,515             | 1,337                 |               |                |           |
|                                                                        | -                | 20,047             | 2,437                 |               |                |           |
| Issued by corporate entities and other issuers:                        |                  |                    |                       |               |                |           |
| Other debt securities                                                  | -                | 7,967              | 3,149                 |               |                |           |
| Total debt securities                                                  | 31               | 48,252             | 5,975                 |               |                |           |
| Of which:                                                              |                  |                    |                       |               |                |           |
| Listed on a recognised UK exchange                                     | -                | 1,470              | 327 <sup>1</sup>      | 182           | -              | 1,979     |
| Listed elsewhere                                                       | 27               | 15,324             | 878 <sup>1</sup>      | 343           | 6,898          | 23,470    |
| Unlisted                                                               | 4                | 31,458             | 4,770                 | 1,349         | 13,757         | 51,338    |
|                                                                        | 31               | 48,252             | 5,975                 | 1,874         | 20,655         | 76,787    |
| Market value of listed securities                                      | 27               | 16,794             | 1,208                 | 525           | 6,898          | 25,452    |
| Investment securities sold subject to sale and repurchase transactions | -                | 734                | 16                    | -             | 688            | 1,438     |

<sup>1</sup> These debt securities, which are listed or registered on a recognised UK exchange or elsewhere, are in illiquid markets.

## Standard Chartered PLC – Notes continued

### 17. Investment securities continued

| 30.06.09                                                          |                               |                                 |                                    |                            |                             |                    |
|-------------------------------------------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|-----------------------------|--------------------|
|                                                                   | Debt securities               |                                 |                                    | Equity shares<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
|                                                                   | Held-to-maturity<br>\$million | Available-for-sale<br>\$million | Loans and receivables<br>\$million |                            |                             |                    |
| Issued by public bodies:                                          |                               |                                 |                                    |                            |                             |                    |
| Government securities                                             | 31                            | 15,080                          | 396                                |                            |                             |                    |
| Other public sector securities                                    | -                             | 1,892                           | -                                  |                            |                             |                    |
|                                                                   | 31                            | 16,972                          | 396                                |                            |                             |                    |
| Issued by banks:                                                  |                               |                                 |                                    |                            |                             |                    |
| Certificates of deposit                                           | -                             | 8,182                           | 1,137                              |                            |                             |                    |
| Other debt securities                                             | -                             | 15,835                          | 740                                |                            |                             |                    |
|                                                                   | -                             | 24,017                          | 1,877                              |                            |                             |                    |
| Issued by corporate entities and other issuers :                  |                               |                                 |                                    |                            |                             |                    |
| Other debt securities                                             | -                             | 6,083                           | 3,950                              |                            |                             |                    |
| Total debt securities                                             | 31                            | 47,072                          | 6,223                              |                            |                             |                    |
| Of which:                                                         |                               |                                 |                                    |                            |                             |                    |
| Listed on a recognised UK exchange                                | -                             | 5,599                           | 416 <sup>1,2</sup>                 | 70                         | -                           | 6,085              |
| Listed elsewhere                                                  | 29                            | 15,753                          | 1,031 <sup>1,2</sup>               | 469                        | 5,375                       | 22,657             |
| Unlisted                                                          | 2                             | 25,720                          | 4,776 <sup>2</sup>                 | 1,081                      | 12,295                      | 43,874             |
|                                                                   | 31                            | 47,072                          | 6,223                              | 1,620                      | 17,670                      | 72,616             |
| Market value of listed securities                                 | 29                            | 21,352                          | 1,416                              | 539                        | 5,375                       | 28,711             |
| Investment securities subject to sale and repurchase transactions | -                             | 734                             | -                                  | -                          | 948                         | 1,682              |

<sup>1</sup> These debt securities, which are listed or registered on a recognised UK exchange or elsewhere, are in illiquid markets.

<sup>2</sup> Amounts have been reclassified as set out in note 33.

| 31.12.09                                                          |                               |                                 |                                    |                            |                             |                    |
|-------------------------------------------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------|-----------------------------|--------------------|
|                                                                   | Debt securities               |                                 |                                    | Equity shares<br>\$million | Treasury bills<br>\$million | Total<br>\$million |
|                                                                   | Held-to-maturity<br>\$million | Available-for-sale<br>\$million | Loans and receivables<br>\$million |                            |                             |                    |
| Issued by public bodies:                                          |                               |                                 |                                    |                            |                             |                    |
| Government securities                                             | 31                            | 16,825                          | 392                                |                            |                             |                    |
| Other public sector securities                                    | -                             | 1,530                           | 18                                 |                            |                             |                    |
|                                                                   | 31                            | 18,355                          | 410                                |                            |                             |                    |
| Issued by banks:                                                  |                               |                                 |                                    |                            |                             |                    |
| Certificates of deposit                                           | -                             | 5,875                           | 1,795                              |                            |                             |                    |
| Other debt securities                                             | -                             | 17,445                          | 1,852                              |                            |                             |                    |
|                                                                   | -                             | 23,320                          | 3,647                              |                            |                             |                    |
| Issued by corporate entities and other issuers :                  |                               |                                 |                                    |                            |                             |                    |
| Other debt securities                                             | -                             | 6,758                           | 2,600                              |                            |                             |                    |
| Total debt securities                                             | 31                            | 48,433                          | 6,657                              |                            |                             |                    |
| Of which:                                                         |                               |                                 |                                    |                            |                             |                    |
| Listed on a recognised UK exchange                                | -                             | 5,180                           | 374 <sup>1,2</sup>                 | 105                        | -                           | 5,659              |
| Listed elsewhere                                                  | 29                            | 17,451                          | 913 <sup>1,2</sup>                 | 289                        | 5,241                       | 23,923             |
| Unlisted                                                          | 2                             | 25,802                          | 5,370                              | 1,255                      | 13,717                      | 46,146             |
|                                                                   | 31                            | 48,433                          | 6,657                              | 1,649                      | 18,958                      | 75,728             |
| Market value of listed securities                                 | 29                            | 22,631                          | 1,270                              | 394                        | 5,241                       | 29,565             |
| Investment securities subject to sale and repurchase transactions | -                             | 618                             | -                                  | 72                         | 547                         | 1,237              |

<sup>1</sup> These debt securities, which are listed or registered on a recognised UK exchange or elsewhere, are in illiquid markets.

<sup>2</sup> Amounts have been reclassified as set out in note 33.

## Standard Chartered PLC – Notes continued

### 17. Investment securities continued

The change in the carrying amount of investment securities comprised:

|                                                                    | 6 months ended<br>30.06.10 |                  |                   |           | 6 months ended<br>30.06.09 |                  |                   |           |
|--------------------------------------------------------------------|----------------------------|------------------|-------------------|-----------|----------------------------|------------------|-------------------|-----------|
|                                                                    | Debt<br>securities         | Equity<br>shares | Treasury<br>bills | Total     | Debt<br>securities         | Equity<br>shares | Treasury<br>bills | Total     |
|                                                                    | \$million                  | \$million        | \$million         | \$million | \$million                  | \$million        | \$million         | \$million |
| Balances held at beginning of period                               | 55,121                     | 1,649            | 18,958            | 75,728    | 51,036                     | 1,593            | 16,713            | 69,342    |
| Exchange translation differences                                   | (329)                      | (15)             | (386)             | (730)     | 684                        | 7                | (34)              | 657       |
| Acquisitions                                                       | -                          | -                | -                 | -         | -                          | 1                | -                 | 1         |
| Additions                                                          | 36,979                     | 213              | 19,397            | 56,589    | 39,234                     | 193              | 19,074            | 58,501    |
| Maturities and disposals                                           | (37,847)                   | (48)             | (17,400)          | (55,295)  | (37,716)                   | (491)            | (18,124)          | (56,331)  |
| Impairment, net of recoveries on disposal                          | (15)                       | (4)              | -                 | (19)      | (26)                       | 25               | 3                 | 2         |
| Changes in fair value (including the effect of fair value hedging) | 412                        | 79               | 45                | 536       | (307)                      | 292              | (24)              | (39)      |
| Amortisation of discounts and premiums                             | (63)                       | -                | 41                | (22)      | 421                        | -                | 62                | 483       |
| Balances held at end of period                                     | 54,258                     | 1,874            | 20,655            | 76,787    | 53,326                     | 1,620            | 17,670            | 72,616    |

  

|                                                                    | 6 months ended<br>31.12.09 |                  |                   |           |
|--------------------------------------------------------------------|----------------------------|------------------|-------------------|-----------|
|                                                                    | Debt<br>securities         | Equity<br>shares | Treasury<br>bills | Total     |
|                                                                    | \$million                  | \$million        | \$million         | \$million |
| Balances held at beginning of period                               | 53,326                     | 1,620            | 17,670            | 72,616    |
| Exchange translation differences                                   | 951                        | 13               | 573               | 1,537     |
| Acquisitions                                                       | -                          | -                | -                 | -         |
| Additions                                                          | 47,478                     | 176              | 23,584            | 71,238    |
| Maturities and disposals                                           | (47,141)                   | (316)            | (22,890)          | (70,347)  |
| Impairment, net of recoveries on disposal                          | (55)                       | (17)             | (3)               | (75)      |
| Changes in fair value (including the effect of fair value hedging) | 336                        | 173              | (29)              | 480       |
| Amortisation of discounts and premiums                             | 226                        | -                | 53                | 279       |
| Balances held at end of period                                     | 55,121                     | 1,649            | 18,958            | 75,728    |

At 30 June 2010, unamortised premiums on debt securities held for investment purposes amounted to \$535 million (30 June 2009: \$517 million, 31 December 2009: \$669 million) and unamortised discounts amounted to \$499 million (30 June 2009: \$713 million, 31 December 2009: \$725 million). Income from listed equity shares amounted to \$6 million (30 June 2009: \$6 million, 31 December 2009: \$6 million) and income from unlisted equity shares amounted to \$14 million (30 June 2009: \$79 million, 31 December 2009: \$18 million).

## Standard Chartered PLC – Notes continued

### 18. Business Combinations

#### 2010 acquisitions

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

If the acquisition had occurred on 1 January 2010, the operating income of the Group would have been approximately \$7,932 million and profit before taxation would have been approximately \$3,122 million.

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

|                                                  | Fair value   | Acquiree's      |
|--------------------------------------------------|--------------|-----------------|
|                                                  | \$million    | carrying amount |
|                                                  | \$million    | \$million       |
| Cash and balances at central banks               | 12           | 12              |
| Loans and advances to customers                  | 787          | 796             |
| Intangibles other than goodwill                  | 5            | -               |
| Deferred tax assets                              | 1            | 1               |
| Other assets                                     | 3            | 3               |
| <b>Total assets</b>                              | <b>808</b>   | <b>812</b>      |
| Other liabilities                                | 684          | 684             |
| Accruals and deferred income                     | 2            | 2               |
| <b>Total liabilities</b>                         | <b>686</b>   | <b>686</b>      |
| <b>Net assets acquired</b>                       | <b>122</b>   | <b>126</b>      |
| Purchase consideration settled in cash           | (124)        |                 |
| Cash and cash equivalents in subsidiary acquired | 12           |                 |
| <b>Cash outflow on acquisition</b>               | <b>(112)</b> |                 |
| Purchase consideration:                          |              |                 |
| Cash paid                                        | 124          |                 |
| Less: Fair value of net assets acquired          | (122)        |                 |
| <b>Goodwill</b>                                  | <b>2</b>     |                 |
| Intangible assets acquired:                      |              |                 |
| Customer relationships                           | 5            |                 |
| <b>Total</b>                                     | <b>5</b>     |                 |
| Contribution from acquisition to 30 June 2010:   |              |                 |
| Operating income                                 | 5            |                 |
| <b>Profit before taxation</b>                    | <b>3</b>     |                 |

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date.

The fair value of loans to customers is \$787 million. The gross contractual amount due is \$801 million, of which \$14 million is the best estimate of the contractual cash flows not expected to be collected.

Acquisition related costs of \$1 million are included within operating expenses.

## Standard Chartered PLC – Notes continued

### 18. Business Combinations continued

#### 2009 acquisitions

On 30 January 2009, the Group acquired 100 per cent of the share capital of Cazenove Asia Limited (subsequently renamed Standard Chartered Securities (Hong Kong) Limited), a leading Asian equity capital markets, corporate finance and institutional brokerage business.

On 30 June 2009, the Group acquired the remaining 75 per cent minority interest in First Africa, for a consideration of \$13 million. Goodwill of \$5 million was recognised and \$5 million of customer relationship intangibles identified.

During 2009, the Group acquired a further 2 per cent interest in its subsidiary in Ghana for an additional \$8 million generating goodwill of \$6 million.

At 31 December 2009, under the requirements of IFRS 3 'Business Combinations', the Group was deemed to have paid contingent consideration of \$41 million in respect of its 2005 acquisition of Korea First Bank (subsequently renamed SC First Bank), and consequently additional goodwill of \$41 million has been recognised.

If the acquisitions had occurred on 1 January 2009, the operating income of the Group would have been approximately \$15,184 million and profit before taxation would have been approximately \$5,147 million

The assets and liabilities arising from the acquisition of Cazenove Asia were as follows:

|                                                    | Fair value<br>\$million | Acquiree's<br>carrying amount<br>\$million |
|----------------------------------------------------|-------------------------|--------------------------------------------|
| Loans and advances to banks                        | 34                      | 34                                         |
| Investment securities                              | 1                       | 1                                          |
| Intangibles other than goodwill                    | 9                       | -                                          |
| Property, plant and equipment                      | 1                       | 1                                          |
| Other assets                                       | 45                      | 45                                         |
| <b>Total assets</b>                                | <b>90</b>               | <b>81</b>                                  |
| Other liabilities                                  | 39                      | 39                                         |
| Accruals and deferred income                       | 7                       | 7                                          |
| Retirement benefit obligations                     | 2                       | 2                                          |
| <b>Total liabilities</b>                           | <b>48</b>               | <b>48</b>                                  |
| <b>Net assets acquired</b>                         | <b>42</b>               | <b>33</b>                                  |
| Purchase consideration settled in cash             | (73)                    |                                            |
| Cash and cash equivalents in subsidiary acquired   | 31                      |                                            |
| <b>Cash outflow on acquisition</b>                 | <b>(42)</b>             |                                            |
| Purchase consideration :                           |                         |                                            |
| Cash paid                                          | 73                      |                                            |
| <b>Total purchase consideration</b>                | <b>73</b>               |                                            |
| Less : Fair value of net assets acquired           | (42)                    |                                            |
| <b>Goodwill</b>                                    | <b>31</b>               |                                            |
| Intangible assets acquired:                        |                         |                                            |
| Customer relationships                             | 9                       |                                            |
| <b>Total</b>                                       | <b>9</b>                |                                            |
| Contribution from acquisition to 31 December 2009: |                         |                                            |
| Operating income                                   | 39                      |                                            |
| <b>Loss before taxation</b>                        | <b>(3)</b>              |                                            |

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group and to those intangibles which are not recognised separately, such as the acquired workforce.

