Annual Report and Accounts 2008

Leading the way in Asia, Africa and the Middle East

Standard Chartered

Leading the way

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

Peter Sands
Group chief executive
3 March 2009

Our markets

Asia
Afghanistan
Australia
Bangladesh
Brunei
Cambodia
China
Hong Kong
India
Indonesia
Japan
Kazakhstan
Laos
Macau
Malaysia
Mauritius
Nepal
Pakistan
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

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

The Middle East
Bahrain
Egypt
Jordan
Lebanon
Oman
Qatar
UAE

Europe
Austria
France
Germany
Guernsey
Ireland
Italy
Jersey
Luxembourg
Monaco
Poland
Romania
Russia
Spain
Sweden
Switzerland
Turkey
UK
Ukraine

The Americas
Argentina
Bahamas
Brazil
Canada
Cayman Islands
Chile
Colombia
Falkland Islands
Mexico
Peru
Uruguay
US
Venezuela

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

Note: Within this document 'the Bank' and 'the Group' refer to Standard Chartered PLC together with its subsidiary undertakings. The Hong Kong Special Administrative Region of the People's Republic of China is referred to as Hong Kong and includes Macau; India includes Nepal; The Republic of Korea is referred to as Korea or South Korea; Middle East and Other South Asia (MESA) includes, amongst others: Afghanistan, Bahrain, Bangladesh, Egypt, Jordan, Lebanon, Oman, Pakistan, Qatar, Sri Lanka, United Arab Emirates (UAE); and Other Asia Pacific includes, amongst others: Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Mauritius, the Philippines, Taiwan, Thailand and Vietnam.

www.standardchartered.com

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Our Group performance

In 2008, Standard Chartered had its best year yet in terms of Group income and operating profit, demonstrating its resilience in the face of the global financial turmoil.

Financial highlights

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Operating income
$13,968m
+26% / 2007: $11,067m / 2006: $8,620m

Operating profit
$4,568m
+13% / 2007: $4,035m / 2006: $3,178m

Total assets*
$435bn
+32% / 2007: $330bn / 2006: $266bn

Normalised earnings per share**
174.9cents
+1% / 2007: 173.0 cents / 2006: 149.4 cents

Normalised return on equity
15.2%
2007: 15.6% / 2006: 16.9%

Dividend per share***
61.62cents
+3.3% / 2007: 59.65 cents / 2006: 53.40 cents

* Restated as explained in note 53 to the financial statements.
** Restated as explained in note 14 to the financial statements.
*** Restated as explained in note 13 to the financial statements.

Non-financial highlights

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Employees
73,800
2007: 70,000 / 2006: 59,000

Countries and territories
75
2007: 57 / 2006: 56

Nationalities
125
2007: 115 / 2006: 105

Operational highlights

Strong income growth
Group operating income rose 26 per cent to $13.97 billion

Strong profit growth
Group operating profit rose 13 per cent to $4.57 billion

Broad-based income
Seven of our nine geographical segments each delivered over $1 billion of operating income

Robust balance sheet
The Group maintained a liquid, well-capitalised and diversified balance sheet through the financial turmoil

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

Successful rights issue
A successful rights issue further strengthened the Tier 1 capital ratio to 10.1 per cent at the end of 2008

Solid deposit growth
Deposits grew 30 per cent to $274.6 billion in 2008; the advances to deposits ratio improved to 74.8 per cent

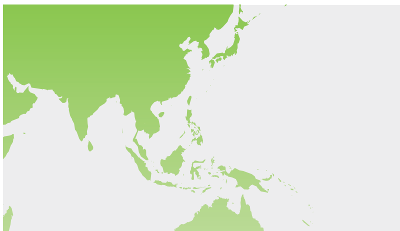
Benefit from acquisitions
Successfully integrated American Express Bank and other acquisitions, extending reach and capabilities

Sustainable business
$385 million of credit now available to microfinance institutions in 15 countries

Our markets

The strength of Standard Chartered's core markets across Asia, Africa and the Middle East underpinned the Group's performance, reflecting the depth and breadth of the franchise.

Asia



Asia provided more than 70 per cent of the Group's income and over 80 per cent of its operating profit in 2008. For the first time, income in four of the Group's biggest markets – Hong Kong, India, Korea and Singapore – exceeded $1 billion each, reflecting Standard Chartered's increasing diversity. Asian GDP was fuelled by China and India, which expanded around 9.0 per cent and 6.3 per cent respectively. However, Asia did not remain immune to the financial turmoil and many markets saw a deterioration in business conditions in the fourth quarter of the year, partly as a result of a sharp drop in exports to the US and Europe.

Hong Kong

Operating income

$2,267m

+10% / 2007: $2,068m / 2006: $1,615m

Singapore

Operating income

$1,426m

+60% / 2007: $892m / 2006: $622m

Other Asia Pacific

Operating income

$2,438m

+16% / 2007: $2,101m / 2006: $1,384m

Korea

Operating income

$1,576m

+1% / 2007: $1,564m / 2006: $1,522m

Malaysia

Operating income

$515m

+12% / 2007: $459m / 2006: $371m

India

Operating income

$1,746m

+33% / 2007: $1,308m / 2006: $817m

Africa

Growth in Africa was boosted by the addition of new branches in Nigeria, Kenya, Uganda and Zambia. Nigeria performed particularly well, with income up 30 per cent. Across the region, new campaigns helped drive deposit growth while Wholesale Banking benefited from the introduction of world-class, innovative products.

Operating income

$909m

+14% / 2007: $795m / 2006: $640m

Middle East and Other South Asia

Income grew strongly, particularly in the first half of the year because of soaring oil prices and rising investments in infrastructure and real estate projects. Growth eased in the second half in some markets, with the reversal in oil and property prices and a fall in tourism. Islamic Banking income grew strongly but Pakistan experienced a difficult economic environment.

Operating income

$1,734m

+21% / 2007: $1,428m / 2006: $1,070m

Americas, UK and Europe

Income from existing businesses in the Americas, UK and Europe grew strongly. This was further boosted by the integration of American Express Bank, which increased both the Private Bank and Wholesale Banking presence, adding 17 new markets to the region.

Operating income

$1,357m

+200% / 2007: $452m / 2006: $579m

Our approach

We have operated for over 150 years in some of the world's most dynamic markets, leading the way in Asia, Africa and the Middle East.

Our business

Standard Chartered PLC, listed on both the London and Hong Kong stock exchanges, ranks among the top 25 companies in the FTSE 100 by market capitalisation. The Bank has grown substantially in recent years, primarily as a result of organic growth, supplemented by acquisitions.

Standard Chartered aspires to be the best international bank for its customers. The Bank derives more than 90 per cent of its operating income and profits from Asia, Africa and the Middle East, generated from its Wholesale and Consumer Banking businesses. The Group has over 1,600 branches and outlets located in over 70 countries.

Our principles

Leading by example to be the right partner for its stakeholders, the Group is committed to building a sustainable business over the long term that is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. It employs over 70,000 people, nearly half of whom are women. The Group's employees are of 125 nationalities, of which 68 are represented among senior management.

What we stand for

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

Our businesses

Standard Chartered is run as one bank. Our two businesses depend on each other for balance sheet, products, client referrals and shared infrastructure.

Consumer Banking

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Highlights in 2008

- Record year in deposit growth, resulting in over $40 billion in surplus liquidity for the Bank
- Rolled out new strategy, accelerating shift to a customer-centric business model and standardising processes
- Reduced underlying cost base through a reduction in staff numbers and enhanced focus on productivity improvements
- Continued to invest, adding over 80 branches and 1,200 ATMs while improving internet and mobile banking capabilities
- Strengthened the Private Bank with the integration of American Express Bank
- Completed acquisition of Asia Trust in Taiwan, adding seven branch licences

Operating income

$5,952m

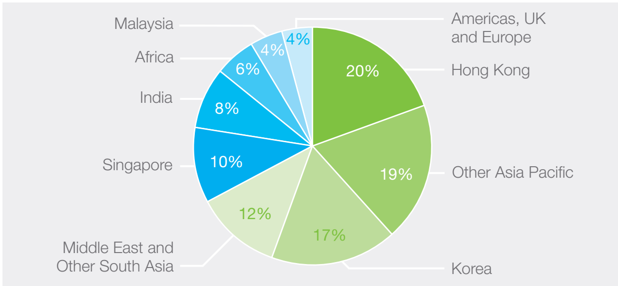
+3% / 2007: **$5,806m** / 2006: **$4,684m**

Operating profit

$1,116m

-33% / 2007: **$1,677m** / 2006: **$1,322m**

Operating income by region



Wholesale Banking

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Highlights in 2008

- Outstanding set of results with strong revenue growth across all client segments, geographies and products
- Strengthened our market position in Transaction Banking, particularly in Trade Finance
- Expanded our Financial Markets and Corporate Finance businesses
- Continued to originate and distribute major, innovative deals and showed tremendous resilience in delivering new business
- Created a competitive advantage through the management of our capital and liquidity
- Significantly strengthened our pool of management talent

Operating income

$7,489m

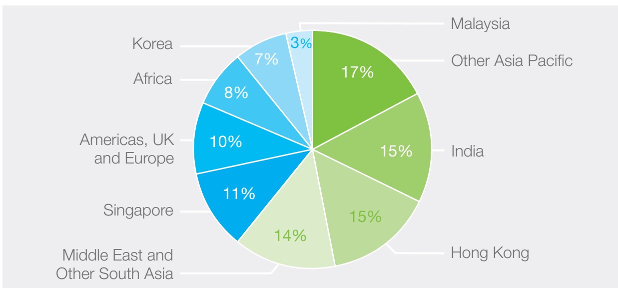
+43% / 2007: **$5,243m** / 2006: **$3,923m**

Operating profit

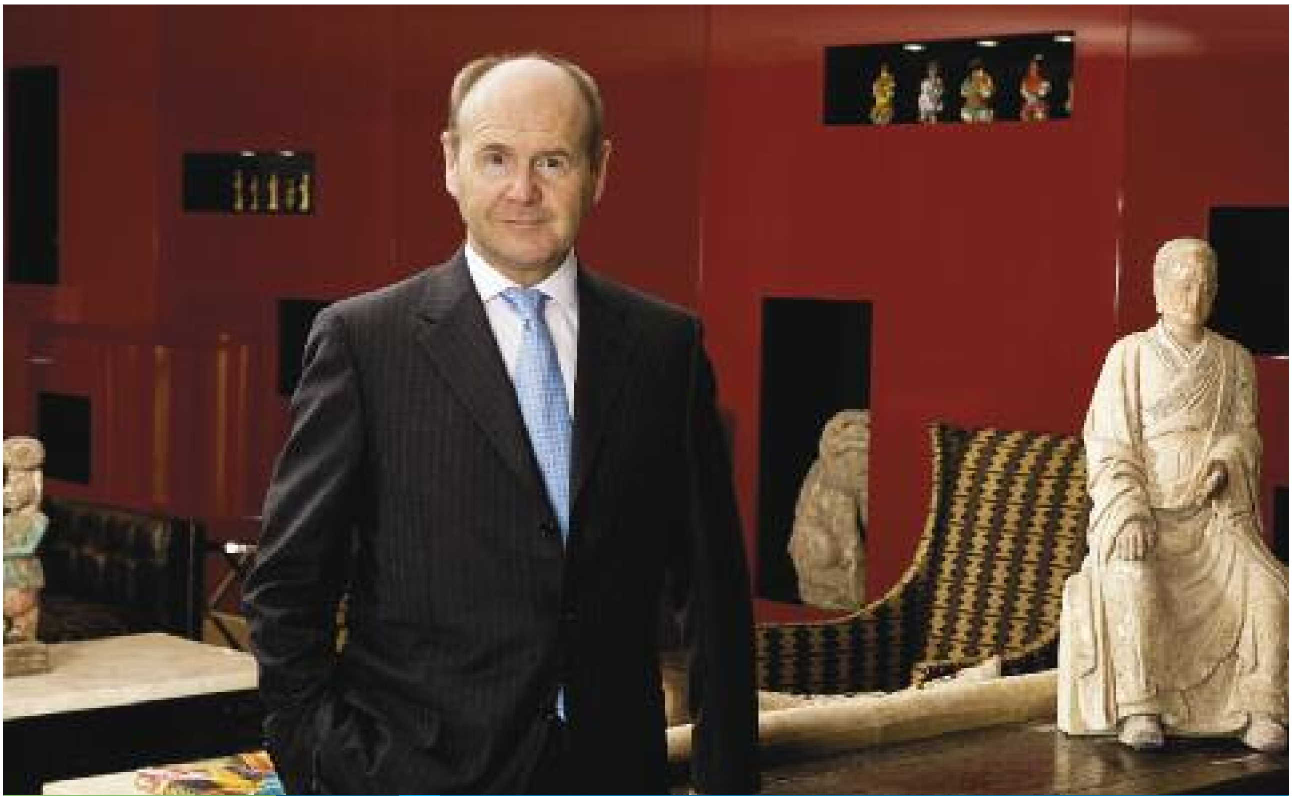
$3,001m

+28% / 2007: **$2,347m** / 2006: **$1,849m**

Operating income by region



Building strong foundations



John Peace, acting chairman
At London headquarters

"The Group focused on building balance sheet strength and on maintaining high levels of liquidity. We are on a firm footing for the challenges and opportunities that will come during 2009."

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

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

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

The events of last year were truly extraordinary; testing to the extreme not only our industry and the global economy but also the ability of governments and regulators to respond. Our markets started to see the effects of the crisis towards the end of the year. The uncertainty and the contraction of economies have continued in 2009 and, if anything, the situation has deteriorated.

Normalised earnings per share
174.9cents
2007: **173.0cents**

Dividend per share
61.62cents
2007: **59.65cents**

As we outlined in the rights issue prospectus in November, we are proposing to pay a final dividend which is the same total monetary amount as we would have paid had the rights issue not been implemented. The board is recommending a final dividend of 42.32 cents per share, making a total annual dividend of 61.62 cents.

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

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

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

There have been a number of board changes since our last interim results. Lord Davies led the Group during a period of strong strategic and financial progress. He stepped down as chairman in January 2009 to join the UK Government as Minister for Trade and Investment, after 15 years with the Bank and 11 on the Group's board. We are extremely grateful to him for the immense contribution he made to the Bank's success.

The board nomination committee is leading the process for the appointment of a non-executive chairman.

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

In June, Mike DeNoma stepped down from the board after a long career with the Bank, during which Consumer Banking grew significantly. We would like to thank him and to welcome Steve Bertamini who joined the board as Group executive director for Consumer Banking.

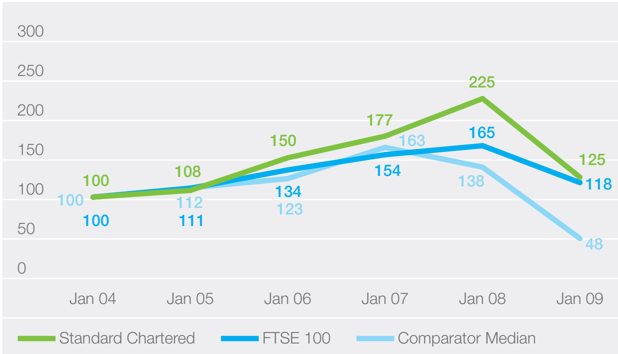
John Paynter joined the board as a non-executive director in October. He has a wealth of experience in the fields of corporate broking and financial advisory after serving 29 years with Cazenove, and latterly JPMorgan Cazenove, where he was vice chairman.

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

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

John Peace
Acting chairman
3 March 2009

Total shareholder return



Index: Jan 2004 = 100
Data provided by Thomson Reuters

Proud of our heritage As the bank with the longest operating history in China, we proudly marked 150 years in the market with celebrations throughout the year for our staff and customers.

Leading the way across our markets

Peter Sands, Group chief executive
On a visit to Delhi

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

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

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

Our approach

We have been running the Bank according to four fundamental tenets:

First, we have stuck to our strategy. We aim to be the world's best international bank, leading the way in Asia, Africa and the Middle East. We do business in markets we understand intimately, with customers with whom we have long-standing relationships, selling products we understand fully.

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

Third, we want to keep supporting our clients as they navigate the economic turmoil. We want to seize the opportunities arising from the turbulence. Whilst we have taken action in response to the crisis we also continue to invest for growth.

Finally, we have stayed true to our values and culture which are key to our competitive advantage. Standard Chartered is a rather different bank and we want to keep it like that. We run as one bank across geographies and businesses.

Basics of banking

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

Liquidity

We have always taken a conservative approach to our liquidity by keeping our deposit levels well above our loans, maintaining our ability to repay the former. Managing liquidity is always crucial in banking, but in 2008 it became the difference between survival and success.

As the markets have continued to deteriorate since 2007, we have increased our liquidity by gathering more customer deposits, benefiting from customers' 'flight-to-quality', and keeping our overall lending shorter in tenor.

Consumer Banking's transaction capabilities, innovative products, extensive network of branches and ATMs, and

150 years in India To commemorate Standard Chartered's 150th anniversary in the country, India's Department of Posts launched a specially designed postage stamp featuring our landmark Heritage Building in Mumbai.

internet and mobile banking technology are powerful tools to gather local and foreign currency deposits. Consumer Banking overall contributed over $40 billion in net liabilities in 2008.

Wholesale Banking also generates large deposits through its cash management and custody businesses. Deposit balances from this business grew 24 per cent to $64 billion.

Capital

We have taken a proactive approach to managing our capital position, raising capital as and when necessary, to support the Bank's business. Diluting our shareholders' interests or asking them for new money is not a step we take lightly but at the end of November, we decided to launch a pre-emptive rights issue.

As we explained at the time, we did this for three reasons: to respond to the change in investor sentiment about required levels of capital at banks; to give us a buffer in a deteriorating economic and financial environment, especially for banks; and to give us greater room to take advantage of the potential opportunities.

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

Credit risk

Our asset quality is conservative, diverse, tightly secured by collateral and mainly of short duration. We continued to tighten underwriting standards in 2008 and to reduce unsecured exposures. We have taken some tough decisions, for example, stopping business with certain clients and reducing unsecured lending to small and medium enterprises.

In Consumer Banking, we have been rebalancing the mix from unsecured to secured lending. Almost 60 per cent of the portfolio is in mortgages, with a ratio of average loan to value of the portfolio of about 50 per cent. In Wholesale Banking pricing has improved markedly to mirror heightened risks.

Striking the right balance The new global advertising campaign illustrates the Bank's balanced approach to business and embodies our values and commitment to stakeholders. The advertisements demonstrate the balance we strike in everything we do, between profit and sustainability, global and local, traditional and modern.

Multiplying leadership capability In 2008, 4,000 employees across our markets took part in our Great Managers programme, strengthening leadership capability across the Group.

Operational risk

During a financial crisis, every operational weakness, such as system or process failures, documentation errors, fraud, and compliance issues, gets exposed. We have been very active in identifying potential loose rivets and tightening up every aspect of how we run the Bank.

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

Costs

Reflecting our dynamic approach, both businesses reduced costs in the second half of 2008. Yet we are determined to continue to invest in growing our businesses so that we can really turn this turmoil to our advantage. To be able to do this, we have to be extremely disciplined. We cannot dodge the tough decisions on investment priorities, on underperforming businesses and on people.

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

Economic backdrop

Looking at the world economy, the crisis continues to unfold at an extraordinary pace and in unpredictable ways. Yet some things are clear. Many economies across Asia, Africa and the Middle East are experiencing a sharp cyclical slowdown. But they do not face the structural credit de-leveraging afflicting Western markets. As a result, the downturn in our markets should be much shorter.

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

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

While Middle East growth is slowing, the region has a sizeable current account surplus and significant savings and it is expected to cope with lower oil prices. Africa too, will be affected by the global downturn, with reduced access to capital sources, but growth rates will remain generally steady and positive.

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

Strategic priorities for 2009

Given the uncertainties, we need to be flexible and adaptive, anticipating and responding to the extraordinary changes around us. However, some things will not change. We have a clear and consistent strategy which is well understood by customers, by staff, by regulators, by policymakers and by investors.

We will keep the focus on the basics of banking. We will stay open for business. In fact, we see many opportunities to deepen our relationships with clients, increase market share and improve margins. Many of our competitors are distracted by problems or are withdrawing to focus on their home markets.

We have a strong brand that is well known across our franchise. We will leverage our brand more: we want it to be embedded in everything that we do and to inform every interaction with all our stakeholders.

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

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

Our emphasis on balance, between the two businesses, between the short term and the longer term, between profits and balance sheet, is perhaps why we have produced another set of strong results and why we are still around after 150 years.

Lessons for the future

Banks with unsustainable business models have collapsed or been rescued by governments. The sudden reversal of unsustainable levels of leverage across many financial markets has caused immense damage to the real economy. Not surprisingly, public trust and confidence in banks and political support for the industry has declined sharply.

Nets for Life We fulfiled our pledge to distribute one million life-saving mosquito nets across 16 African countries in the fight against malaria. We have renewed our commitment with a new pledge to help raise $50 million for the distribution of five million nets in 18 African countries over the next five years.

Millennium Development Goals Using our 'core business' to promote economic development, we are piloting a programme in Pakistan in partnership with the International Finance Corporation to provide SMEs with support to help them fulfil their growth potential.

