

Leading the way

in Asia, Africa and the Middle East



Standard Chartered PLC – Financial highlights

For the six months ended 30 June 2012

Reported results

Profit before taxation

\$3,948m

H1 2011: \$3,636m / H2 2011: \$3,139m

Profit attributable to ordinary shareholders¹

\$2,806m

H1 2011: \$2,516m / H2 2011: \$2,232m

Operating income

\$9,511m

H1 2011: \$8,764m / H2 2011: \$8,873m

Loans and advances to customers

\$279bn

H1 2011: \$268bn / H2 2011: \$269bn

Customer deposits

\$360bn

H1 2011: \$343bn / H2 2011: \$352bn

Performance metrics²

Normalised earnings per share

116.6 cents

H1 2011: 105.2 cents / H2 2011: 92.8 cents

Interim dividend per share

27.23 cents

H1 2011: 24.75 cents / H2 2011: 51.25 cents

Normalised return on ordinary shareholders' equity

13.8%

H1 2011: 13.0% / H2 2011: 11.3%

Capital and liquidity metrics

Tangible net asset value per share

1,413.7 cents

H1 2011: 1,354.6 cents / H2 2011: 1,355.6 cents

Total capital ratio

16.9%

H1 2011: 17.9% / H2 2011: 17.6%

Core Tier 1 capital ratio

11.6%

H1 2011: 11.9% / H2 2011: 11.8%

Advances-to-deposits ratio

77.6%

H1 2011: 78.1% / H2 2011: 76.4%

Significant highlights

- Record first half profit for the tenth successive year with consistent strategy delivering consistent performance
- Strong broad-based and diverse performance spread across products and geographies
- A highly liquid and a well diversified balance sheet with continued momentum and limited exposure to problem asset classes
- The Group continues to be well capitalised to meet evolving regulatory requirements whilst leveraging the growth opportunities in our markets
- Overall strength of the franchise and balance sheet acknowledged by virtue of being the only major international bank to be upgraded by all three ratings agencies since the onset of the financial crisis

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 10 on page 71).

² Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items set out in note 11 on page 71.

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

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

Standard Chartered PLC

For the six months ended 30 June 2012

Summary of results

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Results			
Operating income	9,511	8,764	8,873
Impairment losses on loans and advances and other credit risk provisions	(583)	(412)	(496)
Other impairment	(74)	(72)	(39)
Profit before taxation	3,948	3,636	3,139
Profit attributable to parent company shareholders	2,856	2,566	2,283
Profit attributable to ordinary shareholders ¹	2,806	2,516	2,232
Balance sheet			
Total assets	624,431	567,706	599,070
Total equity	42,934	41,561	41,375
Total capital base	48,311	47,034	47,507
Information per ordinary share			
	Cents	Cents	Cents
Earnings per share – normalised ²	116.6	105.2	92.8
– basic	117.6	107.0	93.9
Dividend per share ³	27.23	24.75	51.25
Net asset value per share	1,709.7	1,667.2	1,653.2
Tangible net asset value per share	1,413.7	1,354.6	1,355.6
Ratios			
Return on ordinary shareholders' equity – normalised basis ²	13.8%	13.0%	11.3%
Cost to income ratio – normalised basis ²	52.3%	54.0%	59.0%
Capital ratios			
Core Tier 1 capital	11.6%	11.9%	11.8%
Tier 1 capital	13.4%	13.9%	13.7%
Total capital	16.9%	17.9%	17.6%

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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 10 on page 71).

² Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 11 on page 71.

³ Represents the interim dividend per share declared for the six months ended 30 June 2012 and 30 June 2011 and the recommended final dividend per share for the six months ended 31 December 2011 (subsequently declared at the Annual General Meeting on 9 May 2012 and recognised in these financial statements).



Profit before taxation

+9%

\$3.95 billion

Interim dividend

27.23 cents

+10%

“Standard Chartered has performed strongly during the first six months of 2012. Set against a macroeconomic environment that is increasingly challenged, we have continued to deliver consistent good returns to our shareholders.”

Standard Chartered has performed strongly during the first six months of 2012:

- Profit before taxation was up 9 per cent to \$3.95 billion.
- Income increased 9 per cent to \$9.51 billion.
- Normalised earnings per share were up 11 per cent to 116.6 cents.

The Board has declared an interim dividend of 27.23 cents per share, up 10 per cent.

This is another excellent set of results, our tenth consecutive first half of record profits. Set against a macroeconomic environment that is increasingly challenged, we have continued to deliver consistent good returns to our shareholders.

Once again, it seems that the world is becoming more uncertain by the day. Nonetheless, our focus will remain, as always, resolutely on the interests of our shareholders. I would like to reiterate that we have a firm grip on the business, with the ability to turn adversity to our advantage. We will keep investing as we see long-term opportunities for growth.

In recent weeks, issues have surfaced around governance and behaviour in banking. At Standard Chartered, we believe it is not just about what we do, but how we do it. Our culture and values continue to be a source of strength and a competitive advantage. Strong corporate governance and an obsession with the basics of banking remain key areas of focus for our Board.

With all the noise going on around us, we are determined not to become distracted, but to maintain our focus on doing good business. We continue to support our customers and clients, deepening our long-term relationships with them. I would like to thank our customers and clients for their trust and commitment to banking with Standard Chartered.

We have the right strategy, and we are sticking to it. We are alive to opportunities for further growth, but alert to the risks. We are investing for the future, but keeping a tight rein on the fundamentals. That is why we remain confident in our ability to grow our business and deliver sustained value. We thank our shareholders for their continued support.

With normalised return on equity (ROE) at 13.8 per cent, we remain on target to reach our key financial objective of mid-teens ROE over the medium term.

Our strong performance in the first half is testament to the resilience of our business model and the quality of our people. Once again, I would like to thank the Board, the management team and the Bank's employees for their dedication and hard work. Standard Chartered has had a strong start to 2012, and the positive momentum has continued into the second half.



Sir John Peace

Chairman

1 August 2012



“Our record is testament to the resilience of the Bank’s business model, and underscores the sheer diversity of our income. We will continue to invest for growth and to be obsessed with the basics of banking – balancing the pursuit of growth with disciplined management of costs and risks, and keeping a firm grip on liquidity and capital.”

These results represent a very positive start to the year. Amidst all the turbulence in the global economy and the apparently never-ending turmoil in the world of banking, we remain consistent in delivering strong performance.

It may seem boring in contrast to what is going on elsewhere, but we see some virtue in being boring. We have stuck to our strategy – focusing on our markets in Asia, Africa and the Middle East, supporting our customers and clients, maintaining a tight grip on the business. We have held true to our values, to the spirit of our brand promise, Here for good – taking a long-term view, always trying to do the right thing.

Our record of consistent delivery is testament to the resilience of the Bank’s business model, and underscores the sheer diversity of our income engines. These results are not a bounce-back, nor flattered by big one-off items. They are just our tenth consecutive first half of record profits.

Such consistency is all the more important – and all the more remarkable – given the scale and unpredictability of the external events and trends affecting us.

Macro environment

The avalanche of regulation shows no sign of abating and, given the seemingly endless flow of bad news about the industry, the calls for yet more regulation have predictably intensified.

Meanwhile, and more fundamentally, the global economy continues to weaken. The eurozone faces profound challenges, a political and economic morass that has defied every attempt at resolution. We don’t see the eurozone’s problems being solved any time soon, and every failed plan makes it more difficult to win market credibility for the next.

In the US, ultra-low interest rates and continued fiscal largesse have undoubtedly been a tonic. But neither is sustainable. Concern is already rising about the prospect of a post-election ‘fiscal cliff’.

Indeed, across the West, central banks, including the Bank of England, have had to deploy an unprecedented array of tools and initiatives in an attempt to offset the effects of fiscal austerity and bank deleveraging. But quantitative easing and similar measures appear to have less effect with every hit. Think how quickly the Long Term Refinancing Operation (LTRO) wore off.

For too many years, the West boosted growth and at least the illusion of prosperity through ever more private debt and ever more public spending, and thus public debt. We are now in the painful process of weaning ourselves from that addiction, but the risk is we become overly dependent on what central banks can do. Some action is undoubtedly desirable, but we are already in uncharted territory, so must be extremely thoughtful.

As we have often said before, Asia is not immune to the woes of Europe and the fragility of economic recovery in the US. The West is some two-thirds of the global economy and if it slows no one is unscathed. Yet, although Asia is slowing, we remain reasonably confident about the outlook. The underlying structural drivers of growth remain robust – urbanisation, demographics, industrialisation and the growth of intra-regional trade and investment. We see no dimming of Asia’s longer-term growth prospects.

While some degree of near-term slowdown appears inevitable, policy makers in many of our markets have far more room for manoeuvre than their counterparts in the West. Of course, there is scope for policy errors, and every market has its own specific issues, but at this stage we are not expecting a sharp departure from the growth trajectory, rather some bumps in the road.

We are not complacent, but with demand for financial services growing at around twice GDP growth at this level of per capita income, and with ample room to win market share, we still see exciting prospects for growth across our markets.

Standard Chartered PLC – Group Chief Executive's review continued

Strategy

It should therefore be no surprise that we are not changing our strategy. We will continue to focus on Asia, Africa and the Middle East. We will continue to invest for growth, and we will continue to be obsessed with the basics of banking – balancing the pursuit of growth with disciplined management of costs and risks, and keeping a firm grip on liquidity and capital.

The strength of our balance sheet remains a source of competitive advantage. We are well capitalised, already exceeding Basel III requirements, and highly liquid, both in local currency and in US dollars. We are a leader in the internationalisation of the renminbi (RMB).

Investment for growth

Whilst we delivered income growth higher than cost growth (positive jaws) by over two per cent in the first half of 2012 and are maintaining our guidance for flat to positive jaws for the year as a whole, we are continuing to invest at pace in both businesses.

Indeed, given the opportunities we see arising from the turbulence and the disarray of our competitors, we are stepping up the pace of investment. Most of this is to fuel organic growth. Whilst we do look out for acquisitions to build scale, get market access, or gain critical capabilities, the primary driver of growth is organic investment in our businesses.

For example, we continue to invest in building out our distribution networks in key markets. We opened our 90th branch in Dalian, China, last week, and expect to reach 100 branches in China by the time we announce the full year results early next year.

In India, we now have 94 branches – considerably more than any other international bank – and also expect to hit the 100 mark there by the same time. At that point we will be present in 43 cities across India.

In Africa, where we currently have 183 branches in 14 markets, we are also significantly stepping up the pace of network expansion, and anticipate that we will have some 250 branches within the next couple of years.

Technology channels

Expanding our distribution is not just about branches. We have been increasing our investment in mobile and internet channels. For example, Breeze, our suite of award-winning retail banking apps, is now available in seven markets. In fact, in Consumer Banking we now offer mobile banking in 33 markets and internet banking in 29, and are rolling out new products and services at pace.

However, technology-driven innovation isn't just about electronic channels. We are also investing in standardised platforms across our markets and in both businesses. This is crucial to achieving continuous improvements in productivity, high levels of system stability, better risk management and rapid roll-out of innovation.

Customer service and productivity

The benefits for customers and clients are very tangible. In Consumer Banking customer complaints have halved from 2009. We have also seen significant improvements in our

Net Promoter Score – a measure of those customers who would positively recommend us.

The benefits for productivity are equally impressive. Through automation, hubbing and process re-engineering, we are driving continuous improvement in cost efficiency. For example, in Trade the number of transactions processed per employee has increased by 35 per cent since 2008, while over 95 per cent of our payments are now initiated electronically.

Trade

By making ourselves more productive, we maximise headroom to keep investing in innovation. For example, in Trade we have rolled out a standardised, state-of-the-art platform we call Trade Port, maximising straight through processing rates and providing better risk management through centralised control of trade limits and utilisations.

In May we executed the world's first end-to-end automated trade finance transaction using SWIFT's Bank Payment Obligation, through our Straight2Bank platform. This electronically matches documentation between banks on either end of the trade flow, enabling faster payment for goods and quicker shipping. This kind of innovation is critical since trade finance is at the core of Standard Chartered. From the outset of the financial crisis, our Trade income has more than doubled, from \$470 million in the first half of 2008 to \$958 million at the end of June, a compound annual growth rate (CAGR) of 19 per cent.

International commercial banking – trade, cash, lending and foreign exchange (FX) – is at the heart of our Wholesale Banking franchise. Our strengths in facilitating cross-border trade and investment links explain our continued success in our Americas, UK & Europe region.

Americas, UK & Europe

It might seem odd that we have delivered rapid income growth in the West, both this first half, up 26 per cent, and by a CAGR of 28 per cent over the last five years. This is not about us drifting into doing domestic business in such markets; it is purely about winning market share in facilitating trade and investment between Europe and the Americas and our core markets. We are helping German companies sell cars in China; Indian companies make acquisitions in the UK; and US or French companies raise capital from Asian investors.

A good example is BP's RMB bond in September 2011, a first for BP and the first ever RMB bond listed in London. We acted as joint lead manager and bookrunner, and also assisted BP in remitting the proceeds onshore to mainland China.

We manage Wholesale Banking as a network, not as a collection of individual geographies, identifying key trade and investment corridors and deploying resources to capture the opportunities. For example, we are uniquely placed to facilitate the explosive growth in trade and investment between China and Africa.

China-Africa trade and investment

No other bank has both a large network and deep relationships in China and a large network and deep relationships across Sub-Saharan Africa.

Standard Chartered PLC – Group Chief Executive's review continued

Over the last decade, China's trade with Kenya has grown 30 times, with Nigeria 18 times and with Ghana 19 times. In fact, trade between China and Sub-Saharan Africa has risen twentyfold over that period, from just under \$6 billion, to nearly \$110 billion.

In July, we brought the senior leadership of our African businesses to Beijing to meet senior leaders, media and clients. In fact, of the 300 business leaders from Africa attending the recent forum on China-Africa co-operation, hosted by Premier Wen Jiabao, 20 were from Standard Chartered, the single largest group by some margin. This is a good example of how we are building our business in China.

China strategy

We are sticking to what we know and where we can add value. In Wholesale Banking we are focusing on assisting the state-owned enterprises as they reach out overseas, such as to Africa, and on supporting multi-national corporates as they exploit the opportunities of China's growth.

Above all, we are focusing on working with China's new and rapidly-growing private sector companies, since these are often under-served by the local banks and represent the future of China's economy. We have no exposure to local government investment vehicles, don't try to compete for vanilla local currency business for the big state-owned enterprises, and our commercial real estate exposure is minimal.

Likewise in Consumer Banking we focus on SMEs and more affluent individuals – what we call the high-value segments. We are not yet making profits in Consumer Banking in China as we invest in building out the business at pace, but the number of active customers in the high value segments grew 31 per cent in the first half of 2012.

We are also generating business from the trade and investment links across Greater China, making use of our presence across the mainland, Hong Kong and Taiwan. Whilst Wholesale Banking income in China grew by 25 per cent in the first half of 2012, China's offshore income booked elsewhere – much of it in the rest of Greater China – grew by 56 per cent.

Risk management

As the business develops, so does the way we manage risk. We are continually investing to enhance our risk management infrastructure and capabilities, but our fundamental approach to risk has stayed consistent over many years. We remain cautious and on the lookout for signs of trouble. We haven't changed our risk appetite, and don't plan to.

We are extremely watchful about the current environment, about the way our markets and clients are responding to global macroeconomic developments and about the potential second- or third-order consequences of possible stress events like further strains in the eurozone.

We have seen some increase in loan impairments in both businesses, but from very low levels, and we remain very comfortable with the shape and quality of our loan book.

In fact, it is at times like these when the relationship between a bank and its clients really gets tested. We know our clients very well. Many of our relationships go back decades or generations. We stand by our clients through good times and bad. That is what we did in the Asia crisis in the late 1990s, through the SARS epidemic in 2002 and throughout the global financial crisis in 2008-2009. It is what we are doing now.

This doesn't mean we are passive or simply agree to everything. On the contrary, we engage intensively with our clients as partners, actively helping them navigate the challenges they face, and grab the opportunities they see. In our view, that is what banks should do, and what they are for.

Challenges

The Bank is in good shape and our businesses have good momentum. But we are not at all complacent about the external challenges. The global economy is fragile, with the risks to the downside. Politics and regulatory change continue to pose huge challenges, eroding our economics and creating obstacles to growth.

We are certainly not immune to such factors. For example, the economic and political paralysis in India has slowed the business and the decline in the rupee has resulted in a considerable FX drag. But our enthusiasm for India, and our commitment to investing in the market remains undiminished, given the strength of the longer-term growth story.

In India as elsewhere, we need to strike the right balance between tactically responding to immediate developments and keeping a view on the longer-term prize. This is a critical challenge for the management team, something we are continuously focused on and dynamically fine tuning.

Culture and values

Taking a longer-term view of our business is one of the underlying tenets of our strategy and culture. We build longstanding relationships, we don't grab transactions. We build sustainably profitable franchises, we don't have proprietary trading desks. We build businesses that deliver a wider social and economic benefit. We are selective and turn things down that we don't understand, or don't like the look of.

Our culture and values have never been more important. As a source of competitive advantage, as the ultimate protection against risk, our culture and values are our first and last line of defence.

Doing the right thing. Supporting our customers and clients through good times and bad. Being Here for good. These may sound like glib phrases, but they underpin why Standard Chartered stands out, underscore why we are on track for ten years of record profits. For me as CEO, our culture and values are a top priority, something we can never take for granted – something we embed in our systems of measurement and reward.

Outlook

As we consider the outlook for the full year it is important to bear in mind the growing turbulence and uncertainty in the global economy, particularly in the eurozone, the material and increasing drag from an ever more complex set of regulatory requirements, and the continued strength of the US dollar against Asian currencies.

Though the world is increasingly difficult to forecast, for the Group as a whole we currently remain on course to deliver on our full year financial objectives – double-digit revenue growth, flat to positive jaws and double-digit earnings per share growth. We have made good progress towards our medium-term target of mid-teens return on equity (ROE), with a pre-levy ROE at 13.8 per cent in this first half.

We have a firm grip on the levers of risk, costs and investment and we remain open for business. Indeed, we are proactively reaching out to support our customers and clients even more, growing our business as they grow theirs. As a result, we enter the second half with confidence. We have had a strong July, but we are watchful of the significant and growing challenges in the external world, and we are managing risk tightly.

We continue to focus on the basics of banking. We continue to invest in order to underpin future income momentum. And we continue to take market share in multiple markets and across multiple products.

That we have been able to deliver our tenth consecutive first half of record profits is a huge credit to our staff. I would like to thank them for their unwavering professionalism and commitment.



Peter Sands

Group Chief Executive

1 August 2012

Standard Chartered PLC – Financial review

Group summary

The Group has delivered another good performance for the six months ended 30 June 2012 (H1 2012). Operating income increased by \$747 million, or 9 per cent, to \$9,511 million and operating profit rose 9 per cent to \$3,948 million. The Group continues to leverage its geographic diversity, with income growth spread across a broad range of products and geographies. On a constant currency basis, operating income increased by 11 per cent and operating profit increased by 12 per cent, the difference reflecting the continued strength of the US dollar against currencies across our footprint, in particular the Indian rupee.

The normalised cost to income ratio improved to 52.3 per cent compared to 54.0 per cent in the six months to 30 June 2011 (H1 2011). In the current period we have delivered cost growth below the level of income growth as we continue to manage expenses tightly, creating capacity to invest in both businesses. Normalised earnings per share grew 11 per cent to 116.6 cents and we continued to improve returns to shareholders, with normalised return on shareholders' equity increasing to 13.8 per cent. Further details of basic and diluted earnings per share are provided in note 11 on page 71.

In accordance with current accounting requirements, the cost of the UK bank levy is charged in the second half of the year. The jaws (rate of income growth less rate of expense growth) would have been positive even after including the impact of the bank levy for the first six months. Note 5 on page 68 provides further details of the UK bank levy together with the impact, on a pro-forma basis, if the levy had been recognised in these financial statements.

The quality of the Group's asset book remains good – 63 per cent of Wholesale Banking (WB) customer loans have a tenor of less than one year and 73 per cent of the Consumer Banking (CB) book is fully secured although the Group has continued to

selectively grow unsecured lending during the period. Loan impairment increased in CB reflecting the change in mix. Impairment in WB also rose, driven by a very small number of exposures. Overall we remain watchful given the challenge in the external environment and continue to have a proactive and disciplined approach to risk.

The Group's balance sheet remains very strong and resilient - well diversified, conservative and with limited exposure to problem asset classes – and we continue to focus on the basics of banking. We have no direct sovereign exposure to Greece, Ireland, Italy, Portugal or Spain and our direct sovereign exposure to the remainder of the eurozone is immaterial. Further details of our exposure to the eurozone are set out on pages 40 to 42.

The Group remains highly liquid and both businesses have continued to grow deposits, especially in Americas, UK & Europe on the back of our strong credit rating, and also in Hong Kong, and our advances-to-deposits ratio remained strong at 77.6 per cent, slightly up from 76.4 per cent at the year end. The Group maintains a conservative funding structure with only limited levels of refinancing required over the next few years and we continue to be a significant net lender to the interbank market.

The Group remains strongly capitalised and generated good levels of organic equity during the period. The Core Tier 1 capital ratio at 30 June 2012 was 11.6 per cent, slightly down from 11.8 per cent at the last year end due to lower scrip dividend take up.

We continue to be well placed for the significant opportunities we see across our footprint of Asia, Africa and the Middle East and we remain the only major international banking group to have its credit rating revised upwards by all three rating agencies since the beginning of the financial crisis.

Operating income and profit

	6 months ended 30.06.12	6 months ended 30.06.11	6 months ended 31.12.11	H1 2012 vs H1 2011 Better / (worse)	H1 2012 vs H2 2011 Better / (worse)
	\$million	\$million	\$million	%	%
Net interest income	5,483	4,941	5,212	11	5
Fees and commissions income, net	1,974	2,179	1,867	(9)	6
Net trading income	1,565	1,366	1,279	15	22
Other operating income	489	278	515	76	(5)
	4,028	3,823	3,661	5	10
Operating income	9,511	8,764	8,873	9	7
Operating expenses	(4,963)	(4,677)	(5,240)	(6)	5
Operating profit before impairment losses and taxation	4,548	4,087	3,633	11	25
Impairment losses on loans and advances and other credit risk provisions	(583)	(412)	(496)	(42)	(18)
Other impairment	(74)	(72)	(39)	(3)	(90)
Profit from associates	57	33	41	73	39
Profit before taxation	3,948	3,636	3,139	9	26

Group performance

Operating income grew to \$9,511 million, up \$747 million over H1 2011. On a constant currency basis, income rose 11 per cent. The Group's income streams continued to be well diversified, by product and geography. All geographic segments delivered income growth, except India which was negatively impacted by onshore business sentiment and depreciation of the Indian rupee.

CB continues to make good progress on its strategic transformation programme and income was 5 per cent higher

at \$3,515 million. Strong growth in Deposits and Cards and Personal Loans income offset lower Mortgages and Wealth Management income, which were impacted by continued margin pressure and market uncertainty respectively. WB income was 10 per cent higher than H1 2011 at \$5,996 million. Client income grew 8 per cent, on the back of a strong performance in Transaction Banking, with Trade income up 25 per cent. Own account income grew 21 per cent as Asset and Liability Management (ALM) and Principal Finance benefitted from improved market conditions.

Standard Chartered PLC – Financial review continued

Net interest income grew by \$542 million, or 11 per cent, to \$5,483 million. The Group net interest margin was flat at 2.3 per cent as widening liability margins were offset by compression in asset margins. In CB, higher unsecured volumes compensated for the fall in secured asset margins, which continue to be affected by regulatory and competitive pressures, while Current Account and Savings Accounts (CASA) margins improved. WB interest income benefitted from higher volumes across both asset and liability products and improved margins on Trade and Cash Management, which helped offset the margin compression seen in Lending.

Non-interest income was up by \$205 million, or 5 per cent, to \$4,028 million and comprises net fees and commissions, trading and other operating income.

Net fees and commissions income fell by \$205 million, or 9 per cent, to \$1,974 million. Fees in CB were impacted by subdued Wealth Management income while WB fees were lower primarily due to fewer large value transactions within Corporate Finance.

Net trading income increased by 15 per cent to \$1,565 million with strong growth in Rates and ALM offsetting lower Commodities income and a muted Foreign Exchange performance.

Other operating income primarily comprises gains arising on sales from the investment securities portfolio, aircraft and shipping lease income, fixed asset realisations and dividend income. It grew by \$211 million, or 76 per cent, to \$489 million, on the back of higher gains from realisations out of the available-for-sale investment securities portfolio, up \$90 million, increased income from operating lease assets, up \$42 million, and a gain of \$74 million from a property sale in Korea.

Operating expenses increased \$286 million, or 6 per cent, to \$4,963 million. H1 2011 benefitted from \$86 million of recoveries on structured notes in the Other Asia Pacific region whilst in the six months ended 31 December 2011 (H2 2011) expenses included \$206 million relating to the Early Retirement Programme (ERP) in Korea and \$165 million in respect of the UK bank levy. Excluding these items, operating expenses increased by 4 per cent against H1 2011 and 2 per cent against H2 2011. During H1 2012 we continued to invest in both businesses whilst maintaining a tight grip on discretionary spend. The growth in expenses reflected: higher staff costs, which rose by 4 per cent, or \$129 million, as we continued to invest in staff; additional infrastructure spend on technology and new branches (including renovations and relocations); and increased levels of marketing.

Pre-provision profit improved \$461 million, or 11 per cent, to \$4,548 million.

Loan impairment increased by \$171 million, or 42 per cent, at \$583 million. CB loan impairment increased by \$89 million in line with expectations reflecting the selective growth in unsecured lending across a number of markets, plus pockets of localised pressure. WB impairment increased by \$82 million driven by provisions taken on a very small number of large exposures in India and the UAE. Although asset quality across both businesses remains good, we have increased the number of WB clients subject to precautionary monitoring reflecting our proactive approach to risk in an uncertain environment.

Operating profit was up \$312 million, or 9 per cent, to \$3,948 million. While WB increased operating profit by 16 per cent, CB operating profit fell 11 per cent (or 7 per cent excluding the impact of the property gain in H1 2012 and the recoveries on structured notes in H1 2011).

The Group's effective tax rate (ETR) at 26.5 per cent is lower compared to H1 2011 largely as a result of the change in profit mix.

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 30.06.12									
	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	674	479	588	846	223	371	235	99	3,515
Operating expenses	(374)	(268)	(392)	(636)	(164)	(247)	(148)	(78)	(2,307)
Loan impairment	(46)	(23)	(96)	(93)	(11)	(21)	(9)	(1)	(300)
Other impairment	-	-	-	(1)	-	-	-	(8)	(9)
Operating profit	254	188	100	116	48	103	78	12	899

6 months ended 30.06.11									
	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	642	445	583	797	238	359	202	71	3,337
Operating expenses	(341)	(241)	(422)	(478)	(174)	(237)	(131)	(85)	(2,109)
Loan impairment	(31)	(14)	(73)	(13)	(20)	(50)	(9)	(1)	(211)
Other impairment	-	-	-	-	-	-	(4)	-	(4)
Operating profit/(loss)	270	190	88	306	44	72	58	(15)	1,013

6 months ended 31.12.11									
	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	684	479	570	816	244	364	220	77	3,454
Operating expenses	(361)	(262)	(601)	(626)	(178)	(250)	(137)	(81)	(2,496)
Loan impairment	(40)	(15)	(93)	(104)	(12)	(39)	(8)	(2)	(313)
Other impairment	-	-	(5)	-	-	(1)	(2)	-	(8)
Operating profit/(loss)	283	202	(129)	86	54	74	73	(6)	637

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

	6 months ended 30.06.12	6 months ended 30.06.11	6 months ended 31.12.11
	\$million	\$million	\$million
Operating income by product			
Cards, Personal Loans and Unsecured Lending	1,297	1,149	1,273
Wealth Management	639	657	615
Deposits	786	691	718
Mortgages and Auto Finance	656	751	727
Other	137	89	121
Total operating income	3,515	3,337	3,454

CB continues to make good progress on its strategic transformation programme, which emphasises customer focus, enhancing customer experience and building infrastructure capability. Operating income was higher by \$178 million, or 5 per cent, to \$3,515 million. On a constant currency basis, income was 8 per cent higher. Income in CB remains diverse, with all geographic segments growing income on a headline basis other than India, which was impacted by foreign exchange. Although income in Korea and Taiwan was muted, a number of other markets performed strongly, particularly Singapore, China, Africa, Indonesia and Malaysia.

Net interest income increased \$150 million, or 7 per cent, to \$2,392 million, largely driven by slightly higher asset margins and increased liability income on the back of higher volumes and widening margins. Mortgage volumes, however, were down, in

part due to increasing regulatory pressures in a number of markets, and margins compressed further, down 19 basis points (bps) compared to H1 2011. On the liability side, improved margins on CASA more than compensated for slightly lower Time Deposits (TD) margins. Although the overall interest rate environment remains low, the business continued to focus on deposit gathering with good growth seen in Hong Kong and Singapore across CASA and TD products. The proportion of customer deposits held as CASA remained broadly stable at 55 per cent.

Non-interest income at \$1,123 million was 3 per cent higher compared to H1 2011 and included \$39 million in respect of a property sale in Korea. Excluding this, non-interest income fell 1 per cent as continuing market uncertainty impacted equity-related Wealth Management products across a number of

markets, although this was partly offset by growth in bancassurance and fixed income products.

Expenses were up \$198 million, or 9 per cent, at \$2,307 million. On a constant currency basis, expenses were up 12 per cent. H1 2011 benefitted by \$86 million of recoveries on structured notes whilst H2 2011 was impacted by \$189 million ERP costs in Korea; excluding these, expenses grew 5 per cent against H1 2011 and were flat against H2 2011, reflecting continued disciplined cost management while continuing to invest. The growth against H1 2011 was driven primarily by the flow through of investment expenditure made in H2 2011 in systems infrastructure, frontline technology and branches, together with enhanced levels of marketing.

Loan impairment was higher by \$89 million, or 42 per cent, at \$300 million although slightly down against H2 2011. The increased charge is in line with expectations reflecting portfolio growth and mix change as we continued to grow our unsecured portfolio. The loan impairment charge also benefitted by \$43 million (\$51 million H1 2011; \$33 million H2 2011) from the sale of loan portfolios during the period.

Operating profit fell by \$114 million, or 11 per cent, to \$899 million. On a constant currency basis, the decrease in operating profits was 9 per cent.

Product performance

Income from Cards, Personal Loans and Unsecured Lending (CCPL) grew by \$148 million, or 13 per cent, to \$1,297 million driven by increased volumes as we continued to selectively grow our unsecured portfolio in the mainly bureau-backed markets of Hong Kong and Korea. CCPL margins were slightly higher than in H1 2011 but were compressed compared to H2 2011. Volume growth was supported through increased levels of marketing, including an expanded rewards proposition and increased bundling with existing products.

Wealth Management income fell 3 per cent to \$639 million, as continuing market uncertainty affected equity related income. This was partially offset by strong growth in products with lower correlation to equity markets such as bancassurance, fixed income and foreign exchange as we continue to drive towards a more diversified product mix.

Deposits income was up 14 per cent to \$786 million as volumes and margins improved in most key markets. CASA margins improved and more than offset a slight compression in TD margins.

Mortgages and Auto Finance income fell \$95 million, or 13 per cent, to \$656 million, as Mortgage volumes were impacted by increased regulatory actions in a number of key markets. Increasing levels of competition and rising cost of liquidity further compressed Mortgage margins, particularly in Hong Kong and Korea. The drop in Mortgage income was partially offset by higher Auto Finance and other secured lending income.

Other CB income, which includes the \$39 million property gain, primarily comprises SME related trade and transactional revenues, with Hong Kong, China and Indonesia performing well.

Geographic performance

Hong Kong

Income was up \$32 million, or 5 per cent, to \$674 million despite challenging market conditions. This growth was attributable to good volume growth across both asset and liability products with liability margins up year on year. Asset margins narrowed however, particularly in Mortgages, where income declined due to increased cost of liquidity. In the latter part of the period we refocused new business on higher margin Prime rate based products. Wealth Management income was broadly flat, as

growth in bancassurance and premium currency investment products was largely offset by lower sales of structured notes. Unit trust income remained broadly stable. We continued to grow our unsecured portfolio, gaining market share in CCPL which more than offset margin compression in Personal Loans. SME income grew strongly on the back of increased trade flows. Deposits income was also up strongly as CASA margins further improved, and volume growth continued despite increasing levels of competition supported by various deposit drive campaigns such as longer term RMB deposit offerings.

Expenses were \$33 million, or 10 per cent, higher at \$374 million reflecting flow-through impact from increased frontline staff, investment in frontline technology, branch relocation and increased marketing spend.

Working profit was down \$1 million to \$300 million. Loan impairment was higher by \$15 million on the back of volume growth within the unsecured book since 2010 and a marginal increase in bankruptcy filings.