## Standard Chartered PLC – Notes continued

### 19. Other assets

|                                                                 | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|-----------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Financial assets held at amortised cost (note 10)               |                       |                       |                       |
| Hong Kong SAR Government certificates of indebtedness (note 23) | 3,549                 | 3,206                 | 3,414                 |
| Cash collateral                                                 | 6,267                 | 5,369                 | 4,557                 |
| Acceptances and endorsements                                    | 4,355                 | 2,712                 | 3,080                 |
| Unsettled trades and other financial assets                     | 3,625                 | 1,659                 | 1,186                 |
|                                                                 | <b>17,796</b>         | <b>12,946</b>         | <b>12,237</b>         |
| Non-financial assets                                            |                       |                       |                       |
| Commodities                                                     | 2,627                 | 2,051                 | 2,763                 |
| Other assets                                                    | 4,348                 | 4,656                 | 2,201                 |
| <b>Total other assets</b>                                       | <b>24,771</b>         | <b>19,653</b>         | <b>17,201</b>         |

The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued.

### 20. Deposits by banks

|                                                                           | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|---------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Deposits by banks                                                         | 31,903                | 33,634                | 38,461                |
| Deposits by banks included within:                                        |                       |                       |                       |
| Financial liabilities held at fair value through profit or loss (note 10) | 504                   | 332                   | 482                   |
| <b>Total deposits by banks</b>                                            | <b>32,407</b>         | <b>33,966</b>         | <b>38,943</b>         |

### 21. Customer accounts

|                                                                           | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|---------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Customer accounts                                                         | 279,089               | 230,147               | 251,244               |
| Customer accounts included within:                                        |                       |                       |                       |
| Financial liabilities held at fair value through profit or loss (note 10) | 8,651                 | 5,825                 | 5,502                 |
| <b>Total deposits by customers</b>                                        | <b>287,740</b>        | <b>235,972</b>        | <b>256,746</b>        |

### 22. Debt securities in issue

|                                                                           | 30.06.10                                                  |                                             |                    | 30.06.09                                                  |                                             |                    |
|---------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------|--------------------|-----------------------------------------------------------|---------------------------------------------|--------------------|
|                                                                           | Certificates of deposit of \$100,000 or more<br>\$million | Other debt securities in issue<br>\$million | Total<br>\$million | Certificates of deposit of \$100,000 or more<br>\$million | Other debt securities in issue<br>\$million | Total<br>\$million |
| Debt securities in issue                                                  | 10,194                                                    | 23,170                                      | 33,364             | 6,400                                                     | 14,460                                      | 20,860             |
| Debt securities in issue included within:                                 |                                                           |                                             |                    |                                                           |                                             |                    |
| Financial liabilities held at fair value through profit or loss (note 10) | 237                                                       | 3,011                                       | 3,248              | 348                                                       | 3,454                                       | 3,802              |
| <b>Total debt securities in issue</b>                                     | <b>10,431</b>                                             | <b>26,181</b>                               | <b>36,612</b>      | <b>6,748</b>                                              | <b>17,914</b>                               | <b>24,662</b>      |

  

|                                                                           | 31.12.09                                                  |                                             |                    |
|---------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------|--------------------|
|                                                                           | Certificates of deposit of \$100,000 or more<br>\$million | Other debt securities in issue<br>\$million | Total<br>\$million |
| Debt securities in issue                                                  | 10,611                                                    | 18,661                                      | 29,272             |
| Debt securities in issue included within:                                 |                                                           |                                             |                    |
| Financial liabilities held at fair value through profit or loss (note 10) | 865                                                       | 3,122                                       | 3,987              |
| <b>Total debt securities in issue</b>                                     | <b>11,476</b>                                             | <b>21,783</b>                               | <b>33,259</b>      |

## Standard Chartered PLC – Notes continued

### 23. Other liabilities

|                                                        | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|--------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Financial liabilities held at amortised cost (note 10) |                       |                       |                       |
| Notes in circulation                                   | 3,549                 | 3,206                 | 3,414                 |
| Acceptances and endorsements                           | 4,194                 | 2,700                 | 2,963                 |
| Cash collateral                                        | 2,867                 | 2,684                 | 2,136                 |
| Unsettled trades and other financial liabilities       | 7,194                 | 5,728                 | 2,538                 |
|                                                        | 17,804                | 14,318                | 11,051                |
| Non-financial liabilities                              |                       |                       |                       |
| Cash-settled share based payments                      | 117                   | 37                    | 104                   |
| Other liabilities                                      | 5,795                 | 6,243                 | 4,984                 |
| Total other liabilities                                | 23,716                | 20,598                | 16,139                |

Hong Kong currency notes in circulation of \$3,549 million (30 June 2009: \$3,206 million, 31 December 2009: \$3,414 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 19).

### 24. Retirement benefit obligations

Retirement benefit obligations comprise:

|                                           | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|-------------------------------------------|-----------------------|-----------------------|-----------------------|
| Total market value of assets              | 1,981                 | 1,916                 | 2,009                 |
| Present value of the schemes' liabilities | (2,443)               | (2,445)               | (2,507)               |
| Defined benefit schemes obligation        | (462)                 | (529)                 | (498)                 |
| Defined contribution schemes obligation   | (8)                   | (13)                  | (8)                   |
| Net book amount                           | (470)                 | (542)                 | (506)                 |

Retirement benefit charge comprises:

|                              | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Defined benefit schemes      | 47                                         | (12)                                       | 42                                         |
| Defined contribution schemes | 68                                         | 48                                         | 60                                         |
| Charge against profit        | 115                                        | 36                                         | 102                                        |

The pension cost for defined benefit schemes was:

|                                                                                | 6 months<br>ended<br>30.06.10<br>\$million | 6 months<br>ended<br>30.06.09<br>\$million | 6 months<br>ended<br>31.12.09<br>\$million |
|--------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Current service cost                                                           | 47                                         | 41                                         | 45                                         |
| Past service cost                                                              | 3                                          | (32)                                       | (22)                                       |
| (Gain)/loss on settlements and curtailments                                    | (10)                                       | (23)                                       | 12                                         |
| Expected return on pension scheme assets                                       | (53)                                       | (51)                                       | (61)                                       |
| Interest on pension scheme liabilities                                         | 60                                         | 53                                         | 68                                         |
| Total charge/(credit) to profit before deduction of tax                        | 47                                         | (12)                                       | 42                                         |
| Loss/(gain) on assets below expected return                                    | 20                                         | (13)                                       | (101)                                      |
| Experience loss on liabilities                                                 | 22                                         | 140                                        | 124                                        |
| Total loss recognised directly in statement of comprehensive income before tax | 42                                         | 127                                        | 23                                         |
| Deferred taxation                                                              | (8)                                        | (38)                                       | 1                                          |
| Total loss after tax                                                           | 34                                         | 89                                         | 24                                         |

## Standard Chartered PLC – Notes continued

### 25. Subordinated liabilities and other borrowed funds

|                                                   | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Subordinated liabilities and other borrowed funds | <b>15,555</b>         | 16,922                | 16,730                |

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.

Of the total subordinated liabilities and other borrowings, \$11,354 million is at fixed interest rates (30 June 2009: \$10,243 million, 31 December 2009: \$11,564 million).

On 4 February 2010, Standard Chartered Bank exercised its right to redeem its \$500 million subordinated floating rate notes in full on the first optional call date.

On 23 March 2010, Standard Chartered Capital Trust I, a special purpose entity of the Group, redeemed its EUR 500 million 8.16 per cent Non-Cumulative Trust Preferred Securities.

On 24 June 2010, Standard Chartered Bank (Hong Kong) Limited issued \$750 million 5.875 per cent subordinated notes due June 2020.

As at 30 June 2010, Standard Chartered Bank (Taiwan) Limited had redeemed its TWD 10 billion Undated Floating Rate Notes.

### 26. Share capital, reserves and own shares

|                               | Number of<br>ordinary shares<br>millions | Ordinary share<br>capital<br>\$million | Preference<br>share capital<br>\$million | Total<br>\$million |
|-------------------------------|------------------------------------------|----------------------------------------|------------------------------------------|--------------------|
| At 1 January 2009             | 1,896                                    | 948                                    | -                                        | 948                |
| Capitalised on scrip dividend | 32                                       | 16                                     | -                                        | 16                 |
| Shares issued                 | 6                                        | 3                                      | -                                        | 3                  |
| At 30 June 2009               | 1,934                                    | 967                                    | -                                        | 967                |
| Capitalised on scrip dividend | 9                                        | 5                                      | -                                        | 5                  |
| Shares issued                 | 82                                       | 41                                     | -                                        | 41                 |
| At 31 December 2009           | <b>2,025</b>                             | <b>1,013</b>                           | -                                        | <b>1,013</b>       |
| Capitalised on scrip dividend | <b>18</b>                                | <b>9</b>                               | -                                        | <b>9</b>           |
| Shares issued                 | <b>30</b>                                | <b>15</b>                              | -                                        | <b>15</b>          |
| At 30 June 2010               | <b>2,073</b>                             | <b>1,037</b>                           | -                                        | <b>1,037</b>       |

#### 2010

On 11 June 2010, the Group completed the listing of Indian Depository Receipts (IDRs) on the Bombay and National stock exchanges by issuing 24,000,000 shares of the Company against 240,000,000 IDRs (at a ratio of 10 IDRs representing 1 Company share). The shares were issued at a price of Indian Rupees (INR)104 per IDR representing a 6 per cent discount to the Company's closing share price of 1637 pence on 28 May 2010, which contributed \$504 million towards the Group's capital, net of expenses of \$27 million. The proceeds of this listing will be used by the Group in the ordinary course of business.

On 13 May 2010, the Company issued 18,190,898 new ordinary shares instead of the 2009 final dividend.

During the six months to 30 June 2010, 5,776,547 shares were issued under employee share plans at prices between nil and 1146 pence.

#### 2009

On 15 May 2009, the Company issued 32,270,731 new ordinary shares instead of the 2008 final dividend. On 8 October 2009 the Company issued 9,157,053 new ordinary shares instead of the 2009 interim dividend.

During 2009, 12,594,749 ordinary shares were issued under the employee share plans at prices between nil and 1088 pence.

On 4 August 2009, the Company announced a placement on issue 75,000,000 ordinary shares by way of an accelerated book build. The shares were issued at a price of 1360 pence through which the Company raised \$1.7 billion net of expenses. The middle market price on 4 August 2009 was 1328 pence. The proceeds will be used in the ordinary course of business by the Group. The share issue used a cash box structure involving a Jersey subsidiary (JerseyCo) which was 89 per cent owned by the Company prior to the transaction. In return for an issue of shares by the Company to the investors, the net proceeds of the share issue were paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11 per cent of the ordinary shares it did not own. Under this structure merger relief applies under Section 612 of the Companies Act 2006 which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the share issue proceeds.

## Standard Chartered PLC – Notes continued

### 26. Share Capital, reserves and own shares continued

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

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (the 1995 trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust (the 2004 trust) which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements Group companies fund the trust, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

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             |           |           |
|-----------------------------------------------|-------------------|-----------|-----------|----------------|----------|----------|-------------------|-----------|-----------|
|                                               | 30.06.10          | 30.06.09  | 31.12.09  | 30.06.10       | 30.06.09 | 31.12.09 | 30.06.10          | 30.06.09  | 31.12.09  |
| Shares purchased during the period            | <b>6,240,000</b>  | 4,025,000 | 763,000   | <b>382,516</b> | 357,909  | -        | <b>6,622,516</b>  | 4,382,909 | 763,000   |
| Market value of shares purchased (\$ million) | <b>168</b>        | 78        | 21        | <b>10</b>      | 4        | -        | <b>178</b>        | 82        | 21        |
| Shares held at the end of period              | <b>13,209,573</b> | 6,962,766 | 7,589,615 | <b>523,867</b> | 498,127  | 498,127  | <b>13,733,440</b> | 7,460,893 | 8,087,742 |
| Maximum number of shares during the period    | <b>13,509,555</b> |           |           | <b>524,729</b> |          |          | <b>14,034,284</b> |           |           |

### 27. Non-controlling interests

|                                                            | \$300m<br>7.267%<br>Hybrid Tier 1<br>Securities<br>\$million | Other<br>non-controlling<br>interests<br>\$million | Total<br>\$million |
|------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------|--------------------|
| At 1 January 2009                                          | 327                                                          | 228                                                | 555                |
| Income in equity attributable to non-controlling interests | -                                                            | 7                                                  | 7                  |
| Other profits attributable to non-controlling interests    | 10                                                           | 48                                                 | 58                 |
| Recognised income and expense                              | 10                                                           | 55                                                 | 65                 |
| Distributions                                              | (12)                                                         | (42)                                               | (54)               |
| Other decreases                                            | -                                                            | (3)                                                | (3)                |
| At 30 June 2009                                            | 325                                                          | 238                                                | 563                |
| Income in equity attributable to non-controlling interests | -                                                            | 7                                                  | 7                  |
| Other profits attributable to non-controlling interests    | 9                                                            | 30                                                 | 39                 |
| Recognised income and expense                              | 9                                                            | 37                                                 | 46                 |
| Distributions                                              | (10)                                                         | (23)                                               | (33)               |
| Other increases                                            | -                                                            | 4                                                  | 4                  |
| At 31 December 2009                                        | <b>324</b>                                                   | <b>256</b>                                         | <b>580</b>         |
| Income in equity attributable to non-controlling interests | -                                                            | 15                                                 | 15                 |
| Other profits attributable to non-controlling interests    | 9                                                            | 24                                                 | 33                 |
| Recognised income and expense                              | 9                                                            | 39                                                 | 48                 |
| Distributions                                              | (12)                                                         | (20)                                               | (32)               |
| Other decreases                                            | -                                                            | (1)                                                | (1)                |
| At 30 June 2010                                            | <b>321</b>                                                   | <b>274</b>                                         | <b>595</b>         |