We need to acknowledge what has gone wrong and to articulate the essential role banks play in the economy. For the economy, banking is like oxygen: taken for granted when it is there; a disaster when it fails. Banks play a number of critical roles, including enabling payments, securing savings and providing credit. By borrowing for the short term and lending long term, the banking system enables the rest of the economy to do the opposite, which empowers consumers and fuels companies.

Many banks appear to have lost sight of the risk-return trade-off, both for themselves and for society as a whole. We need to demonstrate that the way Standard Chartered works is sustainable and creates value for customers, investors and society as a whole.

At the same time, the system of regulation needs to be able to anticipate and catch the failures before they become catastrophic. Every market is interconnected and responses to the crisis need to be co-ordinated.

Outlook

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

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

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

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

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

Summary

The world of banking will change enormously. The competitive landscape will be fundamentally different. The regulatory frameworks and the role of governments in banking will be radically altered. Our challenge is to ensure we continue to deliver for our investors, our customers and our other stakeholders as we navigate these changes.

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

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

Peter Sands
Group chief executive
3 March 2009

Good performance in a difficult year

Standard Chartered's strategic focus and attention to the basics of banking resulted in good progress during a turbulent year. This is reflected in the financial and non-financial measures we apply to the business.

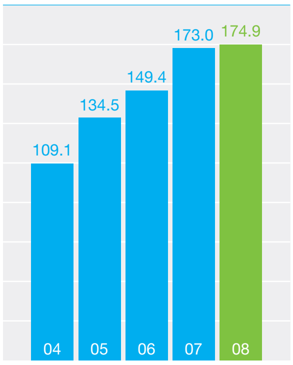
Financial KPIs

Normalised earnings per share

This KPI is calculated as profit attributable to ordinary shareholders of the Group as normalised for certain one-off or irregular items, divided by the weighted average of the number of shares in issue during the year.

Normalised earnings per share*

174.9cents



Aim

To consistently deliver year-on-year growth in normalised earnings per share.

Analysis

During 2008, normalised earnings per share grew one per cent, with strong growth in Wholesale Banking offset by a slowdown in Consumer Banking.

Source

This measure is reported in the Group's audited financial statements within note 14.

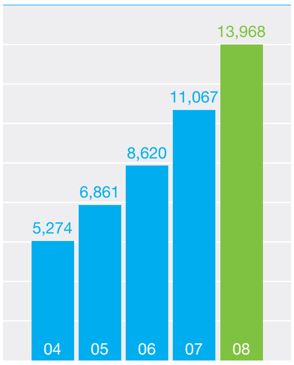
* Restated as explained in note 14 to the financial statements.

Operating income

Operating income is calculated as the sum of the net interest income, net commission income, net trading income, and other operating income.

Operating income

$13,968m



Aim

To sustain organic momentum.

Analysis

During 2008, operating income grew 26 per cent, with seven of nine geographic segments each delivering over $1 billion of income.

Source

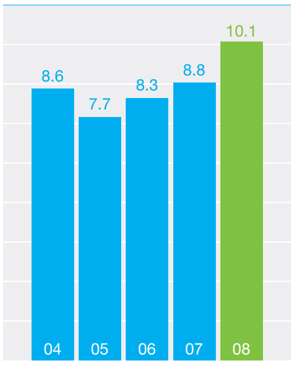
This measure is reported in the Group's audited financial statements.

Tier 1 capital ratio

Tier 1 capital, the components of which are summarised on page 65, is measured by the ratio of Tier 1 capital to risk weighted assets.

Tier 1 capital ratio**

10.1%



Aim

To maintain Tier 1 capital ratio between seven and nine per cent.

Analysis

During 2008, the Group maintained a Tier 1 capital ratio of 10.1 per cent on a Basel II basis, an increase of 1.3 percentage points compared with 2007 (0.3 percentage points on a Basel I basis), comfortably above our stated target.

Source

This measure is reported in the Capital section on page 65.

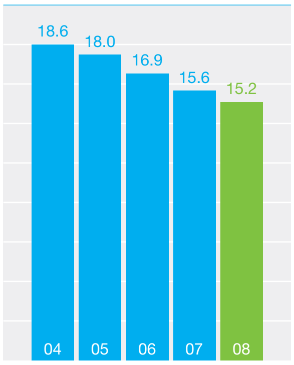
** For 2008 and 2007, on a Basel II basis, 2004-2006 on a Basel I basis.

Normalised return on shareholders' equity

Normalised return on shareholders' equity is calculated as the normalised profit attributable to ordinary shareholders as a percentage of average shareholders' equity.

Normalised return on shareholders' equity

15.2%



Aim

To deliver superior returns on shareholders' equity compared to the industry average.

Analysis

During 2008, the normalised return on shareholders' equity declined against 2007 as normalised earnings, with growth of three per cent, was affected by the slowing performance in the second half of the year, whilst average equity grew six per cent.

Source

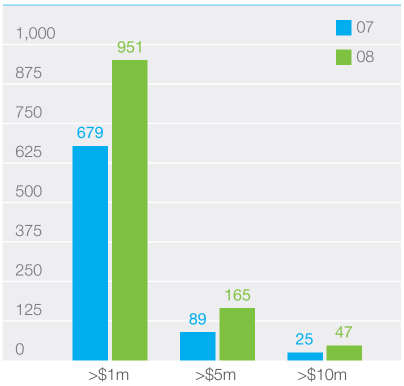
This measure is derived from information within the Group's audited financial statements, being normalised earnings (note 14) as a percentage of average shareholders' equity (excluding preference shares).

Non-financial KPIs

Wholesale Banking leading client numbers*

This metric charts progress towards becoming core bank to clients by measuring the number of client relationships where total global revenues exceed the threshold amount.

Wholesale Banking leading client numbers



Aim

To grow the total number of relationships which deliver revenues in excess of $1 million, $5 million and $10 million.

Analysis

As Standard Chartered achieves core bank status, relationships increasingly become multi-country and multi-product. This results in growth in the total global revenues from these relationships. Standard Chartered has increased the number of leading clients with revenues in excess of $1 million per year, demonstrating strong progress in becoming core bank to clients.

Source

Standard Chartered client revenues.

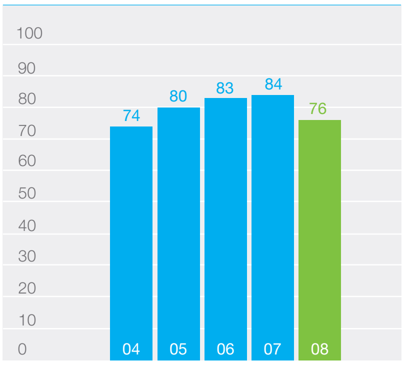
* This replaces the Wholesale Banking Service Quality Index KPI, as it is more aligned to the Group's strategic objectives.

Consumer Banking Loyal and Positive Index

This indicator gauges customer satisfaction and loyalty to the products and services provided by Consumer Banking. Key satisfaction and recommendation measures are combined to provide an index of loyalty. These measures of reported customer satisfaction and loyalty are benchmarked against those reported for main competitors in each product and service within each market.

Consumer Banking Loyal and Positive Index

76%



Aim

To increase customer satisfaction with the products and services provided by Consumer Banking and to drive overall customer loyalty.

Analysis

The steady improvement in the index since 2004 has been impacted in 2008 by negative customer sentiment due to the global economic recession, especially in relation to investment earnings. There was an overall decline despite maintaining customer satisfaction in some countries and service channels.

Source

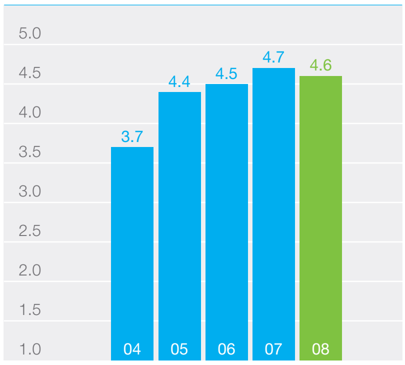
Market Probe Customer Satisfaction and Loyalty Survey (26 markets on average each year). The survey in major markets uses interviews completed in August to November 2008.

Q12 ratio of engaged to disengaged staff

Q12 ratio is based on the Group's annual employee engagement survey. It assesses the proportion of engaged employees in the Group to each disengaged employee. High employee engagement has been shown to be strongly related to increased business performance, through both internal and external research.

Q12 ratio of engaged to disengaged staff

4.6:1



Aim

To continue to foster a culture of high employee engagement as the Group continues to grow and change.

Analysis

Employee engagement levels remained stable across the organisation amidst changing market conditions.

Source

The Gallup Organization, Q12 Employee Engagement Survey.

Expanding in Asia

Asia remains the largest engine of growth for Standard Chartered. In 2008, the Group continued to expand its reach and the range of services in its biggest markets across Greater China, India, Korea and Southeast Asia.

Markets **20**

People **55,965**

Branches **1,164**

ATMs **4,680**

Female employees **48**%

Local reach

A new chapter for Vietnam's banking industry
Standard Chartered has secured a local licence of incorporation, a springboard for further development of the business.

Islamic Banking

Standard Chartered expands Islamic Banking in Malaysia
In response to rising demand for Shariah-compliant products, Standard Chartered Saadiq Berhad was launched in Malaysia. Our dedicated Islamic financial centre offers services ranging from property and personal financing to corporate financing.

Expansion in China

Tower provides new home for Standard Chartered China

Located in the heart of the financial centre and built to high environmental standards, Standard Chartered Tower is an exciting addition to the Shanghai skyline. The opening marked the Bank's ongoing commitment to China as we celebrated 150 years in the market.

Sustainable finance

Supporting renewable energy supply

Standard Chartered is proud of its contribution to the construction of the world's largest photovoltaic power plant on Jido Island in SinAn-Gun, South Korea. It began operating in 2008, producing 33,000 MWh of electricity a year – enough to supply 7,200 households.

Diversity & Inclusion

Role models recognised at Women of the Year awards

In Asia, 23 per cent of senior managers are women. Through initiatives such as the Standard Chartered Women of the Year awards in India we continue to encourage greater gender diversity and inclusion.

The Group in 2008

Our business and strategy

- Standard Chartered aims to be the world's best international bank, providing Consumer and Wholesale Banking services in Asia, Africa and the Middle East
- We are very focused on the basics of banking: on liquidity, capital, risk management, operational control and costs
- We do business in markets we understand intimately, with customers with whom we have long-standing relationships, selling products we understand fully
- We strive to be true to our values and culture, running the Group as one bank across geographies and businesses
- We are committed to building a sustainable business, through our strategy, business models, products and involvement in our communities

Our priorities in 2009

- Stick to our focused, clear and consistent strategy to lead the way in Asia, Africa and the Middle East
- Reinforce balance sheet strength and liquidity in the business and keep our focus on the basics of banking
- As we implement our strategy we will need to anticipate and respond to the extraordinary changes around us
- We aim to make use of the emerging opportunities to deepen our relationship with customers, build market share and improve margins
- Our strategy must take into account the fundamental task of re-establishing confidence and trust in banks and the need to build a sustainable business

Standard Chartered had another year of strong financial performance in 2008. The performance was particularly pleasing as it came in a year of global financial upheaval.

The Group has not escaped unscathed from the biggest financial crisis of our times, but a firm grip on the basic foundations of banking – liquidity, capital, risk and cost management – enabled it to escape the worst of the turmoil and stand out in the global financial landscape.

Last year's performance can be summed up by the following achievements:

- Strong earnings: The Group delivered another set of strong financial results, measured by a 26 per cent growth in Group income to almost $14 billion and a 13 per cent rise in operating profit to $4.6 billion, despite the difficulties faced in the external business environment.
- Firm foundations: The foundations of the Group remain in excellent condition. The capital position has been strengthened further by a successful rights issue which closed in December. The Bank is also very liquid, benefiting further from a strong inflow of deposits; the balance sheet is in excellent shape; and the Group has a firm grasp on risks and expenses.
- Strongly positioned: We believe these strong foundations coupled with the diversity of the business, both by geography and product as a result of selective acquisitions, will position us well to face the continuing challenges of deepening economic turbulence in 2009.

Strong earnings

The Group's income was driven by strong momentum in Wholesale Banking where income grew by 43 per cent. Organic growth was again the driver of income growth, delivering $2.3 billion out of the total $2.9 billion increase in income. Excluding the acquisition of American Express Bank (AEB) in 2008, Group income rose by 21 per cent, reflecting the strength of its underlying business.

Our disciplined management of expenses was demonstrated in the second half of 2008 as the Bank reduced costs in anticipation of the slowdown in Asia, Africa and the Middle East caused by the banking crisis in the West.

Overall, growth in expenses was less than income growth, at 22 per cent. Excluding AEB, expenses rose by 13 per cent, again significantly less than the underlying growth in income.

Firm foundations

Standard Chartered's strong balance sheet is a key source of its competitive strength. The Bank's capital and liquidity profile reflects the financial health of the Group.

In the current turmoil, the Bank has proven to be a 'flight-to-quality' institution as it continued to attract substantial deposit growth in both Wholesale Banking and Consumer Banking businesses. The Group's deposit base grew 30 per cent through 2008.

Group operating income
$13.97bn
2007: **$11.07bn**

Group operating profit
$4.57bn
2007: **$4.04bn**

The management's focus on deposit growth and its disciplined deployment of the balance sheet resulted in the ratio of customer loans to customer deposits, the advances to deposits ratio, improving from 86 per cent at the end of 2007 to 75 per cent at the end of 2008. At the end of 2008, the ratio remained under 100 per cent in all of our major markets.

In a global economy starved of liquidity, Standard Chartered remained a net interbank lender in the money markets and continued to lend to its clients. Loans and advances to customers increased by $22 billion to $179 billion.

The Group's lending portfolio is diversified over a wide range of products, industries and customer segments. The conservative nature of the Group's balance sheet is further evidenced through the limited exposure to higher-risk asset classes and segments. Asset backed securities accounted for less than one per cent of Group assets. Exposures to commercial real estate, leveraged loans and illiquid assets are also extremely modest.

The Group's capital position, already strong before the onset of the global financial crisis, continued to improve and remains well above its stated targets. Core Tier 1 capital, at 7.6 per cent, Tier 1 capital at 10.1 per cent and total capital at 15.6 per cent of risk weighted assets are well above our stated targets.

Positioning for growth

The Group's strong franchise, built mainly through years of organic growth, has positioned it to take advantage of the next upturn in the global economy. The Bank supplemented this strength with selective acquisitions in 2008 which provided the businesses with specialist capabilities in key markets.

The acquisition of AEB, which was completed in February 2008, was one such addition which added both scale to the Private Bank as well as boosting the Group's transaction banking capabilities. The Bank made good progress in integrating AEB, amalgamating businesses in 47 countries by the end of the year.

In terms of performance, AEB delivered $552 million of income during the ten months of ownership in 2008. The Group is confident that it will be able to realise cost synergies of over $130 million in 2009 while integration expenses are expected to fall significantly, resulting in a significant increase in profitability.

The Group's other acquisitions in 2008 included a majority stake in UTI Securities, an Indian retail brokerage; Yeahreum Mutual Savings Bank in Korea; Asia Trust and Investment Corporation, a bank in Taiwan; Lehman Brothers' Brazilian franchise; and JPMorgan Cazenove's Asian brokerage operations, which completed in 2009.

These acquisitions were made in response to customers seeking specialised financial services in our markets. They help diversify the Group's revenue-generating capabilities and position the Wholesale Banking and Consumer Banking businesses to acquire new customers and seek a bigger share of business from their best customers.

The Right Partner The Group has demonstrated it is the right partner for governments and regulators across our markets by working with them to address the short-term crisis and longer-term regulatory reform.

American Express Bank As the amalgamation of AEB progressed throughout the year, employees around the world held special events to welcome the new members to our team.

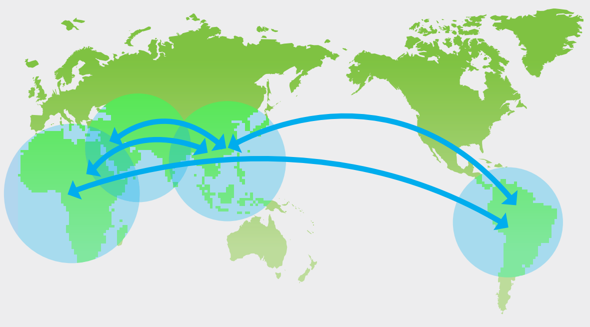
Our markets

Highlights in 2008

- Income exceeded $1 billion in each of the Group's four biggest markets – Hong Kong, India, Korea and Singapore
- Singapore's profit grew the fastest at 67 per cent
- India's operating profit rose 37 per cent in 2008 and income has tripled since 2005
- China reached 54 outlets by the end of the year and we opened a new head office tower in Shanghai
- The Middle East saw strong growth in Islamic Banking services and the expansion of our commodities business
- Nigeria, the Group's biggest market in Africa, increased operating income by 30 per cent
- Americas, UK and Europe operating income grew significantly as American Express Bank was integrated
- Celebrated 150 years of operations in India and China

Strong economies in our markets underpin the Group's businesses

Standard Chartered is well positioned to capitalise on international trade flows, as a result of our broad geographical footprint, the depth of our customer relationships, delivery of our product capabilities and the expertise of our people.



2008 GDP Growth*

China	India
9.0%	6.3%
UAE	**Nigeria**
4.8%	5.4%

* Source: Standard Chartered Bank estimates.

Standard Chartered's core markets in Asia, Africa and the Middle East were among the last to be impacted by the global financial turmoil. Business conditions became challenging in the last quarter of 2008. The strong foundations of most of these economies, with deep foreign currency reserves, low levels of debt, relatively high growth rates and stronger corporate and bank balance sheets, shielded our markets from the worst of the crisis through most of last year.

Two of Asia's biggest economies, China and India, grew at around 9.0 and 6.3 per cent respectively. However, macroeconomic conditions deteriorated in the last quarter as a sharp drop in trade and exports to the US and Europe and declining industrial production impacted GDP growth rates across the region.

Against this challenging backdrop, income and profit for the Group remained strong and broad-based. Standard Chartered's four biggest markets, Hong Kong, India, Korea and Singapore, each reported income in excess of $1 billion in 2008. A strong liquidity and capital position enabled Standard Chartered not only to continue doing business with existing clients but also to increase market share and improve margins.

Hong Kong

Hong Kong, the Group's largest market, saw operating income rise 10 per cent to $2.3 billion. Operating profits fell 15 per cent due to increased loan impairments in the deteriorating economic environment.

As in most markets, the Wealth Management business came under pressure, although opportunities emerged to increase volume in mortgages and in loans to companies. Our financial strength helped the Bank attract depositors in Hong Kong, with customer deposits rising $15 billion during the year.

Other Asia Pacific

Income for the region grew by 16 per cent to $2.4 billion. Operating profit fell 19 per cent to $463 million.

Income in China continued to grow rapidly, up 27 per cent to $632 million. The Group continued to invest in products and channel distribution, expanding outlets from 38 to 54 across 17 cities. As a result of these investments, operating profit in China fell 62 per cent. The Bank cut back spending in the second half as the economy slowed.

In Taiwan, a 35 per cent growth in Wholesale Banking revenues was offset by a sharp drop in the Wealth Management business in the second half, causing overall operating profit to fall 7 per cent. The external environment remained challenging due to weak domestic demand, falling exports and subdued equity markets.

Number of branches and outlets
1,600

Number of ATMs
5,500

India

In India, the Group's business continued to thrive as a result of targeted investments made in both Wholesale Banking and Consumer Banking in recent years. Operating profit rose 37 per cent, driven by very strong income growth of 33 per cent to $1.75 billion and gains from the sale of the asset management company.

The strength and sustainability of our Indian franchise is demonstrated by the 58 per cent compound annual growth rate in operating profit generated by the business over the past three years.

Singapore

Singapore operating income was up 60 per cent year on year, with strong contributions from both businesses. Operating profit rose 67 per cent. Income and operating profit have doubled in Singapore since 2006 as the business expanded market share in strategic areas such as Corporate Finance and added product capabilities.

Malaysia

Income from Malaysia rose 12 per cent to $515 million as a result of a strong growth in sales of structured finance, foreign exchange and derivatives products to Wholesale Banking customers. Consumer Banking income declined because of lower mortgage margins due to increased competition and a decline in Wealth Management income. As a result, operating profit was little changed, at $235 million.

Korea

Korea was an area of considerable focus during 2008 as the Group continued to reshape the business to good effect. Income grew by 1 per cent on a dollar basis or 18 per cent in Korean won, which devalued during the year. Momentum was good and operating profit grew over 10 per cent as expenses fell.

The Bank has invested in measures to boost productivity and efficiency, refurbished and relocated branches and broadened the Wholesale Banking product suite.

Middle East

Middle East and Other South Asia, or MESA, which includes Pakistan, had strong operating income growth of 21 per cent. Both UAE and Bahrain saw income growth of over 35 per cent. Pakistan income fell as the Group reduced its risk appetite in Consumer Banking because of heightened political and economic uncertainties.