Operating profit was down \$16 million, or 6 per cent, to \$254 million.

Singapore

Income was up \$34 million, or 8 per cent, to \$479 million. Income from CCPL rose strongly as we increased market share and grew balances. Unsecured asset margins improved although this was partly offset by compressed margins on Mortgages. Income also benefitted from higher Auto Finance and Personal Loans income from a full six month contribution by the GE Money acquisition which completed in April 2011. Wealth Management income was lower as uncertain market conditions impacted sales of equity-linked products. Deposits income was flat as volume growth was offset by lower TD margins, which were impacted by an increasingly competitive environment.

Operating expenses increased \$27 million, or 11 per cent, to \$268 million, driven by flow through costs from investment in technology and higher staff and marketing costs.

Working profit was up \$7 million, or 3 per cent, to \$211 million. Loan impairment was higher at \$23 million largely due to increased volumes and change in product mix.

Operating profit was lower by \$2 million, or 1 per cent, at \$188 million.

Korea

Income was up \$5 million, or 1 per cent, to \$588 million. On a constant currency basis, income growth was 4 per cent. Income in H1 2012 included \$39 million relating to a property sale. Excluding this, income fell by 6 per cent on a headline basis. Regulatory headwinds together with a depressed real estate market and margin compression significantly impacted Mortgages income. Although mortgage balances reduced during the period, we have signed an agreement with the Korea Housing Finance Corporation to originate fixed rate mortgages which are then transferred to them. The fall in Mortgages income was partly offset by higher CCPL income, reflecting increased volumes and improved margins. Continued turbulence in global financial markets resulted in lower Wealth Management income. Deposits income also fell as volumes declined in part due to efforts to restructure the balance sheet, although CASA margins improved.

Operating expenses were down \$30 million, or 7 per cent, to \$392 million. On a constant currency basis, expenses were 4 per cent lower reflecting cost savings associated with the 2011 Early Retirement Programme partly offset by marketing and technology investments and normal inflation related increases to staff costs.

Working profit was up 22 per cent to \$196 million. Loan impairment was \$23 million, or 32 per cent, higher at \$96 million largely due to growth in the unsecured portfolio and a market-wide increase in the number of filings under the Personal Debt Rehabilitation Scheme (PDRS).

Operating profit was higher by \$12 million, or 14 per cent, at \$100 million.

Other Asia Pacific

Income was up \$49 million, or 6 per cent, to \$846 million. Income in China was up 15 per cent to \$135 million, reflecting strong growth in income from SMEs, as volumes rose, and Deposits income benefitted from good growth in volume and margins. This was partly offset by lower sales of structured products which drove lower Wealth Management income. Taiwan saw income fall 3 per cent to \$205 million. Wealth Management income was impacted by lower unit trust sales and Mortgages income by tightening mortgage regulation. This was partially offset by higher income from CCPL as volumes increased and from Deposits, which grew on the back of improved margins. Income in Malaysia was up 7 per cent at \$190 million and benefitted from growth in assets primarily in SME and Personal Loans. Indonesia grew strongly, up 13 per cent, on the back of higher Mortgage, CCPL and Wealth Management income.

Operating expenses in Other APR were higher by \$158 million, or 33 per cent, at \$636 million. Expenses in H1 2011 benefitted by \$86 million of recoveries on structured notes; excluding this, expenses were \$72 million higher, due to investments in staff and infrastructure. Expenses in China were up by 30 per cent to \$183 million as we continued to invest in new branch outlets, opening six in H1 2012, and repositioning staff to the frontline.

Working profit for the region was down \$109 million, or 34 per cent, to \$210 million. Loan impairment was up \$80 million to \$93 million reflecting a lower level of loan portfolio sales in Taiwan and Malaysia in H1 2012 and increased levels of provisioning in line with portfolio growth and mix change.

Other APR consequently delivered an operating profit of \$116 million, down \$190 million. The operating loss in China increased to \$60 million (H1 2011 operating loss of \$28 million) as we continued to invest in the franchise.

India

Income was down \$15 million, or 6 per cent, at \$223 million. On a constant currency basis, income was higher by 8 per cent despite the continuing economic challenges. The growth in income, on a constant currency basis, was driven by higher Deposits income from improved margins, particularly in CASA, due to rising interest rates. CCPL income also increased due to higher volumes although Personal Loans margins were compressed. SME income grew on the back of an increase in volumes and improved margins.

Operating expenses were \$10 million, or 6 per cent, lower at \$164 million. On a constant currency basis, expenses were higher by 9 per cent, on the back of increased levels of digital marketing and higher staff costs as we repositioned staff to the frontline.

Working profit was down \$5 million, or 8 per cent, to \$59 million. Loan impairment was down \$9 million, or 45 per cent, to \$11 million reflecting collection efficiencies and improved portfolio quality on the back of enhanced underwriting criteria.

Operating profit was higher by \$4 million, or 9 per cent, at \$48 million. On a constant currency basis, operating profit was 22 per cent higher.

Middle East and Other South Asia (MESA)

Income was \$12 million, or 3 per cent, higher at \$371 million. Income in the UAE was up 4 per cent to \$174 million due to improved margins in CCPL, higher volumes in Mortgages and increased income from SME on the back of trade flows, partly offset by the impact of lower liability margins. Income in Pakistan was up 5 per cent with higher Deposits and Wealth Management revenue. Bahrain income grew on the back of higher Cards volumes while Bangladesh income was marginally lower.

Operating expenses in MESA were higher by \$10 million, or 4 per cent, at \$247 million. Expenses in the UAE were up by \$7 million, or 7 per cent, as the business continued to invest in frontline sales capabilities.

Working profit was up by 2 per cent to \$124 million. Loan impairment was lower at \$21 million, \$29 million down from the first half of 2011. The decrease was primarily in the UAE as the economic environment improved and we continued with our proactive approach to risk management and maintaining a payroll led strategy.

MESA operating profit increased by \$31 million, or 43 per cent, to \$103 million.

Africa

Income was up \$33 million, or 16 per cent, at \$235 million. On a constant currency basis, income grew 24 per cent with strong growth in income from SME reflecting a focused expansion of the business. Deposits grew strongly on the back of improving liability margins, offsetting continued asset margin compression, although this remains a high margin region.

Kenya, which continues to be our largest CB revenue generator in the region, grew income by 33 per cent, and Nigeria increased income by 31 per cent, both on the back of improving liability margins following interest rate increases. Income in Botswana, another key contributor, fell 5 per cent as low interest rates impacted liability margins.

Operating expenses were \$17 million or 13 per cent higher at \$148 million. On a constant currency basis, expenses were higher by 20 per cent as we continued to strengthen and expand the distribution network.

Working profit was \$16 million higher at \$87 million. Loan impairment was flat at \$9 million.

Operating profit was up \$20 million, or 34 per cent, at \$78 million. On a constant currency basis operating profit was up 46 per cent.

Americas, UK & Europe

Income grew \$28 million, or 39 per cent, to \$99 million. The business in this region is primarily Private Banking in nature, and focuses on delivering our product suite to international customers from across our network. Income growth was driven by volume growth and margin improvement in Mortgages and higher margins on Deposits. This was partly offset by lower Wealth Management income, which was impacted by the continuing market uncertainty across the eurozone.

Operating expenses fell \$7 million, or 8 per cent, to \$78 million reflecting continued discipline on costs, creating capacity for further investment in client facing staff. Other impairment was \$8 million and the operating profit was \$12 million compared to a loss of \$15 million in H1 2011.

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Wholesale Banking

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

6 months ended 30.06.12									
	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	1,014	683	362	1,147	567	754	479	990	5,996
Operating expenses	(392)	(320)	(138)	(507)	(219)	(312)	(244)	(524)	(2,656)
Loan impairment	2	(3)	(21)	(19)	(94)	(141)	(2)	(5)	(283)
Other impairment	(8)	(2)	-	(29)	9	(26)	-	(9)	(65)
Operating profit	616	358	203	592	263	275	233	452	2,992

6 months ended 30.06.11									
	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	889	649	257	951	655	759	476	791	5,427
Operating expenses	(343)	(341)	(142)	(474)	(216)	(295)	(236)	(521)	(2,568)
Loan impairment	(26)	(17)	(8)	(1)	(52)	(94)	2	(5)	(201)
Other impairment	-	(16)	(2)	31	(53)	(13)	(9)	(6)	(68)
Operating profit	520	275	105	507	334	357	233	259	2,590

6 months ended 31.12.11									
	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	834	613	308	989	668	737	442	828	5,419
Operating expenses	(350)	(261)	(170)	(498)	(261)	(303)	(199)	(537)	(2,579)
Loan impairment	(6)	(2)	(24)	(16)	(28)	(103)	(10)	6	(183)
Other impairment	-	(15)	(6)	-	(7)	-	(1)	(2)	(31)
Operating profit	478	335	108	475	372	331	232	295	2,626

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Income by product is set out below:

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Operating income by product			
Lending and Portfolio Management	447	435	406
Transaction Banking			
Trade	958	767	828
Cash Management and Custody	884	785	867
	1,842	1,552	1,695
Global Markets			
Financial Markets	1,993	1,951	1,737
Asset and Liability Management ('ALM')	491	431	490
Corporate Finance	991	912	961
Principal Finance	232	146	130
	3,707	3,440	3,318
Total operating income	5,996	5,427	5,419

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Financial Markets operating income by desk			
Foreign Exchange	743	769	665
Rates	539	450	443
Commodities and Equities	277	319	284
Capital Markets	290	271	277
Credit and Other	144	142	68
Total Financial Markets operating income	1,993	1,951	1,737

WB retained its strategic focus in challenging economic and market conditions and delivered another strong performance, growing operating income by \$569 million, or 10 per cent, to \$5,996 million. Hong Kong became the first market to exceed \$1 billion of income in a half-year period. Client income, which constitutes 80 per cent of WB income, grew by 8 per cent, with broad-based growth across product lines, client segments and geographies as we continued to strengthen and deepen client relationships. Own account income increased 21 per cent.

Net interest income was up \$392 million, or 15 per cent, to \$3,091 million with increased asset and deposit balances and improved Trade and Cash Management margins offsetting continued margin pressure in Lending. Non-interest income rose by \$177 million, or 6 per cent, to \$2,905 million.

Commercial banking, which includes Cash Management and Custody, Trade, Lending and flow foreign exchange (FX) business, remains the core of our WB business and contributed over half of client income. Within this, Transaction Banking delivered another strong performance, with income up 19 per cent driven by both Trade and Cash Management and Custody, reflecting volume growth and improved margins.

Financial Markets (FM) income grew 2 per cent, reflecting strong growth in Rates and Credit, which was largely offset by lower Commodities and FX income. ALM income grew strongly, up 14 per cent, and benefitted from portfolio growth and improved reinvestment opportunities. Corporate Finance income increased by 9 per cent despite market headwinds and Principal Finance income grew 59 per cent reflecting valuation gains.

Operating expenses were up \$88 million, or 3 per cent, to \$2,656 million driving positive jaws of 7 per cent as we maintained strong expense discipline, creating additional capacity for further focused investments in systems infrastructure and the flow through expense of prior year initiatives.

Pre-provision profit was up \$481 million, or 17 per cent, to \$3,340 million.

Loan impairment was higher by \$82 million at \$283 million driven by a very small number of exposures in India and the UAE. The portfolio continues to be well diversified and predominantly short tenor.

Other impairment at \$65 million was down 4 per cent and predominantly comprises provisions in respect of certain Private Equity and strategic investments.

Operating profit increased \$402 million, or 16 per cent, to \$2,992 million.

Product performance

Lending and Portfolio Management income increased by \$12 million, or 3 per cent, to \$447 million. While average balances increased, margins were impacted by the increasing cost of liquidity in most markets although improvement in some markets was seen in the latter part of H1 2012.

Transaction Banking income was up \$290 million, or 19 per cent, at \$1,842 million and remained a key driver of the growth in client income. Income from Trade grew 25 per cent on the back of 13 per cent growth in average assets and contingents and improved margins, which increased 17 bps as we repriced across a number of markets. Cash Management and Custody income grew strongly, up 13 per cent, with good momentum in liability balances and improved margins, up 7 bps.

Global Markets income was up \$267 million, or 8 per cent, at \$3,707 million. Within Global Markets, the FM business, which primarily comprises sales and trading of FX and interest rate products, continued to be the largest contributor and has seen increasing diversification in its income streams.

FM income increased by 2 per cent to \$1,993 million. Client income, which forms around three quarters of FM income, grew 2 per cent and own account income rose 3 per cent. Flow

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business continued to grow and constitutes around 70 per cent of client income. Fixed Income, Currency & Commodities (FICC), which includes FX, Rates, Commodities and Credit, was up 1 per cent.

FX and Rates continued to be the core driver of FM income, growing 5 per cent, reflecting strong growth in Rates, up 20 per cent on the back of increased client hedging as interest rates rose in a number of markets. This was partly offset by lower income from FX, down 3 per cent. Although FX volumes rose, corporate client risk appetite was impacted by global macro events and as a result we saw an increase in the proportion of financial institution clients in our business mix, with a consequent negative impact on average margins.

Commodities and Equities income fell 13 per cent and was impacted by low levels of volatility, and the non-recurrence of big ticket client transactions from the prior period. Capital Markets income increased as we grew capability and increased market share with a number of deal 'firsts' including the first issuance by a Middle Eastern entity in the dim sum bond market. Credit and Other income increased marginally against H1 2011 but was significantly higher than H2 2011 due to robust levels of activity in new issues on the back of strong investor appetite.

ALM income was \$60 million, or 14 per cent, higher at \$491 million. This increase was driven by growth in the portfolio and improved yields from reinvesting funds as lower yielding assets matured, with much of the growth arising in the Americas, UK & Europe region.

Corporate Finance income grew \$79 million, or 9 per cent, to \$991 million, led by Structured Finance. We continued to build increasingly diverse income streams within this business, with strong volume growth in small to mid-sized transactions across multiple geographies together with a higher proportion of recurring and sustainable income streams. The deal pipeline at the end of the period remains very strong.

Principal Finance income was up \$86 million, or 59 per cent, to \$232 million. Although market conditions improved, driving an increase in valuation, equity markets remain subdued with limited opportunities for realisations.

Geographic performance

Hong Kong

Income was up \$125 million, or 14 per cent, to \$1,014 million reflecting broad based growth across diversified income streams. Client income was up 16 per cent, remaining resilient as we continued to leverage on the opportunities arising from RMB internationalisation and China related trade flows. This contributed to strong growth in Trade income, coupled with improved margins and higher average balances. FX income also rose on the back of increased market demand for RMB hedging. Cash Management and Custody income also grew strongly, up 21 per cent, with good growth in volumes. Corporate Finance income increased reflecting strong flow of offshore borrowing from mainland China corporates and also from the expansion of our transport leasing business into Hong Kong in the second half of 2011. Hong Kong continued to leverage the Group's network and enhance its position as a hub into and out of China, with inbound revenues up 39 per cent.

Operating expenses were higher by \$49 million, or 14 per cent, at \$392 million as good discipline was maintained on costs with the increase primarily due to depreciation from transport leasing assets.

Working profit was up \$76 million, or 14 per cent, to \$622 million. Loan impairment was lower by \$28 million as the prior year included provisions on certain Principal Finance investments.

Operating profit was up \$96 million, or 18 per cent, to \$616 million.

Singapore

Income grew \$34 million, or 5 per cent, to \$683 million and client income was up 7 per cent. Transaction Banking income grew strongly on the back of higher Cash Management volumes and improved Trade margins following repricing initiatives in the latter part of 2011. Income from FM fell with a good performance in Rates offset by lower Commodities income. Principal Finance income increased, driven by higher valuations, while ALM income fell, impacted by lower reinvestment yields from a shift into higher grade, lower yield securities.

Operating expenses fell \$21 million, or 6 per cent, to \$320 million with continued discipline on expenses and lower variable compensation, which was partly offset by investments in front office capability.

Working profit was up \$55 million, or 18 per cent, to \$363 million. Impairment was significantly lower and credit quality remains good.

Operating profit was higher by \$83 million, or 30 per cent, at \$358 million.

Korea

Income rose \$105 million, or 41 per cent, to \$362 million and included \$35 million relating to a property sale. Excluding the impact of this, income grew by 27 per cent. Client income increased by 6 per cent on a headline basis and 10 per cent on a constant currency basis with Transaction Banking benefitting from higher Custody revenues and improved Cash Management margins. Rates and Credit income grew as volumes increased, particularly in sales of structured investment products to financial institutions, although this was partly offset by lower Corporate Finance income. Own account income increased strongly benefitting from market volatility. Income originated from subsidiaries of Korean corporates booked across our network maintained good momentum, with double digit growth against the prior year.

Operating expenses were lower by \$4 million, or 3 per cent, at \$138 million. On a constant currency basis, expenses were up 1 per cent as the flow through of prior year investments was largely offset by continuing tight focus on discretionary expenses.

Working profit was higher by \$109 million, or 95 per cent, at \$224 million. Loan impairment was higher than H1 2011 by \$13 million at \$21 million, driven by incremental provisions related to a small number of specific ship building exposures.

Operating profit increased by \$98 million, or 93 per cent, to \$203 million.

Other Asia Pacific (Other APR)

Income was up \$196 million, or 21 per cent, at \$1,147 million. Most major markets in this region saw income growth driven by Transaction Banking. China delivered income growth of 25 per cent to \$359 million with improved margins in Trade, on the back of active repricing, and in Cash Management following interest rate rises. Client income growth was moderated by lower FM income, with FX income impacted by lower RMB volatility, and slower export trade flows. Own account income rose strongly following realignment of the portfolio to higher yields. Income originated from China clients and booked across our network continued to grow strongly, particularly across the South East Asia region with Hong Kong remaining the main cross-border partner. Income in Taiwan was up 10 per cent to \$77 million driven by strong growth in Trade and FX income. Malaysia income was up 41 per cent to \$180 million with strong

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growth in Rates and higher Corporate Finance income. Indonesia continued to show good growth, with income up 25 per cent on the back of higher Corporate Finance and Financial Markets income.

Operating expenses in Other APR were up \$33 million, or 7 per cent, to \$507 million due to staff and premises costs and flow through from prior year investments. China operating expenses were up 8 per cent to \$183 million largely due to increased staff costs.

Working profit across the region was up by 34 per cent and ended at \$640 million. Loan impairment was up \$18 million to \$19 million. Other impairment increased to a charge of \$29 million from a net recovery of \$31 million in H1 2011. H1 2011 benefitted from impairment recoveries on disposal of previously impaired Private Equity investments while the H1 2012 charge was driven by provisions against an unrelated Private Equity investment.

Operating profit was \$85 million, or 17 per cent, higher at \$592 million, of which \$146 million was attributable to China.

India

Income declined \$88 million, or 13 per cent, to \$567 million as the operating environment remained challenging, albeit income was flat on a constant currency basis. While Trade and Cash Management income grew on the back of sustained momentum in volumes and improved margins, this was offset by lower Corporate Finance income which was affected by the continuing softness in business sentiment. FM income also fell reflecting lower FX and Rates income as the fall in the Indian rupee impacted customer appetite for hedging. Income originated from Indian clients and booked across our network however grew at a strong double digit rate as we continued to leverage the Group's network.

Operating expenses increased \$3 million, or 1 per cent, to \$219 million. On a constant currency basis, expenses increased by 18 per cent, primarily due to flow through of prior year investments.

Working profit was down \$91 million, or 21 per cent, at \$348 million. Loan impairment was higher by \$42 million primarily due to credit concerns around a corporate exposure. This was partly offset by a release of the additional portfolio impairment provisions created in 2011 in respect of market uncertainty. Other impairment saw a net recovery of \$9 million reflecting a partial release of prior period provisions.

Operating profit was down \$71 million, or 21 per cent, to \$263 million. On a constant currency basis, operating profit fell 5 per cent.

MESA

Income was down \$5 million to \$754 million with increases in client income offset by a fall in own account income. Client income saw growth in Transaction Banking volumes and increased Corporate Finance revenues but was impacted by lower margins. Own account income fell on the back of less volatile markets. Islamic banking continued to be a key focus area and the UAE remains the Group's highest contributor with revenues up 15 per cent compared to H1 2011. UAE income, however, was down 5 per cent overall although client income remained resilient, increasing by 2 per cent driven by Transaction Banking and Corporate Finance. Own account income fell reflecting lower market volatility and the run-off of high-yielding ALM assets. Bangladesh grew income by 5 per cent driven by good growth in Cash Management, while income in Bahrain was lower reflecting lower Lending volumes and reduced Corporate Finance activity. Pakistan income was down 16 per cent on the back of lower Cash Management and FX revenues.

Operating expenses increased by \$17 million, or 6 per cent, to \$312 million, primarily reflecting increased technology spend.

Working profit was down \$22 million, or 5 per cent, to \$442 million. Loan impairment increased by \$47 million, or 50 per cent, to \$141 million driven primarily by a very small number of provisions in the UAE.

Operating profit was down \$82 million, or 23 per cent, to \$275 million.

Africa

Income was up \$3 million to \$479 million. The business remains diversified across products, client groups and countries. Income growth was driven by Transaction Banking, underpinned by a strong performance in Cash Management and Custody as margins improved. This was offset by lower Corporate Finance income, which was impacted by market uncertainty.

Nigeria remains the largest WB market in the region although income was down 6 per cent with Lending margins impacted by a high cost of liquidity. Income in Kenya was up 57 per cent across most product lines, with Rates and Transaction Banking benefitting from favourable interest rates. Increased Corporate Finance revenues enabled South Africa to increase income by 36 per cent. This was partly offset by lower Capital Markets income in Ghana, which benefitted from landmark deals in H1 2011 that did not replicate in H1 2012, and lower FM sales in Botswana. Zambia, Tanzania, and Uganda, however, made good contributions to income growth.

Operating expenses were up \$8 million, or 3 per cent, to \$244 million. On a constant currency basis expenses were 9 per cent higher reflecting increased staff costs.

Operating profit was flat at \$233 million. On a constant currency basis, operating profit was up 7 per cent.

Americas, UK & Europe

This region continues to support our clients' cross border business, taking regional clients to our footprint or bringing footprint clients to the region. Americas, UK & Europe also contains the Group's US dollar clearing business, which is the seventh largest by volume globally. Income was up by \$199 million, or 25 per cent, with a 27 per cent growth in client income across a diversified range of products – Trade, as volumes and margins improved; FM sales, benefitting from growth in Commodities and Rates; and Corporate Finance. Own account income increased on the back of higher Commodities trading driven by strong client flows.

Operating expenses were marginally higher by \$3 million with continued cost efficiencies offsetting higher regulatory costs.

Working profit grew \$196 million, or 73 per cent, to \$466 million. Loan impairment was flat and operating profit increased by 75 per cent to \$452 million.

Standard Chartered PLC – Financial review continued

Group summary consolidated balance sheet

	30.06.12	30.06.11	31.12.11	H1 2012 vs H1 2011	H1 2012 vs H2 2011	H1 2012 vs H1 2011	H1 2012 vs H2 2011
	\$million	\$million	\$million	\$million	\$million	%	%
Assets							
Advances and investments							
Cash and balances at central banks	51,111	43,689	47,364	7,422	3,747	17	8
Loans and advances to banks	74,167	57,317	65,981	16,850	8,186	29	12
Loans and advances to customers	273,366	262,126	263,765	11,240	9,601	4	4
Investment securities held at amortised cost	4,804	4,934	5,493	(130)	(689)	(3)	(13)
	403,448	368,066	382,603	35,382	20,845	10	5
Assets held at fair value							
Investment securities held available-for-sale	83,537	76,410	79,790	7,127	3,747	9	5
Financial assets held at fair value through profit or loss	27,769	27,401	24,828	368	2,941	1	12
Derivative financial instruments	61,775	50,834	67,933	10,941	(6,158)	22	(9)
	173,081	154,645	172,551	18,436	530	12	-
Other assets	47,902	44,995	43,916	2,907	3,986	6	9
Total assets	624,431	567,706	599,070	56,725	25,361	10	4
Liabilities							
Deposits and debt securities in issue							
Deposits by banks	44,838	36,334	35,296	8,504	9,542	23	27
Customer accounts	351,381	333,485	342,701	17,896	8,680	5	3
Debt securities in issue	57,814	38,640	47,140	19,174	10,674	50	23
	454,033	408,459	425,137	45,574	28,896	11	7
Liabilities held at fair value							
Financial liabilities held at fair value through profit or loss	19,067	20,326	19,599	(1,259)	(532)	(6)	(3)
Derivative financial instruments	59,389	49,637	65,926	9,752	(6,537)	20	(10)
	78,456	69,963	85,525	8,493	(7,069)	12	(8)
Subordinated liabilities and other borrowed funds	16,543	16,004	16,717	539	(174)	3	(1)
Other liabilities	32,465	31,719	30,316	746	2,149	2	7
Total liabilities	581,497	526,145	557,695	55,352	23,802	11	4
Equity	42,934	41,561	41,375	1,373	1,559	3	4
Total liabilities and shareholders' funds	624,431	567,706	599,070	56,725	25,361	10	4

Balance sheet

Unless otherwise stated, the variance and analysis explanations compare the position as at 30 June 2012 with the position as at 31 December 2011.

The Group has continued to build on the strength, diversity and liquidity of its balance sheet with disciplined growth in both assets and liabilities and across both businesses. We remain highly liquid and primarily deposit funded, with an advances to deposits ratio of 77.6 per cent, slightly up from the previous year-end position of 76.4 per cent, although we saw increasing levels of competition for deposits across our footprint. We continue to be a net lender into the interbank market, particularly in Hong Kong, Singapore and Americas, UK & Europe. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years. Senior debt funding during the period continued to demonstrate strong demand for our paper.

The Group remains well capitalised with profit accretion, net of distributions during the period further supporting our growth. Our Core Tier 1 ratio fell slightly to 11.6 per cent from 11.8 per cent at the year end primarily due to a lower scrip take up and higher risk-weighted assets.

The profile of our balance sheet remains stable, with 70 per cent of our financial assets held at amortised cost, and 57 per cent of total assets have a residual maturity of less than one year. The Group has low exposure to problem asset classes, no direct sovereign exposure to Greece, Ireland, Italy, Portugal or Spain and immaterial direct exposure to the rest of the eurozone.

Balance sheet footings grew by \$25 billion, or 4 per cent, during this period. Balance sheet growth was largely driven by an increase in bank and customer lending on the back of growth in deposits, reflecting our philosophy of 'funding before lending', with surplus liquidity being held with central banks. Derivative mark-to-market values were lower despite a slight increase in notionals largely reflecting lower volatility.

Cash and balances at central banks

In addition to higher surplus liquidity, balances have grown primarily due to higher clearing balances.

Loans and advances to banks and customers

Loans to banks and customers, including those held at fair value, grew by \$19 billion, or 6 per cent, to \$354 billion.

CB portfolios, which represent 44 per cent of the Group's customer advances at 30 June, grew by \$2 billion to \$124 billion. 73 per cent of the book is fully secured and the mortgage book continued to be conservatively placed, with an average loan to value ratio of 48 per cent. Mortgage balances were slightly down as increasing levels of regulatory restrictions across key markets and intensifying competition impacted growth. This particularly affected Korea, where balances fell by \$1.4 billion. However, we saw an increased demand for unsecured lending products (such as credit cards and personal loans) in line with our strategy to selectively grow this portfolio in a number of key, bureau-backed markets, with good growth in Hong Kong and Korea in particular, where balances grew 14 per cent and 5 per cent respectively.

The WB portfolio remains well diversified by geography and client segment and the business continued to strengthen its existing client relationships, growing customer advances by \$9 billion, or 6 per cent, to \$156 billion. Lending increased strongly in Singapore, up 19 per cent, and in Americas, UK & Europe, up 8 per cent, driven by the continued ability of these geographies to support cross border business originating across the network. Growth was also seen across a broad range of industry sectors,

reflecting increased trade activity and a continued focus on commerce, manufacturing and mining sectors which make up 55 per cent of WB customer lending. Loans to banks increased 12 per cent, with Hong Kong up 17 per cent as a result of a strategy to move more liquidity to banks in our footprint countries.

Treasury bills, debt and equity securities

Treasury bills, debt and equity securities, including those held at fair value, grew by \$5 billion due to increased trading positions as at the end of the period based on expected rate movements. Additionally, regulatory liquidity requirements have also necessitated higher holdings. The maturity profile of our investment book is largely consistent with around 48 per cent of the book having a residual maturity of less than twelve months.

Derivatives

Customer appetite for derivative transactions has continued to be strong, and notional values have increased slightly since the year end. However, unrealised positive mark-to-market positions are \$6 billion lower at \$62 billion, reflecting lower volatility across interest rate and commodity products and lower volumes and less volatility in credit derivatives. Our risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark to market positions. Of the \$62 billion mark to market positions, \$37 billion is available for offset due to master netting agreements.

Deposits

The Group has continued to see good deposit growth in both businesses. Deposits by banks and customers, including those held at fair value, increased by \$17 billion, of which the increase in customer accounts was \$8 billion. Customer deposit growth was seen across a number of markets despite competitive pressures, with good growth in Americas, UK & Europe, up 14 per cent driven by higher term placements from corporate clients, and Hong Kong, up 5 per cent. CASA continued to be core of the customer deposit base, constituting over 55 per cent of customer deposits. Deposits by banks increased by \$9 billion largely due to higher clearing balances, particularly those held within the Americas, UK & Europe region from banks within our footprint.

Debt securities in issue, subordinated liabilities and other borrowed funds

Subordinated debt remained largely flat as new issues were offset by redemptions, while debt securities in issue grew by \$10.7 billion, or 23 per cent, on the back of strong demand.

Equity

Total shareholders' equity increased by \$1.6 billion to \$42.9 billion due to profit accretion which was partly offset by \$1.1 billion of dividends paid to shareholders due to a lower take-up of the scrip dividend.

The following parts of the Risk Review are reviewed by the auditors: from the start of the “Risk management” section on page 20 to the end of the “Operational risk” section on page 51, with the exception of the “Asset backed securities” and “the impact of Basel III” sections on page 39, 40 and 48 respectively.

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 policies. We also regularly conduct stress tests to ensure that we are operating within our approved risk appetite.

Through our proactive approach to risk management we constantly seek to reshape our portfolios and adjust underwriting standards according to the anticipated conditions in our markets. In the first half of 2012, we maintained our cautious stance overall whilst continuing to support our core clients. Our balance sheet and liquidity have remained strong and we are well positioned for the remainder of 2012.

Our lending portfolio is diversified across a wide range of products, industries and customer segments, which serves to mitigate risk. We operate in 70 markets and there is no single market that 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 48 per cent of our loans and advances to customers are of short maturity, and within Wholesale Banking 63 per cent of loans and advances have a tenor of one year or less. In Consumer Banking 73 per cent of assets are secured.

We have low exposure to countries impacted by the political developments in the Middle East and North Africa. Exposures in Bahrain, Syria, Egypt, Libya and Tunisia represent less than 0.5 per cent of our total assets.

We also have low exposure to asset classes and segments outside of our core markets and target customer base. We have no direct sovereign exposure (as defined by the European Banking Authority (EBA)) to Greece, Ireland, Italy, Portugal or Spain. Our total gross exposure to all counterparties in these countries, more than half of which relates to currency and interest rate derivatives, is 0.5 per cent of total assets. Our direct sovereign exposure to the remainder of the eurozone is immaterial. Please refer to page 40 for details.

Our commercial real estate exposure accounts for less than 2 per cent of our total assets. Our exposure to leveraged loans and to asset backed securities (ABS) each account for less than 1 per cent and less than 0.4 per cent of our total assets, respectively.

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

During the first half of 2012, our liquidity position has 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 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. Our customer deposit base is diversified by type and maturity and we are a net provider of liquidity to the interbank money markets. We have a substantial

portfolio of marketable securities which can be realised in the event of liquidity stress. We have a well-established risk governance structure and an experienced senior team. Members of our Group Management Committee sit on our principal 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.

Risk performance review

The first half of 2012 saw impairment charges higher than the historic lows experienced in 2010 and 2011, driven principally by impairment charges in a very small number of exposures in Wholesale Banking.

In Consumer Banking the total loan impairment provisions for 2012 continues to remain low as a percentage of loans and advances. There was a small increase in overall impairment which is in line with portfolio growth and a change in mix. In particular this reflected a strategic shift towards unsecured products, which tend to have both higher impairment rates and higher returns. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies. Recoveries continued to benefit from loan sales during this period.

In Wholesale Banking, the increase in provisions is primarily related to a very small number of clients in India and the UAE. While we do not see a broad based deterioration in asset quality, we have increased the number of clients subject to additional precautionary monitoring reflecting our proactive approach to managing risk in an uncertain environment. Portfolio impairment provisions have been reduced principally because certain India sector-specific provisions raised in 2011 are no longer required.

Total average VaR in the first half of 2012 is 25 per cent higher than the second half of 2011. The increase is principally driven by increased holdings of available for sale securities, primarily held as liquidity buffers, as we continue to benefit from a more liquid balance sheet.