## Standard Chartered PLC – Notes continued

### 28. Cash flow statement

#### Adjustment for non-cash items and other accounts

|                                                                                    | 30.06.10   | 30.06.09   | 31.12.09   |
|------------------------------------------------------------------------------------|------------|------------|------------|
|                                                                                    | \$million  | \$million  | \$million  |
| Depreciation and amortisation                                                      | 271        | 235        | 285        |
| Gain on disposal of property, plant and equipment                                  | (25)       | (10)       | (30)       |
| Gain on disposal of investment securities and loan and receivable financial assets | (73)       | (391)      | (201)      |
| Gain arising on repurchase of subordinated-liabilities                             | -          | (248)      | (16)       |
| Writedowns of income relating to asset backed securities                           | -          | -          | 4          |
| Movement in fair value hedges on available-for-sale assets                         | (50)       | 4          | 2          |
| Amortisation of discounts and premiums of investment securities                    | 22         | (483)      | (279)      |
| Pension costs for defined benefit schemes                                          | 47         | (12)       | 42         |
| Impairment losses on loans and advances and other credit risk provisions           | 437        | 1,088      | 912        |
| Other impairment                                                                   | 50         | 15         | 87         |
| Profit from associates                                                             | (23)       | (8)        | (13)       |
| Loss on sale of businesses                                                         | -          | 2          | -          |
| Recoveries of acquisition fair values and discount unwind                          | (45)       | (48)       | (53)       |
| Interest expense on subordinated liabilities                                       | 209        | 261        | 240        |
| <b>Total</b>                                                                       | <b>820</b> | <b>405</b> | <b>980</b> |

#### Change in operating assets

|                                                                                                                                                                   | 30.06.10        | 30.06.09      | 31.12.09       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------|----------------|
|                                                                                                                                                                   | \$million       | \$million     | \$million      |
| (Increase)/decrease derivative financial instruments                                                                                                              | (6,587)         | 23,438        | 8,855          |
| Net increase in debt securities, treasury bills equity shares held at fair value through profit or loss and Hong Kong SAR Government certificates of indebtedness | (10,736)        | (4,096)       | (2,235)        |
| Net increase in loans and advances to banks and customers                                                                                                         | (32,646)        | (8,127)       | (13,674)       |
| (Increase)/decrease in pre-payments and accrued income                                                                                                            | (895)           | (755)         | 1,041          |
| (Increase)/decrease in other assets                                                                                                                               | (7,115)         | 461           | (1,946)        |
| <b>Total</b>                                                                                                                                                      | <b>(57,979)</b> | <b>10,921</b> | <b>(7,959)</b> |

#### Change in operating liabilities

|                                                                                                                                                 | 30.06.10      | 30.06.09        | 31.12.09      |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|---------------|
|                                                                                                                                                 | \$million     | \$million       | \$million     |
| Increase/(decrease) in derivative financial instruments                                                                                         | 7,042         | (24,262)        | (7,679)       |
| Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions | 29,734        | (3,267)         | 24,665        |
| (Decrease)/increase in accruals and deferred income                                                                                             | (518)         | (632)           | 511           |
| Increase/(decrease) in other liabilities                                                                                                        | 9,857         | 3,583           | (3,627)       |
| <b>Total</b>                                                                                                                                    | <b>46,115</b> | <b>(24,578)</b> | <b>13,870</b> |

### 29. 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.

|                                         | 30.06.10      | 30.06.09      | 31.12.09      |
|-----------------------------------------|---------------|---------------|---------------|
|                                         | \$million     | \$million     | \$million     |
| Cash and balances at central banks      | 29,694        | 12,141        | 18,131        |
| Less restricted balances                | (5,932)       | (4,847)       | (4,971)       |
| Treasury bills and other eligible bills | 7,434         | 9,389         | 7,748         |
| Loans and advances to banks             | 21,458        | 31,425        | 37,127        |
| Trading securities                      | 3,514         | 11,102        | 10,038        |
| <b>Total</b>                            | <b>56,168</b> | <b>59,210</b> | <b>68,073</b> |

## Standard Chartered PLC – Notes continued

### 30. Contingent liabilities and commitments

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

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

|                                                                                | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|--------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Contingent liabilities<sup>1</sup></b>                                      |                       |                       |                       |
| Guarantees and irrevocable letters of credit                                   | 31,639                | 28,373                | 28,731                |
| Other contingent liabilities                                                   | 7,811                 | 9,247                 | 9,927                 |
|                                                                                | <b>39,450</b>         | <b>37,620</b>         | <b>38,658</b>         |
| <b>Commitments<sup>1</sup></b>                                                 |                       |                       |                       |
| Documentary credits and short term trade-related transactions                  | 7,556                 | 6,152                 | 6,695                 |
| Forward asset purchases and forward deposits placed                            | 276                   | 251                   | 874                   |
| Undrawn formal standby facilities, credit lines and other commitments to lend: |                       |                       |                       |
| One year and over                                                              | 20,931                | 16,569                | 20,616                |
| Less than one year                                                             | 24,206                | 14,245                | 20,729                |
| Unconditionally cancellable                                                    | 55,659                | 41,497                | 45,344                |
|                                                                                | <b>108,628</b>        | <b>78,714</b>         | <b>94,258</b>         |
| Risk weighted amount:                                                          |                       |                       |                       |
| Contingent liabilities                                                         | 14,555                | 11,856 <sup>2</sup>   | 13,422                |
| Commitments                                                                    | 9,128                 | 7,939 <sup>2</sup>    | 8,856                 |

<sup>1</sup> Includes amounts relating to the Group's share of its joint ventures.

<sup>2</sup> Amounts have been adjusted to present on a consistent basis, as a result of continuing refinements in Basel II. This has not had an impact on the Group's total risk weighted assets.

### 31. Repurchase and reverse repurchase agreements

The Group enters into collateralised reverse repurchase and repurchase agreements and securities borrowing and lending transactions. It also receives securities as collateral for commercial lending.

#### Balance sheet assets

|           | 30.06.10<br>Reverse<br>repurchase<br>agreements<br>\$million | 30.06.09<br>Reverse<br>repurchase<br>agreements<br>\$million | 31.12.09<br>Reverse<br>repurchase<br>agreements<br>\$million |
|-----------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Banks     | 2,773                                                        | 1,083                                                        | 1,192                                                        |
| Customers | 1,998                                                        | 2,492                                                        | 1,603                                                        |
|           | <b>4,771</b>                                                 | <b>3,575</b>                                                 | <b>2,795</b>                                                 |

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

|                                                                                                                                                                                            | 30.06.10<br>\$million | 30.06.09<br>\$million | 31.12.09<br>\$million |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Securities and collateral which can be repledged or sold (at fair value)                                                                                                                   | 4,428                 | 2,731                 | 2,624                 |
| Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value) | 199                   | 493                   | 1,696                 |

#### Balance sheet liabilities

|           | 30.06.10<br>Repurchase<br>agreements<br>\$million | 30.06.09<br>Repurchase<br>agreements<br>\$million | 31.12.09<br>Repurchase<br>agreements<br>\$million |
|-----------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Banks     | 2,190                                             | 1,273                                             | 1,567                                             |
| Customers | 904                                               | 561                                               | 380                                               |
|           | <b>3,094</b>                                      | <b>1,834</b>                                      | <b>1,947</b>                                      |

Collateral pledged against these liabilities is disclosed in note 11, note 14 and note 17. The terms and conditions relating to the collateral pledged typically permits the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

## Standard Chartered PLC – Notes continued

### 32. Liquidity risk

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

The Risk review on pages 44 to 45 explains the Group's risk management with respect to asset and liability management.

|                                                   | 30.06.10                                |                                                         |                                                       |                                      | Total<br>\$million |
|---------------------------------------------------|-----------------------------------------|---------------------------------------------------------|-------------------------------------------------------|--------------------------------------|--------------------|
|                                                   | Three<br>months<br>or less<br>\$million | Between<br>three<br>months and<br>one year<br>\$million | Between<br>one year<br>and<br>five years<br>\$million | More than<br>five years<br>\$million |                    |
| <b>Assets</b>                                     |                                         |                                                         |                                                       |                                      |                    |
| Cash and balances at central banks                | 23,761                                  | -                                                       | -                                                     | 5,933                                | 29,694             |
| Derivative financial instruments                  | 7,694                                   | 9,654                                                   | 19,117                                                | 8,090                                | 44,555             |
| Loans and advances to banks <sup>1</sup>          | 37,843                                  | 9,903                                                   | 2,124                                                 | 531                                  | 50,401             |
| Loans and advances to customers <sup>1</sup>      | 65,976                                  | 33,520                                                  | 53,682                                                | 66,177                               | 219,355            |
| Investment securities <sup>1</sup>                | 20,303                                  | 32,614                                                  | 31,283                                                | 11,513                               | 95,713             |
| Other assets                                      | 23,947                                  | 14,175                                                  | 42                                                    | 2,945                                | 41,109             |
| <b>Total assets</b>                               | <b>179,524</b>                          | <b>99,866</b>                                           | <b>106,248</b>                                        | <b>95,189</b>                        | <b>480,827</b>     |
| <b>Liabilities</b>                                |                                         |                                                         |                                                       |                                      |                    |
| Deposits by banks <sup>1</sup>                    | 27,970                                  | 3,490                                                   | 817                                                   | 130                                  | 32,407             |
| Customer accounts <sup>1</sup>                    | 246,863                                 | 30,290                                                  | 8,806                                                 | 1,781                                | 287,740            |
| Derivative financial instruments                  | 8,263                                   | 8,907                                                   | 18,469                                                | 7,786                                | 43,425             |
| Debt securities in issue <sup>1</sup>             | 13,683                                  | 8,430                                                   | 13,084                                                | 1,415                                | 36,612             |
| Other liabilities <sup>1</sup>                    | 19,593                                  | 1,438                                                   | 1,121                                                 | 12,883                               | 35,035             |
| Subordinated liabilities and other borrowed funds | -                                       | 6                                                       | 1,154                                                 | 14,395                               | 15,555             |
| <b>Total liabilities</b>                          | <b>316,372</b>                          | <b>52,561</b>                                           | <b>43,451</b>                                         | <b>38,390</b>                        | <b>450,774</b>     |
| <b>Net liquidity gap</b>                          | <b>(136,848)</b>                        | <b>47,305</b>                                           | <b>62,797</b>                                         | <b>56,799</b>                        | <b>30,053</b>      |

<sup>1</sup> Amounts include financial instruments held at fair value through profit or loss (see note 10).

## Standard Chartered PLC – Notes continued

### 32. Liquidity risk continued

| 30.06.09                                          |                      |                                   |                                 |                      |                |
|---------------------------------------------------|----------------------|-----------------------------------|---------------------------------|----------------------|----------------|
|                                                   | Three months or less | Between three months and one year | Between one year and five years | More than five years | Total          |
|                                                   | \$million            | \$million                         | \$million                       | \$million            | \$million      |
| <b>Assets</b>                                     |                      |                                   |                                 |                      |                |
| Cash and balances at central banks                | 7,294                | -                                 | -                               | 4,847                | 12,141         |
| Derivative financial instruments                  | 7,849                | 11,515                            | 20,027                          | 6,432                | 45,823         |
| Loans and advances to banks <sup>1</sup>          | 31,425               | 12,492                            | 2,213                           | 146                  | 46,276         |
| Loans and advances to customers <sup>1</sup>      | 64,029               | 27,940                            | 41,016                          | 51,967               | 184,952        |
| Investment securities <sup>1</sup>                | 20,810               | 30,677                            | 24,154                          | 10,311               | 85,952         |
| Other assets                                      | 10,169               | 661                               | 55                              | 25,191               | 36,076         |
| <b>Total assets</b>                               | <b>141,576</b>       | <b>83,285</b>                     | <b>87,465</b>                   | <b>98,894</b>        | <b>411,220</b> |
| <b>Liabilities</b>                                |                      |                                   |                                 |                      |                |
| Deposits by banks <sup>1</sup>                    | 28,151               | 4,945                             | 780                             | 90                   | 33,966         |
| Customer accounts <sup>1</sup>                    | 201,518              | 29,133                            | 4,240                           | 1,081                | 235,972        |
| Derivative financial instruments                  | 9,371                | 9,686                             | 18,480                          | 5,572                | 43,109         |
| Debt securities in issue <sup>1</sup>             | 6,152                | 7,505                             | 9,901                           | 1,104                | 24,662         |
| Other liabilities <sup>1</sup>                    | 17,758               | 2,533                             | 734                             | 11,674               | 32,699         |
| Subordinated liabilities and other borrowed funds | 94                   | 873                               | 864                             | 15,091               | 16,922         |
| <b>Total liabilities</b>                          | <b>263,044</b>       | <b>54,675</b>                     | <b>34,999</b>                   | <b>34,612</b>        | <b>387,330</b> |
| <b>Net liquidity gap</b>                          | <b>(121,468)</b>     | <b>28,610</b>                     | <b>52,466</b>                   | <b>64,282</b>        | <b>23,890</b>  |

<sup>1</sup> Amounts include financial instruments held at fair value through profit or loss (see note 10).

| 31.12.09                                          |                      |                                   |                                 |                      |                |
|---------------------------------------------------|----------------------|-----------------------------------|---------------------------------|----------------------|----------------|
|                                                   | Three months or less | Between three months and one year | Between one year and five years | More than five years | Total          |
|                                                   | \$million            | \$million                         | \$million                       | \$million            | \$million      |
| <b>Assets</b>                                     |                      |                                   |                                 |                      |                |
| Cash and balances at central banks                | 13,160               | -                                 | -                               | 4,971                | 18,131         |
| Derivative financial instruments                  | 9,891                | 7,508                             | 16,207                          | 4,587                | 38,193         |
| Loans and advances to banks <sup>1</sup>          | 37,127               | 14,182                            | 1,289                           | 335                  | 52,933         |
| Loans and advances to customers <sup>1</sup>      | 63,162               | 34,939                            | 44,406                          | 59,296               | 201,803        |
| Investment securities <sup>1</sup>                | 18,939               | 30,185                            | 32,967                          | 10,524               | 92,615         |
| Other assets                                      | 5,755                | 710                               | 49                              | 26,464               | 32,978         |
| <b>Total assets</b>                               | <b>148,034</b>       | <b>87,524</b>                     | <b>94,918</b>                   | <b>106,177</b>       | <b>436,653</b> |
| <b>Liabilities</b>                                |                      |                                   |                                 |                      |                |
| Deposits by banks <sup>1</sup>                    | 34,721               | 2,967                             | 1,140                           | 115                  | 38,943         |
| Customer accounts <sup>1</sup>                    | 230,332              | 22,198                            | 3,971                           | 245                  | 256,746        |
| Derivative financial instruments                  | 8,644                | 7,969                             | 15,757                          | 4,214                | 36,584         |
| Debt securities in issue <sup>1</sup>             | 11,390               | 9,134                             | 11,059                          | 1,676                | 33,259         |
| Other liabilities <sup>1</sup>                    | 13,182               | 1,089                             | 178                             | 12,022               | 26,471         |
| Subordinated liabilities and other borrowed funds | 723                  | -                                 | 562                             | 15,445               | 16,730         |
| <b>Total liabilities</b>                          | <b>298,992</b>       | <b>43,357</b>                     | <b>32,667</b>                   | <b>33,717</b>        | <b>408,733</b> |
| <b>Net liquidity gap</b>                          | <b>(150,958)</b>     | <b>44,167</b>                     | <b>62,251</b>                   | <b>72,460</b>        | <b>27,920</b>  |

<sup>1</sup> Amounts include financial instruments held at fair value through profit or loss (see note 10).