Amid the downturn, Standard Chartered took emerging opportunities to deepen existing client relationships. The growth of the Islamic Banking franchise in the region is one such example, which saw revenues rise 83 per cent in 2008. The commodities business has also developed into a core revenue stream which will complement Shariah-compliant products.

Securities launch in Korea We have increased our international securities capabilities, including the launch of Standard Chartered Securities Korea. As a result, we have expanded our financial markets business and broadened our product offering to global and local clients.

Africa

Operating income from the Africa region rose 14 per cent, driven by increased sales of treasury products to Wholesale Banking customers. Nigeria retained its position as our biggest market in Africa, with operating income increasing 30 per cent. The Bank increased the number of branches in Nigeria from 12 to 18, increased the number of ATMs to 25 and launched internet banking.

Americas, UK and Europe

Income from the Americas, UK and Europe expanded significantly as a result of the integration of American Express Bank, which also increased the Group's footprint across these regions. Standard Chartered serves some of its top global corporate customers from its Group headquarters in London, helping them expand their businesses in our key markets in Asia, Africa and the Middle East.

Innovation in Africa

The Group continues to expand its network in Africa. We are introducing leading international Wholesale Banking products and innovative ways of making transactions in Consumer Banking.

Markets **13**

People **6,045**

Branches **151**

ATMs **292**

Female employees **48**%

Growth markets

Continued growth in Standard Chartered's largest African market

Standard Chartered Nigeria further deepened its corporate client base, winning sole banking mandates from British American Tobacco Nigeria and Guinness Nigeria PLC. The Bank has continued to increase its footprint in the market, opening six new branches, launching internet banking and increasing the number of ATMs to 25.

Trusted partner

Providing valuable loan facilities to key corporate clients

Standard Chartered was the sole mandated lead arranger on a $1 billion loan facility to South Africa's leading global mining company. The transaction improved AngloGold Ashanti's financial position at a time of scarce liquidity in the global financial markets and made an ongoing contribution to the economic development of all the countries where the company operates.

Trade corridors

Enabling cross-border networking for SME clients

Standard Chartered provided 150 of its African SME clients with a unique opportunity to build links with SMEs in China and beyond. The delegation travelled to Guangzhou and the World SME Expo in Hong Kong.

Economic development

Committed to increasing access to financial services

Standard Chartered structured a $5 million loan for LAPO, the Nigerian microfinance institution. Our commitment to expand access to financial services helps microentrepreneurs like Ramat. She used profits from her hair salon and a loan from LAPO to buy fabric and expand her business into making and selling clothing. She has now secured her second loan of N15,000 ($130).

Customer focused

Standard Chartered attracts women savers

Building on the success of the Diva account for women, Standard Chartered has expanded this tailor-made solution with the launch of Diva Chamma in Kenya. The Diva Chamma account enables groups of women to save together in investment clubs.

Photo: Karl Schoemaker

Consumer Banking

"Record deposit growth in 2008 highlights the strength of our franchise. The strategic shift towards customer segments and standardisation positions us well for long-term growth."

Steve Bertamini, Group executive director, Consumer Banking

Our business and strategy

- Consumer Banking offers a broad range of products and services to meet the borrowing, wealth management and transaction needs of individuals and SMEs
- Our vision is to become the world's best international consumer bank in each of our chosen markets and customer segments across Asia, Africa and the Middle East
- Our strategy is to consistently deliver superior service by providing financial solutions which meet our customers' evolving needs, empowering and engaging our employees and making a difference in our communities
- We will differentiate ourselves with standardised systems and processes and through targeted marketing and stronger analytical capabilities
- We will continue to enhance transaction convenience by providing outstanding internet and mobile capability, relationship rewards and integrated card offerings supported by convenient branch and ATM access

Our priorities in 2009

- Continue Consumer Banking's strong deposit growth which is a major driver of the Bank's liquidity position
- Proactively manage and selectively grow the loan portfolio with a focus on secured assets
- Significantly deepen relationships with customers by increasing the average number of products and services bought by each customer
- Reposition the Wealth Management business to match changing customer demand
- Maintain disciplined cost and risk management
- Continue to implement a standardised business model to leverage global scale

2008 was a year of significant change and transformation for Consumer Banking. The business developed and rolled out a new strategy focused on customer segments and achieved scale benefits through standardisation to position the business for long-term growth.

Transaction convenience was improved in 2008 by strengthening and repositioning our cards proposition, forging strategic alliances and materially improving internet and mobile banking capabilities.

Despite a challenging economic environment the business continued to invest to grow the franchise. We integrated AEB, which strengthened the Private Bank; introduced the full range of Islamic banking services in Malaysia; and enhanced the branch network in markets such as Taiwan and India through targeted niche acquisitions.

In total, the business added more than 80 branches and 1,200 ATMs in 2008 and extended internet and mobile banking across several markets.

At the same time, the business reconfigured its cost base by reducing employee numbers and driving efficiency through standardisation and enhanced productivity improvements, such as consolidating call centres, streamlining the account opening process, leveraging cross-border opportunities and prioritising investment.

Performance

The Group's well-diversified and strong franchise across some of the world's most dynamic markets, combined with the management's pre-emptive action in curtailing the cost base mitigated the slowdown in Wealth Management income and higher loan impairment charges.

Deposit gathering was a key area of focus for Consumer Banking in 2008. Liabilities grew 16 per cent in 2008, resulting in a doubling of our surplus liquidity to over $40 billion. A combination of 'flight-to-quality' as a result of the financial crisis, a series of innovative campaigns, and expansion of the Bank's internet and phone banking offerings helped achieve these results.

Operating income
$5.95bn
2007: **$5.81**bn

Operating profit
$1.12bn
2007: **$1.68**bn

With the acquisition of AEB, Consumer Banking income rose 3 per cent while expenses grew 13 per cent, resulting in operating profit before tax declining 33 per cent to just over $1.1 billion. Cost efficiency measures were accelerated in the second half, resulting in 6 per cent decrease in costs over the first half of 2008.

In terms of quality, over 75 per cent of the Consumer Banking lending is secured and 59 per cent of the total Consumer Banking loans are mortgages with an average loan-to-value of just over 50 per cent. This positions us relatively well during these difficult times.

Small and Medium Enterprises business

The SME business had a solid year, with income growing by 8 per cent. SME is a deposits-led franchise, with deposits now almost twice the level of loans outstanding.

Due to difficult market conditions, the proportion of secured lending was increased and pricing adjusted to reflect the risk environment. The business actively managed its lending exposures and repositioned its book away from sectors that historically have been most affected during periods of economic downturn.

We are well positioned to selectively grow market share in this economically important segment.

Wealth Management

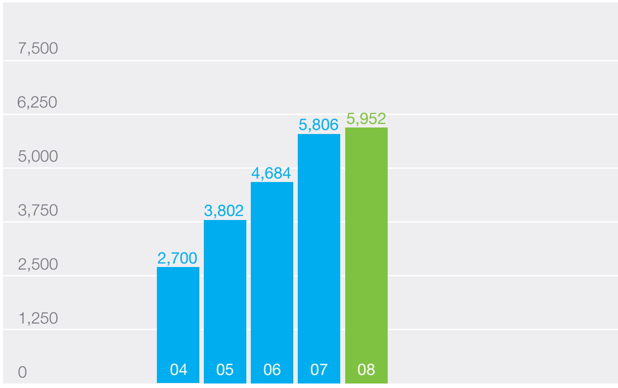
Wealth Management, which accounts for 47 per cent of Consumer Banking income, grew strongly in the first half of the year against a backdrop of falling stock markets as investors switched out of equity-linked and unit trust products into structured deposit and insurance products.

After well-publicised losses in certain industry products at the end of the third quarter, customers moved into cash deposits, sacrificing yield for greater security. Whilst the Group was successful in attracting deposits, margins earned were much lower, resulting in overall Wealth Management income growth of 6 per cent in 2008.

In the medium term, demand for Wealth Management products in our markets is expected to return, given naturally high savings levels, limited social security nets and, in some cases, capped savings rates. The business is being repositioned to address the changing industry landscape and will focus on developing simple, innovative products and annuity income streams.

Consumer Banking remains well diversified across products and geographies, operates in some of the most attractive markets in the world and has a relatively low-risk loan portfolio. We have an ambitious transformational agenda for 2009 and, most importantly, great people. The difficult economic environment presents us with a unique opportunity to selectively grow market share as we reposition our business for long-term sustainable growth.

Operating income ($m)



Continuous improvement Standard Chartered has improved the banking experience of customers around the world through the launch of online banking platforms in 24 countries and mobile banking in 17 countries over the past year.

Wholesale Banking

"Our strategy is to become the core bank to our clients, deepening relationships and providing them with a broader range of solutions and services."

Mike Rees, Chief executive officer, Wholesale Banking

Our business and strategy

- Wholesale Banking has a client-focused strategy, providing trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions
- Our strategy is to be the core bank to our clients, deepening relationships and providing them with a broader range of solutions and services
- We serve local and global companies and financial institutions doing business for and in Asia, Africa and the Middle East

Our priorities in 2009

- Continue to build scale in our core businesses and key local markets
- Strengthen and deepen our client relationships to become core bank to our major clients
- Increase cross-border opportunities across our international network
- Expand our product sophistication and provide increasingly strategic and value-added capabilities to clients
- Maintain tight management of costs, capital, liquidity and risk

Wholesale Banking had an outstanding year in 2008, with broad-based income growth across client segments, products and markets. This resulted in record operating profits for the business, which reached $3 billion.

Operating income rose 43 per cent, supported by a 25 per cent growth in client income and a significant increase in own account income, which more than doubled. Operating profit grew by 28 per cent.

Expenses grew by 34 per cent, a far lower rate than income growth, due to disciplined growth in staff costs, the largest component of the cost base. Variable expenses now account for almost 44 per cent of total staff costs, increasing our flexibility in a challenging economic environment.

Wholesale Banking's continued strong performance was underpinned by consistent execution against our client-centred strategy with the goal to become a top-three bank to more clients. In 2008, the number of clients generating over $5 million of income per year increased by 85 per cent and those generating over $10 million increased by 88 per cent.

Strong income and franchise

The business delivered strong growth across all client segments over the course of the year. In particular, the Local Corporates segment was a major engine of growth in our core markets and grew by 31 per cent. Cross-border income grew by 33 per cent, reflecting the strength of our network franchise.

The business also delivered strong performances across product segments, with the Transaction Banking, Financial Markets and Corporate Finance businesses delivering strong growth, mainly driven by Trade Finance, Fixed Income and Corporate Advisory respectively.

Cash Management and Trade Finance, which are core to Transaction Banking, grew strongly. Although trade volumes fell globally, trade finance capacity across the industry fell more rapidly, leaving Standard Chartered well positioned to take market share. Net interest margins in Trade Finance increased following several years of compression, and volumes rose more than 40 per cent.

Operating income

$7.49bn

2007: **$5.24**bn

Operating profit

$3.00bn

2007: **$2.35**bn

Global Markets, which includes Financial Markets, Corporate Finance and Principal Finance, achieved 60 per cent growth. The Rates business, which deals with interest rate derivatives and is a part of Financial Markets, had an exceptional year. Given high market volatility in interest rates, there was strong demand for hedging products and the number of clients purchasing Rates products increased by 28 per cent.

The Bank's trading activities are primarily based on leveraging client flows, which increased substantially in 2008 due to greater fluctuations in interest and exchange rates, and we were able to take advantage of the opportunities provided by high market volatility.

The Capital Markets segment performed well, with continued good levels of origination of Asia Pacific syndicated loans and Asian local currency bonds. Standard Chartered is consistently ranked among the top three banks in these markets.

The Principal Finance business, which has had a strong track record of creating value through its investments, was impacted by the depressed equity markets, leading to lower realisations than in 2007. Income from the segment declined 37 per cent and the value of the portfolio was impaired by $171 million, reflecting falling prices of comparable securities in the market. The Bank remains confident in the underlying quality of the portfolio.

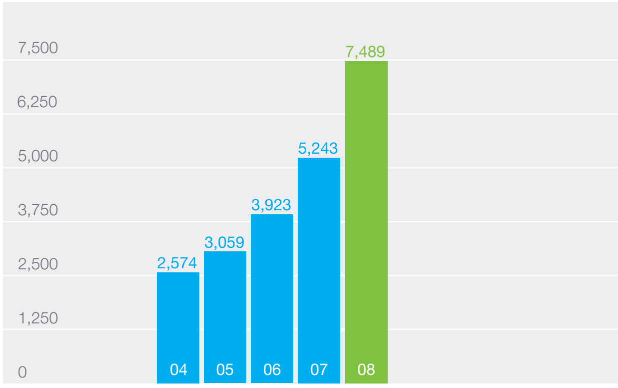
Disciplined management

As a business, Wholesale Banking continues to be disciplined in managing the relationship between risk weighted assets (RWA) and income growth, with an ongoing focus on origination and distribution of assets. The business experienced good demand for secondary market securities.

To strengthen capabilities and scale in key growth regions, Wholesale Banking has focused on maximising synergies resulting from the integration of American Express Bank and further increasing strategic capabilities with the acquisition in 2009 of JPMorgan Cazenove's Asian operations.

The business's tight discipline in managing capital, liquidity and risk is a key enabler of growth and a differentiating competitive advantage. The business remains vigilant to the changing external environment and focused on proactive and robust risk management. In 2008, the Group's successful embedding of Basel II into the business drove significant efficiency gains in RWA. We have been increasingly looking to use collateral to reduce risk, whilst regularly conducting stress testing to highlight and pre-emptively mitigate any major risks to the business.

Operating income ($m)



Deepening client relationships Standard Chartered partnered with Tata Chemicals on the $1 billion acquisition of US-based General Chemicals, creating the world's second largest soda-ash producer. The Group's role as mergers and acquisitions advisor, lead arranger and structuring bank anchored the transaction.

Photo: Tata Chemicals

Client-led strategy

Strengthening regional headquarters
Standard Chartered opened the Middle East's largest trading floor in the Dubai International Financial Centre. The trading floor hosts over 200 trading seats and will support the continued build out of the Bank's global Financial Markets business. As one of the Bank's global hubs, it is geared to be a centre of excellence for the Middle East and Africa region.

Strengthening capabilities

Aircraft finance expertise
Standard Chartered acted as joint arranger, facility agent and security trustee in a $500 million, 12-year finance lease for the purchase of three Boeing 777 aircraft by Qatar Airways. Boosted by the acquisition of Pembroke Group in late 2007, Standard Chartered's expertise in aircraft finance has led to transactions totalling over $1 billion in the past year.

Deepening relationships in the Middle East

We continued to invest for the long term in the Middle East, opening the region's largest trading floor in the Dubai International Financial Centre and augmenting our Islamic Banking services across the region.

Markets **11**

People **8,662**

Branches **245**

ATMs **528**

Female employees **26**%

Photo: Qatar Airways

Community investment

Standard Chartered launches A New Vision

As part of our commitment to help 20 million people by 2015, Standard Chartered launched one of its biggest projects in Pakistan. Around 20,000 female healthcare workers are being trained to provide primary healthcare at the community level, delivering eye care to millions.

Transaction convenience

Bringing modern lifestyle banking to growing customer base

Standard Chartered opened a spacious flagship Financial Centre in Abu Dhabi, boasting a dedicated Saadiq Islamic Banking Centre, a Priority Banking Centre, and a SME team. The new state-of-the-art branch is part of a dynamic expansion plan the Bank has embarked on to increase its distribution footprint in convenient locations in the UAE.

Market innovation

A milestone in the development of the UAE's capital markets

Standard Chartered arranged a landmark Sukuk (Islamic bond) programme for the Government of Ras Al Khaimah, UAE. The Bank also acted as ratings adviser and is managing the inaugural Sukuk issuance.

People

Our highlights and achievements in 2008

- Successful integration and harmonisation of the American Express Bank acquisition across 47 markets, 19 of which are new markets to the Group's footprint
- Strengthened our leadership capability through the Great Managers and Leadership Development programmes which covered 4,000 and 1,500 managers, respectively
- Launched a refresh of the Group's values and behaviours

Our priorities in 2009

- Continue to drive performance through productivity and engagement
- Continue to recruit and develop strong and diverse leaders
- Further embed the Group's values to maintain our distinctive and unique culture
- Maintain sharp focus on recognising and rewarding the appropriate behaviours for sustainable business performance

In the current economic environment, it is more important than ever to focus on our people. The diversity of our employees provides us with our unique source of strength. We place particular importance on continuously improving the way we work and living the Group's values to embed our company culture. By focusing on building great leaders and engaging our employees, we continue to drive performance.

The Group's values

Our people are guided by the Group's five core values: courageous, responsive, international, creative and trustworthy. We uphold and nurture these values because we believe that our behaviour and culture are sources of our competitive advantage; they are why our customers bank with us and why our employees stay with us.

In 2008, to further embed these values, over 250 employees in ten markets developed a refreshed series of behaviours that bring our values to life. Our employees also participated in activities under the banner Blue and Green Week to build greater understanding of the values and what they mean.

Building great leaders

We believe we get the most out of our people by playing to their strengths, and it is our strengths-based philosophy that helps us to attract leaders. Ensuring that we get the best from our employees is the responsibility of every leader in the Bank. In 2008, nearly 1,500 individuals took part in the Leadership Development programme, focusing on how to lead through challenging times. We will continue to focus on this critical area in 2009.

Strong progress has been made in building robust leadership and talent pipelines, with succession coverage of key roles increasing by 15 per cent and the size of our junior talent pool growing by 49 per cent. To further build on our leadership capabilities, 200 of our most senior leaders participated in a 360 degree process which provided them with feedback on their values behaviour.

The Group piloted a development programme in four key markets aimed at identifying talented individuals with no prior banking experience. We partnered with a number of universities in India and China, selecting 120 undergraduates to enter the programme. The Group also initiated an exchange programme between China and India to promote the sharing of talent and best practice.

For women with high performance potential at mid-management levels, we launched a mentoring programme as part of our 2008 Diversity and Inclusion agenda. By providing professional guidance and practical coaching support, the programme aims to help talented women reach more senior positions in the Group.

Driving performance through productivity and engagement

Engaging employees is key to retaining talent and helps to motivate them to 'go the extra mile', which is particularly important in today's environment. In our eighth year of measuring engagement, almost 95 per cent of employees took part in the Gallup Q[12] survey of staff engagement. Our level of employee engagement was maintained in 2008 and was further affirmed when Standard Chartered was rated amongst the top third of companies whose employees recommend their firm as a 'Great Place to Work'.

Throughout the year, the Group completed various studies on the impact of engagement on business performance. During a challenging year for Consumer Banking in Korea, we found robust links between employee engagement in branches and the overall performance and revenue growth of those branches.

With the integration of American Express Bank (AEB) across 47 markets we focused on engagement of former AEB employees. Since completion of the acquisition, we have retained the core AEB management team.

Global representation of female employees

46%

2007: **46%**

Percentage of employees who received training

90%

2007: **85%**

Blue and Green Week Tanzania excelled during Blue and Green Week, an international celebration of our brand, values and culture. Go Green tree-planting events were one way through which our staff lived the brand and values to be the right partner for their local communities.

Retaining talent The Group gathered feedback from employees and leavers of the Bank to understand the root causes of employee turnover in the growth markets of India and the UAE. The findings were used to develop action plans to increase retention and resulted in a seven per cent decrease in employees choosing to leave the Bank in India in 2008.

Continuously improving the way we work

The Bank places great emphasis on continuous improvement to increase productivity, enhance customer service and reduce administrative tasks, so that employees can spend more time on rewarding activities that add value to the Group.

The Group has successfully implemented a number of global projects which transform our processes to make them simple, scalable and sustainable, increasing efficiency and productivity and reducing costs. The human resources function has supported a number of infrastructure functions across the Bank in reviewing and improving their operating models.

We provide our diverse workforce with the skills needed to serve our customers and operate in an international environment. We offer a global English course to improve communication and a written English course for business purposes. Furthermore, almost 150 of our International Graduates have enrolled in Mandarin courses.

In these turbulent times, it is increasingly important to ensure responsible selling. The Group runs compliance training courses that have so far reached 2,500 managers in India alone. In key Consumer Banking markets, we have launched an integrated approach to training new frontline employees for 'Day One Readiness'. This innovative approach combines theoretical learning with practical training conducted in a simulated branch environment with emphasis on stringent assessments and on-the-job performance.

Diversity and Inclusion

With 125 nationalities represented among over 70,000 employees, our diversity provides us with innovative ideas and in-depth local knowledge, enabling us to better serve our customers and maintain our competitive advantage.

Supporting employees to meet their obligations outside of work is key to attracting and retaining this diverse talent. In 2008 we continued to roll out a flexible working policy in five new markets, taking the total to nine. We have piloted working from home across three functions in three markets. Over 180 employees from our Global Shared Service Centre in Chennai have enrolled in the Working@Home initiative, contributing to a more healthy work-life balance.

We have also expanded the coverage of paternity policies to the US, Australia, Lebanon and Bangladesh and opened a number of day care centres in India and a crèche in Sri Lanka.