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.

The key uncertainties we face in the current 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.

Slowing macroeconomic growth in footprint countries

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

The world economy is facing continuing uncertainty. The sovereign crisis in the eurozone continues and, despite some positive developments, is still far from being resolved (see additional information on the risk of redenomination on page 40). The US economy is losing momentum and still faces potential fiscal challenges unless a political compromise emerges after November's election.

Our exposure to eurozone sovereign debt is very low. However, we remain alert to the risk of secondary impacts from events in the West on financial institutions, other counterparties and global economic growth.

These uncertainties have increased the likelihood of economic slowdown in our footprint countries and the pace of growth is decelerating in a number of our markets. At this stage, most economies in our footprint still have policy options available to them to counter a downturn. Moreover, larger and more domestically driven economies such as India, Indonesia and China are likely to be less affected in the event of a euro-led global slowdown than more open economies such as Singapore, Hong Kong and South Korea. India's growth may remain below trend for some time, principally due to internal factors, though lower oil prices are helping both inflation and balance of payments.

Inflation appears to have peaked in most of the countries in which we operate and in some cases has started to trend down. Property prices are also beginning to cool. This and other factors equip the authorities in our significant footprint countries with the policy flexibility to support growth.

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.

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, regulations and economic policies in response to macroeconomic and other systemic conditions. The financial crisis that started in 2008, has spurred unprecedented levels of proposals to change the regulations governing financial institutions. Further changes to regulations remain under consideration or are being implemented in many jurisdictions which are expected to have a significant impact such as changes to capital and liquidity regimes, changes to the calculation of risk weighted assets, derivatives reform, remuneration reforms, banking structural reforms in a number of markets, the UK bank levy and the US Foreign Account Tax Compliance Act.

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 and codes of practice that will improve the overall stability of, and the conduct within the financial system because this provides benefits to our customers, clients and shareholders. 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 adversely affect economic growth, 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. However, we remain a highly liquid and well capitalised bank.

Both unilaterally and through our participation in industry forums, we respond to consultation papers and discussions initiated by regulators, governments and other policymakers. We also keep a close watch on key regulatory developments in order to anticipate changes and their potential impact. A number of changes to capital and liquidity regulations were agreed in Basel III but significant uncertainty remains around the specific application and the combined impact of these proposals. In particular their effect at the Group level via the implementation of changes to European Union legislation (the package of reforms commonly referred to as the Capital Requirements Directive IV (CRD IV)). Similarly, the Bank awaits regulatory confirmation of detailed rules underpinning OTC Derivative reforms across our markets. In particular, the potential extraterritorial applicability of aspects of the Dodd-Frank legislation and other reforms in the United States are likely to influence regulation in other markets and we will analyse these developments to ensure our affected businesses remain both competitive and compliant.

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. These discussions may lead to financial penalties or other enforcement actions which are not usually material to the Group.

As reported previously, the Group is conducting a review of its historical US sanctions compliance and is discussing that review with US enforcement agencies and regulators. The Group cannot predict when this review and these discussions will be completed or what the outcome will be.

Financial markets dislocation

There is a risk that a sudden financial market dislocation, perhaps as a result of further deterioration of the sovereign debt crisis in the eurozone, could significantly increase general financial market volatility which could affect our performance or the availability of capital or liquidity. 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 clients holding derivative contracts during periods of financial market volatility could also lead to an increase in 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. There is no certainty that Government action to reduce the systemic risk will be successful and it may have unintended consequences.

We closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary. We maintain robust appropriateness and suitability processes to mitigate the risk of client disputes.

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 conflicts 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, such as the recent upheaval in the Middle East and North Africa. We 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.

Risk of fraud

The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology.

We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders. We have a broad range of measures in place to monitor and mitigate this risk. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security.

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. Sharp currency movements can also impact trade flows and the wealth of clients 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 to the extent there are proportionate 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 2012 and the half year periods ending 30 June 2011 and 31 December 2011.

	6 months ended 30.06.12	6 months ended 30.06.11	6 months ended 31.12.11
Indian rupee			
Average	52.13	45.00	53.56
Period end	55.56	44.68	53.03
Korean won			
Average	1,140.98	1,102.22	1,113.37
Period end	1,145.07	1,067.30	1,151.56
Singapore dollar			
Average	1.26	1.26	1.26
Period end	1.27	1.23	1.30

As a result of our normal business operations, Standard Chartered is exposed to a broader range of risks than those principal uncertainties mentioned above 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 that 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 but not limited to credit, market, capital, 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 Group Risk Committee (GRC) and Group Asset and Liability Committee (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 investigate or seek any information relating to an activity within its terms of reference.

The Brand and Values Committee (BVC) oversees the brand, values and good reputation of the Group. It ensures that the management of reputational risk is consistent with the risk appetite approved by the Board and with the creation of long term shareholder value.

The role of the Audit Committee is to have oversight and review of financial, audit and internal control issues.

Overall accountability for risk management is held by the Standard Chartered Bank Court (the Court) which comprises the group executive directors and other senior executives of Standard Chartered Bank.

The Court is the highest executive body of the Group and its terms of reference are approved by the Board of Standard Chartered PLC. The Court delegates authority for the management of risk to the GRC and the GALCO.

The GRC is responsible for the management of all risks other than those delegated by the Court to the GALCO. The GRC is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market

risk, operational risk, pension risk and reputational risk. The GRC also defines our overall risk management framework.

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

Members of the Court are also members of both the GRC and the 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, market risk and operational 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 and Group-level committees.

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business, function and geographic governance heads are accountable for risk management in their respective businesses and functions, and for countries where they have governance responsibilities.

The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes that relate to that Risk Type. These responsibilities cut across the Group and are not constrained by functional, business and geographic boundaries. The major risk types are described individually in the following sections.

The third line of defence is the independent assurance provided by the Group Internal Audit (GIA) function. Its role is defined and overseen by the Audit Committee.

The findings from GIA's audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board.

GIA provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

The Risk function

The GCRO directly manages a Risk function that 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.

The role of the Risk function is:

- To maintain the risk management framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes
- To uphold the overall integrity of the Group's 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 the Group's standards and risk appetite
- To exercise direct Risk Control Ownership for Credit, Market, Country Cross-Border, Short-term Liquidity and Operational risk types

The Group appoints Chief Risk Officers (CROs) for its two business divisions and principal countries and regions. CROs at all levels of the organisation fulfil the same role as the GCRO, in respect of the business, geography or legal entity for which they are responsible. The roles of CROs are aligned at each level.

The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that revenues are recognised from the point of sale while losses arising from risk positions typically manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

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 adequate 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 Group's risk appetite statement 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 and GALCO are responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing

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

Our stress testing framework is designed to:

- Contribute to the setting and monitoring of risk appetite
- Identify key risks to our strategy, financial position, and reputation
- Ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing
- Ensure adherence to regulatory requirements

Our stress testing activity focuses on the potential impact of macroeconomic, geopolitical and physical events on relevant geographies, customer segments and asset classes.

A Stress Testing Committee, led by the Risk function with participation from the businesses, Group Finance, Global Research and Group Treasury, aims to ensure that the implications of specific stress scenarios are fully understood allowing informed mitigation actions and construction of contingency plans. The Stress Testing Committee generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business and considers impact across different risk types and countries.

Stress tests are also performed at country and business level.

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 judgment and experience, in informing risk taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

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.

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 a 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 that develop and maintain the models. Models undergo a detailed annual review. 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 judgment and experience and a risk-adjusted scale that 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 and industry in Wholesale Banking; and tracked by product and country in Consumer Banking. Additional concentration thresholds are set and monitored, where appropriate, by tenor profile, collateralisation levels and credit risk profile.

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

Credit monitoring

We regularly monitor credit exposures, portfolio performance, and external trends that 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; and 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.

Clients or portfolios are placed on early alert when they display signs of actual or potential weakness. For example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by Early Alert Committees in countries. Client account plans and credit grades are re-evaluated. In addition, 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 is considered for lending decisions. Accounts that 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 small and medium-sized enterprise (SME) business is managed within Consumer Banking in two distinct customer sub-segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. The credit processes are further refined based on exposure at risk. Larger exposures are managed through the Discretionary Lending approach, in line with Wholesale Banking procedures, and smaller exposures are managed through Programmed Lending, in line with Consumer Banking procedures. Discretionary Lending 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. Further details on collateral are set out on page 24.

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 (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Further details on CSAs are set out on page 24.

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 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 security issues for our clients. 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

Maximum exposure to credit risk

The table below presents the Group's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 30 June 2012, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

The Group's exposure to credit risk is spread across our markets. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is

spread over a variety of different personal and commercial customers.

The Group's maximum exposure to credit risk has increased by \$47.0 billion when compared to 30 June 2011 and by \$16.9 billion when compared to 31 December 2011. Exposure to loans and advances to banks and customers has increased by \$28.1 billion since 30 June 2011 and by \$17.8 billion since 31 December 2011 due to growth in the mortgage portfolio and broad based growth across several industry sectors in Wholesale Banking. Further details of the loan portfolio are set out on page 25. Improving customer appetite for derivatives has increased the Group's exposure by \$10.9 billion when compared to 30 June 2011 and decreased it by \$6.2 billion when compared to 31 December 2011.

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Financial assets held at fair value through profit or loss ¹	25,744	25,340	23,235
Derivative financial instruments	61,775	50,834	67,933
Loans and advances to banks and customers	347,533	319,443	329,746
Investment securities ¹	85,584	78,640	82,740
Contingent liabilities	43,705	41,790	42,880
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	51,352	51,672	52,700
Documentary credits and short term trade-related transactions	8,729	9,455	8,612
Forward asset purchases and forward deposits placed	1,068	1,331	733
	625,490	578,505	608,579

¹ Excludes equity shares.

Collateral

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. Collateral types that 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.

For certain types of lending – typically mortgages, asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. The requirement for collateral is however not a substitute for the ability to pay, which is the primary consideration for any lending decision.

Collateral is reported in accordance with our risk mitigation policies, 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. Where appropriate, collateral values are adjusted to reflect current market conditions, its probability of recovery and the period of time to realise the collateral in the event of possession.

Traded products

With respect to derivatives the Group enters into master netting arrangements which result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. At 30 June 2012 \$36,782 million (30 June 2011: \$20,708 million, 31 December 2011: \$40,605 million) is available for offset as a result of master netting agreements. 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

reciprocal and requires us to post collateral if the overall mark-to-market values of positions is in the counterparty's favour and exceeds an agreed threshold. The Group holds \$2,213 million (30 June 2011: \$2,213 million, 31 December 2011: \$2,452 million) under CSAs.

The Group holds cash collateral against derivative and other financial instruments of \$3,132 million (30 June 2011: \$2,643 million, 31 December 2011: \$3,145 million) as disclosed in note 23 on page 88.

Off-balance sheet exposures

For certain types of exposures, such as letters of credit and guarantees, the Group obtains collateral such as cash (depending on internal credit risk assessments) as well as the case of letters of credit, holding legal title to the underlying assets should a default take place.

Other risk mitigants

The Group has transferred to third parties by way of securitisation the rights to any collection of principal and interest on customer loan assets with a face value of \$1,714 million (30 June 2011: \$2,922 million, 31 December 2011: \$2,212 million). The Group continues to recognise these assets in addition to the proceeds and related liability of \$1,530 million (30 June 2011: \$2,288 million, 31 December 2011: \$1,843 million) arising from the securitisations.

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of \$22.0 billion (30 June 2011: \$14.4 billion, 31 December 2011: \$20.3 billion). The Group continues to hold the underlying assets referenced in the credit default swaps as it continues to be exposed to related credit and foreign exchange risk on these assets.

Standard Chartered PLC – Risk review continued

Loan portfolio

Loans and advances to customers have grown by \$11.3 billion since 30 June 2011 and \$10.3 billion since 31 December 2011 to \$279.0 billion.

Consumer Banking

The Consumer Banking portfolio in 2012 has decreased by \$1.9 billion, or 2 per cent, compared to 30 June 2011 and grown by \$1.7 billion, or 1 per cent, since 31 December 2011.

The proportion of mortgages in the Consumer Banking portfolio is 55 per cent. Overall mortgage portfolio size has reduced by \$0.9 billion, driven substantially by intensified competition, rising interest rates and regulatory restrictions which particularly impacted Hong Kong, Korea and Taiwan.

Other loans increased by \$2.2 billion compared to 30 June 2011 and \$2.1 billion compared to 31 December 2011 as we continued to selectively grow our unsecured lending portfolios, particularly in Hong Kong and Korea.

SME lending continued to grow, up by \$0.2 billion compared to 30 June 2011 and \$0.5 billion compared to 31 December 2011 with good growth in the core strategic trade and working capital products partly offset by lower levels of mortgages.

Wholesale Banking

The Wholesale Banking portfolio has increased to \$13.1 billion, or 9 per cent, compared to 30 June 2011 and by \$8.6 billion, or 6 per cent, since 31 December 2011. Over two-thirds of the growth is due to trade finance and corporate finance as Wholesale Banking continues to deepen relationships with clients in core markets.

Growth in the first half of 2012 has been broadly spread, with strong growth in Singapore, driven by new loans across the commerce and transport industries, partly offset by a drop in Other Asia Pacific, due to lower placements with central banks.

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

Exposure to bank counterparties at \$74.8 billion increased by \$17.1 billion compared to 30 June 2011 and \$8.3 billion compared to 31 December 2011 mainly in Hong Kong, on the back of strong RMB financing demand, and in Other Asia Pacific due to increased money market activity in China.

30.06.12

	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans to individuals									
Mortgages	18,997	11,415	19,433	14,350	1,690	1,554	241	961	68,641
Other	6,346	9,630	6,389	6,660	649	2,622	967	2,293	35,556
Small and medium enterprises	2,820	3,087	4,791	6,074	1,896	804	254	2	19,728
Consumer Banking	28,163	24,132	30,613	27,084	4,235	4,980	1,462	3,256	123,925
Agriculture, forestry and fishing	433	267	14	494	14	248	924	1,839	4,233
Construction	353	267	349	733	520	1,067	341	378	4,008
Commerce	4,918	9,201	421	4,118	858	4,252	780	4,980	29,528
Electricity, gas and water	664	411	-	656	-	416	224	2,297	4,668
Financing, insurance and business services	2,925	4,331	174	4,451	509	2,656	479	9,749	25,274
Governments	50	1,526	263	431	2	800	105	811	3,988
Mining and quarrying	1,001	2,227	-	1,212	421	360	178	11,218	16,617
Manufacturing	7,191	3,781	4,380	8,916	2,638	2,650	1,309	8,748	39,613
Commercial real estate	3,213	1,975	1,334	1,309	1,164	860	28	538	10,421
Transport, storage and communication	2,410	4,828	188	1,146	664	1,021	568	4,845	15,670
Other	233	686	139	301	10	200	76	183	1,828
Wholesale Banking	23,391	29,500	7,262	23,767	6,800	14,530	5,012	45,586	155,848
Portfolio impairment provision	(70)	(48)	(132)	(195)	(34)	(143)	(47)	(51)	(720)
Total loans and advances to customers^{1,2}	51,484	53,584	37,743	50,656	11,001	19,367	6,427	48,791	279,053
Total loans and advances to banks¹	22,311	5,178	4,755	11,095	422	3,780	368	26,933	74,842

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12 on page 72).

² The loans to customers are originated and booked in the respective geographic segments.

Standard Chartered PLC – Risk review continued

Loan portfolio continued

	30.06.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans to individuals									
Mortgages	18,312	11,386	23,445	15,551	2,096	1,434	206	505	72,935
Other	4,895	8,892	6,184	6,491	714	2,468	857	2,825	33,326
Small and medium enterprises	2,601	3,258	5,241	5,379	2,270	649	157	2	19,557
Consumer Banking	25,808	23,536	34,870	27,421	5,080	4,551	1,220	3,332	125,818
Agriculture, forestry and fishing	356	589	34	650	10	204	910	1,246	3,999
Construction	138	160	801	374	478	946	127	217	3,241
Commerce	4,789	6,236	774	4,068	615	4,019	643	5,477	26,621
Electricity, gas and water	329	288	-	803	3	356	251	1,525	3,555
Financing, insurance and business services	4,149	4,793	347	4,109	811	3,444	363	9,717	27,733
Governments	-	2,379	401	2,162	2	109	17	1,765	6,835
Mining and quarrying	978	718	-	597	208	172	254	6,378	9,305
Manufacturing	5,828	1,699	4,318	9,307	2,717	2,920	1,272	7,478	35,539
Commercial real estate	2,706	1,917	1,081	1,110	1,301	858	1	547	9,521
Transport, storage and communication	1,823	2,727	363	1,159	1,237	896	388	6,256	14,849
Other	222	498	199	159	8	230	97	110	1,523
Wholesale Banking	21,318	22,004	8,318	24,498	7,390	14,154	4,323	40,716	142,721
Portfolio impairment provision	(66)	(38)	(123)	(188)	(88)	(154)	(41)	(50)	(748)
Total loans and advances to customers ^{1,2}	47,060	45,502	43,065	51,731	12,382	18,551	5,502	43,998	267,791
Total loans and advances to banks ¹	12,883	7,432	4,272	9,225	482	2,382	245	20,830	57,751

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12 on page 72).

² The loans to customers are originated and booked in the respective geographic segment.

	31.12.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans to individuals									
Mortgages	18,790	10,823	20,835	14,895	1,755	1,486	216	749	69,549
Other	5,558	8,909	6,098	6,218	626	2,388	962	2,686	33,445
Small and medium enterprises	2,751	3,029	4,613	5,790	2,142	741	163	2	19,231
Consumer Banking	27,099	22,761	31,546	26,903	4,523	4,615	1,341	3,437	122,225
Agriculture, forestry and fishing	356	472	16	486	13	248	810	781	3,182
Construction	345	639	371	704	463	790	201	291	3,804
Commerce	4,858	7,645	439	4,000	547	4,067	677	5,999	28,232
Electricity, gas and water	523	908	-	709	7	300	256	1,771	4,474
Financing, insurance and business services	3,824	4,107	167	4,623	645	3,247	508	8,837	25,958
Governments	-	1,312	11	1,949	2	230	9	2,160	5,673
Mining and quarrying	1,019	1,325	-	923	353	300	251	8,103	12,274
Manufacturing	7,248	2,602	3,818	8,978	2,461	2,604	1,260	7,904	36,875
Commercial real estate	3,136	1,952	1,416	1,332	1,131	681	64	543	10,255
Transport, storage and communication	1,905	3,223	228	1,123	776	1,257	577	5,607	14,696
Other	218	630	180	293	9	233	159	143	1,865
Wholesale Banking	23,432	24,815	6,646	25,120	6,407	13,957	4,772	42,139	147,288
Portfolio impairment provision	(72)	(41)	(126)	(188)	(84)	(138)	(45)	(66)	(760)
Total loans and advances to customers ^{1,2}	50,459	47,535	38,066	51,835	10,846	18,434	6,068	45,510	268,753
Total loans and advances to banks ¹	19,097	7,301	3,777	8,506	362	2,426	437	24,643	66,549

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12 on page 73).

² The loans to customers are originated and booked in the respective geographic segment.

Standard Chartered PLC – Risk review continued

Maturity analysis

Approximately half of our loans and advances to customers are short-term, having a contractual maturity of one year or less. The Wholesale Banking portfolio remains predominantly short-term, with 63 per cent (30 June 2011: 67 per cent, 31 December 2011: 64 per cent) of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 55 per cent (30 June 2011: 58 per cent, 31 December 2011:

57 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.

	30.06.12			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	3,161	8,806	56,674	68,641
Other	21,780	11,085	2,691	35,556
Small and medium enterprises	10,638	3,524	5,566	19,728
Consumer Banking	35,579	23,415	64,931	123,925
Agriculture, forestry and fishing	3,550	561	122	4,233
Construction	2,419	1,358	231	4,008
Commerce	25,395	3,778	355	29,528
Electricity, gas and water	1,815	1,147	1,706	4,668
Financing, insurance and business services	14,857	9,604	813	25,274
Governments	2,371	1,453	164	3,988
Mining and quarrying	9,536	4,804	2,277	16,617
Manufacturing	27,729	10,214	1,670	39,613
Commercial real estate	3,882	6,230	309	10,421
Transport, storage and communication	6,318	6,473	2,879	15,670
Other	949	728	151	1,828
Wholesale Banking	98,821	46,350	10,677	155,848
Portfolio impairment provision				(720)
Total loans and advances to customers				279,053

	30.06.11			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Loans to individuals				
Mortgages	3,078	8,870	60,987	72,935
Other	20,126	10,300	2,900	33,326
Small and medium enterprises	10,622	3,667	5,268	19,557
Consumer Banking	33,826	22,837	69,155	125,818
Agriculture, forestry and fishing	3,063	713	223	3,999
Construction	2,085	1,041	115	3,241
Commerce	22,467	3,940	214	26,621
Electricity, gas and water	1,343	857	1,355	3,555
Financing, insurance and business services	18,974	7,921	838	27,733
Governments	5,707	1,128	-	6,835
Mining and quarrying	4,426	3,201	1,678	9,305
Manufacturing	25,347	8,523	1,669	35,539
Commercial real estate	4,531	4,721	269	9,521
Transport, storage and communication	7,037	5,479	2,333	14,849
Other	945	555	23	1,523
Wholesale Banking	95,925	38,079	8,717	142,721
Portfolio impairment provision				(748)
Total loans and advances to customers				267,791

Maturity analysis continued

	31.12.11			Total \$million
	One year or less \$million	One to five years \$million	Over five years \$million	
Loans to individuals				
Mortgages	3,011	8,867	57,671	69,549
Other	20,194	10,502	2,749	33,445
Small and medium enterprises	10,474	3,450	5,307	19,231
Consumer Banking	33,679	22,819	65,727	122,225
Agriculture, forestry and fishing	2,607	468	107	3,182
Construction	2,300	1,366	138	3,804
Commerce	23,705	4,114	413	28,232
Electricity, gas and water	1,117	1,649	1,708	4,474
Financing, insurance and business services	16,797	8,818	343	25,958
Governments	4,301	1,372	-	5,673
Mining and quarrying	5,912	3,602	2,760	12,274
Manufacturing	25,704	9,380	1,791	36,875
Commercial real estate	4,146	5,785	324	10,255
Transport, storage and communication	7,267	5,160	2,269	14,696
Other	971	874	20	1,865
Wholesale Banking	94,827	42,588	9,873	147,288
Portfolio impairment provision				(760)
Total loans and advances to customers				268,753

Problem credit management and provisioning

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected;
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the balance sheet date are determined on a portfolio basis, which takes into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

The total amount of the Group's impairment allowances is inherently uncertain being sensitive to changes in economic and credit conditions across the geographies that the Group operates in. Economic and credit conditions are interdependent within each geography and as a result there is no single factor to which the Group's loan impairment allowances as a whole are sensitive. It is possible that actual events over the next year differ from the assumptions built into the model resulting in

material adjustments to the carrying amount of loans and advances.

Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent ("past due") when the counterparty has failed to make a principal or interest payment when contractually due. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. 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-sized enterprises among SME customers and private banking customers) consist of a large number of comparatively small exposures. Mortgages are assessed for individual impairment on an account by account basis, but for other products it is impractical to monitor each delinquent loan individually and individual impairment is therefore assessed collectively.

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 (IIPs) are generally raised at either 150 days (Mortgages) or 90 days (Wealth Management) 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 IIPs 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

Standard Chartered PLC – Risk review continued

provisioning or write off process is accelerated, such as in cases involving bankruptcy, customer fraud and death. Write off and IIPs are accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively. Individually impaired loans for Consumer Banking will therefore not equate to those reported as non-performing in the table below, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans are impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain, which, in the Group's experience, is generally around 150 days in Consumer Banking. Up to that point the inherent impairment is captured in portfolio impairment provision (PIP).

The PIP methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and 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 methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

The procedures for managing problem credits for the Private Bank and the medium-sized enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 23).

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

30.06.12									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	44	59	276	370	56	261	25	65	1,156
Individual impairment provision ¹	(18)	(15)	(106)	(112)	(27)	(156)	(17)	(40)	(491)
Non-performing loans net of individual impairment provision	26	44	170	258	29	105	8	25	665
Portfolio impairment provision									(430)
Net non-performing loans and advances									235
Cover ratio									80%

¹ The difference to total individual impairment provision at 30 June 2012 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days.

30.06.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	29	48	174	360	78	310	30	74	1,103
Individual impairment provision ¹	(17)	(19)	(63)	(156)	(36)	(157)	(16)	(40)	(504)
Non-performing loans net of individual impairment provision	12	29	111	204	42	153	14	34	599
Portfolio impairment provision									(448)
Net non-performing loans and advances									151
Cover ratio									86%

¹ The difference to total individual impairment provision at 30 June 2011 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days.

Standard Chartered PLC – Risk review continued

Consumer Banking continued

	31.12.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	48	52	194	345	72	291	28	66	1,096
Individual impairment provision ¹	(17)	(14)	(68)	(113)	(32)	(159)	(16)	(39)	(458)
Non-performing loans net of individual impairment provision	31	38	126	232	40	132	12	27	638
Portfolio impairment provision									(434)
Net non-performing loans and advances									204
Cover ratio									81%

¹ The difference to total individual impairment provision at 31 December 2011 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days.

The tables below set out the net impairment charge on loans and advances by geography:

	6 months ended 30.06.12								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Gross impairment charge	62	44	130	172	22	67	12	3	512
Recoveries/provisions no longer required	(18)	(25)	(40)	(83)	(11)	(30)	(4)	(2)	(213)
Net individual impairment charge	44	19	90	89	11	37	8	1	299
Portfolio impairment provision charge									1
Net impairment charge									300

	6 months ended 30.06.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Gross impairment charge	41	25	81	142	35	82	13	4	423
Recoveries/provisions no longer required	(13)	(10)	(12)	(112)	(13)	(25)	(6)	(3)	(194)
Net individual impairment charge	28	15	69	30	22	57	7	1	229
Portfolio impairment provision release									(18)
Net impairment charge									211

	6 months ended 31.12.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Gross impairment charge	51	26	97	162	23	84	14	4	461
Recoveries/provisions no longer required	(15)	(13)	(14)	(67)	(10)	(27)	(8)	(2)	(156)
Net individual impairment charge	36	13	83	95	13	57	6	2	305
Portfolio impairment provision charge									8
Net impairment charge									313

Wholesale Banking

Loans are classified as impaired and considered non-performing in line with definition on page 28 and 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

The following tables set out the total non-performing loans to banks and customers for Wholesale Banking:

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 \$666 million, or 20 per cent, since 30 June 2011 and \$977 million, or 32 per cent since 31 December 2011 and the individual impairment charge increased by \$145 million since 30 June 2011 and \$172 million since 31 December 2011. These increases were primarily driven by a very small number of exposures in India and the UAE. The balance of non-performing loans not covered by individual impairment provisions represents the value of collateral held and the Group's estimate of the net outcome of any workout strategy.

Portfolio provisions were reduced in most markets in the first half of 2012 with a large release of sector specific provisions in India. The net portfolio impairment release for the first half of 2012 was \$38 million compared to \$8 million release and a charge of \$32 million for the first and second halves of 2011 respectively.

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions and was 50 per cent at 30 June 2012, down from 53 per cent in June 2011 and 58 per cent at 31 December 2011 largely due to the factors noted above.

30.06.12									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	87	13	229	863	649	2,025	161	37	4,064
Individual impairment provision ¹	(63)	(7)	(90)	(353)	(217)	(929)	(42)	(56)	(1,757)
Non-performing loans net of individual impairment provision	24	6	139	510	432	1,096	119	(19)	2,307
Portfolio impairment provision									(292)
Net non-performing loans and advances									2,015
Cover ratio									50%
30.06.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Loans and advances									
Gross non-performing	91	10	259	754	255	1,775	113	141	3,398
Individual impairment provision ¹	(60)	(5)	(99)	(347)	(81)	(776)	(48)	(74)	(1,490)
Non-performing loans net of individual impairment provision	31	5	160	407	174	999	65	67	1,908
Portfolio impairment provision									(302)
Net non-performing loans and advances									1,606
Cover ratio									53%

¹ The difference to total individual impairment provision at 30 June 2011 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days.

Standard Chartered PLC – Risk review continued

Wholesale Banking continued

	31.12.11								
	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
Loans and advances									
Gross non-performing	83	18	202	773	260	1,476	146	129	3,087
Individual impairment provision ¹	(61)	(24)	(68)	(325)	(80)	(791)	(45)	(65)	(1,459)
Non-performing loans net of individual impairment provision	22	(6)	134	448	180	685	101	64	1,628
Portfolio impairment provision									(328)
Net non-performing loans and advances									1,300
Cover ratio									58%

¹ The difference to total individual impairment provision at 31 December 2011 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days.

The tables below set out the net impairment charge on loans and advances and other credit risk provisions by geography:

	6 months ended 30.06.12								
	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	5	3	25	22	149	139	2	6	351
Recoveries/provisions no longer required	(4)	-	(2)	(9)	(6)	(1)	(1)	(3)	(26)
Net individual impairment charge	1	3	23	13	143	138	1	3	325
Portfolio impairment provision release									(38)
Net loan impairment charge									287
Other credit risk provisions									(4)
Total impairment									283

	6 months ended 30.06.11								
	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	6	17	12	4	18	144	6	(1)	206
Recoveries/provisions no longer required	(6)	-	(2)	(2)	(5)	(3)	(7)	(1)	(26)
Net individual impairment charge/(credit)	-	17	10	2	13	141	(1)	(2)	180
Portfolio impairment provision release									(8)
Net loan impairment release									172
Other credit risk provisions									29
Total impairment									201

	6 months ended 31.12.11								
	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	13	4	24	25	22	85	2	1	176
Recoveries/provisions no longer required	(4)	-	(2)	(6)	(1)	(6)	-	(4)	(23)
Net individual impairment (credit)/charge	9	4	22	19	21	79	2	(3)	153
Portfolio impairment provision charge									32
Net loan impairment charge									185
Other credit risk provisions									(2)
Total impairment									183

Standard Chartered PLC – Risk review continued

Impairment provisions on loans and advances

The following table sets out the impairment provision on loans and advances by each principal category of borrowers business or industry:

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Loans to individuals			
Mortgages	137	136	137
Other	178	159	152
Small and medium enterprises	211	209	202
Consumer Banking	526	504	491
Agriculture, forestry and fishing	42	46	40
Construction	68	65	68
Commerce	579	526	473
Electricity, gas and water	6	7	6
Financing, insurance and business services	161	139	167
Mining and quarrying	-	-	1
Manufacturing	569	549	551
Commercial real estate	26	21	24
Transport, storage and communication	184	22	40
Other	35	21	29
Wholesale Banking	1,670	1,396	1,399
Individual impairment provision against loans and advances to customers (note 16)	2,196	1,900	1,890
Individual impairment provision against loans and advances to banks (note 15)	87	94	82
Portfolio impairment provision (note 15, 16)	722	750	762
Total impairment provisions on loans and advances	3,005	2,744	2,734

The following table set out the movements in individual and portfolio impairment provisions:

	30.06.12			30.06.11		
	Individual Impairment Provisions \$million	Portfolio Impairment Provisions \$million	Total \$million	Individual Impairment Provisions \$million	Portfolio Impairment Provisions \$million	Total \$million
Provisions held at the beginning of the period	1,972	762	2,734	1,917	762	2,679
Exchange translation differences	(27)	(3)	(30)	28	14	42
Amounts written off	(394)	-	(394)	(473)	-	(473)
Releases of acquisition fair values	(2)	-	(2)	(5)	-	(5)
Recoveries of amounts previously written off	147	-	147	151	-	151
Discount unwind	(37)	-	(37)	(34)	-	(34)
Other	-	-	-	1	-	1
New provisions	863	74	937	629	24	653
Recoveries/provisions no longer required	(239)	(111)	(350)	(220)	(50)	(270)
Net impairment charge/(release) against profit	624	(37)	587	409	(26)	383
Provisions held at the end of the period	2,283	722	3,005	1,994	750	2,744

Standard Chartered PLC – Risk review continued

The following table set out the movements in individual and portfolio impairment provisions:

	31.12.11		
	Individual Impairment Provisions \$million	Portfolio Impairment Provisions \$million	Total \$million
At 1 July 2011	1,994	750	2,744
Exchange translation differences	(68)	(28)	(96)
Amounts written off	(484)	-	(484)
Releases of acquisition fair values	(5)	-	(5)
Recoveries of amounts previously written off	114	-	114
Discount unwind	(36)	-	(36)
Other	(1)	-	(1)
New provisions	637	106	743
Recoveries/provisions no longer required	(179)	(66)	(245)
Net impairment charge against profit	458	40	498
Provisions held at 31 December 2011	1,972	762	2,734

Movement in individual impairment by geography

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

	30.06.12								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Provisions held at 1 January 2012	78	38	136	471	112	972	61	104	1,972
Exchange translation differences	-	1	-	(5)	(14)	(5)	(4)	-	(27)
Amounts written off	(59)	(62)	(63)	(122)	(6)	(59)	(9)	(14)	(394)
Releases of acquisition fair values	-	-	-	(1)	-	(1)	-	-	(2)
Recoveries of amounts previously written off	18	24	16	64	5	16	2	2	147
Discount unwind	(1)	(1)	(6)	(9)	(7)	(13)	-	-	(37)
New provisions	67	47	155	194	171	206	14	9	863
Recoveries/provisions no longer required	(22)	(25)	(42)	(92)	(17)	(31)	(5)	(5)	(239)
Net impairment charge against profit	45	22	113	102	154	175	9	4	624
Provisions held at 30 June 2012	81	22	196	500	244	1,085	59	96	2,283

	30.06.11								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Provisions held at 1 January 2011	102	25	193	507	112	782	60	136	1,917
Exchange translation differences	-	2	10	13	-	-	-	3	28
Amounts written off	(64)	(42)	(120)	(131)	(32)	(48)	(11)	(25)	(473)
Releases of acquisition fair values	-	-	-	(4)	-	(1)	-	-	(5)
Recoveries of amounts previously written off	13	8	6	94	7	14	9	-	151
Discount unwind	(2)	(1)	(6)	(8)	(5)	(12)	-	-	(34)
Other	-	-	-	-	1	-	-	-	1
New provisions	47	42	93	146	52	226	19	4	629
Recoveries/provisions no longer required	(19)	(10)	(14)	(114)	(18)	(28)	(13)	(4)	(220)
Net impairment charge against profit	28	32	79	32	34	198	6	-	409
Provisions held at 30 June 2011	77	24	162	503	117	933	64	114	1,994

Standard Chartered PLC – Risk review continued

31.12.11

	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
Provisions held at 1 July 2011	77	24	162	503	117	933	64	114	1,994
Exchange translation differences	-	(3)	(11)	(14)	(20)	(13)	(4)	(3)	(68)
Amounts written off	(57)	(10)	(124)	(173)	(19)	(88)	(8)	(5)	(484)
Releases of acquisition fair values	-	-	-	(4)	-	(1)	-	-	(5)
Recoveries of amounts previously written off	14	10	10	53	6	16	3	2	114
Discount unwind	(1)	-	(6)	(8)	(6)	(11)	(2)	(2)	(36)
Other	-	-	-	-	(1)	-	-	-	(1)
New provisions	64	30	121	187	46	169	16	4	637
Recoveries/provisions no longer required	(19)	(13)	(16)	(73)	(11)	(33)	(8)	(6)	(179)
Net impairment charge/(release) against profit	45	17	105	114	35	136	8	(2)	458
Provisions held at 31 December 2011	78	38	136	471	112	972	61	104	1,972

Forbearance and other renegotiated loans

Forbearance

Forbearance strategies assist customers that are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the customer, the bank or a third party (including Government sponsored programmes or a conglomerate of credit institutions) and includes debt restructuring, such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

The Group's impairment policy generally requires higher impairment charges for restructured assets than for fully performing assets. A discount provision is raised if there is a shortfall when comparing the present value of future cash flows under the revised terms and the carrying value of the loan before restructuring. Individual impairment recognition is accelerated compared to those under normal contractual policy.