## Standard Chartered PLC – Notes continued

### 33. Restatement of prior periods

#### Entity-wide information

##### By Geography

As detailed in note 50 of the 2009 Annual Report, in the second half of 2009 the Group re-aligned its geographic reporting with underlying organisational changes to better reflect asset and income distribution and management. In order to facilitate a more meaningful comparison, the amounts reported for the six months ended 30 June 2009 in the geographic information have been restated to be presented on a consistent basis with the amounts presented for the six months ended 31 December 2009.

|                         | Reported at 30 June 2009 |           |           |                    |           |                            |           |                      |           |
|-------------------------|--------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                         | Asia Pacific             |           |           |                    |           |                            |           |                      |           |
|                         | Hong Kong                | Singapore | Korea     | Other Asia Pacific | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                         | \$million                | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Net interest margin (%) | 1.8                      | 1.3       | 1.6       | 2.1                | 3.3       | 3.1                        | 4.7       | 0.4                  | 2.4       |
| Total assets employed   | 88,112                   | 65,855    | 68,440    | 78,293             | 29,656    | 49,258                     | 13,817    | 101,373              | 494,804   |

|                         | Restatement  |           |           |                    |           |                            |           |                      |           |
|-------------------------|--------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                         | Asia Pacific |           |           |                    | India     | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                         | Hong Kong    | Singapore | Korea     | Other Asia Pacific |           |                            |           |                      |           |
|                         | \$million    | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Net interest margin (%) | 0.1          | 0.4       | 0.2       | 0.1                | 0.2       | 1.1                        | 0.1       | 0.7                  | -         |
| Total assets employed   | (178)        | (6,457)   | (6,586)   | 678                | (335)     | (5,491)                    | (112)     | (14,143)             | (32,624)  |

|                         | Restated at 30 June 2009 |           |           |                    |           |                            |           |                      |           |
|-------------------------|--------------------------|-----------|-----------|--------------------|-----------|----------------------------|-----------|----------------------|-----------|
|                         | Asia Pacific             |           |           |                    |           | Middle East & Other S Asia | Africa    | Americas UK & Europe | Total     |
|                         | Hong Kong                | Singapore | Korea     | Other Asia Pacific | India     |                            |           |                      |           |
|                         | \$million                | \$million | \$million | \$million          | \$million | \$million                  | \$million | \$million            | \$million |
| Net interest margin (%) | 1.9                      | 1.7       | 1.8       | 2.2                | 3.5       | 4.2                        | 4.8       | 1.1                  | 2.4       |
| Total assets employed   | 87,934                   | 59,398    | 61,854    | 78,971             | 29,321    | 43,767                     | 13,705    | 87,230               | 462,180   |

#### Investment securities

At 30 June 2009 and 31 December 2009, the Group has reclassified certain investment securities measured as loans and receivables between those listed on a recognised UK stock exchange, those listed elsewhere and those that are unlisted. Details of the reclassification are set out below:

|                                                 | 30.06.09    |                  |             | 31.12.09    |                  |             |
|-------------------------------------------------|-------------|------------------|-------------|-------------|------------------|-------------|
|                                                 | As reported | Reclassification | As restated | As reported | Reclassification | As restated |
| Listed on a recognised UK exchange <sup>1</sup> | 807         | (391)            | 416         | -           | 374              | 374         |
| Listed elsewhere <sup>1</sup>                   | 2,434       | (1,403)          | 1,031       | 1,287       | (374)            | 913         |
| Unlisted                                        | 2,982       | 1,794            | 4,776       | 5,370       | -                | 5,370       |
| Total                                           | 6,223       | -                | 6,223       | 6,657       | -                | 6,657       |

<sup>1</sup> Those loans and receivables debt securities which are listed on a recognised UK exchange or elsewhere are in illiquid markets.

#### Cash flow statement

Interest paid on certain subordinated debt instruments previously classified within 'Net cash used in operating activities' has been reclassified in the six months ended 30 June 2009 and 31 December 2009 to 'Net cash used in financing activities'. Details of the reclassification are set out below:

|                                              | 6 months ended 30.06.09 |                  |             | 6 months ended 31.12.09 |                  |             |
|----------------------------------------------|-------------------------|------------------|-------------|-------------------------|------------------|-------------|
|                                              | As reported             | Reclassification | As restated | As reported             | Reclassification | As restated |
| Change in operating liabilities              | (24,872)                | 294              | (24,578)    | 13,653                  | 217              | 13,870      |
| Net cash (used in)/from operating activities | (11,296)                | 294              | (11,002)    | 8,241                   | 217              | 8,458       |
| Interest paid on subordinated liabilities    | (274)                   | (294)            | (568)       | (87)                    | (217)            | (304)       |
| Net cash (used in)/from financing activities | (842)                   | (294)            | (1,136)     | 1,014                   | (217)            | 797         |

## Standard Chartered PLC – Notes continued

### 34. Special purpose entities

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

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see note 14).

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

|                                      | 30.06.10     |                  | 30.06.09     |                  | 31.12.09     |                  |
|--------------------------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|                                      | Total assets | Maximum exposure | Total assets | Maximum exposure | Total assets | Maximum exposure |
|                                      | \$million    | \$million        | \$million    | \$million        | \$million    | \$million        |
| Portfolio management vehicles        | 1,970        | 305              | 1,694        | 249              | 1,694        | 339              |
| Principal Finance Funds <sup>1</sup> | 988          | 130              | 931          | 170              | 988          | 130              |
| Structured Finance                   | 932          | 590              | -            | -                | -            | -                |
| <b>Total</b>                         | <b>3,890</b> | <b>1,025</b>     | <b>2,625</b> | <b>419</b>       | <b>2,682</b> | <b>469</b>       |

<sup>1</sup> Committed capital for these funds is \$375 million (30 June 2009 and 31 December 2009: \$375 million) of which \$130 million (30 June 2009: \$170 million; 31 December 2009: \$130 million) have been drawn down net of provisions for impairment of \$nil million (30 June 2009: \$nil million; 31 December 2009: \$33million).

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated Government securities, which are used to collateralise the SPE's swap obligations to the Group, and to repay the principal to investors at maturity. The SPEs reimburse the Group on actual losses incurred, through the realisation of the collateral security. Correspondingly, the SPEs write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All the funding is committed for the life of these vehicles and hence the Group has no indirect exposure in respect of the vehicles' liquidity position.

The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure and real estate.

Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more SPEs, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return.

The 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.

### 35. Related party transactions

#### Directors, connected persons or officers

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

#### Associates

The Group has loans and advances to Merchant Solutions totalling \$27 million at 30 June 2010 (30 June 2009: \$20 million; 31 December 2009: \$32 million) and deposits of \$12 million (30 June 2009: \$nil million and 31 December 2009: \$nil million). The Group has loans and advances to China Bohai Bank of \$5 million at 30 June 2010 (30 June 2009: \$nil million and 31 December 2009: \$nil million) and deposits of \$1 million (30 June 2009: \$nil million and 31 December 2009: \$nil million). During the period China Bohai Bank undertook a rights issue to which the Group subscribed, increasing its investment by \$102 million.

Except as disclosed, the Group did not have any other amounts due to or from associate investments.

#### Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling \$6 million at 30 June 2010 (30 June 2009: \$12 million; 31 December 2009: \$3 million), and deposits of \$6 million (30 June 2009: \$22 million; 31 December 2009: \$16 million).

The Group has an investment in subordinated debt issued by PT Bank Permata Tbk of \$127 million (30 June 2009 and 31 December 2009: \$50 million).

The Group has loans and advances with Standard Chartered STCI Capital Markets totalling \$12 million (30 June 2009: \$nil million and 31 December 2009: \$12 million).

### 36. Post balance sheet events

On 4 August 2010, the Directors declared an interim dividend of 23.35 cents per share.

On 22 June 2010, the UK government announced its intention to propose Parliament to reduce the UK corporation tax rate from 28 per cent to 27 per cent in 2011-12, with further reductions to 26 per cent in 2012-13, 25 per cent in 2013-14 and 24 per cent in 2014-15.

As of 30 June 2010, the tax rate changes were not substantively enacted. Had the 2011-12 or 2011-15 change of nominal tax rates been substantively enacted as of the said date, the UK deferred tax asset for 2010 would have reduced by approximately \$14 million (2011-12) or \$22million (2011-15).

The UK Government also announced on 22 June 2010 that it would introduce a bank levy from 1 January 2011 and has subsequently published a consultation document outlining its proposals. These would raise a levy of 0.04 per cent (0.07 per cent after 2011) on the Group's total liabilities, after deducting Tier 1 capital, insured retail deposits and repos secured on sovereign debt, with a lower rate of half the main rate applied to longer maturity wholesale funding. The proposals are open for consultation until 5 October 2010. At this time it is not certain on what basis the levy will eventually be raised. Draft legislation for inclusion in the 2011 Finance Bill will be published towards the end of 2010. The 2011 Finance Bill is expected to be enacted by late July 2011.

On 8 July 2010 the UK government announced a change to minimum statutory pension increases both in deferment and in payment. The impact on individual pension schemes depends on the nature of existing pension increases as defined in governing documentation. The Bank is currently reviewing the impact on the UK Fund with the Trustees and legal advisers. Until such time as that review is complete, expected to be in the second half of 2010, it is not possible to estimate the precise impact.

On 12 July 2010, the Group announced the acquisition of GE Commercial Financing in Singapore. The transaction was completed on 2 August 2010. The disclosures required by IFRS 3 have not been provided as the acquisition is not material.

### 37 Statutory accounts

The information in this half year report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 4 August 2010. The statutory accounts for the year ended 31 December 2009 have been reported on by the Company's auditors and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

### 38. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules). The directors also confirm that this half year report has been reviewed by the Company's Audit Committee.

The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange, and that the directors of the Company have complied with this code of conduct throughout the period.

### 39. UK and Hong Kong accounting requirements

As required by the HK Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

## Standard Chartered PLC – Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union (EU) and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- (a) an indication of important events that have occurred during the first six months and their impact on the condensed Interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- (b) material related party transactions in the first six months ended 30 June 2010 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

4 August 2010

# Independent review report by KPMG Audit Plc to Standard Chartered PLC

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six-months ended 30 June 2010 set out on pages 49 to 93, which comprises the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the DTR) of the UK's Financial Services Authority (the UK FSA). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Review work performed

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material aspects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

John E Hughes  
for and on behalf of KPMG Audit Plc  
Chartered Accountants  
London  
4 August 2010

## Standard Chartered PLC – Additional information

### A. Remuneration

The Group employed 80,799 staff at 30 June 2010 (30 June 2009: 76,466<sup>1</sup>, 31 December 2009: 77,326).

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.

The Committee reviews the reward policy on a regular basis against significant regulatory developments, market practice and shareholder expectations. A 'One Bank' philosophy is central to the Group's remuneration policy and means that the approach to reward and performance management is consistent across all employees. We reward not only 'what' is achieved but 'how' it is achieved. Our distinctive culture and the importance we place on our values both play an important role in compensation decision-making, and in our robust 'pay for sustained performance' culture. Effective risk management is central to how we perform and the risk profile of various businesses is also taken into account in compensation decisions. Our approach to performance and reward is designed to drive sustainable performance, ensuring that remuneration policies support our business strategy.

The success of the Group depends upon the performance and commitment of talented employees. Individual reward and incentives therefore relate directly to an individual employee's performance (including adherence to the Group's values), to the business unit in which they operate and also to the Group's overall performance. Target total compensation is benchmarked to the relevant market in which each individual is employed, while the potential total compensation is set at upper quartile or higher for excellent individual and business performance.

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain share plans including the Performance Share Plan where awards are only exercisable upon the achievement of tough performance criteria. There is also a Group-wide deferral framework, under which a portion of annual performance awards might be delivered in restricted shares over a three year period.

<sup>1</sup> The period end number of employees for 30 June 2009 has been restated to primarily reflect the inclusion of fixed-term contract workers as employees in line with the definition under the Companies Act 2006.

### B. Share awards

#### 2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2009.

A reconciliation of option movements over the period to 30 June 2010 is shown below:

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | No. of shares                   | Weighted average exercise price             |
| Outstanding at 1 January                        | 3,403,965                       | £7.29                                       |
| Lapsed                                          | –                               | –                                           |
| Exercised                                       | (1,383,783)                     | £7.42                                       |
| Outstanding at 30 June                          | 2,020,182                       | £7.20                                       |
| Exercisable at 30 June                          | 2,020,182                       | £7.20                                       |
|                                                 |                                 |                                             |
|                                                 | 2010                            |                                             |
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| £6.04/£9.10                                     | 7.20                            | 3.0 years                                   |

The weighted average share price at the time the options were exercised during the current period was £17.23.

## Standard Chartered PLC – Additional information continued

### 2001 Performance Share Plan (2001 PSP)

A reconciliation of option movements over the period to 30 June 2010 is shown below:

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 10,775,552    | –                               |
| Granted                  | 1,272,987     | –                               |
| Lapsed                   | (753,071)     | –                               |
| Exercised                | (1,649,308)   | –                               |
| Outstanding at 30 June   | 9,646,160     | –                               |
| Exercisable at 30 June   | 930,011       | –                               |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| n/a                                             | –                               | 8.3 years                                   |

The weighted average share price at the time the options were exercised during the current period was £17.45.