2008 was a year of focusing on the key, unique elements that make the Group successful. By creating an engaging environment where our people and our culture can flourish, we enter 2009 with clear targets for the year ahead.

www.standardchartered.com/sustainability/great-place-to-work

Eyesights restored thanks to Seeing is Believing

2.0m people

Sustainability

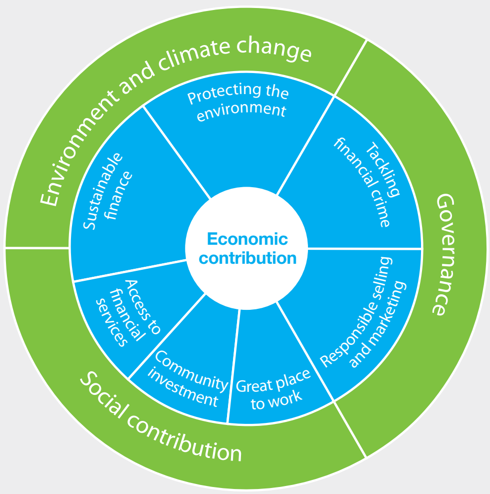
Highlights and achievements in 2008

- Launched Seeing is Believing – A New Vision, a commitment to provide eye care to 20 million people in 20 cities by 2015
- Number of Living with HIV Champions increased by 150 per cent to 850
- Expanded our microfinance initiatives into new markets including China, the Philippines and Nigeria
- Met or exceeded all targets to reduce the Bank's direct environmental impact
- Became a founding member of the Climate Principles

Our priorities in 2009

- Drive our sustainability strategy to deliver shareholder value by being the Right Partner to our customers, communities and regulators
- Implement an enhanced environment and climate change policy to underpin delivery of our 2011 environment strategy
- Embed the implementation of position statements and practitioners' guides on sustainable lending
- Continue to deliver our Clinton Global Initiative commitments on HIV/AIDS education and Seeing is Believing's comprehensive eye care programme
- Implement our technical assistance strategy for the microfinance sector

Our sustainable business priorities



If anyone needed convincing of the importance of taking a sustainable approach to business, then the extraordinary dislocation and disruption in financial markets in 2008 provided dramatic proof. Banks with unsustainable business models collapsed or were rescued by governments.

In this context, our sustainability agenda must take into account the fundamental task of re-establishing confidence and trust in banks whilst continuing to maintain an unwavering focus on addressing the longer-term challenges that the world faces. We need to acknowledge what has gone wrong. We need to articulate the essential role banks play in the economy. We need to demonstrate that the way Standard Chartered works was – and is – sustainable and creates value for customers, investors and society as a whole.

So our approach to sustainability focuses both on continuing to manage our core banking practices responsibly and on the seven specific areas which have been at the heart of our sustainability strategy for some years. These are outlined below.

Responsible selling and marketing

Many people have seen the value of their investments drop as a result of the global financial crisis. Market dislocation has prompted increased customer and regulator awareness around the mis-selling of financial products. Both threaten to undermine the long-term wellbeing of the financial services sector and highlight how responsible selling and marketing has to be at the heart of banking. At Standard Chartered, we have always taken the protection of customers' funds seriously while endeavouring to match individual customers' risk profiles to the products offered to them.

Access to financial services

Improving access to financial services is a vital part of promoting economic growth and helping to bring people out of poverty. A continuing priority for us is to stimulate grassroots enterprise and we are on target to meet our $500 million Clinton Global Initiative commitment to provide access to microfinance. Since September 2006, we have provided $385 million of new credit lines and financial instruments to 52 partner microfinance institutions in Africa and Asia and provided technical support to increase their effectiveness.

In May 2008, we made a commitment to the UK Government's Millennium Development Goals Call to Action by launching a new programme which will include innovative financial products, skills development, business mentoring and research to help the crucial small and medium enterprise (SME) sector fulfil its growth potential.

Tackling financial crime

To effectively manage risks from financial crime, our Group Financial Crime Risk Committee is responsible for reviewing current and emerging financial crime risks and ensuring there

Credit extended to partner microfinance institutions

$385m

Value of renewable energy and clean technology projects financed since 2007

$3.2bn

is an appropriate risk management strategy in place to address those risks. In 2008, we launched a new Group strategy to tackle money laundering and extended the use of our monitoring systems for identifying suspicious transactions.

Community investment

Society is still failing to win the war on HIV/AIDS, with 6,800 new infections daily. To meet our commitment to educate one million people about HIV and AIDS by 2010, we extended our education programmes to SME customers in Africa, as well as to global corporations and to students around the world.

The challenges of preventable blindness and malaria also threaten lives and economic prospects across our markets. In October 2008, under the banner of Seeing is Believing – A New Vision, we made a commitment to provide eye care services to 20 million people in 20 cities by 2015. Nets for Life, a regional programme to tackle malaria in Africa, has distributed over one million anti-malarial nets since 2006. We have extended our commitment to supply a further five million nets by 2013.

Protecting the environment

We have all seen how a lack of international accord on the global financial system results in disarray. Just as multilateral co-operation is needed to address the global financial crisis, so too must an international agreement for environmental action be achieved in 2009. We will continue to play our part as a member of the Climate Group and Carbon Disclosure Project on climate change issues.

We are conscious of our responsibility to cut the carbon dioxide emissions caused by our operations and have exceeded our reduction targets for 2008. We work with employees, customers and other stakeholders to raise awareness, stimulate action and reduce their impact on the environment. In 2008, we began implementing our revised environment strategy with ambitious targets for 2011 and beyond.

Sustainable finance

By 2050, the world will need to generate twice the energy it does today but with half the carbon. At Standard Chartered, we have already financed over $3 billion renewable energy and clean technology projects and remain committed to growing our business further. Our financing of the SinAn-Gun Solar Power Project in Korea is an example. Generating 25 megawatts of electricity it is the largest photovoltaic plant in Asia.

We participated in a coalition of five leading financial institutions to shape the Climate Principles, launched in December 2008 and we are committed to implementing these across our business. In 2008, we introduced a range of Position Statements that set out our environmental and social policies in lending to customers on a broad range of sensitive issues, from climate change to child labour and from bio-fuels to ship-breaking.

Great place to work

Our employees have more than doubled in number over the past five years. Our culture has helped fuel our success but it could have become a victim of our growth as we assimilated many new people into the Bank. During 2008, we refreshed awareness of our values as a guiding compass of responsible behaviour, which we believe will sustain our success in future, along with the talents, diversity and values of our people. For more information please refer to our People section on page 28.

As a leading international bank, we recognise the importance of helping to re-invigorate growth by supporting our clients across Asia, Africa and the Middle East in new and improved ways of doing business, as well as helping address some of the world's most pressing social and environmental challenges.

www.standardchartered.com/sustainability

Group environment strategy Our global network of environment co-ordinators and committees implements the Group environment strategy in each country where we operate. During 2008, India's committee supported the India Carbon Disclosure Project launch, energy efficiency, volunteering, and innovative carbon financing.

Financial literacy training The Consumer Banking business in Singapore organised five investment seminars in 2008 on a range of investment topics to increase customers' financial literacy.

Positioning for the future

Delivering strong results during a time of unprecedented turbulence. Continued focus on the fundamentals of banking will assure the future for our customers and our business.

"We have delivered a solid operating performance in 2008 built on a liquid, diversified, de-risked balance sheet. We enter 2009 cautious but prepared both for the challenges and opportunities that will come."

Richard Meddings, Group finance director

Our highlights and achievements in 2008

- Strong operating profit delivered against a backdrop of unprecedented economic turmoil
- We exited 2008 with a liquid, diversified balance sheet and remain open for business to our customers
- The geographic spread of our business and income streams helped insulate the Group from the worst of the economic events in 2008
- A conservative approach to risk management has limited the impact of the sub-prime crisis on the Group
- We took advantage of our strength to add businesses and talent, wherever appropriate
- We continued with the integration of our investments in Korea, Taiwan, Pakistan and, on a global basis, American Express Bank (AEB)
- We further strengthened our capital position with a rights issue in December 2008

Our priorities in 2009

- We expect 2009 to be a year of continued economic turbulence with global recessionary conditions. Against this backdrop we believe the maintenance of a liquid, conservative and well diversified balance sheet is the best way to sustain the Group and serve our customers. We will pace investments and discretionary expenditure through the year
- Wholesale Banking will continue with disciplined execution of the existing client-focused strategy with effective management of capital, liquidity and risk
- Consumer Banking will continue to undergo significant repositioning, diversifying income streams and accelerating the transition to an increasingly customer-centric model

Group summary

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

The normalised cost to income ratio was 56 per cent, flat to 2007. Normalised earnings per share increased by one per cent to 174.9 cents. Further details of basic and diluted earnings per share are provided in note 14 on page 116.

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

The capital position of the Group was further strengthened by a rights issue completed in December 2008 and the Core Tier 1 ratio of 7.6 per cent is up from 6.6 per cent at the end of 2007.

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

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

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

Operating income and profit

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

* Underlying performance of the Group excludes the post-acquisition results of AEB only. Details of acquisitions are set out on page 42.
** 'Operating profit before impairment losses and taxation' is also referred to as 'working profit'.

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

The Group maintained a liquid and well-capitalised balance sheet throughout 2008, which was further bolstered by a rights issue launched in November 2008. As at 31 December 2008, the Group was a net lender into the interbank markets and had strong capital ratios. The failure of some financial institutions and stock market falls have, however, significantly reduced the appetite of retail and corporate customers for structured equity, commodity and exchange rate linked products, and this affected performance, particularly in the fourth quarter. The Group saw an increase in loan impairment in the latter months of 2008 and this contributed to a slowing performance in the second half of 2008.

The only significant acquisition was that of AEB. Its only material impact on performance was in the Americas, UK and Europe geographic segment. A description of the overall performance of AEB is included on page 42. References to 'underlying' exclude the post-acquisition results of AEB.

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

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

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

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

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

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

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

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

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

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

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

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

Operating profit was up $533 million, or 13 per cent, to $4,568 million. As explained in note 11 on page 114, the Group was required to recognise a gain of $233 million on the rights issue option. Profit before taxation was up $766 million, or 19 per cent, to $4,801 million.

Consumer Banking

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

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

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

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

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

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

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

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

Operating expenses increased by $450 million, or 13 per cent, to $3,843 million. Against a backdrop of slowing revenue growth the Group has been rigorous in reducing the cost base. Headcount has been reduced which has created capacity in the expense base for investment in infrastructure such as branch renovations in Korea, China and Taiwan, a continuation of the Private Bank roll out in China, Hong Kong and Singapore and product roll outs across the franchise.

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

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

Product performance

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

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

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

Geographic segment performance

Hong Kong

In Hong Kong, income was down $25 million, or two per cent, to $1,163 million. The second half of 2008 was particularly challenging. Falling equity markets and the failure of Lehman Brothers in mid-September led to widespread public concern over wealth management products in general. Sales of unit trusts, structured notes and other investment products slowed sharply in the second half of the year with a fall in fee income. Mortgage volumes grew $1.1 billion, but spread compression reduced interest income, although this was offset to some extent by increased fees on home insurance products, amongst others. Income from deposits increased, supported by new products and savings rate offer campaigns driving up liabilities by 23 per cent, which more than compensated for reduced margins. Operating expenses grew $109 million, or 23 per cent, to $587 million. Expenses increased, largely due to incremental staff and premises costs as a result of the expansion in the branch network. Incremental expenses relating to the impact of financial dislocation were incurred in the Wealth Management business. Working profit was down $134 million, or 19 per cent, to $576 million. Loan impairment grew $53 million, or 100 per cent, to $106 million. The rise in loan impairment was driven primarily by the SME segment which deteriorated in the latter part of the year as economic conditions worsened. Other impairment of $25 million reflects impairment on strategic investments. Operating profit was down $212 million, or 32 per cent, to $445 million.

Singapore

In Singapore, income grew $147 million, or 31 per cent, to $618 million. Income from mortgages rose, supported by lower customer attrition, and stronger sales which resulted in a doubling of share of new market sales to 20 per cent. Margins improved in the early part of the year, then compressed as a result of increased funding costs and intense competition. Wealth Management income grew 52 per cent, mainly from the acquisition of AEB as noted on page 42. Income was driven up by customer deposits which grew by 60 per cent as deposit gathering campaigns were launched, coupled with Wealth Management customers retaining funds largely in deposits. Excluding AEB, Wealth Management was adversely impacted by the global downturn, as customers switched away from unit trusts into lower fee earning treasury and deposit products. Operating expenses grew $98 million, or 51 per cent, to $289 million. Flow through costs from 2007 investments in Private Bank and other products contributed $31 million of this increase. Working profit grew $49 million, or 18 per cent, to $329 million. Loan impairment was up $5 million, or 33 per cent, to $20 million. An increase in the unsecured loan impairment as a result of the deteriorating economic conditions was offset by a lower charge in mortgages and SME, which benefited from proactive risk management. Operating profit was up $44 million, or 17 per cent, to $309 million.

Malaysia

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

Korea

In Korea, income was down $125 million, or 11 per cent, to $1,017 million. On a constant currency basis income rose four per cent. Income was adversely affected by the sharp downturn in the investment services market, where in the second half of 2008 income fell 52 per cent from the first half, and by a decision to reduce new sales in SME unsecured lending; a product set with higher margins but also higher risk. Margins on mortgages also reduced in the latter part of the year. Income benefited from recoveries of $14 million on assets that had been fair valued at acquisition, although this was down $53 million from 2007. Income also included a credit of $24 million from the economic hedges of the mortgage portfolio, which had an adverse impact on income of $102 million in 2007. Operating expenses were down $181 million, or 20 per cent, to $726 million. On a constant currency basis expenses fell five per cent. Expenses were tightly controlled with the extension of an early retirement programme helping reduce headcount and salary costs. Approximately 200 staff were redeployed to sales areas, with a similar number taking early retirement. Expenses also benefited from the release of certain provisions related to staff costs. This was offset by costs relating to repositioning and upgrading the branch footprint as part of the strategic reorganisation of the business, with 109 branches upgraded during the year. Marketing and brand expenditure also drove expenses higher. Working profit was up $56 million, or 24 per cent, to $291 million. On a constant currency basis working profit was up 39 per cent. Loan impairment was up $65 million, or 68 per cent, to $161 million. Impairment was driven higher by a number of factors. Increased debt restructuring applications increased impairment on unsecured lending products as the number of applicants increased through 2008. There was also deterioration in the SME sector, and in particular, the performance of the Business Instalment Loan portfolio in the second half of the year. Operating profit was down $9 million, or six per cent, to $130 million, though on a constant currency basis operating profit increased two per cent.

Other Asia Pacific

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

India

In India, income was up $76 million, or 19 per cent, to $484 million. Income was driven up by increased product volumes in SME and mortgages, with strong momentum in the second half. This strong volume growth more than offset a reduction in margins due to an increased cost of funding. Wealth Management was impacted by the global downturn with unit trust sales down sharply in the last quarter. Cards income fell as margins were squeezed and volumes were also reduced to de-risk the portfolio. Operating expenses were up $49 million, or 18 per cent, to $317 million. Expenses were driven higher by flow-through investment costs from 2007 and incremental premises and technology costs. Working profit was up $27 million, or 19 per cent, to $167 million. Loan impairment was up $12 million, or 16 per cent, to $89 million. Impairment was driven higher by increased delinquencies on personal lending products. There has, however, been no equivalent deterioration on cards or mortgages products. Other impairment was $7 million, reflecting impairment on strategic investments. Operating profit was up $8 million, or 13 per cent, to $71 million.

MESA

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

Africa

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

Americas, UK and Europe

In Americas, UK and Europe, the impact of the AEB acquisition was material and is covered on page 42. Underlying income increased $13 million, or 14 per cent to $108 million. Income growth was achieved despite falling interest rates and market volatility by realigning the relationship management sales teams, and by driving higher fee income, primarily from foreign exchange products and premium currency investments. Underlying operating expenses were up $1 million, or two per cent, to $55 million. Underlying working profit was up $12 million, or 29 per cent, to $53 million. Underlying other impairment was up $22 million representing provisions on strategic investments, which eliminated the improvements made at the working profit level. Underlying operating profit was down $10 million, or 24 per cent, to $31 million.

Wholesale Banking

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

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

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

During the year Wholesale Banking has realigned its financial disclosures to provide greater transparency. As a result, the Trade and Lending businesses have been split; the 'Trade' business, with income of $1,023 million in 2008 and $699 million in 2007, is now reported together with 'Cash Management and Custody' which are part of 'Transaction Banking'. The 'Lending' business, with income of $551 million in 2008 and $537 million in 2007, is now reported with 'Lending and Portfolio Management'. 'Global Markets' remains unchanged. An analysis of Wholesale Banking income by product is set out below:

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

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

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

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

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

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

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

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

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

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

Product performance

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

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

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

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

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

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

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

Geographic segment performance

Hong Kong

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

Singapore

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

Other impairment of $30 million represents provisions made against private equity investments. Operating profit was up $254 million, or 140 per cent, to $435 million.

Malaysia

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

Korea

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

Other Asia Pacific

In Other Asia Pacific, income was up $377 million, or 40 per cent, to $1,310 million. Strong Transaction Banking income growth was driven off deposit growth, improved margins and fee income. In Thailand, the loosening of capital control measures allowed increases in currency and interest rate product sales to grow income. Income in Taiwan benefited from recoveries of $21 million on assets that had been fair valued at acquisition, up $18 million from 2007. China, Indonesia and Vietnam all saw an increase in foreign exchange and derivative sales. In China, income was up 29 per cent to $489 million. Operating expenses in Other Asia Pacific were up $185 million, or 42 per cent, to $630 million. Expenses across all countries were driven higher by staff and premises costs and investments. In China operating expenses were up 40 per cent to $229 million. Working profit across the region was up $192 million, or 39 per cent, to $680 million. Loan impairment was up $116 million from $10 million in 2007. Loan impairment increased in Indonesia from exposure to the steel sector and in Taiwan against electronic and computer manufacturers. Loan impairment in China was up $12 million to $13 million. Other impairment in Other Asia Pacific was up $79 million as provisions were made against private equity investments; $70 million of this increase related to China. Operating profit was down $3 million, or one per cent, to $475 million, of which $177 million came from China.

India

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

MESA

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

Africa

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

Americas, UK and Europe
In Americas, UK and Europe, the impact of the AEB acquisition was material and is covered below. Income on an underlying basis increased by $116 million, or 32 per cent, to $473 million. Growth in client revenues in fixed income sales was strong, up 23 per cent, and Corporate Advisory and Structured Finance up 75 per cent. ALM also performed well taking advantage of declining interest rates. The income growth was, however, offset by higher credit loss provisions. Underlying expenses grew $123 million, or 18 per cent, to $795 million, reflecting continued investment in the region, amortisation of intangibles relating to the acquisitions of Harrison Lovegrove and Pembroke, and increased depreciation on aircraft leases in respect of the Pembroke business. Loan impairment charges increased $28 million from a net recovery position of $15 million in 2007. Other impairment charges increased by $107 million to $162 million. This was due to provisions taken for impairment on debt securities, private equity and strategic investments. Impairment on asset backed securities was up $6 million to $41 million. The underlying operating loss increased from $355 million to $497 million.

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

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

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

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

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

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

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

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

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

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

Managing risk responsibly

Standard Chartered has a well-established risk governance structure and an experienced risk team. The Group's balance sheet and liquidity position remain strong and it is prepared to deal with the challenges arising from global recessionary conditions.

"The Group has taken pre-emptive action to reshape the portfolio, tighten underwriting standards and increase the frequency of risk monitoring and stress testing in anticipation of a downturn."

Gareth Bullock, Group executive director

Risk profile

- Well-established risk governance structure and experienced senior team
- Low exposure to higher-risk asset classes and segments
- Diversified portfolio across countries, products and customer segments
- Strong liquidity position

Principal risks and uncertainties

- Macroeconomic conditions in footprint countries
- Changes in government and regulatory policy
- Financial markets dislocation
- Instability in financial services industry
- Reduced access to funding
- Volatility in exchange rates

Except where indicated (#) the following Risk review is a part of the audited financial statements.

Risk overview#

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

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

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

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

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

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

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

The Group invested considerable effort preparing for the introduction of the Basel II capital adequacy framework by refining analytical tools, ensuring data quality, improving data infrastructure and strengthening processes. These enhanced capabilities and the resultant management information are being leveraged to inform further the Group's business, risk and capital management decisions.