In Consumer Banking excluding Medium Enterprises and Private Banking, all loans subject to forbearance (in addition to other renegotiated loans) are managed within a separate portfolio. If such loans subsequently become past due, write off and IIP is accelerated to 90 days past due (unsecured loans and automobile finance) or 120 days past due (secured loans). The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Consumer Banking portfolio as a whole, to recognise the greater degree of inherent risk.

At 30 June 2012, \$729 million (30 June 2011: \$703 million, 31 December 2011: \$708 million) of Consumer Banking loans were subject to forbearance programmes, which represents 0.6 per cent of total loans and advances to Consumer Banking customers (30 June 2011: 0.6 per cent, 31 December 2011: 0.6 per cent). These loans were largely concentrated in countries that have active government sponsored forbearance programmes. Provision coverage against these loans was 18 per cent (30 June 2011: 18 per cent, 31 December 2011: 16 per cent), reflecting collateral held and expected recovery rates.

For Wholesale Banking and Medium Enterprise and Private Banking accounts, forbearance and other renegotiations are applied on a case-by-case basis and are not subject to business wide programmes. In some cases, a new loan is granted as part of the restructure and in others, the contractual terms and repayment of the existing loans are changed or extended (for example, interest only for a period).

These accounts are managed by GSAM even if they are not impaired (that is the present value of the new cash flows is the same or greater than the present value of the original cash flows) and are reviewed at least quarterly to assess and confirm the client's ability to adhere to the restructured repayment strategy. Accounts are also reviewed if there is a significant event that could result in deterioration in their ability to repay.

If the terms of the restructure are such that an independent party in the same geographic area would not be prepared to provide financing on substantially the same terms and conditions, or where the present value of the new cash flows is lower than the present value of the original cash flows, the loan would be considered to be impaired and at a minimum a discount provision would be raised. These accounts are monitored as described on page 28.

Renegotiated loans that would otherwise be past due or impaired

Renegotiated loans which are included within forbearance loans, that would otherwise be past due or impaired if their terms had not been renegotiated were \$1,501 million (30 June 2011: \$1,432 million, 31 December 2011: \$1,224 million), \$298 million (30 June 2011: \$523 million, 31 December 2011: \$228 million) of which relates to Consumer Banking loans to customers and \$1,203 million (30 June 2011: \$849 million, 31 December 2011: \$996 million) of which relates to Wholesale Banking loans to customers. Loans whose terms have been renegotiated to include concessions that the Group would not ordinarily make will usually be classified as impaired. Renegotiated loans that have not defaulted on interest or principal payments for 180 days post renegotiation and against which no loss of principal is expected are excluded from non-performing loans but remain impaired because they are subject to discount provisions.

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 to banks have increased by \$17.1 billion in the first half of 2012 compared to 30 June 2011 and \$8.3 billion since 31 December 2011. Most of the Group's loans to financial institutions are in the credit grade 1-5 category as we lend in the interbank market to highly rated counterparties. Exposure in the credit grade 6-8 category predominantly relates to trade finance business with financial institutions in our core markets.

In the Wholesale Banking corporate portfolio, credit quality deteriorated slightly driven partly by downgrades in the corporate book. We have increased the number of clients subject to additional precautionary monitoring reflecting our proactive approach to managing risk in an uncertain environment.

Total loans to Wholesale Banking customers increased by \$13.1 billion, or 9 per cent, since 30 June 2011 and \$8.6 billion, or 6 per cent from 31 December 2011. As at 30 June 2012 only 2.8 per cent of the loans are either past due or individually impaired remaining stable from both half year periods in 2011. The increase in loans to customers is due to increased corporate finance lending and trade financing activity as Wholesale Banking deepens relationships in core markets.

Consumer Banking loans to customers decreased by \$1.9 billion, or 2 per cent, since 30 June 2011 and grown by \$1.7 billion, or 1 per cent since 31 December 2011. Credit grades 1-5 have remained stable as a percentage of total loans and advances in comparison to prior year periods. At 30 June 2012, the Consumer Banking portfolio is well collateralised and has an average loan to value ratio of 48 per cent in respect of the mortgages portfolio. The proportion of past due or individually impaired loans has remained stable at 4.3 per cent when compared to 30 June 2011 (4.3 per cent) although has increased slightly when compared to 31 December 2011 (4.2 per cent).

	30.06.12				30.06.11			
	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Neither past due nor individually impaired loans								
- Grades 1-5	63,880	65,115	54,384	119,499	47,284	58,822	56,608	115,430
- Grades 6-8	9,294	63,133	39,939	103,072	9,426	56,509	39,593	96,102
- Grades 9-11	1,135	23,092	23,100	46,192	815	23,190	22,771	45,961
- Grade 12	124	1,834	1,663	3,497	62	1,713	1,962	3,675
	74,433	153,174	119,086	272,260	57,587	140,234	120,934	261,168
Past due but not individually impaired loans								
- Up to 30 days past due	171	212	3,398	3,610	12	414	3,453	3,867
- 31 - 60 days past due	97	89	461	550	-	187	431	618
- 61 - 90 days past due	-	182	211	393	-	94	217	311
- 91 - 150 days past due	-	-	166	166	-	-	148	148
	268	483	4,236	4,719	12	695	4,249	4,944
Individually impaired loans	230	3,861	1,129	4,990	248	3,188	1,139	4,327
Individually impairment provisions	(87)	(1,670)	(526)	(2,196)	(94)	(1,396)	(504)	(1,900)
Net individually impaired loans	143	2,191	603	2,794	154	1,792	635	2,427
Total loans and advances	74,844	155,848	123,925	279,773	57,753	142,721	125,818	268,539
Portfolio impairment provision	(2)	(290)	(430)	(720)	(2)	(300)	(448)	(748)
	74,842	155,558	123,495	279,053	57,751	142,421	125,370	267,791

Of which, held at fair value through profit or loss:

Neither past due nor individually impaired

- Grades 1-5	364	986	-	986	78	1,497	-	1,497
- Grades 6-8	303	4,149	-	4,149	356	3,172	-	3,172
- Grades 9-11	8	545	-	545	-	793	-	793
- Grade 12	-	7	-	7	-	203	-	203
	675	5,687	-	5,687	434	5,665	-	5,665

Standard Chartered PLC – Risk review continued

Analysis of the loan portfolio continued

	31.12.11			
	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	54,838	59,755	52,940	112,695
- Grades 6-8	10,432	60,162	40,238	100,400
- Grades 9-11	980	22,925	22,579	45,504
- Grade 12	76	1,674	1,835	3,509
	66,326	144,516	117,592	262,108
Past due but not individually impaired loans				
- Up to 30 days past due	75	577	3,187	3,764
- 31 - 60 days past due	-	129	477	606
- 61 - 90 days past due	-	203	217	420
- 91 - 150 days past due	-	-	154	154
	75	909	4,035	4,944
Individually impaired loans	232	3,262	1,089	4,351
Individually impairment provisions	(82)	(1,399)	(491)	(1,890)
Net individually impaired loans	150	1,863	598	2,461
Total loans and advances	66,551	147,288	122,225	269,513
Portfolio impairment provision	(2)	(326)	(434)	(760)
	66,549	146,962	121,791	268,753
Of which, held at fair value through profit or loss:				
Neither past due nor individually impaired				
- Grades 1-5	217	1,599	-	1,599
- Grades 6-8	351	2,651	-	2,651
- Grades 9-11	-	563	-	563
- Grade 12	-	175	-	175
	568	4,988	-	4,988

Standard Chartered PLC – Risk review continued

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	30.06.12			30.06.11		
	Debt securities \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Treasury bills \$million	Total \$million
Net impaired securities:						
Impaired securities	403	-	403	629	-	629
Impairment provisions	(167)	-	(167)	(263)	-	(263)
	236	-	236	366	-	366
Securities neither past due nor impaired:						
AAA	18,797	4,078	22,875	14,940	3,742	18,682
AA- to AA+	18,163	8,981	27,144	17,247	6,924	24,171
A- to A+	24,030	8,171	32,201	23,136	7,942	31,078
BBB- to BBB+	7,941	3,539	11,480	7,378	4,271	11,649
Lower than BBB-	1,986	1,328	3,314	1,813	1,110	2,923
Unrated	7,193	523	7,716	8,236	776	9,012
	78,110	26,620	104,730	72,750	24,765	97,515
	78,346	26,620	104,966	73,116	24,765	97,881
Of which:						
Assets at fair value ¹						
Trading	14,512	4,543	19,055	14,557	4,617	19,174
Designated at fair value	327	-	327	67	-	67
Available-for-sale	58,704	22,077	80,781	53,558	20,148	73,706
	73,543	26,620	100,163	68,182	24,765	92,947
Assets at amortised cost						
Loans and receivables	4,803	-	4,803	4,912	-	4,912
Held-to-maturity	-	-	-	22	-	22
	4,803	-	4,803	4,934	-	4,934
	78,346	26,620	104,966	73,116	24,765	97,881
	31.12.11					
	Debt securities \$million	Treasury bills \$million	Total \$million			
Net impaired securities:						
Impaired securities	432	-	432			
Impairment provisions	(187)	-	(187)			
	245	-	245			
Securities neither past due nor impaired:						
AAA	15,164	3,285	18,449			
AA- to AA+	18,806	7,959	26,765			
A- to A+	23,849	8,712	32,561			
BBB- to BBB+	7,090	4,396	11,486			
Lower than BBB-	2,435	1,347	3,782			
Unrated	6,541	590	7,131			
	73,885	26,289	100,174			
	74,130	26,289	100,419			
Of which:						
Assets at fair value ¹						
Trading	13,025	4,609	17,634			
Designated at fair value	45	-	45			
Available-for-sale	55,567	21,680	77,247			
	68,637	26,289	94,926			
Assets at amortised cost						
Loans and receivables	5,475	-	5,475			
Held-to-maturity	18	-	18			
	5,493	-	5,493			
	74,130	26,289	100,419			

¹ See notes 12, 13 and 17 to the financial statements for further details.

Standard Chartered PLC – Risk review continued

The standard credit ratings used by the Group in the table on page 38 are those used by Standard & Poor's or their equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating as described under Loans and Advances.

Unrated securities primarily relate to corporate issuers. Using internal credit ratings, \$6,761 million (30 June 2011: \$7,762 million, 31 December 2011: \$6,254 million) of these securities are considered to be equivalent to investment grade and \$955 million (30 June 2011: \$1,250 million, 31 December 2011: \$877 million) sub-investment grade.

Asset backed securities

Total exposures to asset backed securities

	30.06.12				30.06.11			
	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million
Residential Mortgage Backed Securities (RMBS)	25%	636	562	552	33%	864	777	770
Collateralised Debt Obligations (CDOs)	11%	283	219	230	14%	359	256	265
Commercial Mortgage Backed Securities (CMBS)	21%	525	395	375	28%	713	548	539
Other Asset Backed Securities (Other ABS)	43%	1,067	1,036	1,051	25%	614	574	591
	100%	2,511	2,212	2,208	100%	2,550	2,155	2,165
Of which included within:								
Financial assets held at fair value through profit or loss	2%	54	54	54	6%	160	157	157
Investment securities - available-for-sale	28%	704	548	548	24%	610	402	402
Investment securities - loans and receivables	70%	1,753	1,610	1,606	70%	1,780	1,596	1,606
	100%	2,511	2,212	2,208	100%	2,550	2,155	2,165

	31.12.11			
	Percentage of notional value of portfolio	Notional \$million	Carrying value \$million	Fair value ¹ \$million
Residential Mortgage Backed Securities (RMBS)	32%	769	688	667
Collateralised Debt Obligations (CDOs)	13%	308	241	244
Commercial Mortgage Backed Securities (CMBS)	26%	633	488	465
Other Asset Backed Securities (Other ABS)	29%	712	679	694
	100%	2,422	2,096	2,070
Of which included within:				
Financial assets held at fair value through profit or loss	6%	132	130	130
Investment securities - available-for-sale	22%	538	379	379
Investment securities - loans and receivables	72%	1,752	1,587	1,561
	100%	2,422	2,096	2,070

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

The carrying value of asset backed securities (ABS) represents 0.4 per cent (30 June 2011: 0.4 per cent, 31 December 2011: 0.3 per cent) of our total assets.

The notional value of the ABS portfolio increased by approximately \$90 million in the first half of 2012. The difference between carrying value and fair value of the remaining portfolio is \$4 million as at 30 June 2012 (30 June 2011: \$10 million, 31 December 2011: \$26 million), 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, 79 per cent of the overall portfolio is rated A or better, and 22 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.

The Group reclassified some ABS 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 12 to the financial statements provides details of the remaining balance of those assets reclassified in 2008. No assets have been reclassified since 2008.

Financial statement impact of asset backed securities

	Available- for-sale \$million	Loans and receivables \$million	Total \$million
Six months to 30 June 2012			
Credit to available-for-sale reserves	9	-	9
Credit to the profit and loss account	1	-	1
Six months to 31 December 2011			
Charge to available-for-sale reserves	(20)	-	(20)
Charge to the profit and loss account	(2)	(3)	(5)
Six months to 30 June 2011			
Credit to available-for-sale reserves	36	-	36
Charge to the profit and loss account	(7)	(4)	(11)

Selected European country exposures

The tables on page 41 and 42 summarise the Group's direct exposure (both on and off balance sheet) to certain specific countries within the eurozone that have been identified on the basis of their higher bond yields, higher sovereign debt to GDP ratio and external credit ratings compared with the rest of the eurozone.

Total gross exposure represents the amount outstanding on the balance sheet (including any accrued interest but before provisions) and positive mark-to-market amounts on derivatives before netting. To the extent gross exposure does not represent the maximum exposure to loss this is disclosed separately. Exposures are assigned to a country based on the country of incorporation of the counterparty as at 30 June 2012.

The Group has no direct sovereign exposure (as defined by the European Banking Authority) to the eurozone countries of Greece, Ireland, Italy, Portugal and Spain (GIIPS) and only \$1 billion direct sovereign exposure to other eurozone countries. The Group's non-sovereign exposure to GIIPS is \$3.1 billion (\$1.9 billion after collateral and netting) and \$37.7 billion (\$24.2 billion after collateral and netting) to the remainder of the eurozone. The substantial majority of the Group's total gross GIIPS exposure has a tenor of less than five years, with approximately 40 per cent having a tenor of less than one year.

The exit of one or more countries from the eurozone or ultimately its dissolution could potentially lead to significant market dislocation, the extent of which is difficult to predict. Any such exit or dissolution, and the redenomination of formerly euro-denominated rights and obligations in replacement national currencies would cause significant uncertainty in any exiting country, whether sovereign or otherwise. Such events are also likely to be accompanied by the imposition of capital, exchange and similar controls. While the Group has limited eurozone exposure as disclosed above, the Group's earnings could be impacted by the general market disruption if such events should occur. We monitor the situation closely and we have prepared contingency plans to respond to a range of potential scenarios, including the possibility of currency redenomination. Local assets and liability positions are carefully monitored by in-country asset and liability and risk committees with appropriate oversight by GALCO and GRC at the Group level.

Standard Chartered PLC – Risk review continued

Exposures to Greece, Ireland, Italy, Portugal and Spain

The following table sets out exposures by counterparty type to GIIPS, before and after the impact of collateral and netting.

	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	Total \$million
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	1,037	690	1	365	2,095
Other financial institutions	-	754	5	-	10	769
Other corporate	37	94	98	21	66	316
Total gross exposure at 30 June 2012	39	1,885	793	22	441	3,180
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	(1,010)	(36)	-	(172)	(1,218)
Other financial institutions	-	(2)	(5)	-	-	(7)
Other corporate	(5)	(32)	(3)	-	-	(40)
Total collateral/netting at 30 June 2012	(5)	(1,044)	(44)	-	(172)	(1,265)
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	27 ¹	654	1	193	877
Other financial institutions	-	752 ²	-	-	10	762
Other corporate	32	62	95	21	66	276
Total net exposure at 30 June 2012 (on and off balance sheet)	34	841	749	22	269	1,915
Direct sovereign exposure	-	-	-	-	-	-
Banks	5	7 ¹	382	121	205	720
Other financial institutions	-	752 ²	-	-	16	768
Other corporate	37	4	206	23	55	325
Total net exposure at 31 December 2011 (on and off balance sheet)	42	763	588	144	276	1,813

¹ Represents a single exposure which is fully guaranteed by its US parent company.

² Represents a single exposure which is part of a wider structured finance transaction and is unaffected by risks related to the Irish economy.

The Group has no direct sovereign exposure and \$269 million of non-sovereign exposure to Cyprus. This exposure primarily consists of balances with corporates.

Standard Chartered PLC – Risk review continued

The Group's exposure to GIIPS at 30 June 2012 is analysed by financial asset as follows:

	30.06.12					
	Greece \$million	Ireland \$million	Italy \$million	Portugal \$million	Spain \$million	Total \$million
Loans and advances						
Loans and receivables	25	7	447	21	95	595
Held at fair value through profit or loss	-	-	7	-	-	7
Total gross loans and advances	25	7	454	21	95	602
Collateral held against loans and advances	(5)	-	(3)	-	-	(8)
Total net loans and advances	20	7	451	21	95	594
Debt securities						
Trading						
Available-for-sale	-	60	-	-	75	135
Loans and receivables	-	-	3	-	6	9
Total gross debt securities	-	60	3	-	81	144
Collateral held against debt securities	-	(10)	-	-	-	(10)
Total net debt securities	-	50	3	-	81	134
Derivatives						
Gross exposure	5	1,064	70	-	179	1,318
Collateral/netting ¹	-	(1,033)	(42)	-	(172)	(1,247)
Total derivatives	5	31	28	-	7	71
Contingent liabilities and commitments	9	753	267	1	86	1,116
Total net exposure (on and off balance sheet)¹	34	841	749	22	269	1,915
Total balance sheet net exposure	30	1,131	527	21	355	2,064

¹ Based on ISDA netting.

Other selected eurozone countries

A summary analysis of the Group's exposure to France, Germany, the Netherlands and Luxembourg is also provided as these countries are considered to have significant sovereign debt exposure to GIIPS.

	France \$million	Germany \$million	Netherlands \$million	Luxembourg \$million	Total \$million
Direct sovereign exposure	268	463	87	-	818
Banks	4,578	6,133	2,716	1,140	14,567
Other financial institutions	32	52	222	80	386
Other corporate	451	662	5,736	608	7,457
Total net exposure at 30 June 2012	5,329	7,310	8,761	1,828	23,228
Total net exposure at 31 December 2011	4,900	7,665	7,831	1,445	21,841

The Group's lending to these selected eurozone countries primarily takes the form of repurchase agreements, inter-bank loans and bonds. The substantial majority of the Group's total gross exposures to these selected countries have a tenor of less than three years, with over 60 per cent having a tenor of less than one year.

Other than all these specifically identified countries, the Group's residual net exposure to the eurozone is \$1.7 billion, which primarily comprises bonds and export structured financing to banks and corporates.

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. Cross-border exposure also includes the value of commodity, aircraft and shipping assets owned by the Group that are held in a given country.

Our cross-border exposure to China, Hong Kong, India, Indonesia and Singapore has risen further over the first half of

2012, reflecting our business focus and continued expansion in our core countries.

In addition to increased Chinese trade finance business, significant increases in deposits with our Hong Kong offices were placed with Chinese banks or used to purchase Chinese bank securities. These additional funds were similarly placed in the Hong Kong market further increasing our exposure there.

Growth in medium term cross-border exposure to India reflected activities in financing of overseas acquisitions by Indian corporate clients and activities in the syndicated debt markets.

In Indonesia growth opportunities increased cross border exposure across the business as client demand for US dollar loans, principally from local corporates, remained strong.

Growth in cross border exposure to South Korea reflects increased placement of foreign currency liquidity in the interbank market with South Korean financial institutions, and growth in foreign currency lending and trade business with South Korean customers.

Cross-border exposure to countries in which we do not have a major presence predominantly relates to short-dated money market activities, and some global corporate business for customers with interests in our footprint. This explains our significant exposure in the US and Switzerland.

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

	30.06.12			30.06.11			31.12.11		
	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
China	28,220	12,863	41,083	17,764	8,750	26,514	24,351	10,497	34,848
India	12,018	17,946	29,964	11,088	16,684	27,772	12,061	16,904	28,965
Hong Kong	18,494	6,762	25,256	17,200	5,160	22,360	16,796	4,586	21,382
US	19,072	5,813	24,885	16,582	5,437	22,019	17,581	4,728	22,309
Singapore	14,252	6,509	20,761	12,241	3,825	16,066	13,372	5,158	18,530
UAE	6,629	10,468	17,097	7,158	10,807	17,965	6,691	10,687	17,378
South Korea	10,322	6,695	17,017	7,379	6,512	13,891	6,931	7,138	14,069
Indonesia	5,366	4,487	9,853	3,062	2,953	6,015	3,949	3,395	7,344
Switzerland	5,343	4,319	9,662	3,638	2,674	6,312	4,897	3,939	8,836

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 commodity option implied volatilities; 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 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 exposures have remained broadly stable in the first half of 2012.

The Group Market Risk Committee (GMRC), under authority delegated by the GRC, is responsible for setting 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 trading profit and loss outcome.

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

We apply two VaR methodologies:

- 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 and from June 2012 has been extended to cover also the majority of credit spread VaR
- 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 now applied for some of the credit spread VaR

In both methods a 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 2012 there have been no exceptions in the regulatory back testing, compared with four in 2011. This is 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 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.

Standard Chartered PLC – Risk review continued

Market risk continued

Market risk changes

Total average VaR in the first half of 2012 is 25 per cent higher than the second half of 2011 and 40 per cent higher than the first half of 2011. The increase in non-trading book interest VaR is mainly due to increased holdings of available-for-sale securities, primarily held as liquidity buffers due to increased regulatory requirements. The increase in non-trading book equity risk VaR is due primarily to increased holdings in listed private equities. The increase in trading book average VaR was primarily driven by increased interest rate risk in the Rates business to facilitate the flow of client business with expectations of yields falling in many markets.

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

	6 months to 30.06.12				6 months to 30.06.11			
	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million
Trading and Non-trading								
Interest rate risk ¹	26.4	30.0	21.5	26.3	19.3	22.3	15.2	15.9
Foreign exchange risk	4.8	7.6	2.3	4.8	4.5	8.8	2.7	4.6
Commodity risk	1.8	3.0	1.2	1.5	2.5	3.7	1.3	1.9
Equity risk	16.2	18.5	14.0	14.0	10.5	12.2	9.0	10.0
Total ²	28.3	32.0	23.1	28.7	20.2	25.6	16.9	17.1

	6 months to 31.12.11			
	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million
Trading and Non-trading				
Interest rate risk ¹	21.6	25.1	15.3	23.5
Foreign exchange risk	4.1	7.1	2.6	3.4
Commodity risk	1.8	3.4	1.1	1.2
Equity risk	11.8	13.9	9.4	12.7
Total ²	22.6	27.7	15.3	24.5

	6 months to 30.06.12				6 months to 30.06.11			
	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million
Trading								
Interest rate risk ¹	11.0	14.6	7.8	10.4	8.0	11.4	5.4	5.4
Foreign exchange risk	4.8	7.6	2.3	4.8	4.5	8.8	2.7	4.6
Commodity risk	1.8	3.0	1.2	1.5	2.5	3.7	1.3	1.9
Equity risk	1.7	2.8	1.0	2.7	1.8	2.7	1.3	2.2
Total ²	14.5	20.8	8.3	14.7	10.2	13.8	8.5	9.1

	6 months to 31.12.11			
	Average \$million	High ³ \$million	Low ³ \$million	Actual ⁴ \$million
Trading				
Interest rate risk ¹	8.9	10.4	6.7	8.7
Foreign exchange risk	4.1	7.1	2.6	3.4
Commodity risk	1.8	3.4	1.1	1.2
Equity risk	1.9	3.1	1.1	1.1
Total ²	11.1	14.4	7.0	9.7

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

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

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

⁴ Actual one day VAR at period end date.

Standard Chartered PLC – Risk review continued

Market risk continued

	6 months to 30.06.12				6 months to 30.06.11			
	Average	High ³	Low ³	Actual ⁴	Average	High ³	Low ³	Actual ⁴
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Non-trading								
Interest rate risk ¹	22.6	26.7	19.7	22.3	14.0	17.0	11.1	12.4
Equity risk	17.4	18.0	16.4	16.7	10.6	12.5	9.4	10.9
Total ²	27.7	30.4	25.7	27.6	16.8	19.9	13.2	15.7

	6 months to 31.12.11			
	Average	High ³	Low ³	Actual ⁴
	\$million	\$million	\$million	\$million
Non-trading				
Interest rate risk ¹	18.0	21.6	12.9	20.1
Equity risk	12.2	13.7	10.8	12.7
Total ²	21.5	25.3	11.0	22.6

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

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

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

⁴ Actual one day VaR at period end date.

Average daily income earned from market risk related activities

Trading	6 months to 30.06.12	6 months to 30.06.11	6 months to 31.12.11
	\$million	\$million	\$million
Interest rate risk	5.7	4.8	4.4
Foreign exchange risk	5.9	6.1	5.3
Commodity risk	1.7	2.1	1.9
Equity risk	0.3	0.5	0.1
Total	13.6	13.5	11.7

Non-Trading			
Interest rate risk	4.9	3.4	3.8
Equity risk	(0.4)	0.2	(1.0)
Total	4.5	3.6	2.8

Market risk VaR coverage

Interest rate risk from non-trading book portfolios is transferred to Financial Markets where it is managed by local ALM desks 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 (except Group Treasury, see below) 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 and are match funded, 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. These are included as Level 3 assets as disclosed in note 12 to the financial statements.

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds 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 measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon (see table below).

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

NII sensitivity to parallel shifts in yield curves

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
+25 basis points	33.6	30.0	30.9
-25 basis points	(33.6)	(30.0)	(30.9)

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 2012, the Group had taken net investment hedges (using a combination of derivative and non-derivative financial instruments) of \$961 million (30 June 2011: \$991 million, 31 December 2011: \$1,115 million) to partly cover its exposure to Korean won.

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

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Hong Kong dollar	6,350	6,252	5,712
Korean won	5,728	5,916	5,316
Indian rupee	3,621	3,707	3,305
Taiwanese dollar	2,811	2,917	2,847
Chinese yuan	2,452	1,534	1,993
UAE dirham	1,685	1,481	1,490
Thai baht	1,532	1,491	1,514
Malaysian ringgit	1,262	1,098	1,213
Singapore dollar	1,097	1,563	1,791
Indonesian rupiah	926	965	892
Pakistani rupee	594	619	639
Other	3,233	3,049	3,152
	31,291	30,592	29,864

An analysis has been performed on these exposures to assess the impact of a one per cent fall in the US dollar exchange rates adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of \$236 million (30 June 2011: \$222 million, 31 December 2011: \$221 million). Changes in the valuation of these positions are taken to reserves.

Derivatives

Derivatives are contracts with characteristics and values 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.

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 notional value of interest rate swaps for the purpose of fair value hedging increased by \$2.3 billion at 30 June 2012 compared to 31 December 2011 as a result of our ongoing balance sheet management activity. The increase was largely due to the hedging of higher holdings of debt securities in the UK which form part of the Group's liquidity buffers. Currency swaps used for fair value hedging and cash flow hedging increased by \$1.4 billion and \$3.3 billion respectively compared to 31 December 2011, primarily reflecting deposit growth in Hong Kong. The notional value of interest rate swaps used for cash flow hedging decreased by \$4.9 billion compared to 31 December 2011, largely due to lower floating rate mortgage balances in Korea.

We may also, under certain individually approved circumstances, enter into economic hedges that 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. Current economic hedge relationships include hedging the foreign exchange risk on certain debt issuances and on other monetary instruments held in currencies other than US dollars.

Liquidity risk

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet 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 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 where required. In the medium-term, the focus is on ensuring the balance sheet remains structurally sound and aligned to our strategy.

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 or delegating authority to set liquidity limits and proposing liquidity risk policies. 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 practices and local regulatory requirements. GMR and Group Treasury 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 customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our customer deposit base is

diversified by type and maturity. In addition we have contingency funding plans including 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

Our policy is to manage liquidity, in each country without presumption of Group support. Each Country ALCO is responsible for ensuring that the country is able to meet all its obligations to make payments as they fall due, and operates within the local regulations and liquidity limits set for the country.

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

- The local and foreign currency cash flow gaps
- The level of external wholesale borrowing to ensure that the size of this funding is proportionate to the local market and our local operations
- The level of borrowing from other countries within the Group to contain the risk of contagion from one country to another
- 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 assets that may be funded from other currencies

In addition, we prescribe a liquidity stress scenario that includes 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 GMR and Finance. 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.

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

Primary sources of funding

A substantial portion of our assets is funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The 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 wholesale funding markets in all major financial centres and countries in which we operate as well as to commercial paper issuance. 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.

Encumbered assets

Encumbered assets represent those on balance-sheet assets pledged or used as collateral in respect of certain of the Group's liabilities. This includes securities pledged as part of repo and stock lending transactions as set out in note 31 on page 93; assets that relate to securitisation structures as described on page 24; Hong Kong government certificates of indebtedness included within other assets, which secure the equivalent amount of Hong Kong currency notes in circulation; and cash collateral pledged against derivatives included within other assets. Taken together these encumbered assets represent 2.6 per cent (30 June 2011: 3.0 per cent, 31 December 2011: 2.3 per cent) of total assets.

Liquidity metrics

We also monitor key liquidity metrics on a regular basis, both on a country basis and in aggregate across the Group. The key metrics are:

Advances to deposits 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.

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Loans and advances to customers ¹	279,053	267,791	268,753
Customer accounts ²	359,779	342,690	351,819
	%	%	%
Advances to deposits ratio	77.6	78.1	76.4

¹ see note 16 on page 84.