### 1997/2006 Restricted Share Scheme (1997/2006 RSS)

A reconciliation of option movements over the period to 30 June 2010 is shown below:

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 17,277,162    | –                               |
| Granted                  | 9,507,385     | –                               |
| Lapsed                   | (518,100)     | –                               |
| Exercised                | (1,737,271)   | –                               |
| Outstanding at 30 June   | 24,529,176    | –                               |
| Exercisable at 30 June   | 2,195,959     | –                               |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| n/a                                             | –                               | 5.9 years                                   |

The weighted average share price at the time the options were exercised during the current period was £17.46.

### 2007 Supplementary Restricted Share Scheme (2007 SRSS)

A reconciliation of option movements over the period to 30 June 2010 is shown below:

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 7,414,532     | –                               |
| Granted                  | 6,594,095     | –                               |
| Lapsed                   | (181,693)     | –                               |
| Exercised                | (623,528)     | –                               |
| Outstanding at 30 June   | 13,203,406    | –                               |
| Exercisable at 30 June   | 341,735       | –                               |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| n/a                                             | –                               | 6.1 years                                   |

The weighted average share price when the options were exercised was £17.64.

## Standard Chartered PLC – Additional information continued

### 1994/1996 UK and International Sharesave Scheme

A reconciliation of option movements over the period to 30 June 2010 is shown below.

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 35,920        | £5.61                           |
| Lapsed                   | (35,920)      | £5.61                           |
| Exercised                | –             | –                               |
| Outstanding at 30 June   | –             | –                               |
| Exercisable at 30 June   | –             | –                               |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| n/a                                             | –                               | –                                           |

### 2008 Irish Sharesave Scheme

The first awards under this scheme were made on 29 September 2008.

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 18,871        | £10.48                          |
| Granted                  | –             | –                               |
| Lapsed                   | –             | –                               |
| Exercised                | –             | –                               |
| Outstanding at 30 June   | 18,871        | £10.48                          |
| Exercisable at 30 June   | –             | –                               |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| £10.18/£11.46                                   | £10.48                          | 3.1 years                                   |

### 2004 UK and International Sharesave Schemes

A reconciliation of option movements over the current period to 30 June 2010 is shown below:

|                          | 2010          |                                 |
|--------------------------|---------------|---------------------------------|
|                          | No. of shares | Weighted average exercise price |
| Outstanding at 1 January | 17,466,437    | £10.28                          |
| Granted                  | –             | –                               |
| Lapsed                   | (1,935,561)   | £9.21                           |
| Exercised                | (1,006,185)   | £9.13                           |
| Outstanding at 30 June   | 14,524,691    | £10.50                          |
| Exercisable at 30 June   | 300,521       | £9.37                           |

|                                                 | 2010                            |                                             |
|-------------------------------------------------|---------------------------------|---------------------------------------------|
|                                                 | Weighted average exercise price | Weighted average remaining contractual life |
| Range of exercise price for options outstanding |                                 |                                             |
| £6.51/£11.46                                    | £10.50                          | 2.0 years                                   |

The weighted average share price at the time the options were exercised during the current period was £16.84 for the UK Sharesave scheme and £17.13 for the International Sharesave scheme.

## Standard Chartered PLC – Additional information continued

### 2004 Deferred Bonus Plan

A reconciliation of share movements over the current period to 30 June 2010 is shown below:

|                          | 2010<br>No. of shares |
|--------------------------|-----------------------|
| Outstanding at 1 January | 350,581               |
| Shares vested            | (356,776)             |
| Shares awarded           | 378,569               |
| Shares lapsed            | –                     |
| Outstanding at 30 June   | 372,374               |

Notes:

a) The market value of shares on the date of award (9 March 2010) was £17.19.

b) The shares vest one year after the date of award.

c) A notional scrip dividend accrues on the shares held in the Trust. The dividend is normally delivered in the form of shares and is released on vesting.

### Valuation of options

Details of the valuation models used in determining the fair values of options granted are detailed in the Group's 2009 Annual Report and Accounts.

### C. Directors' interests in ordinary shares

| Director             | At 1 January 2010 <sup>1</sup><br>Total interests | Personal interests | Family interests | At 30 June 2010 <sup>2</sup><br>Total interests |
|----------------------|---------------------------------------------------|--------------------|------------------|-------------------------------------------------|
| J W Peace            | 6,648                                             | 6,648              | –                | 6,648                                           |
| P A Sands            | 321,532                                           | 241,532            | –                | 241,532                                         |
| S P Bertamini        | 41,133                                            | 41,834             | –                | 41,834                                          |
| J S Bindra           | 130,279                                           | 130,279            | –                | 130,279                                         |
| R Delbridge          | –                                                 | 3,021              | –                | 3,021                                           |
| J F T Dundas         | 2,792                                             | 2,792              | –                | 2,792                                           |
| V F Gooding          | 2,804                                             | 2,804              | –                | 2,804                                           |
| Dr Han Seung-soo KBE | –                                                 | 2,000              | –                | 2,000                                           |
| S J Lowth            | –                                                 | 2,157              | –                | 2,157                                           |
| R H P Markham        | 3,462                                             | 3,521              | –                | 3,521                                           |
| R Markland           | 3,135                                             | 3,188              | –                | 3,188                                           |
| R H Meddings         | 183,611                                           | 120,000            | –                | 120,000                                         |
| J G H Paynter        | 5,000                                             | 5,000              | –                | 5,000                                           |
| A M G Rees           | 160,297                                           | 120,297            | –                | 120,297                                         |
| P D Skinner          | 8,565                                             | 10,198             | –                | 10,198                                          |
| O H J Stocken        | 15,820                                            | 15,925             | –                | 15,925                                          |
| G R Bullock          | 120,000                                           | 80,000             | –                | 80,000                                          |

<sup>1</sup> or at date of appointment to the Board, if later.

<sup>2</sup> or at date of resignation from the Board, if earlier.

The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.

Gareth Bullock resigned from the Board with effect from 1 May 2010.

No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.

No director had any corporate interests in the Company's ordinary shares.

## Standard Chartered PLC – Additional information continued

### 2004 Deferred Bonus Plan

| Director      | Shares held in trust at 1 January 2010 <sup>1</sup> | Shares awarded during the period <sup>(1)</sup> | Shares awarded in respect of notional dividend | Shares vested during the period <sup>(1)</sup> | Shares held in trust at 30 June 2010 <sup>2</sup> |
|---------------|-----------------------------------------------------|-------------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| P A Sands     | 70,532                                              | 63,675                                          | 656                                            | 71,188                                         | 63,675                                            |
| S P Bertamini | 170,081                                             | 27,858                                          | 1,583                                          | 171,664                                        | 27,858                                            |
| G R Bullock   | 28,283                                              | 12,187                                          | 263                                            | 28,546                                         | 12,187                                            |
| R H Meddings  | 35,923                                              | 43,777                                          | 334                                            | 36,257                                         | 43,777                                            |
| A M G Rees    | 47,814                                              | 218,885                                         | 445                                            | 48,259                                         | 218,885                                           |
| J S Bindra    | –                                                   | 12,187                                          | –                                              | –                                              | 12,187                                            |

<sup>1</sup> or at date of appointment to the Board, if later.

<sup>2</sup> or date of resignation from Board if earlier.

#### Notes

(1) Market value on the date of award (9 March 2010) was 1718.88 pence.

### Deferred Bonus Plan

Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of all or part of the executive directors' and certain senior executives' annual performance award. The shares are held in an employee benefit trust and automatically vest one year after the date of acquisition. No exercise is necessary. A notional scrip dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.

### Long term incentives – Share options

| Director      | Scheme    | Grant date        | As at 1 January 2010 <sup>1</sup> | Exercise price (pence) | Exercised             | Lapsed             | At 30 June 2010 <sup>2</sup> | Period of exercise |
|---------------|-----------|-------------------|-----------------------------------|------------------------|-----------------------|--------------------|------------------------------|--------------------|
| P A Sands     | Sharesave | 26 September 2007 | 1,543                             | 1088.03                | –                     | –                  | 1,543                        | 2012-2013          |
| S P Bertamini | Sharesave | 9 October 2009    | 1,356                             | 1146.00                | –                     | –                  | 1,356                        | 2014-2015          |
| J S Bindra    | Sharesave | 9 October 2009    | 1,356                             | 1146.00                | –                     | –                  | 1,356                        | 2014-2015          |
| G R Bullock   | Sharesave | 29 September 2008 | 943                               | 1017.12                | –                     | 943 <sup>(2)</sup> | –                            | 2011-2012          |
| A M G Rees    | ESOS      | 9 March 2005      | 61,768                            | 818.86                 | 61,768 <sup>(1)</sup> | –                  | –                            | –                  |

<sup>1</sup> or at date of appointment to the Board or date of grant, if later.

<sup>2</sup> or at date of resignation from the Board if earlier.

(1) Market value on the date of exercise (9 March 2010) was 1718.88 pence.

(2) Withdrawn from scheme on 1 March 2010 and options have lapsed

### 2000 Executive Share Option Scheme (2000 ESOS)

It is proposed that no further awards will be made under the 2000 ESOS. However, the scheme will be retained for use in exceptional circumstances or if there is a subsequent change in policy in response to future market trends. Under the 2000 ESOS, options to acquire the Company's ordinary shares are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

### All Employee Sharesave (Sharesave)

Sharesave comprises all employee share schemes in which staff across the Group, including the executive directors, are eligible to participate. The Group has operated UK and International Sharesave schemes since 1984 and 1996 respectively; the latter being specifically launched to allow all non UK based employees to participate. In 2008, the Company introduced an Irish Sharesave Scheme for employees.

Under Sharesave, employees are invited to open a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company at a price which is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under all the employee Sharesave schemes.

## Standard Chartered PLC – Additional information continued

### Long term incentives – Shares

| Director      | Scheme        | Grant date                   | As at<br>1 January 2010 <sup>1</sup> | Exercised              | Lapsed                | As at<br>30 June 2010 <sup>2</sup> | Period<br>of exercise |
|---------------|---------------|------------------------------|--------------------------------------|------------------------|-----------------------|------------------------------------|-----------------------|
| J W Peace     | RSS           | 28 September 2009            | 41,528                               | –                      | –                     | 41,528                             | 2011-2016             |
| P A Sands     | PSP           | 12 March 2007                | 162,389                              | 125,818 <sup>(3)</sup> | 36,571 <sup>(4)</sup> | –                                  | –                     |
|               | PSP           | 11 March 2008                | 184,774                              | –                      | –                     | 184,774                            | 2011-2018             |
|               | PSP           | 11 March 2009                | 356,481                              | –                      | –                     | 356,481                            | 2012-2019             |
|               | PSP           | 11 March 2010 <sup>(1)</sup> | 186,781                              | –                      | –                     | 186,781                            | 2013-2020             |
|               | Deferred RSS  | 11 March 2009                | 84,231                               | –                      | –                     | 84,231                             | 2011-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 59,443                               | –                      | –                     | 59,443                             | 2012-2019             |
| S P Bertamini | PSP           | 16 September 2008            | 59,337                               | –                      | –                     | 59,337                             | 2011-2018             |
|               | PSP           | 11 March 2009                | 159,033                              | –                      | –                     | 159,033                            | 2012-2019             |
|               | PSP           | 11 March 2010 <sup>(1)</sup> | 100,574                              | –                      | –                     | 100,574                            | 2013-2020             |
|               | Deferred RSS  | 11 March 2009                | 28,437                               | –                      | –                     | 28,437                             | 2011-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 26,006                               | –                      | –                     | 26,006                             | 2012-2017             |
| J S Bindra    | PSP           | 12 March 2007                | 55,113                               | 42,701 <sup>(3)</sup>  | 12,412 <sup>(4)</sup> | –                                  | –                     |
|               | PSP           | 11 March 2008                | 72,589                               | –                      | –                     | 72,589                             | 2011-2018             |
|               | PSP           | 11 March 2009                | 127,314                              | –                      | –                     | 127,314                            | 2012-2019             |
|               | PSP           | 11 March 2010 <sup>(1)</sup> | 86,206                               | –                      | –                     | 86,206                             | 2013-2020             |
|               | Deferred RSS  | 11 March 2009                | 30,621                               | –                      | –                     | 30,621                             | 2011-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 26,006                               | –                      | –                     | 26,006                             | 2012-2017             |
| G R Bullock   | PSP           | 12 March 2007                | 93,102                               | 72,135 <sup>(3)</sup>  | 20,967 <sup>(4)</sup> | –                                  | –                     |
|               | PSP           | 11 March 2008                | 108,665                              | –                      | –                     | 108,665                            | 2011-2018             |
|               | PSP           | 11 March 2009                | 146,604                              | –                      | –                     | 146,604                            | 2012-2019             |
|               | Deferred RSS  | 11 March 2009                | 31,292                               | –                      | –                     | 31,292                             | 2011-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 26,006                               | –                      | –                     | 26,006                             | 2012-2017             |
| R H Meddings  | PSP           | 12 March 2007                | 100,385                              | 77,778 <sup>(3)</sup>  | 22,607 <sup>(4)</sup> | –                                  | –                     |
|               | PSP           | 11 March 2008                | 125,646                              | –                      | –                     | 125,646                            | 2011-2018             |
|               | PSP           | 11 March 2009                | 220,370                              | –                      | –                     | 220,370                            | 2012-2019             |
|               | PSP           | 11 March 2010 <sup>(1)</sup> | 114,942                              | –                      | –                     | 114,942                            | 2013-2020             |
|               | Deferred RSS  | 11 March 2009                | 53,514                               | –                      | –                     | 53,514                             | 2011-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 40,867                               | –                      | –                     | 40,867                             | 2012-2017             |
| A M G Rees    | PSP           | 12 March 2007                | 55,113                               | 42,701 <sup>(3)</sup>  | 12,412 <sup>(4)</sup> | –                                  | –                     |
|               | PSP           | 11 March 2008                | 55,432                               | –                      | –                     | 55,432                             | 2011-2018             |
|               | PSP           | 11 March 2009                | 123,456                              | –                      | –                     | 123,456                            | 2012-2019             |
|               | PSP           | 11 March 2010 <sup>(1)</sup> | 137,931                              | –                      | –                     | 137,931                            | 2013-2020             |
|               | RSS           | 12 March 2007                | 27,557                               | 27,557 <sup>(2)</sup>  | –                     | –                                  | –                     |
|               | SRSS          | 11 March 2008                | 126,701                              | 63,350 <sup>(2)</sup>  | –                     | 63,351                             | 2011-2015             |
|               | Deferred RSS  | 11 March 2009                | 86,419                               | –                      | –                     | 86,419                             | 2011-2016             |
|               | Deferred SRSS | 11 March 2009                | 288,939                              | –                      | –                     | 288,939                            | 2010-2016             |
|               | Deferred RSS  | 11 March 2010 <sup>(1)</sup> | 68,965                               | –                      | –                     | 68,965                             | 2012-2017             |

<sup>1</sup> or at date of appointment to the Board or date of grant if later.