Risk performance review#

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

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

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

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

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

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

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

Principal risks and uncertainties#

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

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

Macroeconomic conditions in footprint countries

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

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

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

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

Changes in government and regulatory policy

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

Financial markets dislocation

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

Instability in the financial services industry

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

Reduced access to funding

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

Exchange rates

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

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

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

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

Risk management

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

Risk management framework

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

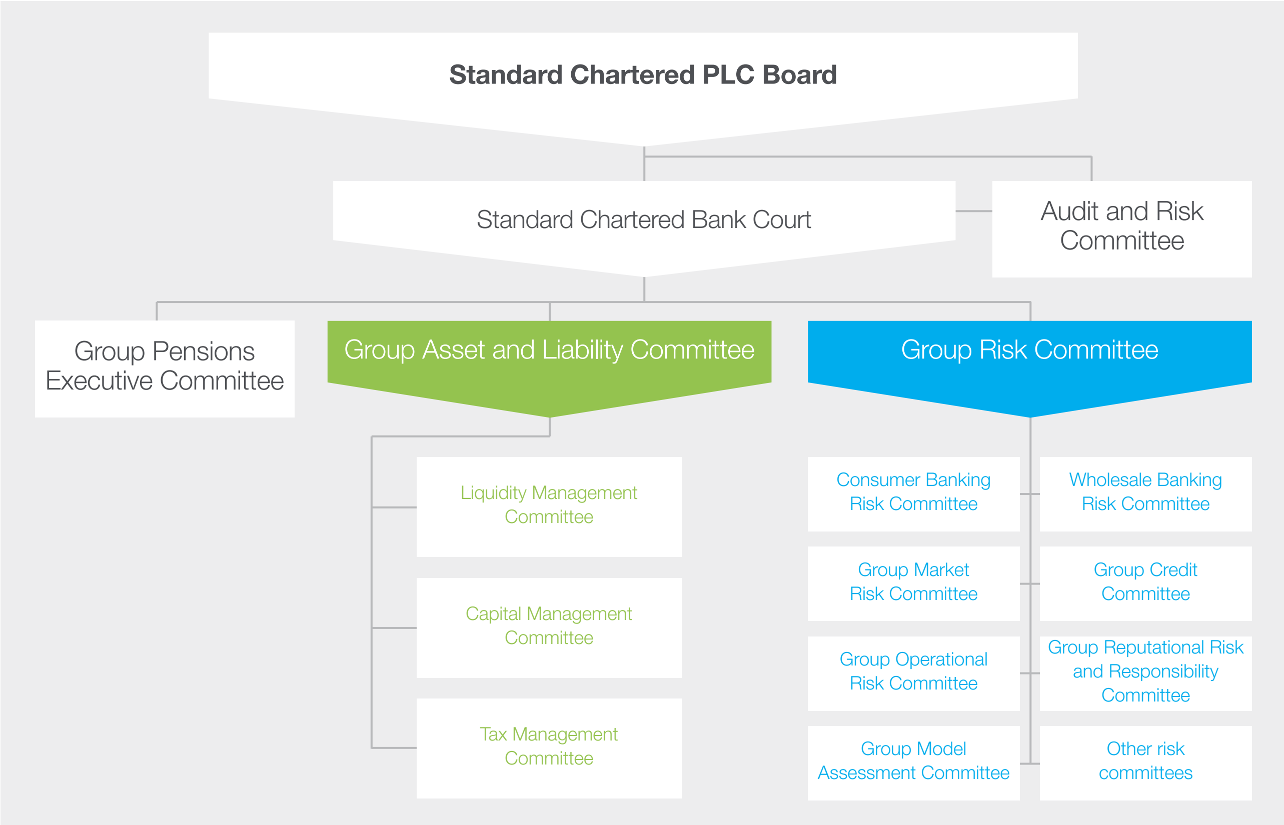
Through its risk management framework the Group manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within its risk appetite.

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

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

The following diagram illustrates the high level risk committee structure:

Group risk committee structure



Risk governance

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

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

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

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

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

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

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

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

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

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

The Risk function performs the following core activities:

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

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

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

Risk policy framework

Risk appetite

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

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

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

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

Stress testing

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

The Group has a stress testing framework designed to:

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

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

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

Stress testing framework

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

Credit risk

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

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

Credit policies

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

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

Credit rating and measurement

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

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

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

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

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

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

Credit approval

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

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

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties, by industry sector and country in Wholesale Banking; and by product and country in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating.

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

Credit monitoring

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

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

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

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

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

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

Credit mitigation

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

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

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

Certain credit exposures are mitigated using credit default insurance.

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

Traded products

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

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

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

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

Securities

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

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

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

Loan portfolio

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

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

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

Growth in the Wholesale Banking customer portfolio was $23.2 billion, or 31 per cent. Over 18 per cent of that growth was in Other Asia Pacific, widely spread across a number of countries. The growth in Americas, UK and Europe was driven by an increase in credit facilities extended to customers to support the business they do elsewhere in the Group's network.

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

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

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

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

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

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

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

Maturity analysis

Approximately 52 per cent of the Group's loans and advances to customers are short-term, having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short-term, with 72 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 59 per cent of the portfolio is in the mortgage book, traditionally longer-term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

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

	2008			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Loans to individuals				
Mortgages	**2,357**	**6,883**	**38,327**	**47,567**
Other	**11,575**	**7,118**	**2,756**	**21,449**
Small and medium enterprises	**6,780**	**2,653**	**2,215**	**11,648**
Consumer Banking	**20,712**	**16,654**	**43,298**	**80,664**
Agriculture, forestry and fishing	**1,008**	**259**	**137**	**1,404**
Construction	**1,943**	**356**	**26**	**2,325**
Commerce	**15,732**	**1,477**	**142**	**17,351**
Electricity, gas and water	**1,108**	**345**	**1,233**	**2,686**
Financing, insurance and business services	**19,057**	**6,026**	**480**	**25,563**
Governments	**4,476**	**43**	**163**	**4,682**
Mining and quarrying	**3,238**	**1,449**	**1,133**	**5,820**
Manufacturing	**18,300**	**5,293**	**1,266**	**24,859**
Commercial real estate	**2,186**	**4,064**	**107**	**6,357**
Transport, storage and communication	**2,988**	**1,743**	**1,054**	**5,785**
Other	**1,271**	**337**	**59**	**1,667**
Wholesale Banking	**71,307**	**21,392**	**5,800**	**98,499**
Portfolio impairment provision				**(651)**
				178,512

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

Problem credit management and provisioning

Consumer Banking

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

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

A portfolio impairment provision (PIP) is held to cover the inherent risk of losses which, although not specifically identified, are known through experience to be present in the loan portfolio. PIP is calculated with reference to past flow-rate and recovery rate experience, and is adjusted to take account of a number of forward-looking factors. These include the economic and business environment in the Group's markets, and trends in a range of portfolio indicators such as portfolio loss severity, collections and recovery performance trends.

The procedures for managing problem credits for the medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 54). For unsecured loans to small businesses within the SME segment, the problem credit management process is similar to that of other unsecured products in Consumer Banking.

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

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

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

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

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

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

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

Wholesale Banking

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

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

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

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

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

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

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

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

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

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

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

Movement in Group individual impairment provision

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

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

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

Asset backed securities#

Total exposures to asset backed securities#

The Group had the following exposures to asset backed securities:

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

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

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

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

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

14 per cent of the overall portfolio is in CDOs. This includes $208 million of exposures to Mezzanine and High Grade CDOs of ABS, of which $173 million have been impaired. The remainder of the CDOs have a weighted average credit rating of AA+.

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

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

Following an amendment to IAS 39 in 2008, the Group reclassified some of its asset backed securities from trading and available-for-sale to loans and receivables. The securities were reclassified at their fair value on the date of reclassification. The impact of these reclassifications on the Group's profit and loss account and available-for-sale reserve for 2008 is set out in note 15 to the financial statements.

Writedowns of asset backed securities#

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

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

Country risk

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

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

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

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

Cross border exposure to several of the Group's key markets has risen significantly year on year. This reflects the Group's focus and continued expansion in its core countries and the execution of underlying business strategies in these key markets. This is demonstrated by the overall exposure increases across various businesses in China, India, Hong Kong, Singapore and UAE.

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

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

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

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

Market risk

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

The primary categories of market risk for Standard Chartered are:

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

Market risk governance

The Group Market Risk Committee (GMRC), under authority delegated by the GRC, is responsible for setting Value at Risk (VaR) and stress loss limits for market risk within the Group's risk appetite. The GMRC is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group. The trading book is defined as per the FSA Handbook's Prudential Sourcebook for Banks, Building Societies and Investment Firms (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 options' value.

Value at Risk (VaR)

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

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

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

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

Back testing

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

Stress testing

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

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

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

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

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

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

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

Market risk changes

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

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

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

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

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

Trading (VaR at 97.5%, 1 day)

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

* Interest rate risk VaR includes credit spread risk.

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

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

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

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

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

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

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

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

* Interest rate VaR includes credit spread risk.

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

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

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

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

Market risk coverage

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

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

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

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

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

Equity risk relating to private equity and strategic investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. Equity shareholdings are detailed in notes 16 and 23 to the financial statements.

Market risk regulatory capital#

At Group level, the FSA specifies minimum capital requirements against market risk. The FSA has granted the Group CAD2 internal model approval covering the majority of interest rate and foreign exchange risk in the trading book. In 2008 the scope was extended to include precious and base metals market risk. Positions outside the CAD2 scope are assessed according to standard FSA rules. At 31 December 2008 the Group's market risk regulatory capital requirement was $735.2 million (2007: $664.0 million).

Derivatives

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

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

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

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

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate customers. This is covered in more detail in the Credit risk section on page 48.

Hedging

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

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

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

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

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

Liquidity risk

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

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

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

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

Policies and procedures

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

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

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

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

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

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

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

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

Primary sources of funding

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

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

Liquidity metrics

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

Advances to deposit ratio

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

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

* See note 15 to the financial statements on page 117.

Liquid asset ratio

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

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

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

Operational risk#

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

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

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

Regulatory risk#

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

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

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

Reputational risk#

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

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

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

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

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

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

Pension risk#

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

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

Tax risk#

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

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

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

Maintaining strong capital ratios

Actively managing the capital mix to support the strategy, using capital as a source of competitive advantage.

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

Capital management

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

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

The capital plan takes the following into account:

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

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

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

Compliance with Capital Adequacy Regulations

The Group's lead supervisor is the FSA. The capital that the Group is required to hold by the FSA is determined by its balance sheet, off-balance sheet and market risk positions weighted according to the type of counterparty instrument and collateral held. Further detail on counterparty and market risk positions is included in the Risk review section on pages 59 to 61.

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

The table on page 65 summarises the capital position of the Group. The principal forms of capital are included in the following balances on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital increased by $1,328 million during the year. The rights issue completed in December 2008 increased ordinary share capital by $2,680 million. The issuance of preference shares in May and September 2008 increased capital by $925 million. Qualifying subordinated liabilities increased following the issue of £700 million, €400 million, KRW350 billion, SGD450 million and JPY10 billion of Lower Tier 2 subordinated debt. The increase attributable to qualifying securities is offset by the repurchase of $1,025 million Upper Tier 2 capital which took place in December 2008.

Basel II

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

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

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

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

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

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

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

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

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

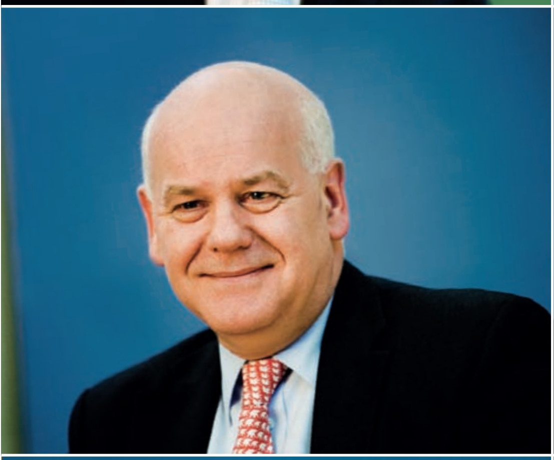
	Basel II		Basel I
	2008 $million	2007 $million	2007* $million
Tier 1 capital:			
Called-up ordinary share capital and preference shares	**12,478**	8,915	8,915
Eligible reserves**	**11,191**	11,502	11,382
Minority interests	**228**	271	271
Innovative Tier 1 securities	**1,974**	2,338	2,338
Less: restriction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

* Amounts have been restated as explained in note 53 on page 163.

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

† Risk weighted assets by business and geographic segment is set out on page 173.

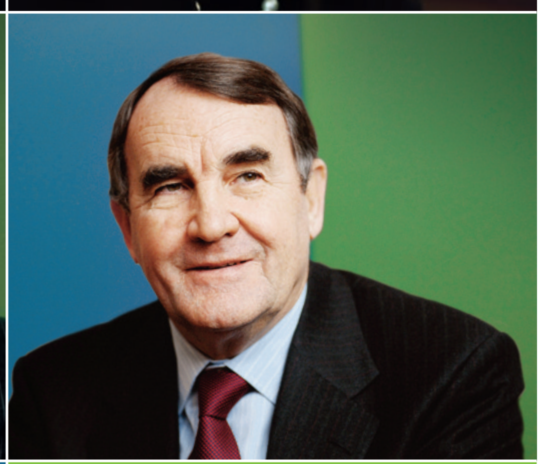
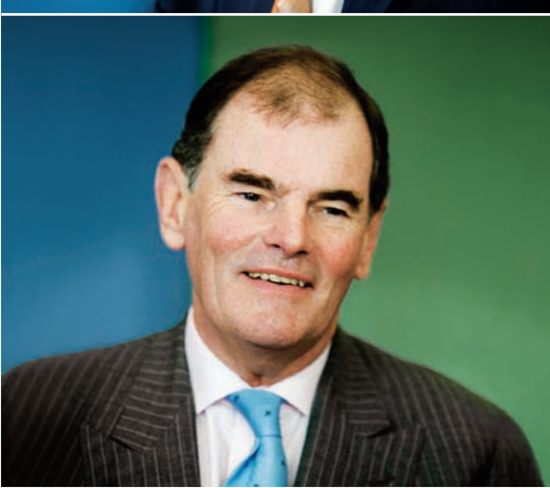






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7	8	9
10	11	12
13	14	

Board of directors

1. John Peace, acting chairman, non-executive director

Appointed to the board on 1 August 2007 and as acting chairman on 14 January 2009. He is chairman of Experian plc and Burberry Group plc. He is also chairman of the board of governors of Nottingham Trent University, deputy lieutenant for the County of Nottinghamshire, a fellow of the Royal Society of Arts and chairman of The Work Foundation. Previously he was Group chief executive of GUS plc from 2000 until 2006, having been a director of GUS since 1997. Age 60.

2. Peter Sands, Group chief executive

Appointed to the board on 14 May 2002 and as Group chief executive on 20 November 2006. He had been Group finance director since his appointment to the board and was responsible for finance, risk, strategy and technology and operations. Before his appointment to the Standard Chartered PLC board he was a director with worldwide consultants McKinsey & Co. He had been with McKinsey since 1988, where he worked extensively in the banking and technology sectors in a wide range of international markets. Age 47.

3. Richard Meddings, Group finance director

Appointed to the board on 16 November 2002. He was appointed as Group finance director on 20 November 2006 and is responsible for finance, corporate treasury and corporate development. Immediately prior to this he was Group executive director responsible for growth and governance across Africa, the Middle East, Pakistan, the United Kingdom, Europe and the Americas and before that was responsible for risk, special assets management and legal & compliance. He is a non-executive director of 3i Group plc. Before his appointment to the Standard Chartered PLC board he was chief operating officer, Barclays private clients at Barclays PLC and prior to that Group financial controller at Barclays PLC. Age 50.

4. Gareth Bullock, Group executive director

Appointed to the board on 6 August 2007. He is Group executive director with responsibility for growth and governance in Africa, the Middle East, Europe and the Americas and for risk and special asset management. He joined Standard Chartered in 1996 and was appointed as a director of Standard Chartered Bank in 2003. His previous senior appointments include Group head of strategy, Group chief information officer and CEO Africa. He is chairman of MCashback Limited and is a non-executive director of Fleming Family & Partners Limited and of Spirax-Sarco Engineering PLC. Age 55.

5. Steve Bertamini, Group executive director

Appointed to the board on 1 June 2008 and is chief executive officer, Consumer Banking. Previously he spent 22 years with GE, most recently as chairman and CEO of GE North East Asia, with responsibility for Greater China, Korea, and Mongolia. He was also responsible for GE's acquisition and merger business in the Asia-Pacific region from 2004 and president of GE Capital Asia since January 2001. Age 44.

6. Jamie Dundas, non-executive director

Appointed to the board on 15 March 2004. He is chairman of Jupiter Investment Management Holdings Limited and a non-executive director of Drax Group plc. He is also chairman of Macmillan Cancer Support. Previously he was chief executive officer of the UK property company MEPC and finance director of the Airport Authority Hong Kong, and prior to that a director of Morgan Grenfell & Co Limited. Age 58.

7. Val Gooding CBE, non-executive director

Appointed to the board on 1 January 2005. She is a non-executive director of J Sainsbury plc and of the Lawn Tennis Association and of the BBC's executive board. She is also a trustee of the British Museum. Previously she was chief executive officer of BUPA and director, Asia Pacific with British Airways. Age 58.

8. Rudy Markham, acting senior independent non-executive director

Appointed to the board on 19 February 2001. He is a non-executive director of Legal and General Group Plc, AstraZeneca PLC and of United Parcel Service, Inc. and is a member of the board of the Financial Reporting Council. Previously he was chief financial officer of Unilever. Age 62.

9. Ruth Markland, non-executive director

Appointed to the board on 3 November 2003. She is chairman of the board of trustees of the WRVS and a non-executive director of The Sage Group plc. Previously she was managing partner, Asia for the international law firm Freshfields Bruckhaus Deringer. Age 56.

10. Sunil Mittal, non-executive director

Appointed to the board 1 August 2007. He is chairman and Group CEO of Bharti Enterprises. He sits on various boards and councils including the Prime Minister of India's Council on Trade and Industry, the India Advisory Council of the Harvard Business School, the Singapore-India Partnership Foundation, the executive board of the Indian School of Business. He is the recipient of Padma Bhushan, one of the highest civilian awards in India. Age 51.

11. John Paynter, non-executive director

Appointed to the board on 1 October 2008. He is a non-executive director of Jardine Lloyd Thompson Group plc and was previously vice chairman of JPMorgan Cazenove. He joined Cazenove in 1979, was appointed partner in 1986, and later headed corporate finance, Cazenove's largest business. Age 54.

12. Paul Skinner, non-executive director

Appointed to the board on 3 November 2003. He is chairman of Rio Tinto plc. He is a non-executive director of the Tetra Laval Group and L'Air Liquide SA. He is chairman of the Commonwealth Business Council, a member of the board of INSEAD, and also of the defence board of the UK Ministry of Defence. Previously he was a director of The 'Shell' Transport and Trading Company plc and group managing director of the Royal Dutch/Shell group of companies where he was CEO of its global oil products business. Age 64.

13. Oliver Stocken, non-executive director

Appointed to the board on 1 June 2004. He is chairman of Home Retail Group plc, deputy chairman of 3i Group plc and chairman of Oval Limited and Stanhope Group Holdings Limited. He is also chairman of the trustees of the Natural History Museum. Previously he was group finance director of Barclays PLC. Age 67.

14. Annemarie Durbin, Group company secretary

Senior management

Group management committee

The Group management committee as at 3 March 2009 comprises the executive directors of Standard Chartered PLC and the following senior executives:

Jaspal Bindra

Joined Standard Chartered in 1998. He is a director of Standard Chartered Bank and chief executive officer, Asia. He has previously held the positions of general manager, South East and South Asia, global head client relationships and regional general manager, India. He is a director of Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Taiwan) Limited, Scope International Private Limited and chairman of Standard Chartered (Thai) Public Company Limited, Prime Financial Holdings Limited and Scope International (Malaysia) Sdn Bhd. Age 48.

Tracy Clarke

Joined Standard Chartered in 1985. She is Group head of human resources. She has previously held the positions of Group head corporate affairs, head of the Group chief executive's office and other banking roles in the UK and Hong Kong. She is a non-executive director of eaga plc. Age 42.

David Edwards

Joined Standard Chartered in 1999. He is president and chief executive officer of Standard Chartered First Bank Korea Limited. He has previously held the positions of chief operating officer of Wholesale Banking, Group head risk and Group special assets management, regional general manager, Middle East and South Asia and Group head risk management. Age 55.

Richard Goulding

Joined Standard Chartered in 2002. He is Group chief risk officer. He was previously the chief operating officer of Wholesale Banking. Prior to joining the Group he was chief operating officer of the Old Mutual Group and before that was a member of the global executive board of UBS investment banking division. Age 49.

Tim Miller

Joined Standard Chartered in 2000. He is director, people, property and assurance and has responsibility for human resources, corporate real estate, compliance and regulatory risk, legal, global research and operational excellence. He also has functional responsibility for internal audit and the corporate secretariat. He was previously Group head of human resources. He is non-executive chairman of Standard Chartered First Bank Korea Limited, a non-executive director of Michael Page International plc and a member of the *ifs* board of governors and vice president, organisation and resourcing at the Chartered Institute of Personnel and Development. Age 51.

Mike Rees

Joined Standard Chartered in 1990. He is a director of Standard Chartered Bank and chief executive officer, Wholesale Banking. He has previously held the positions of chief financial officer of Group treasury, regional treasurer in Singapore and Group head of global markets. Age 53.

Vis Shankar

Joined Standard Chartered in 2001. He is Group head of origination and client coverage and is executive chairman of principal finance and chairman of The Standard Chartered Private Bank. He has previously held the position of Group head, corporate finance. He is a member of the board of the Inland Revenue Authority of Singapore and on the board of trustees of Sinda, Singapore. Age 51.