² see note 21 on page 88.

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:

	30.06.12 %	30.06.11 %	31.12.11 %
Liquid assets ¹ to total assets ratio	27.9	26.5	27.5

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

Impact of Basel III

In terms of Basel III, we are currently well positioned to meet the requirements of 100 per cent for both the Net Stable Funding Ratio and the Liquidity Coverage Ratio.

Standard Chartered PLC – Risk review continued

Liquidity analysis of the Group's balance sheet

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. Within the tables below cash and balances with central banks, loans and advances to banks, treasury bills and debt securities classified as trading, held at fair value or available-for-sale included within investment securities are used by the Group principally for liquidity management purposes.

30.06.12					
	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
Assets					
Cash and balances at central banks	42,455	-	-	8,656	51,111
Derivative financial instruments	11,909	14,777	22,442	12,647	61,775
Loans and advances to banks ¹	50,433	21,417	2,505	487	74,842
Loans and advances to customers ¹	91,236	42,444	69,765	75,608	279,053
Investment securities ¹	21,380	31,510	42,600	14,258	109,748
Other assets	15,709	10,624	152	21,417	47,902
Total assets	233,122	120,772	137,464	133,073	624,431
Liabilities					
Deposits by banks ¹	43,364	2,010	453	50	45,877
Customer accounts ¹	296,081	49,199	7,181	7,318	359,779
Derivative financial instruments	11,216	14,690	21,571	11,912	59,389
Debt securities in issue ¹	23,580	18,481	16,554	3,797	62,412
Other liabilities ¹	21,450	2,744	655	12,648	37,497
Subordinated liabilities and other borrowed funds	-	614	1,162	14,767	16,543
Total liabilities	395,691	87,738	47,576	50,492	581,497
Net liquidity gap	(162,569)	33,034	89,888	82,581	42,934

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12).

30.06.11					
	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
Assets					
Cash and balances at central banks	33,795	-	-	9,894	43,689
Derivative financial instruments	9,882	14,447	23,336	3,169	50,834
Loans and advances to banks ¹	37,952	16,257	2,217	1,325	57,751
Loans and advances to customers ¹	84,602	44,401	60,916	77,872	267,791
Investment securities ¹	25,022	32,857	31,541	13,226	102,646
Other assets	15,848	2,846	62	26,239	44,995
Total assets	207,101	110,808	118,072	131,725	567,706
Liabilities					
Deposits by banks ¹	33,927	2,286	568	283	37,064
Customer accounts ¹	281,190	45,237	11,383	4,880	342,690
Derivative financial instruments	9,679	13,715	23,078	3,165	49,637
Debt securities in issue ¹	15,941	8,938	15,863	2,503	43,245
Other liabilities ¹	19,035	2,074	972	15,424	37,505
Subordinated liabilities and other borrowed funds	19	377	279	15,329	16,004
Total liabilities	359,791	72,627	52,143	41,584	526,145
Net liquidity gap	(152,690)	38,181	65,929	90,141	41,561

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12).

Standard Chartered PLC – Risk review continued

Liquidity analysis of the Group's balance sheet continued

31.12.11					
	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
Assets					
Cash and balances at central banks	37,402	-	-	9,962	47,364
Derivative financial instruments	12,952	18,283	24,679	12,019	67,933
Loans and advances to banks ¹	46,369	16,381	3,269	530	66,549
Loans and advances to customers ¹	85,480	42,266	65,405	75,602	268,753
Investment securities ¹	20,695	32,456	41,208	10,196	104,555
Other assets	14,898	5,966	310	22,742	43,916
Total assets	217,796	115,352	134,871	131,051	599,070
Liabilities					
Deposits by banks ¹	34,092	1,488	524	284	36,388
Customer accounts ¹	297,054	40,242	7,284	7,239	351,819
Derivative financial instruments	11,621	19,232	23,251	11,822	65,926
Debt securities in issue ¹	24,549	7,993	16,518	2,513	51,573
Other liabilities	19,139	2,316	951	12,866	35,272
Subordinated liabilities and other borrowed funds	26	-	923	15,768	16,717
Total liabilities	386,481	71,271	49,451	50,492	557,695
Net liquidity gap	(168,685)	44,081	85,420	80,559	41,375

¹ Amounts include financial instruments held at fair value through profit or loss (see note 12).

Behavioural maturity of financial liabilities

As discussed on page 49 the Group seeks to manage its liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities. The cash flows presented on page 49 and 50 reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity. The Group's expectation of when such liabilities are likely to become payable is provided in the table below:

30.06.12					
	Three months or less	Between three months and one year	Between one year and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million
Deposits by banks	43,125	2,134	527	91	45,877
Customer accounts	141,453	61,678	125,717	30,931	359,779
Total	184,578	63,812	126,244	31,022	405,656

30.06.11					
	Three months or less	Between three months and one year	Between one year and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million
Deposits by banks	33,093	2,906	757	308	37,064
Customer accounts	141,299	52,905	117,910	30,576	342,690
Total	174,392	55,811	118,667	30,884	379,754

31.12.11					
	Three months or less	Between three months and one year	Between one year and five years	More than five years and undated	Total
	\$million	\$million	\$million	\$million	\$million
Deposits by banks	33,717	1,745	628	298	36,388
Customer accounts	139,369	57,673	125,291	29,486	351,819
Total	173,086	59,418	125,919	29,784	388,207

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 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: legal processes, people management, technology management, vendor management, property management, security management, accounting and financial control, tax management, corporate authorities and structure and regulatory compliance. (See additional information relating to regulatory compliance under “Regulatory changes and compliance” on page 19).

Each risk control owner is responsible for identifying risks that are material to the Group and for maintaining an effective control environment, which includes defining appropriate policies and procedures for approval by authorised risk committees.

Reputational risk

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

Reputational risk could arise from the failure by the Group to effectively mitigate the risks in its businesses including one or more of country, credit, liquidity, market, regulatory, legal or other operational risk. It may also arise from a failure to comply with environmental and social standards. Damage to the Group’s reputation could cause existing clients to reduce or cease to do business with the Group and prospective clients to be reluctant to do business with the Group. A failure to manage reputational risk effectively could materially affect the Group’s business, results of operations and prospects. All employees are responsible for day to day identification and management of reputational risk.

The GRC provides Group-wide oversight on reputational risk, sets policy and monitors material risks. The Group Head of Corporate Affairs is the overall risk control owner of reputational risk. The BRC and BVC provide additional oversight of reputational risk on behalf of the Board.

At the business level, 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.

At country level, the Country Head of Corporate Affairs is the risk control owner of reputational risk. It is their responsibility to protect our reputation in that market with the support of the country management team. The Head of Corporate Affairs and Country Chief Executive Officer must actively:

- Promote awareness and application of our policies 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 in tandem with respective business committees
- Promote effective, proactive stakeholder management through ongoing engagement

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 Pension Risk Committee is the body responsible for governance of pension risk and it receives its authority from GRC.

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 five 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:

- current regulatory capital requirements and our assessment of future standards
- demand for capital due to business growth forecasts, loan impairment outlook and market shocks or stresses
- forecast demand for capital to support credit ratings and as a signaling tool to the market
- available supply of capital and capital raising options

We use a capital model to assess the capital demand for material risks, and support this with 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, namely the Capital Management Committee and the Group Asset and Liability Committee (GALCO).

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 18 to 51.

Capital in branches and subsidiaries is maintained on the basis of host regulators' requirements and the Group's assessment of capital requirements under normal and stress conditions. 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 53 summarises the consolidated capital position of the Group.

Basel II

The Group complies with the Basel II framework, which was implemented in the UK through the FSA's 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 (IRB) 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.

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

Basel III

The Basel III rules text published in December 2010 by the Basel Committee on Banking Supervision (BCBS) sets out the framework for global regulatory standards on bank capital adequacy, leverage and liquidity. While Basel III gives us greater clarity on the global regulatory standards and the various timelines for implementation, significant uncertainty remains around the specific application and the combined impact of these proposals, in particular their effect at Group level via the implementation of European Union legislation. This legislation comprises the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), which together form a package of banking reforms commonly referred to as the Capital Requirements Directive IV (CRD IV). The provisions of CRD IV are expected to be agreed between the European Commission, European Parliament and the Council of the European Union and finalised by the end of 2012, although there have been some delays in the process. It is not clear at this time whether these may lead to any delay in the implementation of Basel III in the European Union.

In light of the uncertain economic environment and evolving regulatory debate on banks' capital structures, we continue to believe that it is appropriate to remain strongly capitalised.

Standard Chartered PLC – Capital continued

Capital base

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Shareholders' equity			
Parent company shareholders' equity per balance sheet	42,305	40,933	40,714
Preference share classified as equity included in other Tier 1 capital	(1,494)	(1,494)	(1,494)
	40,811	39,439	39,220
Non-controlling interests			
Non-controlling interests per balance sheet	629	628	661
Non-controlling Tier 1 capital included in other Tier 1 capital	(320)	(321)	(320)
	309	307	341
Regulatory adjustments			
Unrealised losses on available-for-sale debt securities	52	168	282
Unrealised gains on available-for-sale equity securities included in Tier 2	(215)	(530)	(241)
Cash flow hedge reserve	(26)	(86)	13
Other adjustments	(34)	(46)	(46)
	(223)	(494)	8
Deductions			
Goodwill and other intangible assets	(7,067)	(7,397)	(7,061)
50 per cent excess of expected losses ¹	(788)	(749)	(702)
50 per cent of tax on expected losses	209	213	186
50 per cent of securitisation positions	(114)	(113)	(106)
Other regulatory adjustments	(65)	(86)	(53)
	(7,825)	(8,132)	(7,736)
Core Tier 1 capital	33,072	31,120	31,833
Other Tier 1 capital			
Preference shares (within shareholder's equity)	1,494	1,494	1,494
Preference shares (within 'Subordinated liabilities and other borrowed funds')	1,196	1,200	1,194
Innovative Tier 1 securities (excluding non-controlling Tier 1 capital)	2,519	2,535	2,506
Non-controlling Tier 1 capital	320	321	320
	5,529	5,550	5,514
Deductions			
50 per cent of tax on expected losses	209	213	186
50 per cent of material holdings	(543)	(440)	(521)
	(334)	(227)	(335)
Total Tier 1 capital	38,267	36,443	37,012
Tier 2 capital:			
Qualifying subordinated liabilities:²			
Subordinated liabilities and other borrowed funds per balance sheet	16,543	16,004	16,717
Preference shares eligible for Tier 1 capital	(1,196)	(1,200)	(1,194)
Innovative Tier 1 securities eligible for Tier 1 capital	(2,519)	(2,535)	(2,506)
Adjustments relating to fair value hedging and non-eligible securities	(1,796)	(1,157)	(1,669)
	11,032	11,112	11,348
Regulatory adjustments			
Reserves arising on revaluation of available-for-sale equities	215	530	241
Portfolio impairment provision	244	255	239
	459	785	480
Deductions			
50 per cent excess of expected losses ¹	(788)	(749)	(702)
50 per cent of material holdings	(543)	(440)	(521)
50 per cent of securitisation positions	(114)	(113)	(106)
	(1,445)	(1,302)	(1,329)
Total Tier 2 capital	10,046	10,595	10,499
Deductions from Tier 1 and Tier 2 capital	(2)	(4)	(4)
Total capital base	48,311	47,034	47,507

¹ Excess of expected losses in respect of advanced IRB portfolios are shown gross.

² Consists of perpetual subordinated debt \$1,501 million (30 June 2011: \$1,527 million, 31 December 2011: \$1,489 million) and other eligible subordinated debt \$9,531 million (30 June 2011: \$9,585 million, 31 December 2011: \$9,859 million).

Standard Chartered PLC – Capital continued

Movement in Core Tier 1 capital

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Opening Core Tier 1 capital	31,833	28,922	31,120
Ordinary shares issued during the period and share premium	23	25	39
Profit for the period	2,856	2,566	2,283
Dividends, net of scrip	(1,096)	(544)	(608)
Change in goodwill and other intangible assets	(6)	(399)	336
Foreign currency translation differences	(212)	581	(1,563)
Other	(326)	(31)	226
Closing Core Tier 1 capital	33,072	31,120	31,833

Non-Core Tier 1 capital increased by \$15 million since 31 December 2011 due to favourable foreign exchange movements. Tier 2 capital decreased by \$316 million since 31 December 2011, due to the redemption of US dollar denominated debt which was partially offset by the issuance of a new Tier 2 instrument during the first half of 2012.

Risk weighted assets and capital ratios

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Credit risk	233,170	214,153	220,394
Operational risk	30,761	28,762	28,762
Market risk	22,387	19,374	21,354
Total risk weighted assets	286,318	262,289	270,510
Capital ratios¹			
Core Tier 1 capital	11.6%	11.9%	11.8%
Tier 1 capital	13.4%	13.9%	13.7%
Total capital ratio	16.9%	17.9%	17.6%

Risk weighted assets by business and geography

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Consumer Banking	74,448	73,329	71,970
Wholesale Banking	211,870	188,960	198,540
Total risk weighted assets	286,318	262,289	270,510
Hong Kong	34,347	32,702	31,528
Singapore	41,934	33,529	36,465
Korea	26,291	26,884	25,447
Other Asia Pacific	53,916	51,530	54,349
India	21,110	21,108	21,266
Middle East & Other South Asia (MESA)	32,671	35,560	33,477
Africa	13,516	11,990	12,047
Americas, UK & Europe	70,067	54,880	63,976
	293,852	268,183	278,555
Less : Intra-group balances ¹	(7,534)	(5,894)	(8,045)
Total risk weighted assets	286,318	262,289	270,510

¹ Intra-group balances are netted in calculating capital ratios.

Risk weighted contingent liabilities and commitments²

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Contingent liabilities	14,207	14,951	12,917
Commitments	11,805	10,560	10,135

² Includes amounts relating to the Group share of joint ventures.

Risk weighted assets (RWA) increased by \$15.8 billion, or 6 per cent, since 31 December 2011. Of this increase, \$13.3 billion arose in Wholesale Banking and the balance \$2.5 billion in Consumer Banking. The increase was primarily in credit risk arising from the growth in our asset book.

Within Credit Risk, Wholesale Banking RWA increased by \$10.6 billion. In addition to underlying asset growth (primarily in the Americas, UK & Europe, MESA and Singapore), a further increase of \$3.3 billion was driven by credit migration due to internal ratings downgrades in India and MESA. These were partially mitigated by RWA efficiencies of \$2 billion due to portfolio management activities.

The growth in Consumer Banking credit risk RWA, of \$2.4 billion, is attributable to Retail and SME (\$1.3 billion) and Wealth Management (\$1.1 billion), due to asset growth in credit cards and Personal Loans.

The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate, foreign exchange risk, energy and agricultural trading, as well as market risk arising from precious and base metals trading. Positions outside the CAD2 scope are assessed according to standard FSA rules.

At 30 June 2012 our market risk RWA was \$22.4 billion, up \$1 billion compared to 31 December 2011. The increase is due to a higher CAD2 internal model charge, driven by VaR. Of the total market risk RWA, 42 per cent is subject to CAD2 internal models and 58 per cent is under standard rules.

Operational risk RWA increased to \$30.8 billion, up \$2 billion, or 7 per cent, since 31 December 2011. 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.

Basel III

The Group estimates that the impact of adjustments to risk-weighted assets and regulatory capital as a result of Basel III will reduce the Group's future Core Tier 1 capital ratio by around 100 basis points. The actual outcome will depend on how the emerging rules are implemented, what the future shape of the Group is and the extent to which the Group's regulators give recognition to the Group's implementation of internal models for the calculation of RWA.

Standard Chartered PLC

Condensed consolidated interim income statement

For the six months ended 30 June 2012

	Notes	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Interest income		9,092	7,886	8,698
Interest expense		(3,609)	(2,945)	(3,486)
Net interest income		5,483	4,941	5,212
Fees and commission income		2,229	2,401	2,065
Fees and commission expense		(255)	(222)	(198)
Net trading income	3	1,565	1,366	1,279
Other operating income	4	489	278	515
Non-interest income		4,028	3,823	3,661
Operating income		9,511	8,764	8,873
Staff costs	5	(3,353)	(3,224)	(3,406)
Premises costs	5	(423)	(422)	(440)
General administrative expenses	5	(863)	(731)	(1,073)
Depreciation and amortisation	6	(324)	(300)	(321)
Operating expenses		(4,963)	(4,677)	(5,240)
Operating profit before impairment losses and taxation		4,548	4,087	3,633
Impairment losses on loans and advances and other credit risk provisions	7	(583)	(412)	(496)
Other impairment	8	(74)	(72)	(39)
Profit from associates		57	33	41
Profit before taxation		3,948	3,636	3,139
Taxation	9	(1,048)	(1,032)	(810)
Profit for the period		2,900	2,604	2,329

Profit attributable to:

Non-controlling interests	27	44	38	46
Parent company shareholders		2,856	2,566	2,283
Profit for the period		2,900	2,604	2,329

		cents	cents	cents
Earnings per share:				
Basic earnings per ordinary share	11	117.6	107.0	93.9
Diluted earnings per ordinary share	11	116.5	105.6	92.8

Dividends per ordinary share:

Interim dividend declared	10	27.23	-	-
Interim dividend paid	10	-	24.75	-
Final dividend paid	10	-	-	51.25

		\$million	\$million	\$million
Total dividend:				
Total interim dividend payable ¹		650	-	-
Total interim dividend (paid 7 October 2011)		-	586	-
Total final dividend (paid 15 May 2012)		-	-	1,216

¹ Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 1 August 2012 and is expected to be paid on 11 October 2012. This dividend does not represent a liability to the Group at 30 June 2012 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 2012

		6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
	Notes			
Profit for the period		2,900	2,604	2,329
Other comprehensive income:				
Exchange differences on translation of foreign operations:				
Net (losses)/gains taken to equity		(217)	643	(1,646)
Net (losses)/gains on net investment hedges		(4)	(69)	74
Actuarial (losses)/gains on retirement benefit obligations	25	(76)	41	(230)
Share of other comprehensive income from associates		(1)	-	1
Available-for-sale investments:				
Net valuation gains/(losses) taken to equity		318	77	(289)
Reclassified to income statement		(150)	(60)	(207)
Cash flow hedges:				
Net gains/(losses) taken to equity		44	96	(92)
Reclassified to income statement		-	(53)	(41)
Taxation relating to components of other comprehensive income		(46)	(47)	145
Other comprehensive income for the period, net of taxation		(132)	628	(2,285)
Total comprehensive income for the period		2,768	3,232	44
Total comprehensive income attributable to:				
Non-controlling interests	27	1	24	32
Parent company shareholders		2,767	3,208	12
		2,768	3,232	44

Standard Chartered PLC

Condensed consolidated interim balance sheet

As at 30 June 2012

	Notes	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Assets				
Cash and balances at central banks	12, 29	51,111	43,689	47,364
Financial assets held at fair value through profit or loss	12, 13	27,769	27,401	24,828
Derivative financial instruments	12, 14	61,775	50,834	67,933
Loans and advances to banks	12, 15	74,167	57,317	65,981
Loans and advances to customers	12, 16	273,366	262,126	263,765
Investment securities	12, 17	88,341	81,344	85,283
Other assets	12, 18	30,434	28,791	27,286
Current tax assets		268	227	232
Prepayments and accrued income		2,714	2,154	2,521
Interests in associates		939	857	903
Goodwill and intangible assets		7,067	7,397	7,061
Property, plant and equipment		5,601	4,714	5,078
Deferred tax assets		879	855	835
Total assets		624,431	567,706	599,070
Liabilities				
Deposits by banks	12, 20	44,838	36,334	35,296
Customer accounts	12, 21	351,381	333,485	342,701
Financial liabilities held at fair value through profit or loss	12, 13	19,067	20,326	19,599
Derivative financial instruments	12, 14	59,389	49,637	65,926
Debt securities in issue	12, 22	57,814	38,640	47,140
Other liabilities	12, 23	26,154	25,983	23,834
Current tax liabilities		1,196	1,162	1,005
Accruals and deferred income		4,215	3,936	4,458
Subordinated liabilities and other borrowed funds	12, 24	16,543	16,004	16,717
Deferred tax liabilities		144	150	131
Provisions for liabilities and charges		165	176	369
Retirement benefit obligations	25	591	312	519
Total liabilities		581,497	526,145	557,695
Equity				
Share capital	26	1,196	1,190	1,192
Reserves		41,109	39,743	39,522
Total parent company shareholders' equity		42,305	40,933	40,714
Non-controlling interests	27	629	628	661
Total equity		42,934	41,561	41,375
Total equity and liabilities		624,431	567,706	599,070

Standard Chartered PLC

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2012

	Share capital \$million	Share premium account \$million	Capital and capital redemption reserve ¹ \$million	Merger reserve \$million	Available-for-sale reserve \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders equity \$million	Non-controlling interests \$million	Total \$million
At 1 January 2011	1,174	5,386	18	12,421	308	57	(412)	19,260	38,212	653	38,865
Profit for the period	-	-	-	-	-	-	-	2,566	2,566	38	2,604
Other comprehensive income	-	-	-	-	4	29	581	28 ²	642	(14)	628
Distributions	-	-	-	-	-	-	-	-	-	(45)	(45)
Shares issued, net of expenses	4	21	-	-	-	-	-	-	25	-	25
Net own shares adjustment	-	-	-	-	-	-	-	(106)	(106)	-	(106)
Share option expense, net of taxation	-	-	-	-	-	-	-	138	138	-	138
Capitalised on scrip dividend	12	(12)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(544)	(544)	-	(544)
Other decreases	-	-	-	-	-	-	-	-	-	(4)	(4)
At 30 June 2011	1,190	5,395	18	12,421	312	86	169	21,342	40,933	628	41,561
Profit for the period	-	-	-	-	-	-	-	2,283	2,283	46	2,329
Other comprehensive income	-	-	-	-	(421)	(99)	(1,563)	(188) ²	(2,271)	(14)	(2,285)
Distributions	-	-	-	-	-	-	-	-	-	(24)	(24)
Shares issued, net of expenses	2	37	-	-	-	-	-	-	39	-	39
Net own shares adjustment	-	-	-	-	-	-	-	42	42	-	42
Share option expense, net of taxation	-	-	-	-	-	-	-	296	296	-	296
Dividends, net of scrip	-	-	-	-	-	-	-	(608)	(608)	-	(608)
Other increases	-	-	-	-	-	-	-	-	-	25	25
At 31 December 2011	1,192	5,432	18	12,421	(109)	(13)	(1,394)	23,167	40,714	661	41,375
Profit for the period	-	-	-	-	-	-	-	2,856	2,856	44	2,900
Other comprehensive income	-	-	-	-	145	39	(212)	(61) ²	(89)	(43)	(132)
Distributions	-	-	-	-	-	-	-	-	-	(33)	(33)
Shares issued, net of expenses	1	22	-	-	-	-	-	-	23	-	23
Net own shares adjustment	-	-	-	-	-	-	-	(284)	(284)	-	(284)
Share option expense, net of taxation	-	-	-	-	-	-	-	181	181	-	181
Capitalised on scrip dividend	3	(3)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(1,096)	(1,096)	-	(1,096)
At 30 June 2012	1,196	5,451	18	12,421	36	26	(1,606)	24,763	42,305	629	42,934

¹ Includes capital reserve of \$5 million and capital redemption reserve of \$13 million.

² For the period ended 30 June 2012, comprises actuarial loss, net of taxation and non-controlling interests of \$60 million (30 June 2011: gain of \$28 million and 31 December 2011: loss of \$189 million) and share of comprehensive income from associates of \$(1) million (30 June 2011: nil million and 31 December 2011: \$1 million).

Standard Chartered PLC

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2012

	Notes	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Cash flows from operating activities				
Profit before taxation		3,948	3,636	3,139
Adjustments for:				
Non-cash items and other adjustments included within income statement	28	1,117	982	1,841
Change in operating assets	28	(10,521)	(31,620)	(36,391)
Change in operating liabilities	28	19,787	33,336	45,142
Contributions to defined benefit schemes		(46)	(17)	(60)
UK and overseas taxes paid, net of refund		(971)	(823)	(795)
Net cash from operating activities		13,314	5,494	12,876
Net cash flows from investing activities				
Purchase of property, plant and equipment		(72)	(249)	(37)
Disposal of property, plant and equipment		179	76	63
Acquisition of investment in subsidiaries and associates, net of cash acquired		(4)	(889)	(17)
Purchase of investment securities		(70,779)	(63,346)	(67,914)
Disposal and maturity of investment securities		67,872	59,490	60,341
Dividends received from investment in associates		13	5	5
Net cash used in investing activities		(2,791)	(4,913)	(7,559)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses		23	25	39
Purchase of own shares		(316)	(146)	-
Exercise of share options through ESOP		32	40	17
Interest paid on subordinated liabilities		(503)	(538)	(304)
Gross proceeds from issue of subordinated liabilities		1,085	96	833
Repayment of subordinated liabilities		(1,303)	(513)	(27)
Interest paid on senior debts		(540)	(302)	(592)
Gross proceeds from issue of senior debts		11,924	7,171	8,423
Repayment of senior debts		(6,122)	(3,244)	(4,848)
Dividends paid to non-controlling interests and preference shareholders		(84)	(95)	(75)
Dividends paid to ordinary shareholders, net of scrip		(1,045)	(494)	(557)
Net cash from financing activities		3,151	2,000	2,909
Net increase in cash and cash equivalents		13,674	2,581	8,226
Cash and cash equivalents at beginning of the period		70,450	59,734	63,394
Effect of exchange rate movements on cash and cash equivalents		(319)	1,079	(1,170)
Cash and cash equivalents at end of the period	29	83,805	63,394	70,450

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, and for, the year ended 31 December 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the EU.

The following parts of the Risk review form part of these interim financial statements: from the start of the "Risk management" section on page 20 to the end of the "Operational risk" section on page 51, with the exception of the "Asset backed securities" and "the impact of Basel III" sections on page 39, 40 and 48 respectively.

These interim financial statements were approved by the Board of Directors on 1 August 2012.

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 2011.

On 1 January 2012 the Group adopted amendments to IFRS 7 – Transfer of financial assets, which require enhanced disclosure around risk exposures on derecognised financial assets and where appropriate those financial assets that continue to be recognised following a transfer. The Group will present these disclosures, where appropriate, in the 2012 Annual Report and Accounts.

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 2011.

A summary of the Group's significant accounting policies will be included in the 2012 Annual Report and Accounts.

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, except for Financial Market products which are classified by the location of the dealer.

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.

Standard Chartered PLC – Notes continued

2. Segmental Information continued

By class of business

	30.06.12					30.06.11				
	Consumer Banking \$million	Wholesale Banking \$million	Total reportable segments \$million	Corporate items not allocated ² \$million	Total \$million	Consumer Banking \$million	Wholesale Banking \$million	Total reportable segments \$million	Corporate items not allocated ² \$million	Total \$million
Internal income	(24)	24	-	-	-	(6)	6	-	-	-
Net interest income	2,416	3,067	5,483	-	5,483	2,248	2,693	4,941	-	4,941
Non-interest income	1,123	2,905	4,028	-	4,028	1,095	2,728	3,823	-	3,823
Operating income	3,515	5,996	9,511	-	9,511	3,337	5,427	8,764	-	8,764
Operating expenses	(2,307)	(2,656)	(4,963)	-	(4,963)	(2,109)	(2,568)	(4,677)	-	(4,677)
Operating profit before impairment losses and taxation	1,208	3,340	4,548	-	4,548	1,228	2,859	4,087	-	4,087
Impairment losses on loans and advances and other credit risk provisions	(300)	(283)	(583)	-	(583)	(211)	(201)	(412)	-	(412)
Other impairment	(9)	(65)	(74)	-	(74)	(4)	(68)	(72)	-	(72)
Profit from associates	-	-	-	57	57	-	-	-	33	33
Profit before taxation	899	2,992	3,891	57	3,948	1,013	2,590	3,603	33	3,636
Total assets employed	133,629	488,716	622,345	2,086	624,431	136,775	428,992	565,767	1,939	567,706
Total liabilities employed	172,766	407,391	580,157	1,340	581,497	168,742	356,091	524,833	1,312	526,145
Other segment items:										
Capital expenditure ¹	71	806	877	-	877	97	412	509	-	509
Depreciation	78	121	199	-	199	93	83	176	-	176
Interests in associates	-	-	-	939	939	-	-	-	857	857
Amortisation of intangible assets	27	98	125	-	125	33	91	124	-	124

¹ Includes capital expenditure in Wholesale Banking of \$684 million in respect of operating lease assets (30 June 2011: \$148 million).

² Relates to the Group's share of profit from associates.

	31.12.11				
	Consumer Banking \$million	Wholesale Banking \$million	Total reportable segments \$million	Corporate items not allocated ² \$million	Total \$million
Internal income	(38)	38	-	-	-
Net interest income	2,380	2,832	5,212	-	5,212
Non-interest income	1,112	2,549	3,661	-	3,661
Operating income	3,454	5,419	8,873	-	8,873
Operating expenses	(2,496)	(2,579)	(5,075)	(165)	(5,240)
Operating profit/(loss) before impairment losses and taxation	958	2,840	3,798	(165)	3,633
Impairment losses on loans and advances and other credit risk provisions	(313)	(183)	(496)	-	(496)
Other impairment	(8)	(31)	(39)	-	(39)
Profit from associates	-	-	-	41	41
Profit/(loss) before taxation	637	2,626	3,263	(124)	3,139
Total assets employed	132,129	464,971	597,100	1,970	599,070
Total liabilities employed	169,685	386,874	556,559	1,136	557,695
Other segment items:					
Capital expenditure ¹	81	985	1,066	-	1,066
Depreciation	76	116	192	-	192
Interests in associates	-	-	-	903	903
Amortisation of intangible assets	40	89	129	-	129

¹ Includes capital expenditure in Wholesale Banking of \$901 million in respect of operating lease assets.

² Relates to UK bank levy and the Group's share of profit from associates.

Standard Chartered PLC – Notes continued

2. Segmental Information continued

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

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Consumer Banking			
Cards, Personal Loans and Unsecured Lending	1,297	1,149	1,273
Wealth Management	639	657	615
Deposits	786	691	718
Mortgages and Auto Finance	656	751	727
Other	137	89	121
	3,515	3,337	3,454
Wholesale Banking			
Lending and Portfolio Management	447	435	406
Transaction Banking			
Trade	958	767	828
Cash Management and Custody	884	785	867
	1,842	1,552	1,695
Global Markets			
Financial Markets	1,993	1,951	1,737
Asset and Liability Management	491	431	490
Corporate Finance	991	912	961
Principal Finance	232	146	130
	3,707	3,440	3,318
	5,996	5,427	5,419

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.

	30.06.12								
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe ¹ \$million	Total \$million
Internal income	47	(72)	(44)	32	58	45	14	(80)	-
Net interest income	817	647	720	1,282	464	559	361	633	5,483
Fees and commissions income, net	390	264	96	369	153	231	180	291	1,974
Net trading income	364	258	80	227	108	250	135	143	1,565
Other operating income	70	65	98	83	7	40	24	102	489
Operating income	1,688	1,162	950	1,993	790	1,125	714	1,089	9,511
Operating expenses	(766)	(588)	(530)	(1,143)	(383)	(559)	(392)	(602)	(4,963)
Operating profit before impairment losses and taxation	922	574	420	850	407	566	322	487	4,548
Impairment losses on loans and advances and other credit risk provisions	(44)	(26)	(117)	(112)	(105)	(162)	(11)	(6)	(583)
Other impairment	(8)	(2)	-	(30)	9	(26)	-	(17)	(74)
Profit from associates	-	-	-	57	-	-	-	-	57
Profit before taxation	870	546	303	765	311	378	311	464	3,948
Capital expenditure²	708	91	12	28	11	14	10	3	877

¹ Americas UK & Europe includes operating income of \$536 million in respect of the UK, the Company's country of domicile.

² Includes capital expenditure in Hong Kong of \$684 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

Entity-wide information continued

By geography continued

	30.06.11								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe ¹	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	13	(34)	(29)	37	89	11	40	(127)	-
Net interest income	730	517	684	1,130	430	566	292	592	4,941
Fees and commissions income, net	421	303	115	365	207	226	201	341	2,179
Net trading income	331	255	37	159	139	304	118	23	1,366
Other operating income	36	53	33	57	28	11	27	33	278
Operating income	1,531	1,094	840	1,748	893	1,118	678	862	8,764
Operating expenses	(684)	(582)	(564)	(952)	(390)	(532)	(367)	(606)	(4,677)
Operating profit before impairment losses and taxation	847	512	276	796	503	586	311	256	4,087
Impairment losses on loans and advances and other credit risk provisions	(57)	(31)	(81)	(14)	(72)	(144)	(7)	(6)	(412)
Other impairment	-	(16)	(2)	31	(53)	(13)	(13)	(6)	(72)
Profit from associates	-	-	-	33	-	-	-	-	33
Profit before taxation	790	465	193	846	378	429	291	244	3,636
Capital expenditure²	134	96	10	33	36	10	9	181	509

¹ Americas UK & Europe includes operating income of \$428 million in respect of the UK, the Company's country of domicile.