<sup>2</sup> or at date of resignation from the Board, if earlier.

### Notes

(1) Market value on the date of award (10 March 2010) was 1740 pence

(2) Market value on the date of exercise (12 March 2010) was 1737.43 pence

(3) Market value on the date of exercise (15 March 2010) was 1735.93 pence

(4) The performance conditions were partially met for those PSP awards granted in March 2007. Therefore the number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions.

## Standard Chartered PLC – Additional information continued

### 2001 Performance Share Plan (2001 PSP)

Under the 2001 PSP awards of nil price options to acquire shares are granted to the director and will normally be exercised between three and ten years after the date of grant.

Before any award can be exercised under the 2001 PSP, certain performance conditions need to be met. The performance conditions are set at the time of the award. 50 per cent of each award is subject to the satisfaction of a relative total shareholder return performance target. The remaining 50 per cent of the award is subject to the satisfaction of an EPS performance target.

### Restricted Share Scheme (RSS) / Supplementary Restricted Share Scheme (SRSS)

The RSS is used as a vehicle for deferring part of the annual performance awards for certain employees and as an incentive plan to motivate and retain high performing staff at any level of the organisation. Except where used for deferral purposes, executive directors are not generally eligible to participate in the RSS. Generally half of the award vests two years after the date of grant and the balance after three years. However, the deferred element of the 2009 annual performance award (granted in March 2010) will vest in three equal tranches over one, two and three years with the RSS used wherever possible for the portion of the award vesting after two and three years. There are no performance conditions attached to awards under the Restricted Share Scheme.

Further details of the share schemes mentioned above, can be found in the Company's 2009 Annual Report, which is available on the Company's website: <http://investors.standardchartered.com>

### D. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2010 was 1641 pence. The share price range during the first half of 2010 was 1403 pence to 1846 pence (based on the closing middle market prices).

### E. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the UK.

### F. Transactions with associates of Temasek

We refer to the announcement by the Company dated 25 March 2010 and the Notice of Annual General Meeting 2010 in relation to continuing connected transactions with Temasek and its associates. In particular, we refer to the waiver granted by the Hong Kong Stock Exchange from strict compliance with the reporting and annual review requirements of the Hong Kong Listing Rules in respect of Ongoing Banking Transactions with Temasek associates that the Company has not been able to identify. In the announcement and Notice of AGM, we explained that the Company will endeavour to identify Temasek associates utilising a number of sources. In light of certain changes to the Hong Kong Listing Rules which came into effect on 3 June 2010, we wish to inform shareholders that we will no longer be maintaining a list of Temasek associates.

One of the most significant recent changes to the Hong Kong Listing Rules from the Company's perspective was the introduction on 3 June 2010 of a new exemption from the connected transaction and continuing connected transaction requirements for "transactions with associates of a passive investor" (Rules 14A.31(10) and 14A.33(5)). We consider that Temasek meets the criteria for a passive investor under Rule 14A.31(10)(b). Therefore, any connected transactions or continuing connected transactions of a revenue nature in the ordinary and usual course of our business and on normal commercial terms with an associate of Temasek will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules. This exemption will be applicable to, among others, the types of Ongoing Banking Transactions described in the announcement and Notice of AGM.

Instead of maintaining a list of Temasek associates the Company will adopt a new internal procedure to identify connected transactions with Temasek associates. The starting point for each relevant business line will be to ascertain whether the transaction is of a revenue nature in the "ordinary and usual course of business" and on "normal commercial terms" (as those terms are defined in the Hong Kong Listing Rules). If the answer is yes, the new passive investor exemption will be applicable and there will be no need to report on, review, announce or seek independent shareholders' approval for the transaction in question. If the answer is no, then specific enquiries will be made to ascertain whether the counterparty is an associate of Temasek and, if so, whether the transaction is exempt under any of the other exemptions in the Hong Kong Listing Rules such as those for de minimis transactions.

If none of the exemptions under the Hong Kong Listing Rules or the waivers obtained from the Hong Kong Stock Exchange are applicable in relation to a transaction with an associate of Temasek, the Company will continue to comply with the applicable reporting, annual review, announcement and independent shareholders' approval requirements.

### G. Draft Code for Financial Reporting Disclosure

In October 2009, the British Bankers' Association published a draft Code for Financial Reporting Disclosure. The draft Code sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited. The Group and other major UK banks have voluntarily adopted the draft Code in their 2010 interim financial statements. The Group's Interim financial statements for the six months ended 30 June 2010 have therefore been prepared in compliance with the draft Code's principles.

## Standard Chartered PLC – Additional information continued

### H. Shareholder information

#### 2010 Interim dividend

|                          |                |
|--------------------------|----------------|
| Ex dividend date         | 11 August 2010 |
| Record date for dividend | 13 August 2010 |
| Dividend payment date    | 5 October 2010 |

#### 2010 Final dividend

(provisional only)

|                                |              |
|--------------------------------|--------------|
| Results and dividend announced | 2 March 2011 |
|--------------------------------|--------------|

#### Preference shares

#### Next half-yearly dividend

|                                                                                                 |                  |
|-------------------------------------------------------------------------------------------------|------------------|
| 7 <sup>3</sup> / <sub>8</sub> per cent Non-Cumulative Irredeemable preference shares of £1 each | 1 October 2010   |
| 8 <sup>1</sup> / <sub>4</sub> per cent Non-Cumulative Irredeemable preference shares of £1 each | 1 October 2010   |
| 6.409 per cent Non-Cumulative preference shares of \$5 each                                     | 30 July 2010     |
| 7.014 per cent Non-Cumulative preference shares of \$5 each                                     | 30 July 2010     |
| 8.125 per cent Non-Cumulative preference shares of \$5 each                                     | 27 November 2010 |

#### Previous dividend payments (not adjusted for rights issue)

| Dividend and financial year | Payment date    | Cash dividend per ordinary share | Cost of one new ordinary share under the share dividend scheme |
|-----------------------------|-----------------|----------------------------------|----------------------------------------------------------------|
| Interim 2000                | 13 October 2000 | 7.425p                           | 974.3p                                                         |
| Final 2000                  | 25 May 2001     | 17.71p                           | No offer                                                       |
| Interim 2001                | 12 October 2001 | 12.82c/8.6856p                   | No offer                                                       |
| Final 2001                  | 17 May 2002     | 29.10c/19.91p                    | £8.43/\$12.32                                                  |
| Interim 2002                | 15 October 2002 | 14.10c/9.023p                    | £6.537/\$10.215                                                |
| Final 2002                  | 13 May 2003     | 32.9c/20.692p/ HK\$2.566         | £6.884/\$10.946                                                |
| Interim 2003                | 10 October 2003 | 15.51c/9.3625p/HK\$1.205         | £8.597/\$14.242                                                |
| Final 2003                  | 14 May 2004     | 36.49c/20.5277p/HK\$2.8448       | £8.905/\$15.830                                                |
| Interim 2004                | 8 October 2004  | 17.06c/9.4851p/HK\$1.3303        | £9.546/\$17.16958                                              |
| Final 2004                  | 13 May 2005     | 40.44c/21.145p/HK\$3.15156       | £9.384/\$17.947                                                |
| Interim 2005                | 14 October 2005 | 18.94c/10.7437p/HK\$1.46911      | £11.878/\$21.3578                                              |
| Final 2005                  | 12 May 2006     | 45.06c/24.9055p/HK\$3.49343      | £14.276/\$24.77885                                             |
| Interim 2006                | 11 October 2006 | 20.83c/11.14409p/HK\$1.622699    | £13.2360/\$25.03589                                            |
| Final 2006                  | 11 May 2007     | 50.21c/25.17397p/HK\$3.926106    | £14.2140/\$27.42591                                            |
| Interim 2007                | 10 October 2007 | 23.12c/11.39043p/HK\$1.794713    | £15.2560/\$30.17637                                            |
| Final 2007                  | 16 May 2008     | 56.23c/28.33485p/HK\$4.380092    | £16.2420/\$32.78447                                            |
| Interim 2008                | 9 October 2008  | 25.67c/13.96133p/HK\$1.995046    | £14.00/\$26.0148                                               |
| Final 2008                  | 15 May 2009     | 42.32c/28.4693p/HK\$3.279597     | £8.342/\$11.7405                                               |
| Interim 2009                | 8 October 2009  | 21.23c/13.25177p/HK\$1.645304    | £13.876/\$22.799                                               |
| Final 2009                  | 13 May 2010     | 44.80c/29.54233p/HK\$3.478306    | £17.351/\$26.252                                               |

#### ShareCare

ShareCare is available to shareholders on the Company's United Kingdom register who have a United Kingdom address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at <http://investors.standardchartered.com/mypage.cfm> or contact the shareholder helpline on 0870 702 0138.

#### Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from [www.sharegift.org](http://www.sharegift.org). There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

#### Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) contact our registrar for a mandate form.

## Standard Chartered PLC – Additional information continued

### Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 7ZY. There is a shareholder helpline on 0870 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

### Chinese translation

If you would like a Chinese version of this Half year report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港皇后大道東183號合和中心17M樓

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 001, India.

If there is a dispute between any translation and the English version of this Half year report, the English text shall prevail.

### Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

## Standard Chartered PLC – Additional information continued

### I. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the condensed interim financial statements on pages 105 to 109 are presented in Indian Rupees (INR) using a US Dollar / Indian Rupee exchange rate of 46.60 as at 30 June 2010 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

#### Condensed consolidated interim income statement (Translated to INR)

For the six months ended 30 June 2010

|                                                                          | 6 months<br>ended<br>30.06.10<br>Rs.million | 6 months<br>ended<br>30.06.09<br>Rs.million | 6 months<br>ended<br>31.12.09<br>Rs.million |
|--------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Interest income                                                          | 301,129                                     | 302,434                                     | 299,918                                     |
| Interest expense                                                         | (107,506)                                   | (130,014)                                   | (117,106)                                   |
| <b>Net interest income</b>                                               | <b>193,623</b>                              | <b>172,420</b>                              | <b>182,812</b>                              |
| Fees and commission income                                               | 106,621                                     | 86,350                                      | 91,849                                      |
| Fees and commission expense                                              | (6,524)                                     | (7,829)                                     | (13,328)                                    |
| Net trading income                                                       | 62,957                                      | 81,084                                      | 53,590                                      |
| Other operating income                                                   | 12,582                                      | 38,911                                      | 21,716                                      |
| <b>Non-interest income</b>                                               | <b>175,635</b>                              | <b>198,516</b>                              | <b>153,827</b>                              |
| <b>Operating income</b>                                                  | <b>369,258</b>                              | <b>370,936</b>                              | <b>336,638</b>                              |
| Staff costs                                                              | (130,853)                                   | (121,999)                                   | (106,900)                                   |
| Premises costs                                                           | (17,755)                                    | (14,632)                                    | (17,894)                                    |
| General administrative expenses                                          | (41,194)                                    | (40,076)                                    | (44,829)                                    |
| Depreciation and amortisation                                            | (12,629)                                    | (10,951)                                    | (13,281)                                    |
| <b>Operating expenses</b>                                                | <b>(202,430)</b>                            | <b>(187,658)</b>                            | <b>(182,905)</b>                            |
| <b>Operating profit before impairment losses and taxation</b>            | <b>166,828</b>                              | <b>183,278</b>                              | <b>153,733</b>                              |
| Impairment losses on loans and advances and other credit risk provisions | (20,364)                                    | (50,701)                                    | (42,499)                                    |
| Other impairment                                                         | (2,330)                                     | (699)                                       | (4,054)                                     |
| Profit from associates                                                   | 1,072                                       | 373                                         | 606                                         |
| <b>Profit before taxation</b>                                            | <b>145,206</b>                              | <b>132,251</b>                              | <b>107,786</b>                              |
| Taxation                                                                 | (43,571)                                    | (39,470)                                    | (38,538)                                    |
| <b>Profit for the period</b>                                             | <b>101,635</b>                              | <b>92,781</b>                               | <b>69,248</b>                               |
| <b>Profit attributable to:</b>                                           |                                             |                                             |                                             |
| Non-controlling interests                                                | 1,538                                       | 2,703                                       | 1,817                                       |
| Parent company shareholders                                              | 100,097                                     | 90,078                                      | 67,430                                      |
| <b>Profit for the period</b>                                             | <b>101,635</b>                              | <b>92,781</b>                               | <b>69,248</b>                               |
| <b>Earnings per share:</b>                                               | <b>Rupees</b>                               | <b>Rupees</b>                               | <b>Rupees</b>                               |
| Basic earnings per ordinary share                                        | 48.2                                        | 46.0                                        | 32.6                                        |
| Diluted earnings per ordinary share                                      | 47.5                                        | 45.7                                        | 32.2                                        |
| <b>Dividends per ordinary share:</b>                                     |                                             |                                             |                                             |
| Interim dividend declared                                                | 10.88                                       | -                                           | -                                           |
| Interim dividend paid                                                    | -                                           | 9.89                                        | -                                           |
| Final dividend paid                                                      | -                                           | -                                           | 20.88                                       |
| <b>Total dividend:</b>                                                   | <b>Rs.million</b>                           | <b>Rs.million</b>                           | <b>Rs.million</b>                           |
| Total interim dividend payable                                           | 22,415                                      | -                                           | -                                           |
| Total interim dividend (paid 8 October 2009)                             | -                                           | 19,805                                      | -                                           |
| Total final dividend (paid 13 May 2010)                                  | -                                           | -                                           | 42,126                                      |