Jan Verplancke

Joined Standard Chartered in 2004. He is chief information officer and Group head of technology and operations and is responsible for all systems development, technology support and banking operations. Prior to joining the Group he was chief information officer – EMEA at Dell. Age 45.

Report of the directors

The directors have pleasure in submitting their report and the financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

Business review

The Company is required to present a fair review of the business performance of the Group during the financial year ended 31 December 2008, a description of the principal risks and uncertainties facing the Group and the future developments of the business. These are covered in the Chairman's Statement on pages 6 and 7, the Group chief executive's review on pages 8 to 11, the key performance indicators on pages 12 and 13 and the business, financial and risk reviews on pages 16 to 63. Each is incorporated by reference into, and form part of, this directors' report.

Principal activities

The Company is the holding company for the Standard Chartered Group of companies. The Group operates globally and is principally engaged in the business of retail and commercial banking and the provision of other financial services.

Areas of operation

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

Results and dividends

A final dividend of 42.32 cents (2007: 56.23 cents, 42.27 cents post rights issue adjustment) is recommended for the year ended 31 December 2008. This is the same absolute monetary amount that would have been paid had the rights issue not been implemented. This, together with the interim dividend already paid, makes a total dividend for the year of 61.62 cents (2007: 79.35 cents, 59.65 cents post rights issue adjustment). The final dividend, if approved at the 2009 Annual General Meeting (AGM), will be paid on 15 May 2009 to shareholders on the register as at 13 March 2009.

The ordinary shareholders will be offered the choice to receive their cash dividends in sterling, Hong Kong dollars or US dollars. It is also intended that a share dividend alternative to the cash dividend will be offered during 2009.

Post balance sheet event

Please refer to note 55 on page 164.

Going concern

The directors, having made appropriate enquiries, consider that the Company and the Group as a whole have adequate resources to continue in operational business for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

Share capital

The issued ordinary share capital of the Company was increased by 486,507,906 during the year. 5,410,537 ordinary shares were issued under the Company's employee share plans at prices between nil and 1243.0 pence. 11,082,539 ordinary shares were issued under the Company's share dividend scheme and 470,014,830 ordinary shares were issued under the rights issue announced on 24 November 2008.

On 27 May 2008, the Company issued 337,500 non-cumulative redeemable preference shares of $5 each (US Preference Shares) and, on 19 September 2008, the Company issued a further 125,000 US Preference Shares. Further details can be found in note 38 on page 145.

The Company has one class of ordinary shares which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at general meetings of the Company. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held. The US Preference Shares issued by the Company on 27 May 2008 and on 19 September 2008 each carry 8.125 per cent interest but do not carry voting rights.

The issued nominal value of the ordinary shares represent 76.7 per cent of the total issued nominal value of all share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Rights issue underwriting agreement

On 24 November 2008, the Company entered into an Underwriting Agreement (the Agreement) with Dover Investments Pte Ltd (Dover), JPMorgan Cazenove Limited, UBS Limited, Goldman Sachs International and J. P. Morgan Securities Ltd. Under the Agreement, UBS Limited, Goldman Sachs International, J. P. Morgan Securities Ltd. and Dover (the Underwriters) agreed to take up 469,865,678 new ordinary shares (the New Shares) in the proportions set out in the Agreement at a price of 390 pence (HK$45.11) (the Issue Price) to the extent that the shares were not taken up by the Company's shareholders under the rights issue.

In consideration of the Underwriters' agreement to underwrite the New Shares and the joint bookrunners services, the Company agreed to pay to UBS Limited, Goldman Sachs International and JPMorgan Cazenove Limited (the Joint Bookrunners), a total commission to be shared amongst them of 2.75 per cent of the aggregate value at the Issue Price of the New Shares underwritten by them; and to Dover, a commission of 1.75 per cent of the aggregate value at the Issue Price of that number of New Shares underwritten by it which is equal to the number of new ordinary shares which Dover was entitled as a shareholder to take up under the rights issue and a commission of 2.75 per cent of the aggregate value at the Issue Price of the balance of the New Shares underwritten by it.

The underwriting fee was determined in accordance with market rates.

Under the Agreement, the Company agreed to pay all costs and expenses of the rights issue, the allotment and issue of the New Shares and the Underwriting Agreement.

The directors consider that the terms of the Agreement were fair and reasonable and that the Agreement was in the best interests of shareholders as a whole.

Authority to purchase own shares

At the Company's AGM held in May 2008, the shareholders renewed the Company's authority to make market purchases of up to 141,042,099 ordinary shares, equivalent to approximately 10 per cent of the Company's issued ordinary shares as at 19 March 2008, and up to all of the Company's issued preference share capital. These authorities were not used during the year and remained in force at 31 December 2008. In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange on 16 April 2008, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of the waiver, in connection with any shares it may hold in treasury. At the forthcoming AGM, shareholders will be asked to renew these authorities. Details are contained in the Notice of AGM. The Company held no treasury shares during the year.

Major interests in shares and voting rights

As far as the directors are aware as at 31 December 2008, Temasek Holdings (Private) Limited (Temasek) was the only shareholder that had an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting of the Company.

As at 2 March 2009, the Company had been notified by the following company of its interests in the total voting rights of the Company:

Shareholder	Number of ordinary shares	Percentage of voting rights indirect	Percentage of voting rights direct
Temasek*	356,613,884	–	18.81

* The Company has been notified that Temasek's interest in the total voting rights of the Company is held indirectly through Fullerton Management Pte Ltd, Dover and other subsidiaries of Fullerton Management Pte Ltd.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in note 38 on pages 144 and 145.

Board members

The present members of the board, together with their biographical details, are shown on pages 66 and 67.

Steve Bertamini joined the board as an executive director on 1 June 2008 and John Paynter was appointed as an independent non-executive director on 1 October 2008.

Sir CK Chow, Mike DeNoma and Lord Turner resigned as members of the board on 7 May, 1 June and 19 September 2008 respectively.

On 14 January 2009, Lord Davies retired as chairman of the board following his appointment as Minister for Trade and Investment to the UK Government. On the same day, John Peace was appointed as acting chairman and Rudy Markham was appointed as acting senior independent director.

Re-election of directors

In accordance with the Company's articles of association, Steve Bertamini and John Paynter, who were appointed since the last AGM, will offer themselves for election at the 2009 AGM. Jamie Dundas, Rudy Markham, Ruth Markland, Richard Meddings and John Peace will retire by rotation and, being eligible, will offer themselves for re-election at this year's AGM.

Directors' interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2008 are shown in the directors' remuneration report on pages 80 to 93.

Qualifying third party indemnities

The Company has granted to all of its directors indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2008 and remain in force at the date of this report.

Risk management

There is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The risk management objectives, policies and procedures, including the policy for hedging risk; the Group's exposure to credit risk; liquidity risk and market risk are covered in the risk review on pages 43 to 63 of this report. Company only risks are managed as a part of overall Group risks.

Significant contracts and agreements

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

Related party transactions

Details of transactions with directors and officers and other related parties are set out in note 56 on page 165.

Connected/continuing connected transactions

By virtue of its shareholding of more than 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Listing Rules of The Stock Exchange of Hong Kong Limited (the HK Listing Rules) respectively (together, the Rules). Neither Temasek nor its associates are related parties for the purposes of IAS 24.

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates (as defined under the Rules) as a result of such shareholding, to the detriment of other shareholders in the Company. Unless transactions which the Company and its subsidiaries undertake with Temasek or its associates are specifically exempt under the Rules or are the subject of a specific waiver, they may require a combination of announcements, reporting, shareholder approval and/or additional disclosure. To ensure transparency, the Rules also impose additional reporting and disclosure requirements on the Company in respect of certain non-exempt and other transactions with Temasek or its associates.

On 10 January 2008, the Company and HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaCommercial Trust (being an associate of Temasek), entered into a Framework Agreement in relation to continuing connected transactions for the leasing of premises.

On 24 November 2008, the Company entered into an Underwriting Agreement with Dover Investments Pte Limited (a wholly owned subsidiary of Temasek). Details of the Underwriting Agreement are set out on page 69.

During the year, the Group also entered into certain non-exempt continuing connected transactions with Temasek and its associates in the normal course of its business for which shareholder authority was obtained at the 2007 AGM. This authority expires on 3 May 2010.

Further details of the above-mentioned Framework Agreement and continuing connected transactions are set out in the Supplementary Financial Information on pages 173 and 174.

The independent non-executive directors of the Company confirm that the continuing connected transactions have been entered into by members of the Group with Temasek or its associates:

- in the ordinary and usual course of business of the Group;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purposes of Rule 14A.38 of the HK Listing Rules, the Company's auditor, KPMG Audit Plc and its associated firms (together KPMG), has performed certain agreed-upon procedures on the aforementioned continuing connected transactions for the year ended 31 December 2008, in accordance with International Federation of Accountants Related Services 4400 'Engagement to Perform Agreed-Upon Procedures Regarding Financial Information'.

KPMG have reported their factual findings on these procedures to the board of directors and confirmed that for the year for those continuing connected transactions selected: (i) they have received approval of the board of directors; (ii) they have been entered into in accordance with the pricing policies of the Group; (iii) they have been entered into in accordance with the relevant agreement governing the transaction; and (iv) they have not exceeded the relevant annual caps disclosed in previous announcements.

Employee policies and engagement

The Group is committed to open, honest and productive relationships with its employees. Employees are provided with clear and timely communication by senior management to ensure that they understand the financial and economic factors that affect the performance of the Group.

The Group employs over 70,000 staff in 75 countries and territories. The average number of people employed by the Group in the United Kingdom during the year was 1,610 and their total remuneration for the year was $362 million.

As part of its approach to employee engagement, the Group operates worldwide share plans. All employees are invited to participate in the Group's all-employee sharesave schemes and share in the success of the Group. Further details of the sharesave schemes are given in the Directors' remuneration report on page 86 and in note 42 on pages 148 to 153.

The Group's employment policies are designed to accommodate the relevant social, statutory and market conditions and practices in each country where the Group operates. It is committed to equality of opportunities and diversity for all regardless of gender, race, age, physical ability, religion or sexual orientation. This applies equally to recruitment and to the promotion, development and training of people who are already part of the Group.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom by providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled, every effort is made to ensure their employment continues, with appropriate training where necessary.

The Group has measured employee engagement for the last eight years using the Gallup Organization's Q^{12} survey. The annual survey provides important feedback to managers and teams and internal research has demonstrated a strong relationship between high engagement and increased business performance. In 2008, almost 95 per cent of employees voluntarily took part in the survey.

Major customers

Taken together, the five largest customers of the Group account for 2.31 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2008.

Creditor payment policy

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

The Company is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding for the Company as at 31 December 2008. For the Group's operation in the United Kingdom, there were 43 days' purchases outstanding as at 31 December 2008.

Community investment

The Group is committed to building a sustainable business and a more sustainable society, recognising its responsibility to invest in the communities in which it operates. In 2008, the Group made a total investment of $48.6 million (2007: $24.5 million) to charities, community organisations and causes across its footprint. This included direct financial support of $30.5 million (2007: $18.2 million), and indirect contributions, which comprise employee time; the donation of non-monetary goods; and funds raised by our employees of $13.3 million (2007: $2.3 million).[1]

The Group focuses community investment activity on a number of major programmes: Living with HIV, Seeing is Believing, Nets for Life and Women's Empowerment, as well as on a wide range of local initiatives. These are underpinned by employee volunteering activities. Further details of community projects can be found in the Business review on pages 30 and 31.

HIV/AIDS policy

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

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

1 The Group uses the London Benchmarking Group framework to classify community investment. The increase in direct cash investment in 2008 results from some existing programmes newly having a community or charitable component, becoming eligible to be classed as community investment; funding of extraordinary events, such as the Szechuan earthquake relief and reconstruction efforts; and improved reporting.

Environmental policy

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

A copy of the Group's environmental policy is available to shareholders on the Company's website.

Social, ethical and environmental (SEE) responsibilities

A report on SEE responsibilities can be found on page 79 of this report and further details of the Group's policies on SEE risk can be found on the Company's website.

Electronic communication

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

To promote environmental awareness, the Company encourages its shareholders to receive the Company's corporate documents electronically. The annual and interim financial statements, notice of AGM and dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future please contact the Company's registrars at the address on page 177.

Shareholders are also able to vote electronically on the resolutions being put to the AGM through the Company's registrars website at: www.investorcentre.com

Annual general meeting

The Company's AGM will be held at 12 noon (UK time) (7.00 pm Hong Kong time) on Thursday 7 May 2009 at The Honourable Artillery Company, Armoury House, City Road, London, EC1Y 2BQ. Details of the business to be conducted at the AGM are contained in the notice of meeting for the AGM.

Auditor

The audit and risk committee reviews the appointment of the external auditor, the auditor's effectiveness and its relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditor. Having reviewed the independence and the effectiveness of the external auditor, a resolution will be proposed at the 2009 AGM to reappoint KPMG as auditor to the Company. So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the directors has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of any relevant audit information.

By order of the board

Annemarie Durbin
Group company secretary
3 March 2009

www.standardchartered.com

Pursuing the highest standards of corporate governance

"Strong governance is dependent upon a board of directors that is cohesive, independent in nature, fully engaged and committed to the role and, as a result, operates effectively."

Annemarie Durbin, Group company secretary

Highlights

- Highly engaged cohesive board operating effectively during turbulent times
- Intensified focus on strategic capital, liquidity, cost and risk management
- Rigorous oversight of the Group's performance
- Continued focus on acting in our stakeholders' best interests
- Strategic reviews of various country, regional, business segment and product areas
- Adoption of rigorous procedures in relation to conflicts of interests and other matters arising from the implementation of the Companies Act 2006
- Ongoing consideration of strategic opportunities arising from the market turmoil

Our priorities in 2009

- Rigorous focus on delivery during ongoing turbulent times
- Maintain focus on strategic, capital, liquidity, cost and risk management
- Continued review of the role of the board, its composition and the responsibilities of directors
- Identification and smooth transition for an incoming chairman
- Proactive participation in the Walker review of corporate governance
- Ongoing assessment of strategic opportunities, within the context of acting in our stakeholders' best interests

The board of Standard Chartered PLC believes that strong corporate governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining investor confidence.

In pursuit of the highest standards of corporate governance, the directors confirm that the Company applies a governance approach that complies with all of the provisions of the UK Financial Reporting Council's Combined Code on Corporate Governance (the Code) and with Appendix 14 of the Hong Kong Listing Rules, except that under the Code, non-executive directors are formally required to meet major shareholders as part of their induction programme. However, there were meetings between non-executive directors, major shareholders and analysts during the year and the non-executive directors received regular information reflecting the views of the Company's institutional shareholders and other stakeholders. Also, and on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules, the Company has in place a code of conduct regarding directors' securities transactions and confirms that the directors of the Company complied with this code of conduct. This report explains how the Company's approach to governance is applied throughout the Group.

The board

Board composition

Strong governance is dependent upon a board of directors that is cohesive, independent in nature, fully engaged and committed to the role and, as a result, operates effectively.

The board currently has 13 members: the acting chairman, four executive directors and eight non-executive directors. A list of the individual directors and their biographies are set out on page 67. Details of their committee membership are set out on pages 76 to 80 of this report.

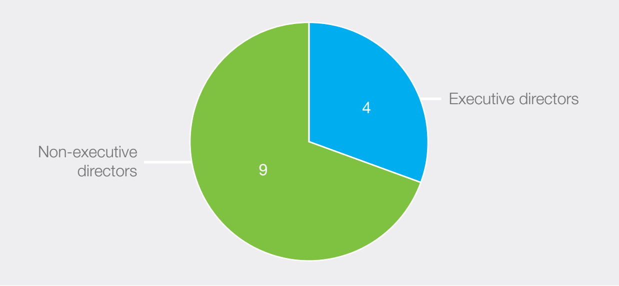
This year the board has welcomed Steve Bertamini and John Paynter who were appointed directors on 1 June 2008 and 1 October 2008 respectively. The board would like to express its thanks to Sir CK Chow, Mike DeNoma and Lord Turner, all of whom stepped down during the year, for their dedication and valuable contributions during their years of service.

Lord Davies stepped down from the board and as chairman on 14 January 2009 following his appointment to the UK Government as Minister for Trade and Investment. The board would like to congratulate Lord Davies on his appointment and express their sincere thanks and gratitude for his outstanding leadership and devotion to the Group over the past 15 years.

Following Lord Davies' departure, John Peace was appointed as acting chairman on 14 January 2009. The search for a new chairman has commenced. This process is being led by the board nomination committee and includes extensive stakeholder consultation.

The board considers that there is an appropriate balance of executive and non-executive directors on the board as shown in the diagram below. Given due regard to the complexity and geographical spread of the Group, the size and balance of the board is appropriate. There has been an ongoing review of board composition during the year and this will continue during 2009, part of which will involve the appointment of a new chairman.

Balance of non-executive and executive directors



Role and responsibilities

Collectively, the directors have a diverse range of skills and experience which enable them to operate as a cohesive unit. They each bring independent judgement and considerable knowledge to the board's discussions and are committed to the collective decision-making processes.

The board as a whole provides strategic input and leadership to the Group through oversight, review, and counsel. It sets the strategic direction for the Group and is the primary decision-making body for all matters considered as significant to the Group as a whole.

There is a formal schedule of matters reserved for the decision of the board. The board is responsible for the overall management of the Group including the approval of the Group's long-term objectives and commercial strategy. It oversees the Group's compliance with statutory and regulatory obligations and its capital and corporate structure. It also reviews performance in light of the Group's strategy, objectives, business plans and budgets.

The board has a rolling agenda to ensure that each key strategic business, functional product and geographic segment is reviewed on a periodic basis. During 2008, amongst other items, the board focused on strategic capital, liquidity, cost and risk management; strategic opportunities arising from the market turmoil; employee engagement; and the Group's overall performance including key markets where acquisitions have been made. Also the board undertook a number of country, regional, business segment and product reviews. The board was constantly mindful of acting in the best interests of the Group's stakeholders.

The full schedule of matters reserved for the decision of the board is available on the Company's website.

Chairman, deputy chairman and Group chief executive

The separate roles and objectives of the chairman, deputy chairman and the Group chief executive are clearly defined in written role descriptions which have been approved by the board and are available on the Company's website.

These roles will be reviewed as part of the board nomination committee process for the appointment of a new chairman.

Independent non-executive directors

The board considers all of the non-executive directors to be independent and free of any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. In determining their independence, the board reviews all directors' interests which may give rise to a potential or perceived conflict, and any circumstances relevant to their current or ongoing independence as set out in the Code.

The Company has received from each independent director annual confirmation of independence as required under the Hong Kong Listing Rules.

Non-executive directors are appointed for an initial three-year term. Where a non-executive director has served on the board for more than six years, their reappointment is subject to a rigorous review by the board nomination committee.

John Peace was considered independent both upon appointment to the board and upon appointment as acting chairman. Oliver Stocken and Richard Meddings are both non-executive directors of 3i Group plc. Having regard to all the circumstances, the board is satisfied and has determined that Oliver Stocken remains an independent director.

The board is aware of the other commitments of its non-executive directors and is satisfied that these do not conflict with their duties and time commitments as directors of the Company. Prior to any changes to their commitments, non-executive directors are required to give advance notification and confirmation that the changes will not affect their ability to continue to devote appropriate time to their duties to the Company.

Senior independent director

During the year, John Peace was the senior independent director in addition to being deputy chairman. Following Lord Davies' departure from the board and John Peace's consequent appointment as acting chairman, Rudy Markham was appointed the acting senior independent director on 14 January 2009. Shareholders may discuss any issues or concerns with the senior independent director where they have been unable to resolve them through existing channels for investor communications.

Board effectiveness

An effective board is crucial to the success of the Group. To assess the performance of the board, its principal committees and individual directors, the Company conducts a rigorous performance evaluation each year. The process is led by the chairman and supported by the Group company secretary. In 2008, the directors completed an online qualitative questionnaire devised in conjunction with external professional input. As part of the evaluation, the directors performed a self-evaluation which was used by the chairman in performance conversations. The evaluation of the chairman, led by the senior independent director, formed part of the overall board effectiveness review.

The board has discussed the outcome of the evaluation. The conclusion was that the board operated effectively, was highly engaged and that communication was of a high standard. It was acknowledged that the time commitment associated with the directors' role, particularly in light of the current economic environment, had increased significantly. It was agreed that a review of the arrangements in respect of the directors would be undertaken during 2009.

Induction and ongoing development

On appointment, each director receives a comprehensive and tailored induction covering the Group's business and operations and also the legal, regulatory and other obligations of a director of a dual-listed company.

The induction programme consists of meetings with the FSA, the Company's legal and financial advisors and a series of meetings with other directors and senior executives from across all key areas of the business. Each programme is tailored to the individual director's specific needs and requirements and further meetings are arranged where a director requires a deeper understanding of a particular area.

Where an independent non-executive director is appointed to one of the board's committees, additional relevant training is provided.

Opportunities to update and develop skills and knowledge, through briefings by senior executives and the Company's advisors and other means, are provided to all directors. During the year, the directors received briefings on new requirements introduced by the Companies Act 2006, including the codification of their duties, the need to have regard to third parties when deliberating matters, and conflicts of interest. In addition, all directors have access to the services and advice of the Group company secretary and may take independent professional advice at the expense of the Company in furtherance of their duties.