² Includes capital expenditure in Hong Kong of \$98 million and in Americas, UK & Europe of \$148 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.

	31.12.11								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe ¹	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Internal income	57	(64)	(37)	(20)	7	40	47	(30)	-
Net interest income	802	558	746	1,201	459	580	306	560	5,212
Fees and commissions income, net	331	206	82	401	216	217	139	275	1,867
Net trading income	228	316	40	130	136	184	169	76	1,279
Other operating income	100	76	47	93	94	80	1	24	515
Operating income	1,518	1,092	878	1,805	912	1,101	662	905	8,873
Operating expenses	(711)	(523)	(771)	(1,124)	(439)	(553)	(336)	(783)	(5,240)
Operating profit before impairment losses and taxation	807	569	107	681	473	548	326	122	3,633
Impairment losses on loans and advances and other credit risk provisions	(46)	(17)	(117)	(120)	(40)	(142)	(18)	4	(496)
Other impairment	-	(15)	(11)	-	(7)	(1)	(3)	(2)	(39)
Profit from associates	-	-	-	40	-	-	-	1	41
Profit before taxation	761	537	(21)	601	426	405	305	125	3,139
Capital expenditure²	647	125	15	41	24	10	16	188	1,066

¹ Americas UK & Europe includes operating income of \$371 million in respect of the UK, the Company's country of domicile.

² Includes capital expenditure in Hong Kong of \$626 million and in Americas, UK & Europe of \$177 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 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Net interest margin (%)	2.3	2.3	2.3
Net interest yield (%)	2.2	2.1	2.2
Average interest-earning assets	475,245	434,492	449,528
Average interest-bearing liabilities	445,258	396,116	424,231

Net interest margin by geography

	30.06.12									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe ¹ \$million	Intra-group/ tax assets \$million	Total \$million
Total assets employed	125,821	95,775	62,026	118,997	39,545	49,064	19,826	179,272	(65,895)	624,431
Of which: loans to customers	51,788	47,981	37,743	54,855	23,160	24,724	12,093	26,709	-	279,053
Average interest-earning assets	103,384	73,209	54,381	101,359	29,703	36,184	14,921	114,011	(51,907)	475,245
Net interest income	883	572	674	1,300	523	602	374	555	-	5,483
Net interest margin (%)	1.7	1.6	2.5	2.6	3.5	3.3	5.0	1.0	-	2.3

¹ Americas UK & Europe includes total assets employed of \$115,252 million in respect of the UK, the Company's country of domicile.

	30.06.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe ¹ \$million	Intra-group/ tax assets \$million	Total \$million
Total assets employed	110,315	93,160	69,891	107,516	41,197	50,117	17,276	133,306	(55,072)	567,706
Of which: loans to customers	47,173	41,562	43,074	52,886	26,143	23,476	9,013	24,464	-	267,791
Average interest-earning assets	88,628	66,652	57,590	92,831	31,739	32,944	12,334	92,405	(40,631)	434,492
Net interest income	774	489	644	1,146	482	582	329	495	-	4,941
Net interest margin (%)	1.8	1.5	2.3	2.5	3.1	3.6	5.4	1.1	-	2.3

¹ Americas UK & Europe includes total assets employed of \$88,605 million in respect of the UK, the Company's country of domicile.

	31.12.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe ¹ \$million	Intra-group/ tax assets \$million	Total \$million
Total assets employed	117,245	102,768	63,134	115,588	42,300	56,223	17,276	157,473	(72,937)	599,070
Of which: loans to customers	50,541	42,574	38,072	54,196	23,379	23,299	10,004	26,688	-	268,753
Average interest-earning assets	95,165	69,231	56,482	97,669	31,041	34,744	14,108	99,494	(48,406)	449,528
Net interest income	857	522	704	1,200	503	620	346	460	-	5,212
Net interest margin (%)	1.8	1.5	2.5	2.5	3.3	3.6	4.9	0.9	-	2.3

¹ Americas UK & Europe includes total assets employed of \$103,300 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 2012, 30 June 2011, and 31 December 2011. The tables below include financial instruments held at fair value (see note 12).

30.06.12									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Non-interest bearing current and demand accounts	8,130	7,962	61	4,561	2,413	9,103	3,930	3,890	40,050
Interest bearing current accounts and savings deposits	46,304	25,058	18,493	29,131	1,971	3,906	2,388	30,922	158,173
Time deposits	38,657	33,328	18,730	39,547	7,091	12,204	2,864	46,765	199,186
Other deposits	209	379	611	3,040	1,081	365	134	2,428	8,247
Total	93,300	66,727	37,895	76,279	12,556	25,578	9,316	84,005	405,656
Deposits by banks	1,676	1,975	1,551	10,083	303	2,065	458	27,766	45,877
Customer accounts	91,624	64,752	36,344	66,196	12,253	23,513	8,858	56,239	359,779
	93,300	66,727	37,895	76,279	12,556	25,578	9,316	84,005	405,656
Debt securities in issue	1,761	675	8,084	6,404	161	62	289	44,976	62,412
Total	95,061	67,402	45,979	82,683	12,717	25,640	9,605	128,981	468,068

30.06.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Non-interest bearing current and demand accounts	7,022	7,113	57	4,614	3,310	9,271	4,170	6,123	41,680
Interest bearing current accounts and savings deposits	45,789	23,060	18,556	26,654	2,288	4,018	2,613	27,352	150,330
Time deposits	31,703	28,721	21,118	39,455	7,996	10,671	2,152	39,057	180,873
Other deposits	181	292	570	1,138	1,251	336	103	3,000	6,871
Total	84,695	59,186	40,301	71,861	14,845	24,296	9,038	75,532	379,754
Deposits by banks	3,562	1,561	1,939	4,569	157	2,096	439	22,741	37,064
Customer accounts	81,133	57,625	38,362	67,292	14,688	22,200	8,599	52,791	342,690
	84,695	59,186	40,301	71,861	14,845	24,296	9,038	75,532	379,754
Debt securities in issue	971	634	11,390	3,634	425	43	421	25,727	43,245
Total	85,666	59,820	51,691	75,495	15,270	24,339	9,459	101,259	422,999

31.12.11									
	Hong Kong \$million	Singapore \$million	Korea \$million	Other Asia Pacific \$million	India \$million	Middle East & Other S Asia \$million	Africa \$million	Americas UK & Europe \$million	Total \$million
Non-interest bearing current and demand accounts	6,956	9,013	66	4,289	2,557	8,813	3,778	3,038	38,510
Interest bearing current accounts and savings deposits	48,088	23,314	19,381	28,232	1,978	3,874	2,915	22,378	150,160
Time deposits	33,951	32,730	19,337	42,336	6,706	10,964	2,564	44,447	193,035
Other deposits	283	295	748	1,681	1,691	352	110	1,342	6,502
Total	89,278	65,352	39,532	76,538	12,932	24,003	9,367	71,205	388,207
Deposits by banks	2,025	2,299	1,603	5,881	175	2,059	532	21,814	36,388
Customer accounts	87,253	63,053	37,929	70,657	12,757	21,944	8,835	49,391	351,819
	89,278	65,352	39,532	76,538	12,932	24,003	9,367	71,205	388,207
Debt securities in issue	1,820	770	7,998	5,501	363	56	228	34,837	51,573
Total	91,098	66,122	47,530	82,039	13,295	24,059	9,595	106,042	439,780

Standard Chartered PLC – Notes continued

3. Net trading income

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Gains less losses on instruments held for trading:			
Foreign currency ¹	1,050	1,051	738
Trading securities	421	(40)	63
Interest rate derivatives	2	194	139
Credit and other derivatives	40	213	419
	1,513	1,418	1,359
Gains less losses from fair value hedging:			
Gains less losses from fair value hedged items	(31)	138	(946)
Gains less losses from fair value hedged instruments	31	(121)	916
	-	17	(30)
Gains less losses on instruments designated at fair value:			
Financial assets designated at fair value through profit or loss	115	14	38
Financial liabilities designated at fair value through profit or loss	(128)	(14)	(424)
Derivatives managed with financial instruments designated at fair value through profit or loss	65	(69)	336
	52	(69)	(50)
	1,565	1,366	1,279

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

4. Other operating income

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Other operating income includes:			
Gains less losses on disposal of financial instruments:			
Available-for-sale	150	60	207
Loans and receivables	2	10	17
Dividend income	36	35	38
Gains arising on assets fair valued at acquisition	2	5	7
Rental income from operating lease assets	166	124	144
Gain on disposal of property, plant and equipment	89	10	42

5. Operating expenses

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Staff costs:			
Wages and salaries	2,588	2,548	2,425
Social security costs	78	63	92
Other pension costs	149	153	129
Share based payment costs	173	150	242
Other staff costs	365	310	518
	3,353	3,224	3,406
Number of employees - period end	86,918	84,061	86,865
Premises and equipment expenses:			
Rental of premises	227	217	203
Other premises and equipment costs	181	185	225
Rental of computers and equipment	15	20	12
	423	422	440
General administrative expenses:			
UK bank levy	-	-	165
Other general administrative expenses	863	731	908
	863	731	1,073

The UK bank levy is charged on certain qualifying liabilities of the Group, which is not deductible for corporation tax, but is charged on total liabilities excluding Tier 1 capital, insured or guaranteed retail deposits and repos secured on certain sovereign debt. The rate of the levy for 2012 has been increased to 0.088 per cent of qualifying liabilities, with a lower rate of 0.044 per cent applied to liabilities with a maturity greater than one year and any deposits not otherwise excluded from the scope of levy (except for those from financial institutions and financial traders). The rate for 2013 has been further increased to 0.105 per cent of qualifying liabilities, with a lower rate of 0.0525 per cent applicable as per above.

Under current accounting requirements, the UK bank levy is only recognised in the financial statements on 31 December each year. The Group estimates that the liability in respect of 2012 would be between \$210 million and \$230 million. If the UK bank levy had been included in these Interim financial statements, based on the estimated year end liabilities the impact would be as follows:

	30.06.2012 (Excluding UK bank Levy)	UK bank Levy Impact	30.06.2012 (Including UK bank Levy)
Profit before tax (\$million)	3,948	(106)	3,842
Normalised earnings per share (cents)	116.6	(4.5)	112.1
Normalised return on equity (per cent)	13.8	(0.5)	13.3

6. Depreciation and amortisation

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Premises	64	58	65
Equipment:			
Operating lease assets	66	46	54
Others	69	72	73
Intangibles:			
Software	93	90	94
Acquired on business combinations	32	34	35
	324	300	321

7. Impairment losses on loans and advances and other credit risk provisions

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

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Net charge against profit on loans and advances:			
Individual impairment charge	624	409	458
Portfolio impairment (release)/charge	(37)	(26)	40
	587	383	498
Provisions related to credit commitments	-	1	1
Impairment (releases)/charges relating to debt securities classified as loans and receivables	(4)	28	(3)
	583	412	496

An analysis of impairment provisions by geography and business is set out within the Risk review on pages 29 to 35.

8. Other impairment

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Impairment losses on available-for-sale financial assets:			
- Asset backed securities	1	5	2
- Other debt securities	(15)	50	2
- Equity shares	51	21	21
	37	76	25
Impairment of investment in associates	10	-	-
Other	27	26	14
	74	102	39
Recovery of impairment on disposal of equity instruments ¹	-	(30)	-
	74	72	39

¹ Relates to private equity investments sold during the period which had impairment provisions raised against them in previous periods.

9. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
The charge for taxation based upon the profits for the period comprises:			
Current tax:			
United Kingdom corporation tax at 24.5 per cent (30 June 2011 and 31 December 2011: 26.5 per cent):			
Current tax on income for the period ¹	98	389	648
Adjustments in respect of prior periods (including double taxation relief)	(1)	(13)	(88)
Double taxation relief ¹	(5)	(351)	(561)
Foreign tax:			
Current tax on income for the period	958	892	753
Adjustments in respect of prior periods	63	69	(61)
	1,113	986	691
Deferred tax:			
Origination of temporary differences	13	62	145
Adjustments in respect of prior periods	(78)	(16)	(26)
	(65)	46	119
Tax on profits on ordinary activities	1,048	1,032	810
Effective tax rate	26.5%	28.4%	25.8%

¹ The Group elected into the Branch Profit Exemption Regime which took effect from 1 January 2012. This election provides for the profits of foreign branches of a UK company to be exempt from UK corporation tax. Double taxation relief has also reduced as a result of the election.

The UK corporation tax rate was reduced from 26 per cent to 24 per cent with an effective date of 1 April 2012, giving a blended 24.5 per cent for the full calendar year. This change has reduced the UK deferred tax asset by \$15 million.

Foreign taxation includes current taxation on Hong Kong profits of \$108 million (30 June 2011: \$103 million, 31 December 2011: \$67 million) provided at a rate of 16.5 per cent (30 June 2011 and 31 December 2011: 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 2011: \$(2) million, 31 December 2011: \$30 million) provided at a rate of 16.5 per cent (30 June 2011 and 31 December 2011: 16.5 per cent) on the profits assessable to Hong Kong.

10. Dividends

Ordinary equity shares	30.06.12		30.06.11		31.12.11	
	cents per share	\$million	cents per share	\$million	cents per share	\$million
2011/2010 Final dividend declared and paid during the period ¹	51.25	1,216	46.65	1,089	-	-
2011 Interim dividend declared and paid during the period ¹	-	-	-	-	24.75	586
	51.25	1,216	46.65	1,089	24.75	586

¹ The amounts are gross of scrip adjustments.

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2012 and 2011. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2011 interim dividend of 24.75 cents per ordinary share (\$586 million) was paid to eligible shareholders on 7 October 2011 and the final dividend of 51.25 cents per ordinary share (\$1,216 million) was paid to eligible shareholders on 15 May 2012.

2012 recommended interim dividend

The 2012 interim dividend of 27.23 cents per share (\$650 million) will be paid in either pounds sterling, Hong Kong dollars or US dollars on 11 October 2012 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 10 August 2012, 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 10 August 2012. The 2012 interim dividend will be paid in Indian rupees on 11 October 2012 to Indian Depository Receipt holders on the Indian register at the close of business in India on 10 August 2012.

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 30 August 2012. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Standard Chartered PLC – Notes continued

10. Dividends continued

Preference shares

		30.06.12	30.06.11	31.12.11
		\$million	\$million	\$million
Non-cumulative irredeemable preference shares:	7 ³ / ₈ per cent preference shares of £1 each ¹	6	6	5
	8 ¹ / ₄ per cent preference shares of £1 each ¹	6	7	6
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of \$5 each ¹	38	38	37
	7.014 per cent preference shares of \$5 each ²	26	26	27
	6.409 per cent preference shares of \$5 each ²	24	24	24

¹ Dividends on these preference shares are treated as interest expense and accrued accordingly.

² Dividends on those preference shares classified as equity are recorded in the period in which they are declared.

11. Earnings per ordinary share

	6 months ended 30.06.12			6 months ended 30.06.11		
	Profit ¹	Weighted average number of shares	Per share amount	Profit ¹	Weighted average number of shares	Per share amount
	\$million	('000)	cents	\$million	('000)	cents
Basic earnings per ordinary share	2,806	2,386,841	117.6	2,516	2,351,718	107.0
Effect of dilutive potential ordinary shares:						
Options ²		21,116			30,468	
Diluted earnings per ordinary share	2,806	2,407,957	116.5	2,516	2,382,186	105.6

	6 months ended 31.12.11		
	Profit ¹	Weighted average number of shares	Per share amount
	\$million	('000)	cents
Basic earnings per ordinary share	2,232	2,377,469	93.9
Effect of dilutive potential ordinary shares:			
Options ²		28,290	
Diluted earnings per ordinary share	2,232	2,405,759	92.8

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' (IAS 33). The table below provides a reconciliation.

	6 months ended		
	30.06.12	30.06.11	31.12.11
	\$million	\$million	\$million
Profit attributable to ordinary shareholders	2,806	2,516	2,232
Amortisation of intangible assets arising on business combinations	32	34	35
Gain on disposal of property	(74)	(9)	(40)
Gain arising on sale of business	(2)	-	-
Recovery on structured notes	-	(86)	(10)
Impairment of associates	10	-	-
Tax on normalised items	10	20	(10)
Normalised earnings	2,782	2,475	2,207
Normalised basic earnings per ordinary share (cents)	116.6	105.2	92.8
Normalised diluted earnings per ordinary share (cents)	115.5	103.9	91.7

¹ 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 10).

² The impact of anti-dilutive options has been excluded from this amount as required by IAS 33.

12. Financial instruments

Classification

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

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

	Assets at fair value				Assets at amortised cost			
Assets	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Available- for-sale \$million	Loans and receivables \$million	Held-to- maturity \$million	Non-financial assets \$million	Total \$million
Cash and balances at central banks	-	-	-	-	51,111	-	-	51,111
Financial assets held at fair value through profit or loss								
Loans and advances to banks ¹	566	-	109	-	-	-	-	675
Loans and advances to customers ¹	5,434	-	253	-	-	-	-	5,687
Treasury bills and other eligible bills	4,543	-	-	-	-	-	-	4,543
Debt securities	14,512	-	327	-	-	-	-	14,839
Equity shares	1,404	-	621	-	-	-	-	2,025
	26,459	-	1,310	-	-	-	-	27,769
Derivative financial instruments	59,937	1,838	-	-	-	-	-	61,775
Loans and advances to banks ¹	-	-	-	-	74,167	-	-	74,167
Loans and advances to customers ¹	-	-	-	-	273,366	-	-	273,366
Investment securities								
Treasury bills and other eligible bills	-	-	-	22,077	-	-	-	22,077
Debt securities	-	-	-	58,703	4,804	-	-	63,507
Equity shares	-	-	-	2,757	-	-	-	2,757
	-	-	-	83,537	4,804	-	-	88,341
Other assets	-	-	-	-	22,767	-	7,667	30,434
Total at 30 June 2012	86,396	1,838	1,310	83,537	426,215	-	7,667	606,963
Cash and balances at central banks	-	-	-	-	43,689	-	-	43,689
Financial assets held at fair value through profit or loss								
Loans and advances to banks ¹	327	-	107	-	-	-	-	434
Loans and advances to customers ¹	5,293	-	372	-	-	-	-	5,665
Treasury bills and other eligible bills	4,617	-	-	-	-	-	-	4,617
Debt securities	14,557	-	67	-	-	-	-	14,624
Equity shares	1,523	-	538	-	-	-	-	2,061
	26,317	-	1,084	-	-	-	-	27,401
Derivative financial instruments	48,723	2,111	-	-	-	-	-	50,834
Loans and advances to banks ¹	-	-	-	-	57,317	-	-	57,317
Loans and advances to customers ¹	-	-	-	-	262,126	-	-	262,126
Investment securities								
Treasury bills and other eligible bills	-	-	-	20,148	-	-	-	20,148
Debt securities	-	-	-	53,558	4,912	22	-	58,492
Equity shares	-	-	-	2,704	-	-	-	2,704
	-	-	-	76,410	4,912	22	-	81,344
Other assets	-	-	-	-	22,244	-	6,547	28,791
Total at 30 June 2011	75,040	2,111	1,084	76,410	390,288	22	6,547	551,502

¹ Further analysed in Risk review on pages 25 to 37.

Standard Chartered PLC – Notes continued

12. 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	-	-	-	-	47,364	-	-	47,364
Financial assets held at fair value through profit or loss								
Loans and advances to banks ¹	463	-	105	-	-	-	-	568
Loans and advances to customers ¹	4,676	-	312	-	-	-	-	4,988
Treasury bills and other eligible bills	4,609	-	-	-	-	-	-	4,609
Debt securities	13,025	-	45	-	-	-	-	13,070
Equity shares	1,028	-	565	-	-	-	-	1,593
	23,801	-	1,027	-	-	-	-	24,828
Derivative financial instruments	65,894	2,039	-	-	-	-	-	67,933
Loans and advances to banks ¹	-	-	-	-	65,981	-	-	65,981
Loans and advances to customers ¹	-	-	-	-	263,765	-	-	263,765
Investment securities								
Treasury bills and other eligible bills	-	-	-	21,680	-	-	-	21,680
Debt securities	-	-	-	55,567	5,475	18	-	61,060
Equity shares	-	-	-	2,543	-	-	-	2,543
	-	-	-	79,790	5,475	18	-	85,283
Other assets	-	-	-	-	20,554	-	6,732	27,286
Total at 31 December 2011	89,695	2,039	1,027	79,790	403,139	18	6,732	582,440

¹ Further analysed in Risk review on pages 25 to 37.

Liabilities	Liabilities at fair value				Amortised cost	Non-financial liabilities	Total
	Trading	Derivatives held for hedging	Designated at fair value through profit or loss				
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Financial liabilities held at fair value through profit or loss							
Deposits by banks	965	-	74	-	-	-	1,039
Customer accounts	3,189	-	5,209	-	-	-	8,398
Debt securities in issue	3,059	-	1,539	-	-	-	4,598
Short positions	5,032	-	-	-	-	-	5,032
	12,245	-	6,822	-	-	-	19,067
Derivative financial instruments	58,176	1,213	-	-	-	-	59,389
Deposits by banks	-	-	-	44,838	-	-	44,838
Customer accounts	-	-	-	351,381	-	-	351,381
Debt securities in issue	-	-	-	57,814	-	-	57,814
Other liabilities	-	-	-	21,193	4,961	-	26,154
Subordinated liabilities and other borrowed funds	-	-	-	16,543	-	-	16,543
Total at 30 June 2012	70,421	1,213	6,822	491,769	4,961	4,961	575,186

12. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value					Total \$million
	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Amortised cost \$million	Non-financial liabilities \$million	
Financial liabilities held at fair value through profit or loss						
Deposits by banks	631	-	99	-	-	730
Customer accounts	2,445	-	6,760	-	-	9,205
Debt securities in issue	2,570	-	2,035	-	-	4,605
Short positions	5,786	-	-	-	-	5,786
	11,432	-	8,894	-	-	20,326
Derivative financial instruments	48,811	826	-	-	-	49,637
Deposits by banks	-	-	-	36,334	-	36,334
Customer accounts	-	-	-	333,485	-	333,485
Debt securities in issue	-	-	-	38,640	-	38,640
Other liabilities	-	-	-	19,743	6,240	25,983
Subordinated liabilities and other borrowed funds	-	-	-	16,004	-	16,004
Total at 30 June 2011	60,243	826	8,894	444,206	6,240	520,409

Financial liabilities held at fair value through profit or loss

Deposits by banks	973	-	119	-	-	1,092
Customer accounts	1,518	-	7,600	-	-	9,118
Debt securities in issue	2,441	-	1,992	-	-	4,433
Short positions	4,956	-	-	-	-	4,956
	9,888	-	9,711	-	-	19,599
Derivative financial instruments	64,850	1,076	-	-	-	65,926
Deposits by banks	-	-	-	35,296	-	35,296
Customer accounts	-	-	-	342,701	-	342,701
Debt securities in issue	-	-	-	47,140	-	47,140
Other liabilities	-	-	-	19,169	4,665	23,834
Subordinated liabilities and other borrowed funds	-	-	-	16,717	-	16,717
Total at 31 December 2011	74,738	1,076	9,711	461,023	4,665	551,213

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 Listed equities Listed derivative instruments Investments in publicly traded mutual funds with quoted market prices	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Asset backed securities	Asset backed securities Private equity investments Highly structured OTC derivatives with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	OTC derivatives Structured deposits Credit structured debt securities in issue	Highly structured OTC derivatives with unobservable parameters Illiquid or highly structured debt securities in issue

Standard Chartered PLC – Notes continued

12. Financial instruments continued

Valuation hierarchy continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 30 June 2012, 30 June 2011 and 31 December 2011.

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	101	574	-	675
Loans and advances to customers	-	5,687	-	5,687
Treasury bills and other eligible bills	4,164	379	-	4,543
Debt securities	7,685	6,954	200	14,839
Equity shares	1,364	6	655	2,025
	13,314	13,600	855	27,769
Derivative financial instruments	1,258	60,180	337	61,775
Investment securities				
Treasury bills and other eligible bills	18,939	3,051	87	22,077
Debt securities	17,649	40,376	678	58,703
Equity shares	1,129	4	1,624	2,757
	37,717	43,431	2,389	83,537
Total at 30 June 2012	52,289	117,211	3,581	173,081

Liabilities

Financial instruments held at fair value through profit or loss				
Deposits by banks	34	1,005	-	1,039
Customer accounts	-	8,398	-	8,398
Debt securities in issue	-	4,501	97	4,598
Short positions	4,249	783	-	5,032
	4,283	14,687	97	19,067
Derivative financial instruments	1,447	57,652	290	59,389
Total at 30 June 2012	5,730	72,339	387	78,456

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	144	290	-	434
Loans and advances to customers	6	5,659	-	5,665
Treasury bills and other eligible bills	4,490	127	-	4,617
Debt securities	8,684	5,582	358	14,624
Equity shares	1,599	7	455	2,061
	14,923	11,665	813	27,401
Derivative financial instruments	296	50,418	120	50,834
Investment securities				
Treasury bills and other eligible bills	17,942	2,162	44	20,148
Debt securities	14,982	37,538	1,038	53,558
Equity shares	1,113	461	1,130	2,704
	34,037	40,161	2,212	76,410
Total at 30 June 2011	49,256	102,244	3,145	154,645

Liabilities

Financial instruments held at fair value through profit or loss				
Deposits by banks	149	581	-	730
Customer accounts	49	9,156	-	9,205
Debt securities in issue	-	4,341	264	4,605
Short positions	4,938	848	-	5,786
	5,136	14,926	264	20,326
Derivative financial instruments	388	49,005	244	49,637
Total at 30 June 2011	5,524	63,931	508	69,963

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

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	110	458	-	568
Loans and advances to customers	5	4,983	-	4,988
Treasury bills and other eligible bills	4,502	107	-	4,609
Debt securities	7,516	5,261	293	13,070
Equity shares	1,027	-	566	1,593
	13,160	10,809	859	24,828
Derivative financial instruments	396	67,261	276	67,933
Investment securities				
Treasury bills and other eligible bills	18,831	2,800	49	21,680
Debt securities	17,938	36,884	745	55,567
Equity shares	1,116	9	1,418	2,543
	37,885	39,693	2,212	79,790
Total at 31 December 2011	51,441	117,763	3,347	172,551
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	104	988	-	1,092
Customer accounts	-	9,118	-	9,118
Debt securities in issue	-	4,261	172	4,433
Short positions	4,483	473	-	4,956
	4,587	14,840	172	19,599
Derivative financial instruments	549	65,193	184	65,926
Total at 31 December 2011	5,136	80,033	356	85,525

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

Standard Chartered PLC – Notes continued

12. Financial instruments continued

Level 3 movement tables - Financial assets

Assets	Held at fair value through profit or loss		Derivative financial instruments	Investment securities			Total
	Debt securities \$million	Equity shares \$million		Treasury Bills \$million	Debt securities \$million	Equity shares \$million	
At 1 January 2012	293	566	276	49	745	1,418	3,347
Total (losses)/gains recognised in income statement	(2)	125	(14)	(2)	27	(15)	119
Total losses recognised in other comprehensive income	-	-	-	-	(30)	(52)	(82)
Purchases	12	28	137	40	123	298	638
Sales	-	(64)	(12)	-	(141)	(8)	(225)
Settlements	(70)	-	(47)	-	(12)	(8)	(137)
Transfers out	(83)	-	(5)	-	(36)	(14)	(138)
Transfers in	50	-	2	-	2	5	59
At 30 June 2012	200	655	337	87	678	1,624	3,581
Total gains/(losses) recognised in the income statement relating to assets held at 30 June 2012	-	122	(7)	-	-	-	115

Assets	Held at fair value through profit or loss		Derivative financial instruments	Investment securities			Total
	Debt securities \$million	Equity shares \$million		Treasury Bills \$million	Debt securities \$million	Equity shares \$million	
At 1 January 2011	227	301	187	-	582	1,051	2,348
Total gains/(losses) recognised in income statement	8	7	15	-	(50)	3	(17)
Total gains recognised in other comprehensive income	-	-	-	-	37	23	60
Purchases ¹	201	157	-	24	108	102	592
Sales ¹	(40)	(10)	(7)	-	(101)	(19)	(177)
Settlements	(18)	-	(61)	-	(3)	(7)	(89)
Transfers out	(96)	-	(14)	-	-	(71)	(181)
Transfers in	76	-	-	20	465	48	609
At 30 June 2011	358	455	120	44	1,038	1,130	3,145
Total gains recognised in the income statement relating to assets held at 30 June 2011	18	10	47	-	-	-	75

¹ Certain amounts have been reclassified between purchases and sales.

Assets	Held at fair value through profit or loss		Derivative financial instruments	Investment securities			Total
	Debt securities \$million	Equity shares \$million		Treasury bills \$million	Debt securities \$million	Equity shares \$million	
At 1 July 2011	358	455	120	44	1,038	1,130	3,145
Total (losses)/gains recognised in income statement	(38)	66	121	-	(2)	66	213
Total losses recognised in other comprehensive income	-	-	-	(4)	(89)	(222)	(315)
Purchases	37	53	68	-	118	314	590
Sales	(33)	(8)	-	-	(88)	(123)	(252)
Settlements	(71)	-	(27)	-	(30)	(34)	(162)
Transfers out	(13)	-	(19)	-	(246)	-	(278)
Transfers in	53	-	13	9	44	287	406
At 31 December 2011	293	566	276	49	745	1,418	3,347
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2011	(5)	52	140	-	-	-	187

Transfers in during the periods primarily relate to markets for certain financial instruments becoming illiquid or where the valuation parameters became unobservable during the period.

Transfers out during the periods primarily relate to certain financial instruments where the valuation parameters became observable during the period.

12. Financial instruments continued

Level 3 movement tables – Financial liabilities

Liabilities	30.06.12			30.06.11		
	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million
At 1 January	172	184	356	311	282	593
Total (gains)/losses recognised in income statement	(3)	13	10	(12)	21	9
Issues	6	111	117	16	1	17
Settlements	(51)	(17)	(68)	(53)	(32)	(85)
Transfers out	(27)	(1)	(28)	-	(28)	(28)
Transfers in	-	-	-	2	-	2
At 30 June	97	290	387	264	244	508
Total losses recognised in the income statement relating to liabilities held at the end of the period	5	4	9	4	127	131

Liabilities	31.12.11		
	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million
At 1 July	264	244	508
Total losses recognised in income statement	4	17	21
Issues	49	50	99
Settlements	(189)	(96)	(285)
Transfers out	(34)	(31)	(65)
Transfers in	78	-	78
At 31 December	172	184	356
Total gains recognised in the income statement relating to liabilities held at the end of the period	(42)	(90)	(132)

Transfers in during the periods primarily relate to certain financial instruments which parameters became unobservable during the period.

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.

	30.06.12		30.06.11		31.12.11	
	Carrying value \$million	Fair value \$million	Carrying value \$million	Fair value \$million	Carrying value \$million	Fair value \$million
Assets						
Cash and balances at central banks	51,111	51,111	43,689	43,689	47,364	47,364
Loans and advances to banks	74,167	74,178	57,317	57,353	65,981	65,964
Loans and advances to customers	273,366	273,387	262,126	263,301	263,765	264,529
Investment securities	4,804	4,737	4,934	4,843	5,493	5,241
Other assets	22,767	22,767	22,244	22,244	20,554	20,554
Liabilities						
Deposits by banks	44,838	44,733	36,334	36,614	35,296	35,259
Customer accounts	351,381	350,435	333,485	333,090	342,701	342,544
Debt securities in issue	57,814	58,306	38,640	37,740	47,140	46,836
Subordinated liabilities and other borrowed funds	16,543	17,005	16,004	16,490	16,717	16,599
Other liabilities	21,193	21,193	19,743	19,743	19,169	19,169

12. 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 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 have been no reclassifications since 2008.

The following tables provide details of the remaining balances of assets reclassified during 2008:

For assets reclassified:	Carrying amount at 30 June 2012 \$million	Fair value at 30 June 2012 \$million	Income \$million	AFS reserve \$million	If assets had not been reclassified, fair value gain from 1 January 2012 to 30 June 2012 which would have been recognised within		
					Income recognised in income statement \$million	Effective interest rate at date of reclassification %	amounts of expected cash flows \$million
From trading to AFS	123	123	1 ¹	-	8	4.9	238
From trading to loans and receivables	623	584	20	-	17	5.4	711
From AFS to loans and receivables	751	712	-	18	15	5.5	958
	1,497	1,419	21	18	40		
Of which asset backed securities:							
reclassified to AFS	76	76	1 ¹	-	6		
reclassified to loans and receivables	1,073	998	10	18	26		

¹ Post reclassification, the gain is recognised within the available-for-sale reserve.