## Standard Chartered PLC – Additional information continued

### Condensed consolidated interim statement of comprehensive income (Translated to INR)

For the six months ended 30 June 2010

|                                                               | 6 months ended<br>30.06.10<br>Rs.million | 6 months ended<br>30.06.09<br>Rs.million | 6 months ended<br>31.12.09<br>Rs.million |
|---------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Profit for the period</b>                                  | <b>101,635</b>                           | <b>92,781</b>                            | <b>69,248</b>                            |
| <b>Other comprehensive income :</b>                           |                                          |                                          |                                          |
| Exchange differences on translation of foreign operations:    |                                          |                                          |                                          |
| Net (losses)/gains taken to equity                            | <b>(13,561)</b>                          | (1,771)                                  | 29,731                                   |
| Actuarial losses on retirement benefit obligations            | <b>(1,957)</b>                           | (5,918)                                  | (1,072)                                  |
| Share of other comprehensive income from associates           | <b>(140)</b>                             | -                                        | 885                                      |
| Available-for-sale investments:                               |                                          |                                          |                                          |
| Net valuation gains/(losses) taken to equity                  | <b>22,321</b>                            | (1,398)                                  | 22,601                                   |
| Reclassified to income                                        | <b>(3,402)</b>                           | (17,708)                                 | (9,320)                                  |
| Cash flow hedges:                                             |                                          |                                          |                                          |
| Net (losses)/gains taken to equity                            | <b>(1,678)</b>                           | 2,050                                    | (1,398)                                  |
| Reclassified to income                                        | <b>1,678</b>                             | 3,215                                    | 1,724                                    |
| Taxation relating to components of other comprehensive income | <b>(4,380)</b>                           | 4,893                                    | (2,004)                                  |
| Other comprehensive income for the period, net of taxation    | <b>(1,118)</b>                           | (16,636)                                 | 41,148                                   |
| <b>Total comprehensive income for the period</b>              | <b>100,516</b>                           | <b>76,144</b>                            | <b>110,395</b>                           |
| <b>Total comprehensive income attributable to:</b>            |                                          |                                          |                                          |
| Non-controlling interests                                     | <b>2,237</b>                             | 3,029                                    | 2,144                                    |
| Parent company shareholders                                   | <b>98,279</b>                            | 73,115                                   | 108,252                                  |
|                                                               | <b>100,516</b>                           | <b>76,144</b>                            | <b>110,395</b>                           |

## Standard Chartered PLC – Additional information continued

### Condensed consolidated interim balance sheet (Translated to INR)

As at 30 June 2010

|                                                                 | 30.06.10<br>Rs.million | 30.06.09<br>Rs.million | 31.12.09<br>Rs.million |
|-----------------------------------------------------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                                                   |                        |                        |                        |
| Cash and balances at central banks                              | 1,383,740              | 565,771                | 844,905                |
| Financial assets held at fair value through profit or loss      | 1,131,774              | 766,570                | 1,045,984              |
| Derivative financial instruments                                | 2,076,263              | 2,135,352              | 1,779,794              |
| Loans and advances to banks                                     | 2,301,574              | 2,114,056              | 2,371,241              |
| Loans and advances to customers                                 | 10,019,233             | 8,516,057              | 9,240,407              |
| Investment securities                                           | 3,578,274              | 3,383,906              | 3,528,925              |
| Other assets                                                    | 1,154,329              | 915,830                | 801,567                |
| Current tax assets                                              | 7,409                  | 30,243                 | 9,460                  |
| Prepayments and accrued income                                  | 189,755                | 199,168                | 151,031                |
| Interests in associates                                         | 28,892                 | 22,694                 | 23,952                 |
| Goodwill and intangible assets                                  | 303,506                | 298,426                | 308,492                |
| Property, plant and equipment                                   | 185,049                | 183,324                | 191,200                |
| Deferred tax assets                                             | 46,740                 | 31,455                 | 51,074                 |
| <b>Total assets</b>                                             | <b>22,406,538</b>      | <b>19,162,852</b>      | <b>20,348,030</b>      |
| <b>Liabilities</b>                                              |                        |                        |                        |
| Deposits by banks                                               | 1,486,680              | 1,567,344              | 1,792,283              |
| Customer accounts                                               | 13,005,547             | 10,724,850             | 11,707,970             |
| Financial liabilities held at fair value through profit or loss | 856,508                | 789,730                | 675,933                |
| Derivative financial instruments                                | 2,023,605              | 2,008,879              | 1,704,814              |
| Debt securities in issue                                        | 1,554,762              | 972,076                | 1,364,075              |
| Other liabilities                                               | 1,105,166              | 959,867                | 752,077                |
| Current tax liabilities                                         | 41,800                 | 27,587                 | 37,373                 |
| Accruals and deferred income                                    | 166,455                | 162,774                | 191,666                |
| Subordinated liabilities and other borrowed funds               | 724,863                | 788,565                | 779,618                |
| Deferred tax liabilities                                        | 8,341                  | 8,202                  | 8,994                  |
| Provisions for liabilities and charges                          | 10,438                 | 14,446                 | 8,574                  |
| Retirement benefit obligations                                  | 21,902                 | 25,257                 | 23,580                 |
| <b>Total liabilities</b>                                        | <b>21,006,068</b>      | <b>18,049,578</b>      | <b>19,046,958</b>      |
| <b>Equity</b>                                                   |                        |                        |                        |
| Share capital                                                   | 48,324                 | 45,062                 | 47,206                 |
| Reserves                                                        | 1,324,419              | 1,041,976              | 1,226,838              |
| <b>Total parent company shareholders' equity</b>                | <b>1,372,743</b>       | <b>1,087,038</b>       | <b>1,274,044</b>       |
| Non-controlling interests                                       | 27,727                 | 26,236                 | 27,028                 |
| <b>Total equity</b>                                             | <b>1,400,470</b>       | <b>1,113,274</b>       | <b>1,301,072</b>       |
| <b>Total equity and liabilities</b>                             | <b>22,406,538</b>      | <b>19,162,852</b>      | <b>20,348,030</b>      |

## Standard Chartered PLC – Additional information continued

### Condensed consolidated interim statement of changes in equity (Translated to INR)

For the six months ended 30 June 2010

|                                       | Share capital | Share premium account | Capital and Capital redemption reserve <sup>1</sup> | Merger reserve | Available-for-sale reserve | Cash flow hedge reserve | Translation reserve | Retained earnings    | Parent company shareholders equity | Non-controlling interests | Total            |
|---------------------------------------|---------------|-----------------------|-----------------------------------------------------|----------------|----------------------------|-------------------------|---------------------|----------------------|------------------------------------|---------------------------|------------------|
|                                       | Rs.million    | Rs.million            | Rs.million                                          | Rs.million     | Rs.million                 | Rs.million              | Rs.million          | Rs.million           | Rs.million                         | Rs.million                | Rs.million       |
| At 1 January 2009                     | 44,177        | 221,024               | 839                                                 | 261,752        | (233)                      | (3,868)                 | (83,134)            | 591,168              | 1,031,724                          | 25,863                    | 1,057,587        |
| Profit for the period                 | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 90,078               | 90,078                             | 2,703                     | 92,781           |
| Other comprehensive income            | -             | -                     | -                                                   | -              | (14,726)                   | 3,635                   | (1,771)             | (4,101) <sup>2</sup> | (16,962)                           | 326                       | (16,636)         |
| Distributions                         | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | (2,516)                   | (2,516)          |
| Shares issued, net of expenses        | 140           | 1,817                 | -                                                   | -              | -                          | -                       | -                   | -                    | 1,957                              | -                         | 1,957            |
| Net own shares adjustment             | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (3,215)              | (3,215)                            | -                         | (3,215)          |
| Share option expense, net of taxation | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 5,452                | 5,452                              | -                         | 5,452            |
| Capitalised on scrip dividend         | 746           | (746)                 | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | -                         | -                |
| Dividends, net of scrip               | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (21,995)             | (21,995)                           | -                         | (21,995)         |
| Other decreases                       | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | (140)                     | (140)            |
| At 30 June 2009                       | 45,062        | 222,096               | 839                                                 | 261,752        | (14,959)                   | (233)                   | (84,905)            | 657,386              | 1,087,038                          | 26,236                    | 1,113,274        |
| Profit for the period                 | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 67,430               | 67,430                             | 1,817                     | 69,248           |
| Other comprehensive income            | -             | -                     | -                                                   | -              | 10,625                     | 932                     | 29,684              | (419) <sup>2</sup>   | 40,822                             | 326                       | 41,148           |
| Distributions                         | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | (1,538)                   | (1,538)          |
| Shares issued, net of expenses        | 1,911         | 3,122                 | -                                                   | 77,682         | -                          | -                       | -                   | -                    | 82,715                             | -                         | 82,715           |
| Net own shares adjustment             | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (559)                | (559)                              | -                         | (559)            |
| Share option expense, net of taxation | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 9,040                | 9,040                              | -                         | 9,040            |
| Capitalised on scrip dividend         | 233           | (233)                 | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | -                         | -                |
| Dividends, net of scrip               | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (12,442)             | (12,442)                           | -                         | (12,442)         |
| Other increases                       | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | 186                       | 186              |
| At 31 December 2009                   | <b>47,206</b> | <b>224,985</b>        | <b>839</b>                                          | <b>339,434</b> | <b>(4,334)</b>             | <b>699</b>              | <b>(55,221)</b>     | <b>720,436</b>       | <b>1,274,044</b>                   | <b>27,028</b>             | <b>1,301,072</b> |
| Profit for the period                 | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 100,097              | 100,097                            | 1,538                     | 101,635          |
| Other comprehensive income            | -             | -                     | -                                                   | -              | 13,374                     | (47)                    | (13,421)            | (1,724) <sup>2</sup> | (1,817)                            | 699                       | (1,118)          |
| Distributions                         | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | (1,491)                   | (1,491)          |
| Shares issued, net of expenses        | <b>699</b>    | <b>24,185</b>         | -                                                   | -              | -                          | -                       | -                   | -                    | <b>24,884</b>                      | -                         | <b>24,884</b>    |
| Net own shares adjustment             | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (7,596)              | (7,596)                            | -                         | (7,596)          |
| Share option expense, net of taxation | -             | -                     | -                                                   | -              | -                          | -                       | -                   | 5,359                | 5,359                              | -                         | 5,359            |
| Capitalised on scrip dividend         | <b>419</b>    | <b>(419)</b>          | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | -                         | -                |
| Dividends, net of scrip               | -             | -                     | -                                                   | -              | -                          | -                       | -                   | (22,228)             | (22,228)                           | -                         | (22,228)         |
| Other decreases                       | -             | -                     | -                                                   | -              | -                          | -                       | -                   | -                    | -                                  | (47)                      | (47)             |
| At 30 June 2010                       | <b>48,324</b> | <b>248,751</b>        | <b>839</b>                                          | <b>339,434</b> | <b>9,040</b>               | <b>652</b>              | <b>(68,642)</b>     | <b>794,344</b>       | <b>1,372,743</b>                   | <b>27,727</b>             | <b>1,400,470</b> |

<sup>1</sup> Includes capital reserve of Rs. 233 million and capital redemption reserve of Rs. 606 million at 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010.

<sup>2</sup> For the period ended 30 June 2010, comprises actuarial losses, net of taxation and non-controlling interests of Rs. (1,584) million (30 June 2009: Rs. (4,101) million and 31 December 2009: Rs. (1,305) million) and share of comprehensive income from associates of Rs. (140) million (30 June 2009: Rs. nil million and 31 December 2009: Rs. 885 million).

## Standard Chartered PLC – Additional information continued

### Condensed consolidated interim cash flow statement (Translated to INR)

For the six months ended 30 June 2010

|                                                                                       | 6 months ended<br>30.06.10<br>Rs.million | 6 months ended<br>30.06.09 <sup>1</sup><br>Rs.million | 6 months ended<br>31.12.09 <sup>1</sup><br>Rs.million |
|---------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| <b>Cash flows from operating activities</b>                                           |                                          |                                                       |                                                       |
| Profit before taxation                                                                | 145,206                                  | 132,251                                               | 107,786                                               |
| Adjustments for:                                                                      |                                          |                                                       |                                                       |
| Non-cash items included within income statement                                       | 38,212                                   | 18,873                                                | 45,668                                                |
| Change in operating assets                                                            | (2,701,821)                              | 508,919                                               | (370,889)                                             |
| Change in operating liabilities                                                       | 2,148,959                                | (1,145,336)                                           | 646,342                                               |
| Contributions to defined benefit schemes                                              | (3,495)                                  | (979)                                                 | (4,800)                                               |
| UK and overseas taxes paid, net of refund                                             | (37,187)                                 | (26,422)                                              | (29,964)                                              |
| <b>Net cash (used in)/from operating activities</b>                                   | <b>(410,126)</b>                         | <b>(512,694)</b>                                      | <b>394,143</b>                                        |
| <b>Net cash flows from investing activities</b>                                       |                                          |                                                       |                                                       |
| Purchase of property, plant and equipment                                             | (7,409)                                  | (3,961)                                               | (8,202)                                               |
| Disposal of property, plant and equipment                                             | 5,639                                    | 2,423                                                 | 7,736                                                 |
| Acquisition of investment in subsidiaries and associates, net of cash acquired        | (10,625)                                 | (2,097)                                               | (1,072)                                               |
| Purchase of investment securities                                                     | (2,637,047)                              | (2,726,147)                                           | (3,319,691)                                           |
| Disposal and maturity of investment securities                                        | 2,576,747                                | 2,625,025                                             | 3,278,170                                             |
| Dividends received from investment in associates                                      | 419                                      | 466                                                   | 47                                                    |
| <b>Net cash used in investing activities</b>                                          | <b>(72,277)</b>                          | <b>(104,291)</b>                                      | <b>(43,012)</b>                                       |
| <b>Net cash flows from financing activities</b>                                       |                                          |                                                       |                                                       |
| Issue of ordinary and preference share capital, net of expenses                       | 24,884                                   | 1,957                                                 | 82,715                                                |
| Purchase of own shares                                                                | (8,295)                                  | (3,821)                                               | (979)                                                 |
| Exercise of share options through ESOP                                                | 699                                      | 606                                                   | 419                                                   |
| Interest paid on subordinated liabilities                                             | (26,143)                                 | (26,469)                                              | (14,166)                                              |
| Gross proceeds from issue of subordinated liabilities                                 | 34,950                                   | 81,177                                                | 14,959                                                |
| Repayment of subordinated liabilities                                                 | (71,484)                                 | (81,876)                                              | (31,828)                                              |
| Dividends paid to non-controlling interests and preference shareholders, net of scrip | (3,821)                                  | (4,846)                                               | (3,914)                                               |
| Dividends paid to ordinary shareholders, net of scrip                                 | (19,898)                                 | (19,665)                                              | (10,066)                                              |
| <b>Net cash (used in)/from financing activities</b>                                   | <b>(69,108)</b>                          | <b>(52,937)</b>                                       | <b>37,140</b>                                         |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                           | <b>(551,511)</b>                         | <b>(669,922)</b>                                      | <b>388,271</b>                                        |
| Cash and cash equivalents at beginning of the period                                  | 3,172,202                                | 3,434,373                                             | 2,759,186                                             |
| Effect of exchange rate movements on cash and cash equivalents                        | (3,262)                                  | (5,266)                                               | 24,745                                                |
| <b>Cash and cash equivalents at end of the period</b>                                 | <b>2,617,429</b>                         | <b>2,759,186</b>                                      | <b>3,172,202</b>                                      |

<sup>1</sup> Amounts have been restated

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS

The condensed consolidated interim financial statements of the Group for the period ended 30 June 2010 with comparatives as at 31 December 2009 and 30 June 2009 are prepared in accordance with the Disclosure and Transparency Ruling, the UK Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the period ended 30 June 2010, 31 December 2009 and 30 June 2009 and total parent company shareholders' equity as at the same date. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years and periods ended on or prior to 30 June 2010. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. Finally, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transactions or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

#### **Changes in accounting policy**

##### **IFRS**

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

##### **Indian GAAP**

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact needs to be disclosed.