As part of their ongoing development, several independent directors attended key management meetings focusing on risk, capital and liquidity issues in order to gain an enhanced understanding of how these are managed on a daily basis.

Board meetings and attendance

The directors meet regularly and receive accurate, timely and clear information between meetings so that they can maintain full and effective oversight of strategic, financial, operational, compliance and governance issues.

The board has regular scheduled meetings. During 2008, one meeting was held in Hong Kong, a key territory where the Group operates. The directors used this overseas visit to meet staff, corporate customers and local government and regulatory officials. In addition to the overseas board meeting, the directors also met senior management covering the Greater China region to review key strategic matters for that region. Furthermore, during the year, many of the non-executive directors undertook other overseas visits to a number of countries in the Group's footprint for a similar purpose.

Eight scheduled meetings were held during 2008, one of which was a two-day offsite meeting devoted to the review of the Group's strategy. Given the turbulent nature of the financial markets, particularly in the latter half of 2008, the directors also held seven ad hoc meetings and a number of informal calls. Regular updates were also provided to the non-executive directors in between scheduled board meetings.

The chairman met regularly with the non-executive directors without the executive directors being present. In addition, opportunities were provided during the year for non-executive directors to discuss matters without the chairman or executive directors being present.

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

Number of board meetings held in 2008

	Scheduled	Ad hoc
Number of meetings in 2008	8	7
J W Peace (acting chairman)[1]	7/8	6/7
P A Sands	8/8	7/7
R H Meddings	8/8	7/7
G R Bullock	8/8	6/7
S P Bertamini[2]	5/5	7/7
J F T Dundas	8/8	6/7
V F Gooding	8/8	6/7
R H P Markham	7/8	7/7
R Markland	8/8	6/7
S B Mittal	4/8	5/7
J G H Paynter[3]	2/2	7/7
P D Skinner	8/8	5/7
O H J Stocken	8/8	7/7
Sir CK Chow[4]	3/3	n/a
M B DeNoma[5]	3/3	n/a
Lord Turner[6]	5/6	n/a
Lord Davies[7]	8/8	7/7

1 appointed acting chairman 14 January 2009
2 appointed 1 June 2008
3 appointed 1 October 2008
4 retired 7 May 2008
5 resigned 1 June 2008
6 resigned 19 September 2008
7 resigned 14 January 2009

External directorships

The board's executive directors are not permitted to hold more than one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on page 67.

Re-election of directors

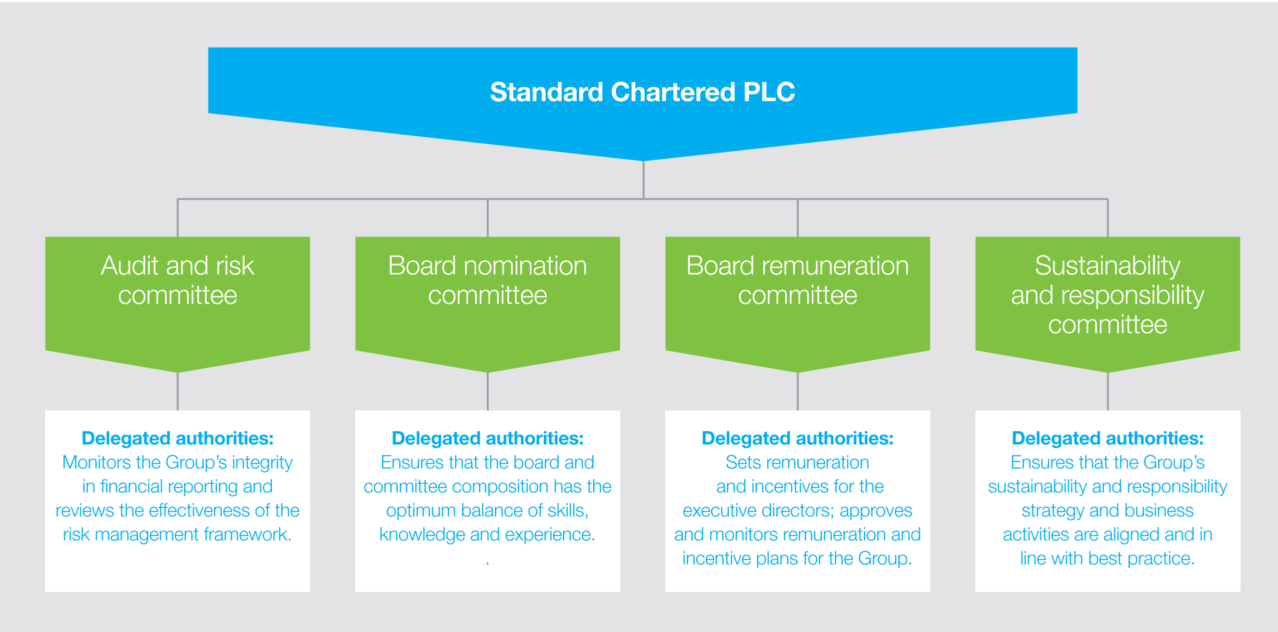
All directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years. At least one-third of directors stand for re-election at each AGM.

Board committees

The board has established four committees: the audit and risk committee; the board nomination committee; the board remuneration committee and the sustainability and responsibility committee. Each committee is responsible for the review and oversight of the activities within its defined terms of reference. Copies of each committee's terms of reference can be found at the company's website.

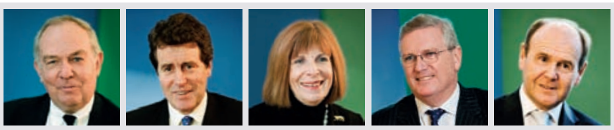
At the scheduled board meetings, the chairman of each committee provides the board with a summary of key issues considered at the meetings of the committees.

Board governance structure



Audit and risk committee

Members



Number of meetings in 2008	Scheduled 6	Ad Hoc 2
R H P Markham (chairman)	6/6	2/2
J F T Dundas	6/6	2/2
R Markland	6/6	1/2
J G H Paynter[1]	1/1	n/a
J W Peace	6/6	1/2
Lord Turner[2]	3/3	1/2

[1] appointed 1 November 2008
[2] resigned 23 June 2008

Highlights

- Continual monitoring of the Company's capital and liquidity position during market turmoil
- Additional focus on the management of risk
- Reviewed progress with the integration of the business acquired through American Express Bank
- Monitored the integration of acquisitions in Korea and Taiwan
- Monitored the comprehensive implementation of Basel II
- Full implementation of the results of the external evaluation of the committee

Role and focus

The audit and risk committee primarily focuses on the quality and integrity of the Company's external financial reporting; the appropriateness of the Group's accounting policies and the effectiveness of the internal control function and the risk control framework. Evaluation of finance, risk, internal audit and legal and compliance is carried out through regular meetings with senior management.

The committee held six scheduled meetings during the year and considered all matters under its remit. The committee's activities included the consideration of reports in respect of risk control and management in general. Particular areas of focus in the year were:

- the monitoring of risks associated with the Group's rapid growth in geographies such as China and products such as wealth management;
- close monitoring of the Group's capital and liquidity position;
- lessons to be learnt from control failures at other companies;
- review of progress and risks associated with the implementation of Basel II;
- sufficiency of resources in key business areas;
- the integration of the new businesses including through acquisitions such as American Express Bank;
- interest rate management; and
- worldwide money laundering issues.

The committee received regular reports from the Group head of internal audit, compliance, risk and legal, and on the assurance framework.

Following an external review of the committee's performance in 2007, the committee reviewed its forward agenda planning process and allocated additional time to discussing risk management and mitigation. It also reviewed its links with, and the role of, subsidiary company audit committees.

During the year the committee met separately with the external auditor and the Group head of internal audit without management being present to discuss matters relating to the auditor's remit and any issues arising from the audit. In addition, committee members, whilst visiting a number of countries during the year, met with local external auditors. The committee also met privately with the FSA. The committee chairman held separate meetings with the external auditor and the Group heads of internal audit, compliance, risk and legal to discuss matters within their areas of responsibility.

A half-day informal meeting was held in May to consider certain matters where the committee felt it wished to obtain greater understanding. An informal meeting was held during April to discuss the outcome of the committee evaluation, the governance of subsidiary companies and the use of the external auditor for non-audit work.

The chairman of the committee, Rudy Markham, is a member of the board of the Financial Reporting Council and a former chief financial officer of Unilever. Accordingly the board is satisfied that he has recent and relevant financial experience. The committee members have broad experience and knowledge of financial reporting and knowledge of international businesses which they bring to the committee's deliberations. The committee has also received regular technical updates as well as training on specific matters as required.

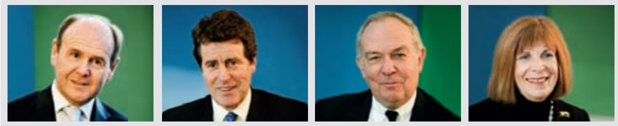
The Group's internal and external auditors have direct access to the committee to raise any matters for discussion. Arrangements are in place by which the Group's employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas. These arrangements are covered in the Group's Speaking Up Policy. The committee has reviewed these arrangements during the year and ensured that any matters of concern have been investigated appropriately.

The committee monitored and assessed the role and effectiveness of the Group's internal audit function and approved the function's budget. The committee's remit includes consideration of the appointment, resignation or dismissal of the Group head of internal audit.

When considering its recommendation on the re-appointment of the external auditor, the committee carried out a review of the performance and effectiveness of the external auditor. The review included an assessment of the external auditor's independence and objectivity. The review comprised of a survey conducted by internal audit, the committee's own experiences of dealing with the external auditor both at a Group and local level and the results of the review by the Audit Inspection Unit (part of the Professional Oversight Board of the Financial Reporting Council) of KPMG's audit of the Group's 2007 accounts.

Board nomination committee

Members



Number of meetings in 2008	Scheduled 3	Ad Hoc 1
J W Peace[1] (acting chairman)	2/2	1/1
J F T Dundas	3/3	1/1
R H P Markham	3/3	1/1
R Markland	3/3	1/1
Lord Davies[2]	3/3	1/1

[1] appointed as acting chairman on 27 January 2009 and as a member on 20 February 2008
[2] resigned 14 January 2009

Highlights

- Continued and ongoing focus on board composition with the objective of maximising the balance of skills of the directors appointed to the board
- Led the process for the appointment of two new directors
- Significant deepening of the breadth, depth and scope of succession planning whilst at the same time the Group continued to expand both geographically and in terms of product diversity
- Consideration and recommendation for authorisation as appropriate of directors' situational conflicts of interest as required by the Companies Act 2006
- Detailed review of the effectiveness of non-executive directors during 2008 and ongoing reviews in light of the current environment

Role and focus

The board nomination committee primarily focuses on the existing and future composition and balance of the board and its committees and aims to ensure that they are comprised of individuals who are best able to discharge the responsibilities required by the Group at any particular time. It also makes recommendations to the board concerning the ongoing succession plans of both executive and non-executive directors and other senior executives across the Group.

During 2008, the committee identified and recommended to the board the appointments of Steve Bertamini as an executive director with responsibility for Consumer Banking and John Paynter as an independent non-executive director of the Company. An external search consultant was used to assist in the identification of potential candidates, taking into account the skills, knowledge and experience required to enhance the existing composition of the board.

Following the resignation of Lord Davies, the committee has commenced the process of identifying potential candidates to succeed Lord Davies and will be using an external search consultant to assist in this process.

During the year, the structure, size and composition of the board and its ongoing leadership needs were continuously reviewed. Appropriate plans are in place to facilitate orderly succession to the board and other senior management positions. The plans are designed to ensure the continued ability of the Company to compete effectively in the external marketplace.

Following the implementation of the 'directors conflicts of interest' provision of the Companies Act 2006, the committee reviewed the directors' actual and potential situational conflicts of interest and made recommendations on authorisations to the board.

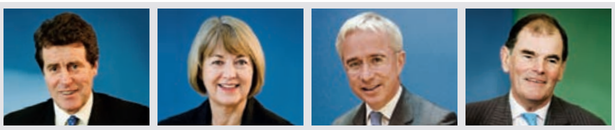
During 2009 the committee will actively engage with the Walker independent review of corporate governance of the UK banking industry. In doing so it will also seek input from other board committees, particularly the board remuneration committee. The final conclusions arising from the review, which are expected at the end of 2009, will also be considered by the committee and recommendations made as appropriate to ensure the most effective board and governance structures remain in place throughout the Group.

Board remuneration committee

The role and activities of the committee are set out in the Directors' remuneration report on pages 80 to 93.

Sustainability and responsibility committee

Members



Number of meetings in 2008	Scheduled 3
J F T Dundas[1] (acting chairman)	3/3
V F Gooding	2/3
P A Sands	3/3
O H J Stocken	3/3
Lord Davies[2]	3/3

[1] appointed as acting chairman on 27 January 2009
[2] resigned 14 January 2009

Highlights

- Significant improvement in employee engagement around sustainability issues
- Additional focus on financial inclusion through enterprise and sustainable development
- Established an environment committee to focus on environmental issues

Role and focus

The committee's purpose is to have oversight and input into the Group's strategy to build a sustainable business that is managed responsibly and that focuses on the long-term success of the business whilst having regard to its stakeholders and wider society. It aims to achieve this objective through its consideration of environmental impact, social investment, economic development and other sustainability and responsibility matters which are an integral part of enhancing the Company's long-term success.

It is also responsible for identifying emerging sustainability and responsibility issues that could pose business risks and opportunities and for ensuring the best interests of the Group and shareholders are addressed.

The report on sustainability is set out on pages 30 and 31. A full description of the Group's sustainability activities can be found in the Sustainability Review on the Company's website.

Conflicts of interest

In accordance with the Companies Act 2006, the Company has established a robust process requiring directors to disclose proposed outside business interests before they are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. Actual or potential conflicts of interest are reviewed by the board nomination committee and recommendations on authorisation are made to the board. A review of all authorisations is carried out by the committee twice each year to consider if the authorisations continue to be appropriate and to revisit the terms upon which such authorisations are provided.

Internal control

The board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. To achieve this, the board has established a process for the identification, evaluation and management of the risks faced by the Group which operated throughout the year ended 31 December 2008 and to 3 March 2009. It should be recognised that such a process can only provide reasonable, not absolute, assurance against material misstatement or loss.

This process is reviewed regularly by the board and meets the requirements of the guidance entitled Internal Control: Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales in 1999 and revised in 2005. The system of internal control of the Group is also subject to regulatory oversight in the United Kingdom and overseas.

The effectiveness of the Group's internal control system is reviewed regularly by the board, its committees, Group management, and Group internal audit. The audit and risk committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2008 and reported on its review to the board. The committee's review was supported by an annual business self-certification process, which was managed by Group internal audit.

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

Group internal audit reports regularly to the audit and risk committee, the chairman and to the Group chief executive. The findings of all adverse audits are reported to the audit and risk committee, the chairman and to the Group chief executive where immediate corrective action is required.

The risk review on pages 43 to 63 describes the Group's risk management structure. The Group's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk, including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile.

The performance of the Group's businesses is reported regularly to senior line management and the board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

Compliance and regulatory matters

On 29 February 2008, the Group completed the acquisition of American Express Bank. Prior to the acquisition, subsidiaries of the American Express Bank group located in New York and Miami had entered separately into a Written Agreement with the New York State Banking Department and a Cease and Desist Order with the Federal Reserve Bank of Atlanta to address deficiencies relating to compliance with applicable federal and state laws and regulations governing anti-money laundering. Both the Written Agreement and the Cease and Desist Order remained in place during 2008. However, the board believes that during the year the Group achieved substantial compliance with the terms of both documents. The status of this matter continues to be monitored closely by the board.

Group code of conduct

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

Social, ethical and environmental responsibilities

The Group complies with the guidelines issued by the Association of British Insurers on responsible investment disclosure and is committed to the communities and environments in which it operates. The board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. The Group has established and maintains policies and procedures in relation to SEE related risks. Details of these procedures can be found on the Company's website.

Through the Group's risk management structure and control framework, the board receives regular and adequate information to identify and assess significant risks and opportunities arising from SEE matters.

Designated policy owners monitor risks in their area. They also work with line management to assist them in designing procedures to ensure compliance with these requirements. In every country, the country management committee (MANCO), supported by the country operational risk group (CORG), is responsible for ensuring there are risk management frameworks in place to monitor, manage and report SEE risk. The country chief executives chair both the MANCOs and CORGs.

Compliance with these policies and procedures is the responsibility of all managers. In assessing, incentivising and rewarding performance, guidance to managers was published during 2002. This explicitly states that account should be taken of adherence to all relevant Group policies, including those associated with SEE risk. Significant exceptions and emerging risks are escalated to senior management through clearly documented internal reporting procedures such as MANCO.

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

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

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

Auditor independence and objectivity

The Company has adopted a policy on the use of non-audit services provided by the Company's external auditor, KPMG. The audit and risk committee's pre-approval is required before the Company uses non-audit services that fall within definitions contained in the policy. The non-audit services of KPMG will only be used where the Company benefits in a cost-effective manner and the auditor maintains the necessary degree of independence and objectivity.

In addition to audit-related services, KPMG provided the following types of services in 2008:

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

Details of the amounts paid to KPMG during the year for audit and non-audit services are set out in note 8 on page 113.

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Committed to delivering value

Board remuneration committee

Members

Number of meetings in 2008	Scheduled 5	Ad Hoc 5
R Markland (chairman)	5/5	5/5
V F Gooding	5/5	5/5
J W Peace[1]	2/2	1/1
P D Skinner	5/5	3/5
O H J Stocken	5/5	2/5
Lord Turner[2]	3/3	3/4

[1] appointed 16 September 2008.
[2] resigned 19 September 2008.

Review and highlights

In addition to its regular agenda items, such as reviewing directors' compensation, the board remuneration committee (the 'committee') activities in 2008 included:

- A wide-ranging reward review which led to an important set of changes on the deferral of annual performance awards being adopted for the 2008 performance year.
  - The new deferral arrangement applies to all employees (including directors) with annual discretionary performance awards above a certain threshold level.
  - The arrangement applies Group wide, irrespective of business, with a series of progressive deferral rates of awards into shares being applied i.e. the higher the award, the greater the level of deferral.
  - The highest mandatory marginal rate of deferral will be 50 per cent in 2008.
- A discussion on how reward is structured and managed across Wholesale Banking, and how such reward may change in the coming years.
- A review of the performance conditions and the composition of the Total Shareholder Return comparator group under the Group's Performance Share Plan.

Towards the end of the year, the committee also reflected on the Financial Services Authority's (FSA) issuance of 'criteria for good and bad remuneration policies'. The Group believes that its existing performance and reward processes are well aligned to the FSA's recently published draft code of practice on remuneration policies.

Role of the committee

The committee has specific terms of reference which can be found on the Group's website www.standardchartered.com. In particular, the committee:

- Considers and recommends to the board the Group's remuneration policy, agreeing the individual remuneration packages of the chairman, Group chief executive, the executive directors and such other senior executives as it is designated to consider; and
- Reviews and approves any major changes in employee remuneration throughout the Group, including the continuous review of bonus arrangements to ensure that they remain appropriate.

Advisors

In 2004, the committee appointed Kepler Associates (Kepler) as its independent advisors. In 2008, the committee reappointed Kepler to advise it on a range of executive remuneration-related issues for a further 12 month period. Kepler does not provide any other advice or services to the Group.

In addition, during 2008, the committee received advice from the Group head of human resources (Tracy Clarke) and the Group head of reward (Neil Cuthbertson).

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

Remuneration policy

The success of the Group depends upon the performance and commitment of talented employees. The Group's reward programmes support and drive its business strategy and reinforce its values. Its existing remuneration policy for 2008 and, so far as practicable, for subsequent years is to:

1. Support a strong performance-oriented culture, ensuring that individual rewards and incentives relate directly to the performance of the individual, the operations and functions in which they work or for which they are responsible, the Group as a whole and shareholders' interests; and
2. Maintain competitive reward that reflects the international nature of the Group and enables it to attract and retain talented executives of the highest quality internationally. Many of the Group's employees bring international experience and expertise and the Group recognises that it recruits from an international marketplace.

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

Executive directors

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

Target remuneration levels are aligned to the market, and the individual executive director is rewarded with higher variable compensation delivered through a combination of annual performance awards, both cash and deferred elements, and performance share awards.

The committee places great emphasis on ensuring that the balance of each executive director's target remuneration is structured to give the heaviest weighting to performance-related elements.