For assets reclassified:	Carrying amount at 30 June 2011 \$million	Fair value at 30 June 2011 \$million	Income \$million	AFS reserve \$million	If assets had not been reclassified, fair value gain from 1 January 2011 to 30 June 2011 which would have been recognised within		
					Income recognised in income statement \$million	Effective interest rate at date of reclassification %	amounts of expected cash flows \$million
From trading to AFS	218	218	9 ¹	-	5	5.2	284
From trading to loans and receivables	1,146	1,142	31	-	27	5.8	1,355
From AFS to loans and receivables	923	899	-	19	15	5.5	1,199
	2,287	2,259	40	19	47		
Of which asset backed securities:							
reclassified to AFS	132	132	7 ¹	-	3		
reclassified to loans and receivables	1,596	1,606	14	19	25		

¹ Post reclassification, the gain is recognised within the available-for-sale reserve.

For assets reclassified:	Carrying amount at 31 December 2011 \$million	Fair value at 31 December 2011 \$million	Income \$million	AFS reserve \$million	If assets had not been reclassified, fair value (losses) from 1 July 2011 to 31 December 2011 which would have been recognised within		
					Income recognised in income statement \$million	Effective interest rate at date of reclassification %	amounts of expected cash flows \$million
From trading to AFS	176	176	(8) ¹	-	4	5.8	316
From trading to loans and receivables	816	711	(75)	-	-	5.6	961
From AFS to loans and receivables	856	796	-	(18)	12	5.5	1,118
	1,848	1,683	(83)	(18)	16		
Of which asset backed securities:							
reclassified to AFS	114	114	(8) ¹	-	2		
reclassified to loans and receivables	1,304	1,195	(25)	(18)	18		

¹ Post reclassification, the loss is recognised within the available-for-sale reserve.

13. 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.

Debt securities, equity shares and treasury bills held at fair value through profit or loss

	30.06.12			
	Debt Securities	Equity Shares	Treasury bills	Total
	\$million	\$million	\$million	\$million
Issued by public bodies:				
Government securities	8,089			
Other public sector securities	98			
	8,187			
Issued by banks:				
Certificates of deposit	188			
Other debt securities	2,217			
	2,405			
Issued by corporate entities and other issuers:				
Other debt securities	4,247			
Total debt securities	14,839			
Of which:				
Listed on a recognised UK exchange	444	24	-	468
Listed elsewhere	8,930	1,346	1,776	12,052
Unlisted	5,465	655	2,767	8,887
	14,839	2,025	4,543	21,407
Market value of listed securities	9,374	1,370	1,776	12,520

	30.06.11			
	Debt Securities	Equity Shares	Treasury bills	Total
	\$million	\$million	\$million	\$million
Issued by public bodies:				
Government securities	8,613			
Other public sector securities	107			
	8,720			
Issued by banks:				
Certificates of deposit	479			
Other debt securities	2,047			
	2,526			
Issued by corporate entities and other issuers:				
Other debt securities	3,378			
Total debt securities	14,624			
Of which:				
Listed on a recognised UK exchange	397	59	-	456
Listed elsewhere	8,038	1,547	1,119	10,704
Unlisted	6,189	455	3,498	10,142
	14,624	2,061	4,617	21,302
Market value of listed securities	8,435	1,606	1,119	11,160

13. Financial instruments held at fair value through profit or loss continued
Debt securities, equity shares and treasury bills held at fair value through profit or loss continued

	31.12.11			
	Debt Securities \$million	Equity Shares \$million	Treasury bills \$million	Total \$million
Issued by public bodies:				
Government securities	7,766			
Other public sector securities	65			
	7,831			
Issued by banks:				
Certificates of deposit	488			
Other debt securities	1,564			
	2,052			
Issued by corporate entities and other issuers:				
Other debt securities	3,187			
Total debt securities	13,070			
Of which:				
Listed on a recognised UK exchange	517	26	-	543
Listed elsewhere	7,269	1,002	799	9,070
Unlisted	5,284	565	3,810	9,659
	13,070	1,593	4,609	19,272
Market value of listed securities	7,786	1,028	799	9,613

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.

14. Derivative financial instruments

The tables below 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.

	30.06.12			30.06.11		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	1,295,174	14,608	13,754	1,217,210	11,853	11,858
Currency swaps and options	995,711	14,012	14,563	974,693	14,005	14,245
Exchange traded futures and options	486	-	-	584	-	-
	2,291,371	28,620	28,317	2,192,487	25,858	26,103
Interest rate derivative contracts:						
Swaps	2,009,296	26,004	24,408	2,445,236	17,347	16,212
Forward rate agreements and options	185,122	803	775	279,873	931	973
Exchange traded futures and options	462,089	802	853	1,470,652	746	763
	2,656,507	27,609	26,036	4,195,761	19,024	17,948
Credit derivative contracts	67,194	1,162	1,144	94,041	1,936	1,992
Equity and stock index options	14,361	349	480	10,969	417	917
Commodity derivative contracts	77,094	4,035	3,412	56,945	3,599	2,677
Total derivatives	5,106,527	61,775	59,389	6,550,203	50,834	49,637

	31.12.11		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Total derivatives			
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	1,130,075	17,412	16,521
Currency swaps and options	1,098,433	18,003	18,774
Exchange traded futures and options	363	-	-
	2,228,871	35,415	35,295
Interest rate derivative contracts:			
Swaps	2,009,872	23,994	22,220
Forward rate agreements and options	242,843	1,086	1,093
Exchange traded futures and options	273,089	343	347
	2,525,804	25,423	23,660
Credit derivative contracts	77,776	1,783	1,807
Equity and stock index options	12,057	678	845
Commodity derivative contracts	62,426	4,634	4,319
Total derivatives	4,906,934	67,933	65,926

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in the Risk review on page 24.

The Derivatives and Hedging sections of the Risk review on page 47 explain the Group's risk management of derivative contracts and application of hedging.

14. Derivative financial instruments continued

Derivatives held for hedging

Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The tables below list the types of derivatives that the Group holds for hedge accounting.

	30.06.12			30.06.11		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives designated as fair value hedges:						
Interest rate swaps	47,499	1,724	1,004	40,794	1,876	506
Forward foreign exchange contracts	1,269	4	22	1,373	15	15
Currency swaps	2,281	33	99	3,819	83	244
	51,049	1,761	1,125	45,986	1,974	765
Derivatives designated as cash flow hedges:						
Interest rate swaps	18,589	40	16	21,730	31	24
Options	-	-	-	387	43	-
Forward foreign exchange contracts	2,483	12	27	1,622	59	2
Currency swaps	6,865	25	30	2,026	4	2
	27,937	77	73	25,765	137	28
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	661	-	15	691	-	33
Total derivatives held for hedging	79,647	1,838	1,213	72,442	2,111	826

	31.12.11		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives designated as fair value hedges:			
Interest rate swaps	45,249	1,806	760
Forward foreign exchange contracts	3,768	60	221
Currency swaps	843	67	-
	49,860	1,933	981
Derivatives designated as cash flow hedges:			
Interest rate swaps	23,536	40	21
Forward foreign exchange contracts	2,999	2	72
Currency swaps	3,609	30	2
	30,144	72	95
Derivatives designated as net investment hedges:			
Forward foreign exchange contracts	707	34	-
Total derivatives held for hedging	80,711	2,039	1,076

15. Loans and advances to banks

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Loans and advances to banks	74,931	57,847	66,633
Individual impairment provision	(87)	(94)	(82)
Portfolio impairment provision	(2)	(2)	(2)
	74,842	57,751	66,549
Of which: loans and advances held at fair value through profit or loss (note 12)	(675)	(434)	(568)
	74,167	57,317	65,981

Analysis of loans and advances to banks by geography as set out in the Risk review on pages 25 and 26.

16. Loans and advances to customers

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Loans and advances to customers	281,969	270,439	271,403
Individual impairment provision	(2,196)	(1,900)	(1,890)
Portfolio impairment provision	(720)	(748)	(760)
	279,053	267,791	268,753
Of which: loans and advances held at fair value through profit or loss (note 12)	(5,687)	(5,665)	(4,988)
	273,366	262,126	263,765

The Group has outstanding residential mortgages and loans to Korea residents of \$19.4 billion (30 June 2011: \$23.4 billion, 31 December 2011: \$20.8 billion) and Hong Kong residents of \$19.0 billion (30 June 2011: \$18.3 billion, 31 December 2011: \$18.8 billion).

Analysis of loans and advances to customers by geography and business and related impairment provisions as set out within the Risk review on pages 25 to 37.

17. Investment securities

	30.06.12					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	-	20,206	389			
Other public sector securities	-	992	-			
	-	21,198	389			
Issued by banks:						
Certificates of deposit	-	5,145	-			
Other debt securities	-	23,243	1,175			
	-	28,388	1,175			
Issued by corporate entities and other issuers:						
Other debt securities	-	9,117	3,240			
Total debt securities	-	58,703	4,804			
Of which:						
Listed on a recognised UK exchange	-	6,034	237 ¹	54	-	6,325
Listed elsewhere	-	16,227	848 ¹	878	7,205	25,158
Unlisted	-	36,442	3,719	1,825	14,872	56,858
	-	58,703	4,804	2,757	22,077	88,341
Market value of listed securities	-	22,261	1,017	932	7,205	31,415

¹ These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid.

Standard Chartered PLC – Notes continued

17. Investment securities continued

	30.06.11					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	22	20,129	388			
Other public sector securities	-	671	-			
	22	20,800	388			
Issued by banks:						
Certificates of deposit	-	5,600	-			
Other debt securities	-	18,019	1,161			
	-	23,619	1,161			
Issued by corporate entities and other issuers :						
Other debt securities	-	9,139	3,363			
Total debt securities	22	53,558	4,912			
Of which:						
Listed on a recognised UK exchange	-	3,570	254 ¹	184	-	4,008
Listed elsewhere	22	16,963	996 ¹	935	7,154	26,070
Unlisted	-	33,025	3,662	1,585	12,994	51,266
	22	53,558	4,912	2,704	20,148	81,344
Market value of listed securities	22	20,533	1,223	1,119	7,154	30,051

¹ These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid.

	31.12.11					
	Debt securities			Equity shares	Treasury bills	Total
	Held-to-maturity \$million	Available-for-sale \$million	Loans and receivables \$million	\$million	\$million	\$million
Issued by public bodies:						
Government securities	18	20,462	389			
Other public sector securities	-	690	-			
	18	21,152	389			
Issued by banks:						
Certificates of deposit	-	5,811	-			
Other debt securities	-	18,292	1,043			
	-	24,103	1,043			
Issued by corporate entities and other issuers:						
Other debt securities	-	10,312	4,043			
Total debt securities	18	55,567	5,475			
Of which:						
Listed on a recognised UK exchange	-	5,431	242 ¹	150	-	5,823
Listed elsewhere	18	17,082	820 ¹	869	7,516	26,305
Unlisted	-	33,054	4,413	1,524	14,164	53,155
	18	55,567	5,475	2,543	21,680	85,283
Market value of listed securities	18	22,513	954	1,019	7,516	32,020

¹ These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid.

Standard Chartered PLC – Notes continued

17. Investment securities continued

The change in the carrying amount of investment securities comprised:

	30.06.12				30.06.11			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
Balances held at 1 January	61,060	2,543	21,680	85,283	55,384	2,517	17,895	75,796
Exchange translation differences	(198)	(2)	(125)	(325)	1,085	42	494	1,621
Additions	51,220	413	19,146	70,779	39,467	395	23,484	63,346
Maturities and disposals	(48,983)	(42)	(18,847)	(67,872)	(37,388)	(336)	(21,766)	(59,490)
Impairment, net of recoveries on disposal	18	(51)	-	(33)	(83)	9	-	(74)
Changes in fair value (including the effect of fair value hedging)	412	(104)	19	327	65	77	(43)	99
Amortisation of discounts and premiums	(22)	-	204	182	(38)	-	84	46
Balances held at 30 June	63,507	2,757	22,077	88,341	58,492	2,704	20,148	81,344

	31.12.11			
	Debt securities \$million	Equity shares \$million	Treasury bills \$million	Total \$million
Balances held at 1 July	58,492	2,704	20,148	81,344
Exchange translation differences	(2,045)	(37)	(1,342)	(3,424)
Additions	39,918	587	27,409	67,914
Maturities and disposals	(35,280)	(336)	(24,725)	(60,341)
Impairment, net of recoveries on disposal	(1)	(21)	-	(22)
Changes in fair value (including the effect of fair value hedging)	34	(354)	5	(315)
Amortisation of discounts and premiums	(58)	-	185	127
Balances held at 31 December	61,060	2,543	21,680	85,283

At 30 June 2012, unamortised premiums on debt securities held for investment purposes amounted to \$496 million (30 June 2011: \$404 million, 31 December 2011: \$387 million) and unamortised discounts amounted to \$480 million (30 June 2011: \$383 million, 31 December 2011: \$308 million). Income from listed equity shares amounted to \$18 million (30 June 2011: \$13 million, 31 December 2011: \$23 million) and income from unlisted equity shares amounted to \$18 million (30 June 2011: \$22 million, 31 December 2011: \$15 million).

18. Other assets

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Financial assets held at amortised cost (note 12)			
Hong Kong SAR Government certificates of indebtedness (note 23)	4,142	4,052	4,043
Cash collateral	4,784	6,294	4,856
Acceptances and endorsements	5,391	5,617	5,485
Unsettled trades and other financial assets	8,450	6,281	6,170
	22,767	22,244	20,554
Non-financial assets			
Commodities	5,571	3,091	3,523
Other assets	2,096	3,456	3,209
Total other assets	30,434	28,791	27,286

The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued (note 23).

19. Business Combinations

2012 acquisitions

No acquisitions were made in this period.

2011 acquisitions

Following the finalisation of the provisional fair values relating to deferred tax in respect of the Group's acquisition of the custody business of Barclays Bank PLC across various locations in Africa in 2010, the fair value of net assets acquired decreased by \$18 million increasing goodwill by the same amount.

On 8 April 2011, the Group acquired 100 per cent interest in GE Money Pte Limited, a leading specialist in auto and unsecured personal loans in Singapore, for a total cash consideration of \$695 million, recognising goodwill of \$199 million.

On 2 September 2011, the Group acquired 100 per cent interest in Gryphon Partners Advisory Pty Ltd and Gryphon Partners Canada Inc (together "Gryphon Partners") for a total consideration of \$53 million. As required by IFRS 3 'Business Combinations', only \$28 million of this consideration is deemed to relate to the cost of acquisition; for accounting purposes the balance is deemed to represent remuneration and is charged to the income statement over the period to 2015. Goodwill of \$11 million was recognised on this transaction.

If these acquisitions had occurred on 1 January 2011 the operating income of the Group would have been approximately \$17,671 million and profit before taxation would have been \$6,793 million for the year ended 31 December 2011. These acquisitions contributed \$66 million to the Group's operating income and \$40 million to the Group's profit before taxation since acquisition.

The assets and liabilities arising from this acquisition is as follows:

	Fair value \$million
Cash and balances at central banks	6
Loans and advances to customers	1,545
Intangibles other than goodwill	17
Other assets	24
Total assets	1,592
Other liabilities	1,079
Total liabilities	1,079
Net assets acquired	513
Purchase consideration settled in cash	(718)
Cash and cash equivalents in subsidiary acquired	6
Cash outflow on acquisition	(712)
Purchase consideration:	
Cash paid	718
Contingent consideration	5
Less: Fair value of net assets acquired	(513)
Goodwill	210
Intangible assets acquired:	
Customer relationships	17
Total	17

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group, the skilled workforce acquired and the distribution networks. The primary reason for these acquisitions is to enhance capability and broaden product offering to customers.

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 banks is \$16 million. The gross contractual amount due is \$16 million, which is expected to be collected. The fair value of loans to customers is \$1,545 million. The gross contractual amount due is \$1,554 million, of which \$9 million is the best estimate of the contractual cash flows not expected to be collected.

Acquisition related costs of \$1.9 million are included within operating expenses.

Standard Chartered PLC – Notes continued

20. Deposits by banks

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Deposits by banks	44,838	36,334	35,296
Deposits by banks included within:			
Financial liabilities held at fair value through profit or loss (note 12)	1,039	730	1,092
Total deposits by banks	45,877	37,064	36,388

21. Customer accounts

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Customer accounts	351,381	333,485	342,701
Customer accounts included within:			
Financial liabilities held at fair value through profit or loss (note 12)	8,398	9,205	9,118
Total customer accounts	359,779	342,690	351,819

22. Debt securities in issue

	30.06.12			30.06.11		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	22,526	35,288	57,814	11,875	26,765	38,640
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	165	4,433	4,598	197	4,408	4,605
Total debt securities in issue	22,691	39,721	62,412	12,072	31,173	43,245

	31.12.11		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	15,783	31,357	47,140
Debt securities in issue included within:			
Financial liabilities held at fair value through profit or loss (note 12)	166	4,267	4,433
Total debt securities in issue	15,949	35,624	51,573

23. Other liabilities

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Financial liabilities held at amortised cost (note 12)			
Notes in circulation	4,142	4,052	4,043
Acceptances and endorsements	5,401	5,528	5,473
Cash collateral	3,132	2,643	3,145
Unsettled trades and other financial liabilities	8,518	7,520	6,508
	21,193	19,743	19,169
Non-financial liabilities			
Cash-settled share based payments	65	108	85
Other liabilities	4,896	6,132	4,580
Total other liabilities	26,154	25,983	23,834

Hong Kong currency notes in circulation of \$4,142 million (30 June 2011: \$4,052 million, 31 December 2011: \$4,043 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 18).

24. Subordinated liabilities and other borrowed funds

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Subordinated liabilities and other borrowed funds	16,543	16,004	16,717

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, \$13,069 million is at fixed interest rates (30 June 2011: \$11,971 million and 31 December 2011: \$12,918 million).

On 25 January 2012, Standard Chartered PLC (the Company) issued \$1 billion fixed interest rate notes due January 2022.

On 15 June 2012, PT Bank Permata Tbk issued IDR 700 billion fixed interest rate notes due June 2019.

On 27 June 2012, Standard Chartered Bank (Botswana) Limited issued BWP 50 million floating interest rate notes due June 2022 and BWP 127.26 million fixed interest rate notes due June 2022.

On 29 June 2012, Standard Chartered (Pakistan) Limited issued PKR 2.5 billion floating interest rate notes due June 2022.

On 2 January 2012, Standard Chartered Bank Korea Limited redeemed KRW 30 billion floating rate subordinated debt on maturity.

On 3 February 2012, Standard Chartered Bank exercised its right to redeem its €750 million 3.625 per cent notes in full on the first optional call date.

On 13 April 2012, Standard Chartered Bank (Hong Kong) Limited exercised its right to redeem its \$300 million floating rates subordinated notes in full on the first optional call date.

25. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Total market value of assets	2,195	2,262	2,118
Present value of the schemes' liabilities	(2,770)	(2,559)	(2,617)
Defined benefit schemes obligation	(575)	(297)	(499)
Defined contribution schemes obligation	(16)	(15)	(20)
Total obligation	(591)	(312)	(519)

Retirement benefit charge comprises:

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Defined benefit schemes	54	58	45
Defined contribution schemes	95	95	84
Charge against profit	149	153	129

25. Retirement benefit obligations continued

The pension cost for defined benefit schemes was:

	6 months ended 30.06.12 \$million	6 months ended 30.06.11 \$million	6 months ended 31.12.11 \$million
Current service cost	51	54	47
Past service cost	2	2	1
Gain on settlements and curtailments	-	-	(5)
Expected return on pension scheme assets	(56)	(59)	(61)
Interest on pension scheme liabilities	57	61	63
Total charge to profit before deduction of tax	54	58	45
(Gain)/loss on assets below expected return	(18)	(41)	99
Experience loss on liabilities	94	-	131
Total loss/(gain) recognised directly in statement of comprehensive income before tax	76	(41)	230
Deferred taxation	(17)	13	(50)
Total loss/(gain) after tax	59	(28)	180

26. Share capital, reserves and own shares

	Number of ordinary shares millions	Ordinary share capital \$million	Preference share capital \$million	Total \$million
At 1 January 2011	2,348	1,174	-	1,174
Capitalised on scrip dividend	23	12	-	12
Shares issued	8	4	-	4
At 30 June 2011	2,379	1,190	-	1,190
Capitalised on scrip dividend	2	-	-	-
Shares issued	3	2	-	2
At 31 December 2011	2,384	1,192	-	1,192
Capitalised on scrip dividend	6	3	-	3
Shares issued	2	1	-	1
At 30 June 2012	2,392	1,196	-	1,196

2012

On 11 May 2012, the Company issued 6,961,782 new ordinary shares instead of the 2011 final dividend.

During the period 1,519,015 shares were issued under employee share plans at prices between nil and 1,463 pence.

2011

On 11 May 2011, the Company issued 23,196,890 new ordinary shares instead of the 2010 final dividend. On 4 October 2011 the Company issued 1,274,109 new ordinary shares instead of the 2011 interim dividend.

During the year 11,425,223 shares were issued under employee share plans at prices between nil and 1,463 pence.

26. Share Capital, reserves and own shares continued

Own shares

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (the 1995 Trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust (the 2004 Trust) which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements Group companies fund the trusts, 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 period. Details of the shares purchased and held by the trusts are set out below.

Number of shares	1995 Trust			2004 Trust			Total		
	30.06.12	30.06.11	31.12.11	30.06.12	30.06.11	31.12.11	30.06.12	30.06.11	31.12.11
Shares purchased during the period	11,384,974	4,500,000	-	982,233	1,136,086	-	12,367,207	5,636,086	-
Market value of shares purchased (\$ million)	291	117	-	25	29	-	316	146	-
Shares held at the end of period	4,974,712	12,953,132	11,049,476	211,415	282,990	281,670	5,186,127	13,236,122	11,331,146
Maximum number of shares held during the period							18,321,546	15,590,159	15,590,159

27. Non-controlling interests

	\$300m 7.267% Hybrid Tier 1 Securities \$million	Other non-controlling interests \$million	Total \$million
At 1 January 2011	321	332	653
Expenses in equity attributable to non-controlling interests	-	(14)	(14)
Other profits attributable to non-controlling interests	11	27	38
Comprehensive income for the period	11	13	24
Distributions	(11)	(34)	(45)
Other decreases	-	(4)	(4)
At 30 June 2011	321	307	628
Expenses in equity attributable to non-controlling interests	-	(14)	(14)
Other profits attributable to non-controlling interests	11	35	46
Comprehensive income for the period	11	21	32
Distributions	(12)	(12)	(24)
Other increases	-	25	25
At 31 December 2011	320	341	661
Expense in equity attributable to non-controlling interests	-	(43)	(43)
Other profits attributable to non-controlling interests	11	33	44
Comprehensive income for the period	11	(10)	1
Distributions	(11)	(22)	(33)
At 30 June 2012	320	309	629

28. Cash flow statement

Adjustment for non-cash items and other adjustments included within the income statement

	30.06.12	30.06.11	31.12.11
	\$million	\$million	\$million
Amortisation of discounts and premiums of investment securities	(182)	(46)	(127)
Interest expense on subordinated liabilities	278	210	264
Interest expense on senior debt liabilities	177	-	809
Other non-cash items	17	159	45
Pension costs for defined benefit schemes	54	58	45
Share based payment costs	173	150	242
UK bank levy	-	-	69
Impairment losses on loans and advances and other credit risk provisions	583	412	496
Other impairment	74	72	39
Profit from associates	(57)	(33)	(41)
	1,117	982	1,841

Change in operating assets

	30.06.12	30.06.11	31.12.11
	\$million	\$million	\$million
Decrease/(increase) in derivative financial instruments	5,935	(1,973)	(19,644)
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	1,019	(1,537)	(836)
Net increase in loans and advances to banks and customers	(14,313)	(29,388)	(9,383)
(Increase)/decrease in prepayments and accrued income	(203)	12	(452)
(Increase)/decrease in other assets	(2,959)	1,266	(6,076)
	(10,521)	(31,620)	(36,391)

Change in operating liabilities

	30.06.12	30.06.11	31.12.11
	\$million	\$million	\$million
(Decrease)/increase in derivative financial instruments	(6,319)	1,510	18,756
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	23,772	29,890	25,179
(Decrease)/increase in accruals and deferred income	(444)	(698)	915
Increase in other liabilities	2,778	2,634	292
	19,787	33,336	45,142

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.

	30.06.12	30.06.11	31.12.11
	\$million	\$million	\$million
Cash and balances at central banks	51,111	43,689	47,364
Less restricted balances	(8,656)	(9,894)	(9,961)
Treasury bills and other eligible bills	4,999	4,617	3,244
Loans and advances to banks	32,621	21,262	27,470
Trading securities	3,730	3,720	2,333
	83,805	63,394	70,450

Standard Chartered PLC – Notes continued

30. Contingent liabilities and commitments

The table below shows the contract or underlying principal 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.

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Contingent liabilities¹			
Guarantees and irrevocable letters of credit	27,327	28,994	27,022
Other contingent liabilities	16,378	12,796	15,858
	43,705	41,790	42,880
Commitments¹			
Documentary credits and short term trade-related transactions	8,729	9,455	8,612
Forward asset purchases and forward deposits placed	1,068	1,331	733
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	30,388	27,143	28,507
Less than one year	20,964	24,529	24,193
Unconditionally cancellable	98,095	85,332	88,652
	159,244	147,790	150,697

¹ Includes amounts relating to the Group's share of its joint ventures.

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 - Reverse repurchase agreements

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Banks	5,505	10,771	5,706
Customers	2,977	2,090	1,890
	8,482	12,861	7,596

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:

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Securities and collateral which can be repledged or sold (at fair value)	7,681	10,452	7,076
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)	870	1,228	1,005

Balance sheet liabilities - Repurchase agreements

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Banks	3,430	2,580	1,913
Customers	1,966	1,419	1,850
	5,396	3,999	3,763

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. The table below discloses the collateral pledged against repurchase agreements.

Collateral pledged against repurchase agreements

	30.06.12 \$million	30.06.11 \$million	31.12.11 \$million
Debt securities	4,864	3,409	2,055
Treasury bills	629	328	724
Loans and advances to customers	15	97	15
Repledged securities	870	1,228	1,005
	6,378	5,062	3,799

32. 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), asset and other structured finance transactions.

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 page 24 of the Risk review) and where the Group facilitates the provision of lease finance through the use of an SPE.

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

	30.06.12		30.06.11		31.12.11	
	Total assets	Maximum exposure	Total assets	Maximum exposure	Total assets	Maximum exposure
	\$million	\$million	\$million	\$million	\$million	\$million
Portfolio management vehicles	1,328	133	976	166	1,136	130
Principal Finance Funds ¹	758	152	999	138	1,089	131
Structured Finance	244	20	308	101	291	99
Total	2,330	305	2,283	405	2,516	360

¹ Committed capital for these funds is \$225 million (30 June 2011 and 31 December 2011: \$375 million) of which \$144 million (30 June 2011 and 31 December 2011: \$129 million) have been drawn down net of provisions for impairment of \$nil million (30 June 2011: \$34 million; 31 December 2011: \$33 million). During 2012 liquidation proceedings were initiated for a particular fund reducing the Group's committed capital.

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 transactions largely related to the provision of ship finance. The Group's exposure to unconsolidated structured finance SPEs has reduced during the period through changes to underlying structures that have led to the consolidation of certain SPEs.

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.

33. 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 Hong Kong (HK) Listing Rules.

Associates

The Group has loans and advances to Merchant Solutions Private Limited of \$37 million at 30 June 2012 (30 June 2011: \$30 million; 31 December 2011: \$39 million) and amounts payable of \$41 million at 30 June 2012 (30 June 2011: \$19 million; 31 December 2011: \$30 million). The Group has loans and advances to China Bohai Bank of \$214 million at 30 June 2012 (30 June 2011: \$1 million; 31 December 2011: \$172 million) and amounts payable of \$9 million (30 June 2011: \$14 million; 31 December 2011: \$10 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 \$4 million at 30 June 2012 (30 June 2011: \$6 million; 31 December 2011: \$7 million), and deposits of \$26 million (30 June 2011: \$8 million; 31 December 2011: \$29 million).

The Group has an investment in subordinated debt issued by PT Bank Permata Tbk of \$137 million (30 June 2011: \$138 million and 31 December 2011: \$132 million).

34. Post balance sheet events

On 21 March 2012, the UK government announced a further reduction in the UK corporation tax rate of 1 per cent with effect from 1 April 2012, in addition to the stepped reductions previously announced in 2011 and 2010. The effect of the further reduction is to reduce the UK corporate tax rate from 26 per cent in 2011-12 to 24 per cent in 2012-13, with further reductions to 23 per cent in 2013-14, and 22 per cent in 2014-15.

At 30 June 2012, only the further tax rate change for 2012-13 to 24 per cent had been substantially enacted. The rate change for 2013-14 was contained within the UK Finance Act (2012) which was substantively enacted on 3 July 2012 and enacted on 17 July 2012. Accordingly, this change has not been reflected in this half year report. Had this change and the further rate change for 2014-15 been substantively enacted at the balance sheet date, the Group estimates that the UK deferred tax asset for the period would have reduced by a further \$29 million.

On 1 August 2012, the Directors declared an interim dividend of 27.23 cents per share.

35. 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 1 August 2012. The statutory accounts for the year ended 31 December 2011 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.

36. 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). Specifically, the Company complied with the provisions of old Appendix 14 during the period from 1 January 2012 to 31 March 2012 and the provisions of new Appendix 14 during the period from 1 April 2012 to 30 June 2012. The directors also confirm that the announcement of these results 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 HK Listing Rules and that the directors of the Company have complied with this code of conduct throughout the period.

The Group's external auditors meet with the Group's audit committee at least four times a year to discuss their audit strategy and findings of the audit or review for the Group's annual and half year reports respectively. Whilst these meetings exceed the minimum requirements set out in the HK Listing Rules, the Audit Committee's terms of reference specify only one annual meeting with the Group's external auditors. The Audit Committee's Terms of Reference will be amended so as to comply with the revised Hong Kong Code on Corporate Governance Practices which came into force with effect from 1 April 2012.

37. 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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

R H Meddings
Group Finance Director
1 August 2012

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 2012 set out on pages 56 to 95, 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.

Scope of review

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.

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 2012 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
1 August 2012

A. Remuneration

The Group's success depends on the performance and commitment of talented employees. Our performance, reward and benefits arrangements support and drive our business strategy and reinforce our values in the context of a clearly articulated risk appetite within the One Bank framework, under which we apply a consistent approach to reward for all employees.

Our approach:

- Supports a strong performance-oriented culture, ensuring that individual reward and incentives are aligned with: (i) the performance and behaviour of the individual; (ii) the performance of the business; and (iii) the interests of shareholders
- Ensures a competitive reward package that reflects our international nature and enables us to attract, retain and motivate our employees
- Reflects the fact that many of our employees bring international experience and expertise and that we recruit from a global marketplace
- Encourages an appropriate mix of fixed and variable compensation based on (i) the individual's accountability; and (ii) the individual's and businesses risk profile

The Remuneration Committee has oversight of all reward policies for Standard Chartered employees. It is responsible for setting the principles and governance framework for all compensation decisions.

Employees have the opportunity to receive an element of performance-related compensation, subject to their contractual entitlement. Typically, the higher the total compensation, the greater the proportion delivered in variable form (either through a cash award, deferred shares and deferred cash and/or performance shares).

B. Group Share Plans

2011 Standard Chartered Share Plan (the 2011 Plan)

Approved by shareholders in May 2011 this is the Group's main share plan, applicable to all employees with the flexibility to provide a variety of award types. The 2011 Plan is designed to deliver performance shares, deferred awards (cash and shares) and restricted shares, giving us sufficient flexibility to meet the challenges of the changing regulatory and competitive environment. Discretionary share awards are a key part of both executive directors' and senior management's variable compensation and their significance as a proportion of potential total remuneration is one of the strongest indicators of our commitment to pay for sustainable performance and aligning reward with our risk horizon.

Performance shares are subject to a combination of three performance measures, Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Risk Weighted Assets. The weighting between the three elements is split equally, one third of the award depending on each measure, assessed independently. Performance share awards for executive directors are currently subject to an annual limit of 400 per cent of base salary in face value terms and delivered as nil cost options.

Deferred awards are used to deliver the deferred portion of annual performance awards, in line with both market practice and the requirements of the FSA. These awards are subject to a three year deferral period, vesting equally one third on each of the first, second and third anniversaries. These awards are not subject to an annual limit to ensure that regulatory requirements relating to deferral levels can be met and in line with market practice of our competitors. Deferred awards will not be subject to any further performance criteria, although the Group's claw-back policy (see below for more details) will apply.

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms, are provided as restricted shares under the 2011 Plan. These awards vest in equal instalments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions. The remaining life of the plan is nine years.

2001 Performance Share Plan (2001 PSP)

The Group's previous plan for delivering performance shares was the PSP. Under this plan, half the award was dependent upon our TSR performance compared with a defined peer group. The balance was subject to a target EPS growth range. Both measures used the same three year period. Awards under the PSP were made in the form of nil cost options. Although there are unexercised awards outstanding under the 2001 PSP, the plan is now closed to new grants.