#### **Functional and presentation currency**

##### **IFRS**

Assets and liabilities are translated at the exchange rate at the balance sheet date when the financial statements are presented in a currency other than the functional currency. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

##### **Indian GAAP**

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

#### **Consolidation**

##### **IFRS**

Entities are consolidated when the Group has the power to govern the financial and operating policies so as to obtain benefits. Control is presumed to exist when the Group owns more than one half of an entity's voting power. Currently exercisable voting rights should also be taken into consideration when determining whether control exists.

##### **Indian GAAP**

Similar to IFRS, except that currently exercisable voting rights are not considered in determining control.

#### **Consolidation of Special Purpose Vehicles**

##### **IFRS**

Under the IASB's Standards Interpretations Committee (SIC) Interpretation 12 (SIC-12), an SPE should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that entity. The definition of an SPE includes employee share trusts.

##### **Indian GAAP**

No specific guidance. SPEs including employee share trusts are not consolidated.

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS continued

#### Business combinations

##### IFRS

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, IFRS 3 'Business Combinations' (IFRS 3) requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill.

After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.

Where less than 100 per cent of an entity is acquired, the non-controlling interest is stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

##### Indian GAAP

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business.

For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition.

Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.

Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

#### Goodwill

##### IFRS

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of FRS 10 'Goodwill and intangible assets' in 1998, has not been reinstated nor will it be written back on disposal.

Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003.

Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

##### Indian GAAP

Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified.

For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance – in practice there is either no amortisation or amortisation not exceeding 10 years.

Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

#### Acquired and internally generated intangible assets

##### IFRS

Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

##### Indian GAAP

Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS continued

#### Property, plant and equipment

##### **IFRS**

Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their 'deemed cost' under IFRS. They will not be revalued in the future.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset.

Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end.

The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

##### **Indian GAAP**

Fixed assets are recorded at historical costs or revalued amounts.

Relevant borrowing costs are capitalised if certain criteria are met.

Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

#### Recognition and measurement of financial instruments

##### **IFRS**

IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually to be the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss; or
- available for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity, and recycled to the income statement when the asset is sold or is impaired; or
- held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity; or
- as loans and receivables at amortised cost.

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss; or
- at amortised cost.

A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis, or
- assets or liabilities include embedded derivatives and such derivatives are not recognised separately.

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category.

Changes in the fair value of available for sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available for sale equity securities is recognised in reserves.

##### **Indian GAAP**

Investments are categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss;
- Long term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity.

For investments, Reserve Banking India regulations require similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS.

Financial liabilities are usually carried at cost.

There is no ability to designate instruments at fair value.

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS continued

#### Measurement of derivative instruments and hedging activities

##### **IFRS**

IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

##### **Indian GAAP**

Only certain derivatives are recognised on the balance sheet. Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. Otherwise, the premium or discount is amortised over the life of the contract and the exchange difference is recognised in income when the exchange rate changes.

Equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since Accounting Standard 30 is not mandatory.

#### Impairment of financial assets

##### **IFRS**

At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, any only if, there is objective evidence of impairment.

##### *Assets held at amortised cost*

If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.

The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

##### *Available-for-sale assets*

If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

##### **Indian GAAP**

Long-term investments are written down when there is a decline in fair value which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist.

#### Derecognition of financial assets

##### **IFRS**

A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

##### **Indian GAAP**

There is limited guidance on derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

#### Liabilities and equity

##### **IFRS**

A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled.

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

##### **Indian GAAP**

Classification is based on the legal form rather than substance.

All preference shares are disclosed separately as share capital under shareholders' funds.

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS continued

#### Provisions for liabilities and charges

##### **IFRS**

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

##### **Indian GAAP**

Provisions are recognised and measured on a similar basis to IFRS, except that discounting is not permitted.

#### Pension obligations

##### **IFRS**

IAS 19 'Employee Benefits' (IAS 19) requires defined benefit pension liabilities to be assessed on the basis of current actuarial valuations performed on each plan, and pension assets to be measured at fair value. The net pension surplus or deficit, representing the difference between plan assets and liabilities, is recognised on the balance sheet.

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post employment benefit obligations.

Under the transitional provisions of IFRS 1 'First time adoption of International Financial Reporting Standards' (IFRS 1) and in accordance with IAS 19, the Group has elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the 'Consolidated statement of comprehensive income'.

##### **Indian GAAP**

The liability for defined benefit plans is determined on a similar basis to IFRS.

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds.

Actuarial gains or losses are recognised immediately in the statement of income.

#### Share based compensation

##### **IFRS**

IFRS 2 'Share based payment' requires that all share-based payments are accounted for using a fair value method.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

##### **Indian GAAP**

Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

#### Deferred Taxation

##### **IFRS**

Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

##### **Indian GAAP**

Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

Deferred tax assets recognised only if virtually certain with entities with tax losses carried forward or if reasonably certain with entities with no tax losses.

## Standard Chartered PLC – Additional information continued

### J. Summary of significant differences between Indian GAAP and IFRS continued

#### Interest income and expense

##### **IFRS**

Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### **Indian GAAP**

In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

#### Dividends

##### **IFRS**

Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

##### **Indian GAAP**

Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

## Standard Chartered PLC – Glossary

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Advances to deposit ratio</b>                    | 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.                                                                                                                                                                                                                        |
| <b>Asset Backed Securities (ABS)</b>                | Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Obligation (CDOs), the reference pool may be ABS.                                                                                                                                                                          |
| <b>Alt-A</b>                                        | Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Attributable profit to ordinary shareholders</b> | Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Collateralised Debt Obligations (CDOs)</b>       | Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.                                                                                                                                                                                                                                                                                            |
| <b>Collateralised Loan Obligation (CLO)</b>         | A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).                                                                                                                                                                                                                                                                                                                                                           |
| <b>Commercial Mortgage Backed Securities (CMBS)</b> | Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).                                                                                                                                                                                                                                                                                                       |
| <b>Commercial real estate</b>                       | Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.                                                                                                                                                                                               |
| <b>Contractual maturities</b>                       | Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.                                                                                                                                                                                                                                                                                                  |
| <b>Cost income ratio</b>                            | Represents the proportion of total operating expense to total operating income.                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Cover ratio</b>                                  | Represents the extent to which non-performing loans are covered by impairment allowances.                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Commercial Paper (CP)</b>                        | An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.                                                                                                                                                                                                                                                                                                                                                          |
| <b>Core Tier 1 Capital</b>                          | Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's FSA (Financial Services Authority).                                                                                                                                                                   |
| <b>Core Tier 1 Capital ratio</b>                    | Core Tier 1 capital as a percentage of risk weighted assets.                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Credit Default Swaps (CDSs)</b>                  | A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency. |
| <b>Credit risk spread</b>                           | The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.                                                                                                                                                                     |
| <b>Customer deposits</b>                            | Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.                                                                                                                                                                                                                                                                                                                      |
| <b>Debt restructuring</b>                           | This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.                                                                                                                                                                                                                    |
| <b>Debt securities</b>                              | Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.                                                                                                                                                                                                                                                                                               |
| <b>Debt securities in issue</b>                     | Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.                                                                                                                                                                                                                                                                                                       |
| <b>Delinquency</b>                                  | A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans are considered to be delinquent when consecutive payments are missed.                                                                                                                                                                                                                                                                                                             |
| <b>Dividend per share</b>                           | Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.                                                                                                                                                                                                                                                                                                                                  |
| <b>Exposures</b>                                    | Credit exposures represent the amount lent to a customer, together with an undrawn commitments                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>First/Second Lien</b>                            | First lien: debt that places its holder first in line to collect compensation from the sale of the underlying collateral in the event of a default on the loan.<br>Second lien: debt that is issued against the same collateral as higher lien debt but that is subordinate to it. In the case of default, compensation for this debt will only be received after the first lien has been repaid and thus represents a riskier investment than the first lien.                                        |

## Standard Chartered PLC – Glossary continued

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Funded/unfunded exposures</b>             | Exposures where the notional amount of the transaction is funded. Represents exposures where there is a commitment to provide future funding is made but funds are not released.                                                                                                                                                                                                                                                 |
| <b>Guaranteed mortgages</b>                  | Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.                                                                                                                                                                                                                                                                                    |
| <b>Home Loan</b>                             | A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.                                                                                                       |
| <b>Impaired loans</b>                        | Loans where individual identified impairment allowance has been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.                                                                                                                          |
| <b>Impairment allowances</b>                 | Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual or collective.                                                                                                                                                                                      |
| <b>Individually/collectively assessed</b>    | Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. Typically assets within the Wholesale Banking business of the Group are assessed individually whereas assets within the Consumer Banking business are assessed on a portfolio basis.                                |
| <b>Internal Ratings Based (IRB) approach</b> | The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.                                                                                                                                                                                                                                     |
| <b>Leveraged finance</b>                     | Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA) typically arising from private equity sponsor led acquisitions of the businesses concerned.                                                                                                                                                                                     |
| <b>Liquidity and credit enhancements</b>     | Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing commercial paper. |
| <b>Loans and advances</b>                    | This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a Home loan.                                                                                                                                                                                                              |
| <b>Loan-to-value ratio</b>                   | The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.                                                                                                  |
| <b>Loans past due</b>                        | Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.                                                                                                                                                                                                                                                                                                   |
| <b>Mezzanine capital</b>                     | Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.                                                                                                                                                                                                                                                                                          |
| <b>Mortgage Backed Securities (MBS)</b>      | Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).                                                                                                                                                                                                                                            |
| <b>Mortgage related assets</b>               | Assets which are referenced to underlying mortgages.                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Medium term notes (MTNs)</b>              | Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.                                                                                                                                                                                                                                                           |
| <b>Net asset value per share</b>             | Ratio of net assets (total assets less total liabilities) to number of ordinary shares outstanding.                                                                                                                                                                                                                                                                                                                              |
| <b>Net interest income</b>                   | The difference between interest received on assets and interest paid on liabilities. Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short term interest rate movements on equity and customer balances that do not re-price with market rates.                                                                                                      |
| <b>Net interest margin</b>                   | The margin is expressed as net interest income divided by average interest earning assets.                                                                                                                                                                                                                                                                                                                                       |
| <b>Net interest yield</b>                    | Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.                                                                                                                                                                                                                                                                                                |
| <b>Net principal exposure</b>                | Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.                                                                                                                                                                                                                   |
| <b>Normalised earnings</b>                   | Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period                                                                                           |
| <b>Prime</b>                                 | Prime mortgages have a higher credit quality and would be expected to satisfy the criteria for inclusion into Government programs                                                                                                                                                                                                                                                                                                |
| <b>Private equity investments</b>            | Equity securities in operating companies <i>generally</i> not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.     |

## Standard Chartered PLC – Glossary continued

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Profit attributable to ordinary shareholders</b>  | Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Renegotiated loans</b>                            | Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.                |
| <b>Repo/Reverse repo</b>                             | A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.                                                                                                                                                                                                          |
| <b>Retail Loans</b>                                  | Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Return on equity</b>                              | Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity over the period under review.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Risk weighted assets</b>                          | A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Residential Mortgage Backed Securities (RMBS)</b> | Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Securitisation</b>                                | Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to an SPE (special purpose entity) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.                                                                                                                                                                                                                                                                                                   |
| <b>Special purpose entities (SPEs)</b>               | <p>SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.</p> <p>Transactions with SPEs take a number of forms, including:</p> <ul style="list-style-type: none"> <li>– The provision of financing to fund asset purchases, or commitments to provide finance for future purchases.</li> <li>– Derivative transactions to provide investors in the SPE with a specified exposure.</li> <li>– The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties.</li> <li>– Direct investment in the notes issued by SPEs.</li> </ul> |
| <b>Structured finance /notes</b>                     | A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Student loan related assets</b>                   | Assets which are referenced to underlying student loans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Subordinated liabilities</b>                      | Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Sub-Prime</b>                                     | Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.                                                                                                                                                                                                                                                                                                                                    |
| <b>Tier 1 capital</b>                                | Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Tier 1 capital ratio</b>                          | Tier 1 capital as a percentage of risk weighted assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Tier 2 capital</b>                                | Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>VaR</b>                                           | Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Write Downs</b>                                   | The depreciation or lowering of the value of an asset in the books to reflect a decline in their value, or expected cash flows                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

# Standard Chartered PLC – Financial calendar

## Financial Calendar

|                                                           |                  |
|-----------------------------------------------------------|------------------|
| Ex-dividend date                                          | 11 August 2010   |
| Record date                                               | 13 August 2010   |
| Expected posting to shareholders of 2010 Half Year Report | 1 September 2010 |
| Payment date – interim dividend on ordinary shares        | 5 October 2010   |

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*The following information will be available on our website:*

*Interim results video with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director*

*Interim results presentation in pdf format*

*A live webcast of the interim results analyst presentation*

*The archived podcast, webcast and Q/A session of analyst presentation in London*

*Images of Standard Chartered are available for the media at [http://www.standardchartered.com/global/mc/plib/directors\\_p01.html](http://www.standardchartered.com/global/mc/plib/directors_p01.html)*

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## 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.

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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.

## Disclaimer

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