2000 Executive Share Option Scheme (2000 ESOS)

The Group previously operated the 2000 ESOS for executive directors and selected senior managers. Executive share options to purchase ordinary shares in Standard Chartered PLC were exercisable after the third, but before the tenth, anniversary of the date of grant subject to EPS performance criteria being satisfied. The exercise price per share is the share price at the date of grant. Although there are unexercised awards outstanding under the 2000 ESOS, the scheme is now closed to new grants.

1997/2006 Restricted Share Scheme (2006 RSS)/ 2007 Supplementary Restricted Share Scheme (2007 SRSS)

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS which are both now replaced by the 2011 Plan. There are still unvested and vested awards outstanding under these plans which were previously used to deliver the deferred portion of annual performance awards and as an incentive to motivate and retain high performing employees. Awards were generally in the form of nil cost options and did not have any performance conditions. Generally deferred restricted share awards vest equally over three years and for non-deferred awards half vests two years after the date of grant and the balance after three years. It is not envisaged that further awards will be granted under the 2006 RSS and 2007 SRSS.

2004 Deferred Bonus Plan (DBP)

Under the DBP, shares are conditionally awarded as part of certain executive directors' annual performance award. Awards under the DBP are made in very limited circumstances to a small number of employees. Further details are contained in the Directors' Remuneration Report. The remaining life of the plan is two years.

All Employee Sharesave Schemes (Sharesave)

Under the Sharesave schemes, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company. The price at which they may purchase shares is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave schemes.

In some countries in which the Group operates, it is not possible to operate Sharesave schemes, typically because of securities law, regulatory or other similar restrictions. In these countries the Group offers an equivalent cash-based scheme to its employees. The remaining life of the Sharesave schemes is two years.

Valuation of options

Details of the valuation models used in determining the fair values of options granted under the Group's share plans are detailed in the Group's 2011 Annual Report and Accounts.

Reconciliation of option movements over the current period to 30 June 2012 is shown below. Except where noted, amounts refer to number of shares.

	2011 Plan ¹							Weighted average exercise price (£)	Sharesave	Weighted average exercise price (£)
	Performance Shares	Deferred / Restricted shares	PSP ¹	RSS ¹	SRSS ¹	DBP ^{1,2}	ESOS			
Outstanding at 1 January	4,159,843	631,525	6,860,767	30,071,548	7,110,450	55,795	958,376	7.10	15,381,639	11.42
Granted	5,098,786	9,954,989	-	364,112	-	70,255	-	-	-	-
Lapsed	(30,705)	(82,391)	(1,428,049)	(230,990)	(24,888)	-	-	-	(1,378,690)	11.56
Exercised	-	(867)	(2,685,980)	(11,280,080)	(3,451,569)	(70,255)	(185,480)	7.05	(1,504,631)	9.73
Outstanding at 30 June	9,227,924	10,503,256	2,746,738	18,924,590	3,633,993	55,795	772,896	7.12	12,498,318	11.61
Exercisable at 30 June	-	-	1,358,099	5,437,498	2,333,472	-	772,896	7.12	-	-
Range of exercise prices (£)	-	-	-	-	-	-	5.82-8.77		8.32-14.63	
Intrinsic value of vested but not exercised options (\$ million)	-	-	3	13	3	-	0.5		-	
Weighted average contractual remaining life (years)	9.32	6.68	6.81	4.92	4.62	-	1.26		2.31	
Weighted average exercise price for options exercised during the period (£)	-	13.98	15.73	15.79	15.80	15.97	14.88		14.90	

Notes:

¹ Employees do not contribute towards the cost of these awards.

² The market value of shares on date of awards (13 March 2012) was £16.05. The shares vest one year after the date of award.

Standard Chartered PLC – Additional information continued

C. Directors' interests in ordinary shares

	At 1 January 2012 total interests	Personal interests	Family interests	At 30 June 2012 total interests
Chairman :				
Sir John Peace	7,543	7,543	-	7,543
Executive directors :				
P A Sands	200,000	213,852	-	213,852
R H Meddings	120,000	60,000	60,000	120,000
A M G Rees	137,176	137,176	-	137,176
S P Bertamini	115,276	122,397	-	122,397
J S Bindra ⁽¹⁾	153,378	165,994	-	165,994
V Shankar	81,766	149,662	-	149,662
Independent non-executive directors				
R Delbridge	8,497	10,255	-	10,255
J F T Dundas	3,141	3,141	-	3,141
V F Gooding	3,154	3,154	-	3,154
Dr Han Seung-Soo KBE	2,334	2,382	-	2,382
Simon Lowth	5,687	6,895	-	6,895
R H P Markham	4,109	4,194	-	4,194
R Markland	3,722	3,799	-	3,799
J G H Paynter	10,000	10,000	-	10,000
P D Skinner ⁽²⁾	15,481	15,801	-	15,801
O H J Stocken	17,915	17,915	-	17,915

Notes:

- 153,000 of these shares are subject to a charge from 28 December 2011.
- Paul Skinner's closing balance as at 31 December 2011 was incorrectly stated as 15,477 due to error in nominee account reporting. This has been corrected for the purposes of the 1 January 2012 opening balance.
- 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.
- 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.

2004 Deferred Bonus Plan ("DBP")

Director	Shares held in trust at 1 January 2012	Shares awarded during the period ⁽¹⁾	Shares awarded in respect of notional dividend	Shares vested in the period	Shares held in trust at 30 June 2012
A M G Rees	70,255	70,255	-	70,255	70,255

Notes:

- Mr Rees was granted an award under the Deferred Bonus Plan (DBP) in March 2012 in line with the arrangements put in place to deliver the outstanding deferred elements of his 2009 Annual Performance Award. Market value on date of awards (13 March 2012) was 1,605 pence.
- Under the 2004 Deferred Bonus Plan, shares were conditionally awarded as part of the director's deferred element of their annual performance award. The shares are held in an employee benefit trust and automatically vest one year after the date of acquisition. No exercise is necessary. The dividend is delivered in the form of shares and is released on vesting.

Long term incentives – Share options

Director	Plan	Grant date	As at 1 January 2012	Exercise Price (Pence)	Exercised	Lapsed	As at 30 June 2012	Period of exercise
P A Sands	Sharesave	26-Sep-07	1,601	1,048	-	-	1,601	2012-2013
S P Bertamini	Sharesave	09-Oct-09	1,405	1,104	-	-	1,405	2014-2015
J S Bindra	Sharesave	09-Oct-09	1,407	1,104	-	-	1,407	2014-2015
R H Meddings	Sharesave	04 Oct-10	614	1,463	-	-	614	2013-2014

Standard Chartered PLC – Additional information continued

Long term incentives – Shares

Director	Plan	Grant date	As at 1 January 2012	Awarded during the period	Exercised	Lapsed	As at 30 June 2012	Period of exercise
Sir John Peace	RSS	28-Sep-09	43,105	-	-	-	43,105	2011-2016
	RSS	21-Sep-10	21,552	-	-	-	21,552	2012-2017
	RSA	22-Jun-11	14,863	-	-	-	14,863	2013-2018
	RSA	20-Sep-11	18,491	-	-	-	18,491	2013-2018
	RSA ⁽¹⁾	13-Mar-12	-	15,974	-	-	15,974	2014-2019
P A Sands	PSP ⁽²⁾	11-Mar-09	370,020	-	262,122	107,898	-	2012-2019
	PSP	11-Mar-10	193,875	-	-	-	193,875	2013-2020
	PSA	06-May-11	211,526	-	-	-	211,526	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	239,127	-	-	239,127	2015-2022
	Deferred RSS	11-Mar-09	43,715	-	43,715	-	-	2011-2016
	Deferred RSS	11-Mar-10	61,700	-	30,850	-	30,850	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	77,240	2,333	26,521	-	53,052	2012-2018
	Deferred RSA ⁽¹⁾	13-Mar-12	-	86,580	-	-	86,580	2013-2019
S P Bertamini	PSP ⁽²⁾	11-Mar-09	165,073	-	116,937	48,136	-	2012-2019
	PSP	11-Mar-10	104,393	-	-	-	104,393	2013-2020
	PSA	06-May-11	113,427	-	-	-	113,427	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	127,809	-	-	127,809	2015-2022
	Deferred RSS	11-Mar-09	14,759	-	14,759	-	-	2011-2016
	Deferred RSS	11-Mar-10	26,993	-	13,496	-	13,497	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	37,516	1,133	12,882	-	25,767	2012-2018
	Deferred RSA ⁽¹⁾	13-Mar-12	-	47,000	-	-	47,000	2013-2019
J S Bindra	PSP ⁽²⁾	11-Mar-09	132,149	-	93,614	38,535	-	2012-2019
	PSP	11-Mar-10	89,480	-	-	-	89,480	2013-2020
	PSA	06-May-11	101,164	-	-	-	101,164	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	119,563	-	-	119,563	2015-2022
	Deferred RSS	11-Mar-09	15,892	-	15,892	-	-	2011-2016
	Deferred RSS	11-Mar-10	26,993	-	13,496	-	13,497	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	37,516	1,133	12,882	-	25,767	2012-2018
	Deferred RSA ⁽¹⁾	13-Mar-12	-	44,527	-	-	44,527	2013-2019
R H Meddings	PSP ⁽²⁾	11-Mar-09	228,739	-	162,038	66,701	-	2012-2019
	PSP	11-Mar-10	119,307	-	-	-	119,307	2013-2020
	PSA	06-May-11	144,083	-	-	-	144,083	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	162,854	-	-	162,854	2015-2022
	Deferred RSS	11-Mar-09	27,773	-	27,773	-	-	2011-2016
	Deferred RSS	11-Mar-10	42,419	-	21,209	-	21,210	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	52,964	1,600	18,185	-	36,379	2012-2018
	Deferred RSA ⁽¹⁾	13-Mar-12	-	59,369	-	-	59,369	2013-2019
A M G Rees	PSP ⁽²⁾	11-Mar-09	128,144	-	90,777	37,367	-	2012-2019
	PSP	11-Mar-10	143,169	-	-	-	143,169	2013-2020
	PSA	06-May-11	168,608	-	-	-	168,608	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	192,745	-	-	192,745	2015-2022
	Deferred RSS	11-Mar-09	44,851	-	44,851	-	-	2011-2016
	Deferred SRSS	11-Mar-09	149,957	-	149,957	-	-	2011-2016
	Deferred RSS	11-Mar-10	71,584	-	35,792	-	35,792	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	242,756	7,331	83,353	-	166,734	2012-2018
	Deferred RSA ⁽¹⁾	13-Mar-12	-	247,373	-	-	247,373	2013-2019

Standard Chartered PLC – Additional information continued

Long term incentives – Shares continued

Director	Plan	Grant date	As at 1 January 2012	Awarded during the period	Exercised	Lapsed	As at 30 June 2012	Period of exercise
V Shankar	PSP ⁽²⁾	11-Mar-09	45,273	-	32,071	13,202	-	2012-2019
	PSP	11-Mar-10	59,653	-	-	-	59,653	2013-2020
	PSA	06-May-11	76,640	-	-	-	76,640	2014-2021
	PSA ⁽¹⁾	13-Mar-12	-	92,764	-	-	92,764	2015-2022
	Deferred RSS	11-Mar-09	34,768	-	34,768	-	-	2011-2016
	Deferred RSS	11-Mar-10	37,485	-	18,742	-	18,743	2012-2017
	Deferred RSS ⁽³⁾	10-Mar-11	88,287	2,666	30,310	-	60,643	2012-2018
	Deferred SRSS	11-Mar-09	71,219	-	71,219	-	-	2011-2016
	Deferred SRSS	11-Mar-10	83,021	-	41,510	-	41,511	2012-2017
	Deferred RSA ⁽¹⁾	13-Mar-12	-	79,159	-	-	79,159	2013-2019

Notes:

1. Market value on date of award (13 March 2012) was 1,605 pence.
2. The performance conditions attached to these awards have been partially met and the awards can be exercised, in part, from 13 March 2012. The number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions. Market value on date of exercise (13 March 2012) was 1,605 pence for all directors except Jaspal Bindra (14 March 2012) when the market value was 1,615 pence.
3. Notional dividend awarded 13 March 2012, market value as in note 1 above.

D. Share price information

The middle market price of an ordinary share at the close of business on 29 June 2012 was 1,385 pence. The share price range during the first half of 2012 was 1,286 pence to 1,662 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. Code for Financial Reporting Disclosure

The British Bankers' Association Code for Financial Reporting Disclosure 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's interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the Code's principles.

G. Shareholder information

2012 interim dividend

Ex-dividend date	8 August 2012
Record date for dividend	10 August 2012
Dividend payment date	11 October 2012

2012 final dividend

(provisional only)

Results and dividend announcement date	5 March 2013
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Preference shares

Next half-yearly dividend

7 ³ / ₈ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2012
8 ¹ / ₄ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2012
6.409 per cent Non-Cumulative preference shares of \$5 each	30 January 2013
7.014 per cent Non-Cumulative preference shares of \$5 each	30 January 2013
8.125 per cent Non-Cumulative preference shares of \$5 each	27 November 2012

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/\$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/\$10.215
Final 2002	13 May 2003	32.9c/20.692p/ HK\$2.566	£6.884/\$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK\$1.205	£8.597/\$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK\$2.8448	£8.905/\$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK\$1.3303	£9.546/\$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK\$3.15156	£9.384/\$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK\$1.46911	£11.878/\$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK\$3.49343	£14.2760/\$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK\$1.622699	£13.2360/\$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK\$3.926106	£14.2140/\$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK\$1.794713	£15.2560/\$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK\$4.380092	£16.2420/\$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK\$1.995046	£14.00/\$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK\$3.279597	£8.342/\$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK\$1.645304	£13.876/\$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK\$3.478306	£17.351/\$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK\$1.811274/INR0.984124*	£17.394/\$27.190
Final 2010	11 May 2011	46.45c/28.2725p/HK\$3.623404/INR1.9975170*	£15.994/\$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK\$1.928909813/INR1.13797125*	£14.127/\$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK\$3.9776083375/INR2.6667015*	£15.723/\$24.634

* The INR dividend is per Indian Depository Receipt

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and 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. 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 contact our registrar for a mandate form.

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. 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

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, Wan Chai, 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：香港灣仔皇后大道東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.

H. 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 56 to 60 are presented in Indian rupees (INR) using a US dollar / Indian rupee exchange rate of 56.31 as at 30 June 2012 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 2012

	6 months ended 30.06.12 Rs. million	6 months ended 30.06.11 Rs. million	6 months ended 31.12.11 Rs. million
Interest income	511,971	444,061	489,784
Interest expense	(203,223)	(165,833)	(196,297)
Net interest income	308,748	278,228	293,488
Fees and commission income	125,515	135,200	116,280
Fees and commission expense	(14,359)	(12,501)	(11,149)
Net trading income	88,125	76,919	72,020
Other operating income	27,536	15,654	29,000
Non-interest income	226,817	215,273	206,151
Operating income	535,564	493,501	499,639
Staff costs	(188,807)	(181,543)	(191,792)
Premises costs	(23,819)	(23,763)	(24,776)
General administrative expenses	(48,596)	(41,163)	(60,421)
Depreciation and amortisation	(18,244)	(16,893)	(18,076)
Operating expenses	(279,467)	(263,362)	(295,064)
Operating profit before impairment losses and taxation	256,098	230,139	204,574
Impairment losses on loans and advances and other credit risk provisions	(32,829)	(23,200)	(27,930)
Other impairment	(4,167)	(4,054)	(2,196)
Profit from associates	3,210	1,858	2,309
Profit before taxation	222,312	204,743	176,757
Taxation	(59,013)	(58,112)	(45,611)
Profit for the period	163,299	146,631	131,146
Profit attributable to:			
Non-controlling interests	2,478	2,140	2,590
Parent company shareholders	160,821	144,491	128,556
Profit for the period	163,299	146,631	131,146
Earnings per share:	Rupees	Rupees	Rupees
Basic earnings per ordinary share	66.2	60.3	52.9
Diluted earnings per ordinary share	65.6	59.5	52.3
Dividends per ordinary share:			
Interim dividend declared	15.33	-	-
Interim dividend paid	-	13.94	-
Final dividend paid	-	-	28.86
	Rs. million	Rs. million	Rs. million
Total dividend:			
Total interim dividend payable	36,602	-	-
Total interim dividend (paid 7 October 2011)	-	32,998	-
Total final dividend (paid 15 May 2012)	-	-	68,473

Standard Chartered PLC – Additional information continued

Condensed consolidated interim statement of comprehensive income (Translated to INR)

For the six months ended 30 June 2012

	6 months ended 30.06.12 Rs.million	6 months ended 30.06.11 Rs.million	6 months ended 31.12.11 Rs.million
Profit for the period	163,299	146,631	131,146
Other comprehensive income :			
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity	(12,219)	36,207	(92,686)
Net (losses)/gains on net investment hedges	(225)	(3,885)	4,167
Actuarial (losses)/gains on retirement benefit obligations	(4,280)	2,309	(12,951)
Share of other comprehensive income from associates	(56)	-	56
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity	17,907	4,336	(16,274)
Reclassified to income statement	(8,447)	(3,379)	(11,656)
Cash flow hedges:			
Net gains/(losses) taken to equity	2,478	5,406	(5,181)
Reclassified to income statement	-	(2,984)	(2,309)
Taxation relating to components of other comprehensive income	(2,590)	(2,647)	8,165
Other comprehensive income for the period, net of taxation	(7,433)	35,363	(128,668)
Total comprehensive income for the period	155,866	181,994	2,478
Total comprehensive income attributable to:			
Non-controlling interests	56	1,351	1,802
Parent company shareholders	155,810	180,642	676
	155,866	181,994	2,478

Standard Chartered PLC – Additional information continued

Condensed consolidated interim balance sheet (Translated to INR)

As at 30 June 2012

	30.06.12 Rs.million	30.06.11 Rs.million	31.12.11 Rs.million
Assets			
Cash and balances at central banks	2,878,060	2,460,128	2,667,067
Financial assets held at fair value through profit or loss	1,563,672	1,542,950	1,398,065
Derivative financial instruments	3,478,550	2,862,463	3,825,307
Loans and advances to banks	4,176,344	3,227,520	3,715,390
Loans and advances to customers	15,393,239	14,760,315	14,852,607
Investment securities	4,974,482	4,580,481	4,802,286
Other assets	1,713,739	1,621,221	1,536,475
Current tax assets	15,091	12,782	13,064
Prepayments and accrued income	152,825	121,292	141,958
Interests in associates	52,875	48,258	50,848
Goodwill and intangible assets	397,943	416,525	397,605
Property, plant and equipment	315,392	265,445	285,942
Deferred tax assets	49,496	48,145	47,019
Total assets	35,161,710	31,967,525	33,733,632
Liabilities			
Deposits by banks	2,524,828	2,045,968	1,987,518
Customer accounts	19,786,264	18,778,540	19,297,493
Financial liabilities held at fair value through profit or loss	1,073,663	1,144,557	1,103,620
Derivative financial instruments	3,344,195	2,795,059	3,712,293
Debt securities in issue	3,255,506	2,175,818	2,654,453
Other liabilities	1,472,732	1,463,103	1,342,093
Current tax liabilities	67,347	65,432	56,592
Accruals and deferred income	237,347	221,636	251,030
Subordinated liabilities and other borrowed funds	931,536	901,185	941,334
Deferred tax liabilities	8,109	8,447	7,377
Provisions for liabilities and charges	9,291	9,911	20,778
Retirement benefit obligations	33,279	17,569	29,225
Total liabilities	32,744,096	29,627,225	31,403,805
Equity			
Share capital	67,347	67,009	67,122
Reserves	2,314,848	2,237,928	2,225,484
Total parent company shareholders' equity	2,382,195	2,304,937	2,292,605
Non-controlling interests	35,419	35,363	37,221
Total equity	2,417,614	2,340,300	2,329,826
Total equity and liabilities	35,161,710	31,967,525	33,733,632

Standard Chartered PLC – Additional information continued

Condensed consolidated interim statement of changes in equity (Translated to INR)

For the six months ended 30 June 2012

	Share capital	Share premium account	Capital and Capital redemption reserve ¹	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 2011	66,108	303,286	1,014	699,427	17,343	3,210	(23,200)	1,084,531	2,151,718	36,770	2,188,488
Profit for the period	-	-	-	-	-	-	-	144,491	144,491	2,140	146,631
Other comprehensive income	-	-	-	-	225	1,633	32,716	1,577 ²	36,151	(788)	35,363
Distributions	-	-	-	-	-	-	-	-	-	(2,534)	(2,534)
Shares issued, net of expenses	225	1,183	-	-	-	-	-	-	1,408	-	1,408
Net own shares adjustment	-	-	-	-	-	-	-	(5,969)	(5,969)	-	(5,969)
Share option expense, net of taxation	-	-	-	-	-	-	-	7,771	7,771	-	7,771
Capitalised on scrip dividend	676	(676)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(30,633)	(30,633)	-	(30,633)
Other decreases	-	-	-	-	-	-	-	-	-	(225)	(225)
At 30 June 2011	67,009	303,792	1,014	699,427	17,569	4,843	9,516	1,201,768	2,304,937	35,363	2,340,300
Profit for the period	-	-	-	-	-	-	-	128,556	128,556	2,590	131,146
Other comprehensive income	-	-	-	-	(23,707)	(5,575)	(88,013)	(10,587) ²	(127,880)	(788)	(128,668)
Distributions	-	-	-	-	-	-	-	-	-	(1,351)	(1,351)
Shares issued, net of expenses	113	2,083	-	-	-	-	-	-	2,196	-	2,196
Net own shares adjustment	-	-	-	-	-	-	-	2,365	2,365	-	2,365
Share option expense, net of taxation	-	-	-	-	-	-	-	16,668	16,668	-	16,668
Dividends, net of scrip	-	-	-	-	-	-	-	(34,236)	(34,236)	-	(34,236)
Other increases	-	-	-	-	-	-	-	-	-	1,408	1,408
At 31 December 2011	67,122	305,876	1,014	699,427	(6,138)	(732)	(78,496)	1,304,534	2,292,605	37,221	2,329,826
Profit for the period	-	-	-	-	-	-	-	160,821	160,821	2,478	163,299
Other comprehensive income	-	-	-	-	8,165	2,196	(11,938)	(3,435) ²	(5,012)	(2,421)	(7,433)
Distributions	-	-	-	-	-	-	-	-	-	(1,858)	(1,858)
Shares issued, net of expenses	56	1,239	-	-	-	-	-	-	1,295	-	1,295
Net own shares adjustment	-	-	-	-	-	-	-	(15,992)	(15,992)	-	(15,992)
Share option expense, net of taxation	-	-	-	-	-	-	-	10,192	10,192	-	10,192
Capitalised on scrip dividend	169	(169)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(61,716)	(61,716)	-	(61,716)
At 30 June 2012	67,347	306,946	1,014	699,427	2,027	1,464	(90,434)	1,394,405	2,382,195	35,419	2,417,614

¹ Includes capital reserve of Rs. 282 million and capital redemption reserve of Rs. 732 million.

² For the period ended 30 June 2012, comprises actuarial losses, net of taxation and non-controlling interests of Rs. 3,379 million (30 June 2011: gains of Rs. 1,577 million and 31 December 2011: losses of Rs. 10,643 million) and share of comprehensive income from associates of Rs. (56) million (30 June 2011: Rs. nil million and 31 December 2011: Rs. 56 million).

Standard Chartered PLC – Additional information continued

Condensed consolidated interim cash flow statement (Translated to INR)

For the six months ended 30 June 2012

	6 months ended 30.06.12 Rs.million	6 months ended 30.06.11 Rs.million	6 months ended 31.12.11 Rs.million
Cash flows from operating activities			
Profit before taxation	222,312	204,743	176,757
Adjustments for:			
Non-cash items and other adjustments included within income statement	62,898	55,296	103,667
Change in operating assets	(592,438)	(1,780,522)	(2,049,177)
Change in operating liabilities	1,114,206	1,877,150	2,541,946
Contributions to defined benefit schemes	(2,590)	(957)	(3,379)
UK and overseas taxes paid, net of refund	(54,677)	(46,343)	(44,766)
Net cash from operating activities	749,711	309,367	725,048
Net cash flows from investing activities			
Purchase of property, plant and equipment	(4,054)	(14,021)	(2,083)
Disposal of property, plant and equipment	10,079	4,280	3,548
Acquisition of investment in subsidiaries and associates, net of cash acquired	(225)	(50,060)	(957)
Purchase of investment securities	(3,985,565)	(3,567,013)	(3,824,237)
Disposal and maturity of investment securities	3,821,872	3,349,882	3,397,802
Dividends received from investment in associates	732	282	282
Net cash used in investing activities	(157,161)	(276,651)	(425,647)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	1,295	1,408	2,196
Purchase of own shares	(17,794)	(8,221)	-
Exercise of share options through ESOP	1,802	2,252	957
Interest paid on subordinated liabilities	(28,324)	(30,295)	(17,118)
Gross proceeds from issue of subordinated liabilities	61,096	5,406	46,906
Repayment of subordinated liabilities	(73,372)	(28,887)	(1,520)
Interest paid on senior debts	(30,407)	(17,006)	(33,336)
Gross proceeds from issue of senior debts	671,440	403,799	474,299
Repayment of senior debts	(344,730)	(182,670)	(272,991)
Dividends paid to non-controlling interests and preference shareholders	(4,730)	(5,349)	(4,223)
Dividends paid to ordinary shareholders, net of scrip	(58,844)	(27,817)	(31,365)
Net cash from financing activities	177,433	112,620	163,806
Net increase in cash and cash equivalents	769,983	145,336	463,206
Cash and cash equivalents at beginning of the period	3,967,040	3,363,622	3,569,716
Effect of exchange rate movements on cash and cash equivalents	(17,963)	60,758	(65,883)
Cash and cash equivalents at end of the period	4,719,060	3,569,716	3,967,040

I. Summary of significant differences between Indian GAAP and IFRS

The consolidated financial statements of the Group for the period ended 30 June 2012 with comparatives as at 31 December 2011 and 30 June 2011 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and the Disclosure and Transparency Rules of the UK Financial Services Authority.

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 periods ended 30 June 2012, 31 December 2011 and 30 June 2011 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 periods ended on or prior to 30 June 2012. 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 disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable this fact should be indicated.

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 potential voting rights should also be taken into consideration when determining whether control exists.

Indian GAAP

Similar to IFRS, except that currently exercisable potential voting rights are not considered in determining control.

Consolidation of Special Purpose Entities

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.

I. 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, non-controlling interests are 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 IFRS 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 is 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.

I. 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.

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 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 those 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
- The asset or liability includes an embedded derivative requiring separation.

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 debt securities resulting from movements in foreign currency exchange rates are included in the income statement within foreign currency exchange differences. Foreign currency exchange movements for available-for-sale equity securities are recognised in reserves.

Indian GAAP

AS13 requires investments to be 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 Bank of India's 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.

I. 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 the income statement (fair value hedges) or are recognised directly in equity until the hedged item is recognised in earnings (cash flow hedges and net investment hedges). The ineffective portion of the hedge's change in fair value is immediately recognised in the income statement. 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

Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement.

In the absence of specific guidance, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting as Accounting Standard 30 (AS 30) is not mandatory. However, requirements of AS30 with respect to hedge accounting are largely similar to that of IAS 39.

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 only an insubstantial portion of risks and rewards are transferred the assets are not derecognised. If a substantial portion, but less than substantially all of the risks and rewards are transferred derecognition is based on control and 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.

I. 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 an 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.

In respect of termination benefits, the revised AS 15 (2005), specifically contains a transitional provision providing that where expenditure on termination benefits is incurred on or before 31 March 2009, the entities can choose to follow the accounting policy of deferring such expenditure over its pay-back period. However, any expenditure deferred cannot be carried forward to accounting periods commencing on or after 1 April, 2010. Therefore any expenditure deferred should be written off over the shorter of (a) the pay-back period or (b) the period from the date expenditure on termination benefits is incurred to 1 April, 2010.

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.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

I. Summary of significant differences between Indian GAAP and IFRS continued

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 the 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 are recognised only if virtually certain for entities with tax losses carried forward or if reasonably certain for entities with no tax losses that the assets can be realised in future.

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 over the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considers 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 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

Advances-to-deposits ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs) , the reference pool may be ABS.
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the Basel II framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.
Alt-A	Loans regarded as lower risk than sub-prime, but they share higher risk characteristics than lending under normal criteria.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements are expected to be phased in starting 1 January 2013 with full implementation by 31 December 2019.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities.
CAD2	An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
Collectively assessed loan impairment provisions	Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the balance sheet date. Typically assets within the Consumer Banking business are assessed on a portfolio basis.
Commercial Mortgage Backed Securities (CMBS)	Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Paper (CP)	An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.
Commercial real estate	Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Constant currency	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.
Contractual maturity	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.
Core Tier 1 capital	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 Financial Services Authority (FSA).
Core Tier 1 capital ratio	Core Tier 1 capital as a percentage of risk weighted assets.
Cost to income ratio	Represents the proportion of total operating expenses to total operating income.
Cover ratio	Represents the extent to which non-performing loans are covered by impairment allowances .
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
Credit Conversion Factor (CCF)	CCF is an internally modelled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility.

Standard Chartered PLC – Glossary continued

Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.
Credit risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Credit valuation adjustments (CVA)	An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.
Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Expected loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default (PD) , Loss Given Default (LGD) and Exposure at Default (EAD) , with a one-year time horizon.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Eurozone	Represents the 17 European Union countries that have adopted the euro as their common currency. The 17 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
Forbearance	Arrangements initiated by customers, the Group or third parties to assist customers in financial difficulty where the Group agrees to accept less than the contractual amount due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. Such arrangements include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, and loan restructurings.
Foundation Internal Ratings Based Approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD .
Funded/unfunded exposures	Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released / not released.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
Impaired loans	Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Standard Chartered PLC – Glossary continued

Individually assessed loan impairment provisions	Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the Wholesale Banking business of the Group are assessed individually.
Innovative Tier 1 Capital	Innovative Tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of Tier 1 capital (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total Tier 1 capital.
Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Investment grade	A debt security , treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Jaws	The rate of income growth less the rate of expense growth, expressed as positive jaws when income growth exceeds expense growth (and vice versa for negative jaws).
Leveraged finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA (earnings before interest tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through 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 .
Liquid asset buffer	High quality unencumbered assets that meet the UK FSA's requirements for liquidity. These assets include high quality government or central bank securities, certain deposits with central banks and securities issued by designated multilateral development banks.
Liquid asset ratio	Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.
Loans to individuals	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.
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Loss given default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium term notes (MTNs)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets on an annualised basis.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities on an annualised basis.

Standard Chartered PLC – Glossary continued

Non-performing loans	<p>A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is:</p> <ul style="list-style-type: none"> – renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected; or – renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.
Normalised earnings	Profit attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.
Over the counter (OTC) derivatives	A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.
Pre-provision profit	Operating profit before impairment losses and taxation.
Private equity investments	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.
Probability of default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.
Profit attributable to ordinary shareholders	Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.
Redenomination risk	The risk of conversion of a national currency by force of law, which in the case of an exit by a country from a monetary union, or otherwise dissolution of a monetary union, could result in a revaluation of the new currency.
Renegotiated loans	Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets 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 may lead to a new agreement, which would be treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential mortgage	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 Home loan.
Residential Mortgage Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages . Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Return on equity	Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.
Risk weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a special purpose entity (SPE) 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.
Sovereign exposures	Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures as defined by the European Banking Authority includes only exposures to central governments.
Special purpose entities (SPEs)	<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"> – The provision of financing to fund asset purchases, or commitments to provide finance for future purchases. – Derivative transactions to provide investors in the SPE with a specified exposure. – The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties. – Direct investment in the notes issued by SPEs.

Standard Chartered PLC – Glossary continued

Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Structured finance /notes	A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Sub-prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.
Tangible net asset value per share	Ratio of parent shareholders' equity less preference shares classified as equity and goodwill and intangible assets to the number of ordinary shares outstanding at the end of the reporting period.
Tier 1 capital	Tier 1 capital comprises Core Tier 1 capital plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.
UK bank levy	A levy that applies to certain UK banks and the UK operations of foreign banks from 1 January 2011. The levy is payable each year based on a percentage of the chargeable liabilities of the Group as at 31 December.
VaR	Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.
Working profit	Operating profit before impairment losses and taxation.
Write Downs	After an advance has been identified as impaired and is subject to an impairment allowance , the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

Standard Chartered PLC – Financial calendar

Financial Calendar

Ex-dividend date	8 August 2012
Record date	10 August 2012
Payment date – interim dividend on ordinary shares	11 October 2012

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The following information is 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

Information regarding the Group's commitment to Sustainability is available at <http://www.standardchartered.com/sustainability>

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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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