Other employees

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

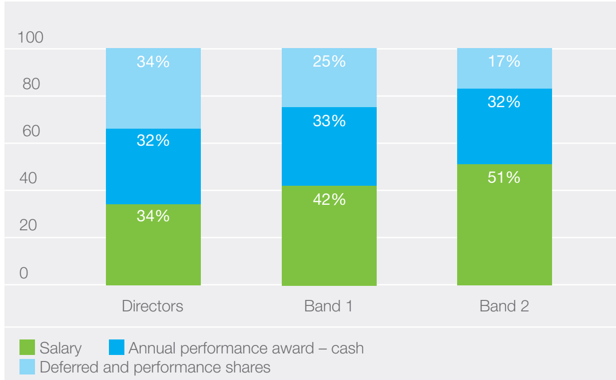
Base salaries of employees are determined in a similar way to those of executive directors. The Group's approach is to ensure that target total compensation is benchmarked to the relevant market in which the individual is employed. Potential total compensation is set at upper quartile or higher for excellent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

- Are eligible to receive a discretionary annual performance award dependent upon performance and their contractual position. From 2008 a Group-wide deferral arrangement operates, which covers all employees with an annual discretionary performance award above a certain threshold level. Progressive rates of deferral will apply i.e. the higher the award, the greater the level of deferral in shares;
- Are eligible to participate in the Group's all-employee Sharesave Schemes;
- Are provided with core benefits based on local regulations and competitive practice. These will normally include retirement benefits, medical insurance, life assurance and annual leave; and
- Should have an element of performance-related compensation. The proportion of this variable compensation (which might be delivered through a cash bonus, deferred shares and performance shares) increases with seniority. In addition, as the chart below shows, the balance of shares as a percentage of variable compensation increases with seniority.

Performance shares remain an important part of the overall reward package for directors and the top 700 senior managers. This aligns the interests of shareholders by ensuring that senior managers build and retain an appropriate equity stake in the Bank.

The chart shows the typical level of target variable compensation for directors and senior managers (the Group's bands 1 and 2) expressed as a percentage of target total compensation.

Breakdown of target compensation between base salary, cash bonus and shares*
(As a percentage of target total compensation)



* Performance shares based on expected value.

At 31 December 2008, the Group employed 73,802 employees worldwide in 75 countries and territories. This means many differing local market conditions and therefore compensation is often structured in different ways (for example, base salaries are not always the only element of core compensation). Different costs of living in countries in which the Group operates and fluctuations in foreign exchange rates also impact total compensation levels. The committee consequently does not consider it helpful to use a ratio comparing compensation between executive directors and non-board employees when assessing the fairness of the Group's practices.

2008 remuneration decisions for executive directors

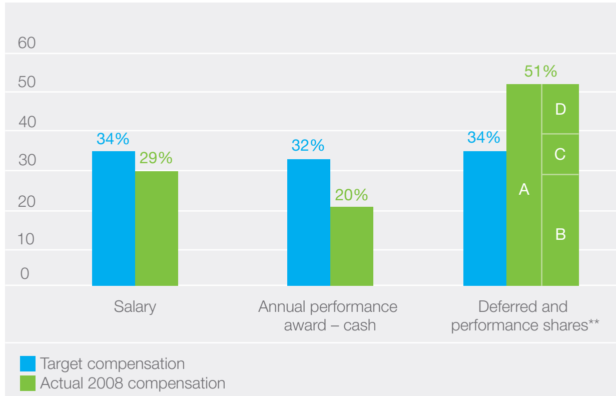
The Group continues to have a robust pay for performance culture and, as a result, made annual performance awards for 2008 to those parts of the Group and employees that have performed well.

In recognition of the Group's strong, absolute and relative performance, and in consideration of emerging best practice around executive remuneration, the following approach has been taken on directors' compensation:

- No salary increases were awarded as part of the year end compensation cycle;
- Annual performance awards have been agreed by the committee for each director that reflect both individual and Group performance. Award levels are at least 10 per cent down on 2007 levels;
- The mandatory deferred element of the annual performance award under the new deferral mechanism is in shares which now vest over a two and three year period rather than one year;
- An additional grant of shares under the Group's Performance Share Plan has been agreed for each director, also at lower levels than for 2007;
- A revised minimum shareholding requirement has been put in place. Directors must now maintain double the number of shares than previously required;
- The existing policy on directors' compensation already provided that, based on 2008 performance, approximately two-thirds of variable compensation would be delivered in either deferred or performance shares; and
- In addition, the directors have made voluntary deferral for part of their annual performance award resulting in at least 50 per cent of each Company director's annual performance award being deferred into shares. In excess of 70 per cent of their variable compensation is in deferred and performance shares.

The actual levels of cash and deferred awards are shown in the directors' emoluments table on page 89.

Breakdown of salary, cash bonus and shares as a percentage of total compensation for directors*



For 2008, actual deferred and performance shares (A) consists of (B) performance shares (28%), (C) voluntary deferral (10%) and (D) mandatory deferral (13%)

* Based on average of Group executive directors.
** Performance shares based on expected value.

Remuneration arrangements for executive directors

The table below summarises the four key components of executive directors' remuneration. Further details on each element are set out in the subsequent sections.

Remuneration element	Objective	Delivery	Programme detail
Base salaries	• To attract and retain talent by ensuring that salaries are competitive relative to the Group's international competitors	• Cash • Pensionable	• Reviewed annually taking account of the latest available market data • Any increases normally takes effect from 1 April of the relevant year • No increases have been awarded as part of the year end compensation review
Annual Performance Award: – Cash – Deferred shares	• To focus participants on the achievement of annual objectives, which align the short-term performance of the Group with the creation of shareholder value • To provide a portion of total remuneration which is performance related	• Awards are in two components: cash and deferred shares. Awards in excess of $50,000 have a proportion deferred into restricted shares • The greater the quantum of the annual performance award, the greater the level of deferral, with the highest deferral of 50 per cent • A longer vesting period has been introduced. Deferred shares vest in equal tranches after two and three years	• Plan maximum increased in 2008 from 200 per cent to 250 per cent of salary, for outstanding performance • In 2008, each director had a dollar denominated target performance award, set at 125 per cent of salary and converted to dollars at the start of the year • The delivery mechanism for the mandatory deferral element with effect from 2008 is the 2006 Restricted Share Scheme. The Deferred Bonus Plan has been retained for any voluntary deferral made by a director • The deferred element is normally forfeited during the vesting period in the event of a voluntary resignation or termination for cause
Long-term Incentives: Performance Share Plan	• To focus participants on meeting and exceeding the Group's long-term performance targets which are linked to safeguarding shareholder interests	• Awards of deferred rights or nil price options, exercisable after the third, but before the tenth anniversary of the date of grant, subject to continued employment and performance conditions being met	• Target and maximum levels of awards are 150 per cent and 400 per cent of base salary, in any one year • Awards are entirely discretionary and are based on directors' individual performance and contribution to long-term value creation • Appropriate performance conditions are set by the committee each time an award is made
Retirement Benefits	• To provide a retirement benefit to executive directors, equivalent to two-thirds of base salary for those who have completed at least 20 years' service	• Provided through a combination of approved and/or unapproved defined benefit and cash structures	• Defined benefit plans comprise a combination of the Standard Chartered Pension Fund, an approved non-contributory scheme, and an unapproved retirement benefit scheme

Base salaries

The annual base salary levels of executive directors as at 31 December 2008 were as follows:

	31 December 2008	Percentage increase to base salary as at 1 April 2008	Percentage increase to base salary as at 1 April 2009
P A Sands	$1,562,045 (£850,000)	13.3%[2]	0.0%[3]
S P Bertamini[1]	$900,000 n/a	n/a	0.0%[3]
G R Bullock	$918,850 (£500,000)	5.3%	0.0%[3]
R H Meddings	$1,148,563 (£625,000)	22.5%[2]	0.0%[3]

1. Mr Bertamini was appointed to the board on 1 June 2008 and has a US dollar denominated base salary, whereas other directors have sterling denominated base salaries.
2. Messrs Sands and Meddings were appointed to their current roles in November 2006. The committee decided to phase in base salary increases over a period of time, rather than implementing a larger one-off increase to align their base salary with the market level.
3. The committee has supported a recommendation from the executive that no changes be made to base salaries for 1 April 2009.

Annual performance award

Executive directors (and most employees) are eligible to receive a discretionary annual performance award based on Group and individual performance.

The committee formally assesses each year Group performance, and so determines the overall bonus pool size against a series of profit-based targets. The committee then exercises its discretion on the final bonus pool by considering a number of quantitative and qualitative measures, including earnings per share (EPS); revenue growth; costs and cost control; bad debts; risk management; total shareholder return and progress against the Group's strategic management agenda, as well as the Group's performance relative to its peers.

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

The annual performance award comprised of two components; a cash award and deferred shares. For 2008 performance year onwards, executive directors will have a proportion of their annual bonus award deferred into restricted shares which vest in equal tranches over a two and three year period. This compares to the previous Deferred Bonus Plan where one-third of any performance bonus award was deferred for 12 months. The restricted shares will be granted under the 2006 Restricted Share Scheme. Two important features of the Group-wide mechanism are that: firstly, any deferred element receives ten per cent uplift in recognition of the loss of potential dividends and, secondly, the rates of deferral are progressive i.e. the more you earn the more you defer, with the highest deferral percentage of 50 per cent of the incremental bonus earned above the highest threshold. The Deferred Bonus Plan has been retained to deliver any voluntary deferral of an annual performance award made by a director.

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

Long term incentives

2001 Performance Share Plan (the PSP)

Outline of the PSP

The PSP is designed to be an intrinsic element of total remuneration for the Group's executive directors and a growing number of senior executives. The significance of the PSP as a percentage of executive directors' total potential remuneration is one of the strongest indicators of the Group's commitment to paying for sustainable performance. As shown in the table below, there has been variation in the levels of share awards made to executive directors, illustrating the importance the Group places on individual performance. A performance test is therefore effectively applied both at the time of award and upon vesting.

At its meeting in February 2009, the committee recommended the following proposed PSP awards for executive directors in respect of performance for the 2008 financial year (2008 awards are shown in brackets).

2009 Proposed and 2008 Actual PSP Awards

	Face value (£000s)	Percentage of current base salary
P A Sands	2,888 (2,625)	340% (350%)
S P Bertamini	1,288 (n/a)	263% (n/a)
G R Bullock	1,188 (1,544)	238% (325%)
R H Meddings	1,785 (1,785)	286% (350%)

Performance conditions

Half of the award is dependent upon the Group's total shareholder return (TSR) performance compared to that of a comparator group at the end of a three-year period. The other half of the award will be subject to an EPS growth target applied over the same three-year period.

The committee reviewed the performance conditions in 2008 and concluded that, in aggregate, the combination of the TSR and EPS performance measures and their targets remained appropriate, providing a balance between driving stretching performance and having an effective retention and motivation tool. The rationale for the selection of TSR and EPS performance conditions is set out in the following table:

TSR	Measuring growth in share price plus dividends paid to shareholders, relative TSR is recognised as one of the best indicators of whether a shareholder has achieved a good return on investing in the Group relative to a basket of companies or a single index
EPS	An EPS performance condition provides an appropriate measure of the Group's underlying financial performance

TSR element

During 2008, the committee discussed the composition of the comparator group on several occasions. In light of the acquisition of ABN AMRO (ABN), a comparator group constituent, the committee decided, in February 2008, that, for unvested awards granted in 2006 and 2007, ABN should be replaced with a 'synthetic' company comprising the median TSR performance of the remaining comparator group companies. In addition, for awards to be granted in 2008, the committee agreed to remove ABN from the comparator group and substitute it with ICICI, a bank of a broadly similar size in one of the Group's key revenue–generating markets. The committee has also decided that for unvested awards granted in 2006, 2007 and 2008, HBOS, a comparator constituent, would also be replaced by another synthetic company, in view of its acquisition by Lloyds TSB. The constituents of the comparator groups for awards made in 2006, 2007 and 2008 are set out below:

For awards made prior to 2009	
*ABN AMRO**	HSBC
Bank of America	ICICI**
Bank of East Asia	JPMorgan Chase
Barclays	Lloyds TSB
Citigroup	Overseas Chinese Banking Corporation
DBS Group	Royal Bank of Scotland
Deutsche Bank	United Overseas Bank
HBOS	Standard Chartered

* For awards made prior to 2008.
** For awards made in 2008 only.

In June, the committee subsequently conducted a comprehensive review of the comparator group and decided to increase the number of constituents from 15 to 21 for awards to be made in 2009 and beyond. The enlarged group better reflects the increased size and scope of the Group's business since the original comparator group was established. The committee used a combination of measures, including size, business scope and geographic spread, to identify the most appropriate companies before agreeing the following enlarged comparator group:

For awards made in 2009 and after	
Banco Santander	JPMorgan Chase
Bank of America	Kookmin
Bank of China	Lloyds Banking Group
Bank of East Asia	Overseas Chinese Banking Corporation
Barclays	Royal Bank of Scotland
Citigroup	Standard Bank
DBS Group	State Bank of India
Deutsche Bank	Unicredito
HSBC	United Overseas Bank
ICBC	Standard Chartered
ICICI	

Following the increase in the number of constituents from 15 to 21, the vesting schedule has been re-calibrated to ensure the vesting level at median and upper quintile remains broadly unchanged. The percentage of award exercisable at the end of the relevant three-year performance period is calculated on a straight-line basis. Minimum vesting occurs if the Group achieves median ranking, with full vesting achieved if the Group is ranked in the upper quintile or above position in the comparator group.

The committee continues to believe that it is preferable to measure TSR performance using a local currency approach. This is considered the most appropriate approach given the international composition of the comparator group, particularly as a significant proportion of comparator companies' profits are in the same currency as their primary listing. This local currency approach measures the real impact for a shareholder focusing on relative stock movement rather than taking into account exchange rate fluctuations.

EPS element

The percentage of award which will normally be exercisable at the end of the relevant three-year performance period is as follows:

Increase in EPS	Percentage of award exercisable
Less than 15%	nil
15%	15
Between 15% – 30%	>15 but <50*
30% or greater	50

* Calculated on a straight-line basis.

Vesting of 2006 awards

The committee recently reviewed whether the performance conditions on the awards granted in 2006 were satisfied at the end of December 2008. The table below sets out EPS and TSR performance over the three-year performance period and the percentage of the 2006 awards that has now vested.

		Vesting	
Element	Performance	March 06 Awards	May/Sept 06* Awards
EPS growth	30.04%	50%	50%
TSR ranking	6 out of 15	35%	29%
Total		85%	79%

* Revised performance conditions apply to awards granted since May 2006 AGM.

For awards granted in 2008, normalised EPS of 173.0 cents (197.6 cents pre-rights issue) has been used as a base figure.

Executive Share Option Scheme (the ESOS)

Outline of the ESOS

It is proposed that no further awards will be made under the ESOS. However, the scheme will be retained for use in exceptional circumstances or if there is a subsequent change in policy in response to future market trends. Under the ESOS, options to acquire the Company's ordinary shares are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

Restricted Share Scheme (the RSS)

The RSS is used as a vehicle for deferring part of annual performance awards for certain employees and as an incentive plan to motivate and retain high performing staff at any level of the organisation. Except where used for deferral purposes, executive directors are not generally eligible to participate in the RSS. However, upon recruitment to the Group, awards may be made on an exceptional basis, for example, to newly appointed executive directors to compensate for share awards forfeited on leaving their previous employer. No such awards have been made since 2003.

Under the RSS, the value of shares awarded in any year to any individual may not exceed two times their base salary. Half of the award vests two years after the date of grant and the balance after three years. The RSS, in line with other similar schemes operated by our competitors, does not have performance conditions.

All employee Sharesave Schemes

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. It seeks to engage employees in the Group's performance, align their interests more closely with those of shareholders and offer them an opportunity for long-term savings and a share in the Group's financial success that they help to create. The Group has operated UK and International Sharesave schemes since 1984 and 1996 respectively; the latter being specifically launched to allow all non-UK based employees to participate. In 2008, the Company introduced an Irish Sharesave Scheme for employees.

Under Sharesave, employees are invited to open a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company at a price which is at a discount of up to 20 per cent on the share price at the date of invitation. As at 31 December 2008, 37 per cent of employees globally participate in the Group's all-employee Sharesave schemes (2007: 42 per cent). There are no performance conditions attached to options granted under these schemes.

In some countries in which the Group operates, it is not possible to operate Sharesave, typically because of securities laws, regulatory or other similar issues. In these countries the Group offers an equivalent cash-based scheme to its employees.

Further details on the long-term incentives operated by the Group are set out in note 42 to the financial statements.

Shareholding guidelines

The Group operates a shareholding guideline policy which aims to align the interests of executives with shareholders by ensuring that they build up a significant equity stake in the Company. The key aspects of the guidelines are as follows:

- There is a single shareholding target for employees at specific levels;
- Executives will be expected to retain any shares acquired on the exercise of awards granted under the PSP and any deferred shares until such time as the shareholding guideline is satisfied. However, executives may sell sufficient shares to pay for any tax and exercise price (if any). Unexercised RSS awards and interests under the Deferred Bonus Plan count towards the guideline level;
- The committee annually reviews the progress made by executives in terms of meeting their guideline targets. It will also continue to review the guideline levels to ensure they remain challenging and appropriate; and
- In February 2009, the committee agreed to increase the minimum guideline levels that members of the Group management committee were required to hold.

The minimum number of shares executives are expected to hold are as follows:

	Original	Revised
Group CEO	100,000 shares	200,000 shares
Group executive directors	60,000 shares	120,000 shares
Standard Chartered Bank directors	40,000 shares	80,000 shares
Other members of Group management committee	15,000 shares	50,000 shares
Other senior management	10,000 – 15,000 shares	

Retirement benefits

Retirement benefits are provided through a combination of approved and/or unapproved defined benefit and cash structures depending upon when the executive director joined the Group and his geographical location. Executive directors are given the opportunity to waive a proportion of the cash element of any potential annual performance award, to enhance their unfunded unapproved retirement benefits. Any amounts waived in respect of 2008 are shown on page 90 and the additional pension benefits have been calculated by the Group's actuary using the assumptions adopted for IAS 19 reporting.

The defined benefit plans comprise a combination of the Standard Chartered Pension Fund, an approved non-contributory scheme, and an unapproved retirement benefit scheme. The unapproved scheme is unfunded but the benefits are secured by a charge, in the name of an independent trustee, over specific Group assets. The unapproved unfunded retirement benefit scheme provides that part of the executives benefit which exceeds the UK Government's lifetime allowance. In other respects the terms of the unapproved scheme are designed to mirror the provisions of the Standard Chartered Pension Fund. Upon the death in service of an executive director, pension benefits are available to a spouse and dependant children and a lump sum is payable.

Base salary is the only element of remuneration which is pensionable.

Executive directors' contracts of employment

The Group policy is for all executive directors to receive and be required to give 12 months' notice. The dates of the executive directors' contracts of employment are as follows:

Mr P A Sands	31 December 2003
Mr S P Bertamini*	22 April 2008
Mr G R Bullock	19 October 2004
Mr R H Meddings	12 December 2003
Mr M B DeNoma**	11 December 2003

* Mr Bertamini joined the Group on 19 May 2008 and was appointed to the board on 1 June 2008.

** Mr DeNoma resigned from the board on 1 June 2008.

All executive directors have contracts subject to 12 months' rolling notice. These terminate automatically at the first annual general meeting following the executive director's 60th birthday.

The contracts contain payment in lieu of notice (PILON) provisions which can be exercised at the Group's discretion. The PILON would comprise an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). Any annual performance award payable as part of a PILON is determined by the committee taking into consideration individual and Group performance. Any payment under the PILON would be paid in quarterly instalments and be subject to mitigation.

Special provisions apply in the event where the Group terminates the executive's contract in the 12 months following a change of control without giving notice. These provide that, if the executive's contract is terminated by the Group (other than where summary dismissal is appropriate or the executive serves out notice), the Group will pay in four equal instalments an amount equal to 12 months' base salary, annual performance award, pension contributions/entitlement and certain benefits and allowances. The amount of annual performance award payable in respect of the 12 months following the date of termination is the executive's target bonus. The amount of annual performance award payable in respect of the performance period which the executive director worked prior to termination will be decided by the committee taking into consideration individual and Group performance, unless such a period is less than six months, in which case a pro rata target bonus is payable.

Steve Bertamini
Steve Bertamini joined the Group on 19 May 2008 and was appointed as an executive director with effect from 1 June 2008. Details relating to his compensation arrangements were approved by the committee and announced on 22 April 2008. Further details including proposed deferred share awards, are set out in the directors' emoluments table on page 89.

Mervyn Davies (former chairman)
Contract
Lord Davies stepped down from the board on 14 January 2009 to take up appointment as a minister in the UK Government. Lord Davies' contract of employment was dated 23 February 2007. Although he had a 12 month notice period, the committee agreed that, in recognition of Lord Davies' significant contribution and long service, the notice period would be waived and not paid. The committee also decided to exercise its discretion and permit Lord Davies to retain awards under the Group's share plans awarded to him when Group chief executive (see pages 91 and 92).

Remuneration
Lord Davies was paid a base fee of $1,194,505 (£650,000) per annum, payable in cash. In addition, he was provided with a car and driver, private healthcare provision and life assurance coverage. As chairman, Lord Davies was not eligible to receive discretionary share awards or to participate in either the Group's annual performance award or retirement plans.

Non-executive directors of Standard Chartered PLC
The fees of the non-executive directors are determined by the chairman and the executive directors and are non-pensionable. Non-executive directors' fees are reviewed at least every two years and, as with executive directors' remuneration, reflect the international nature of the roles which they perform.

Basic annual fees and committee fees are set to be competitive against the Group's international comparator group. The non-executive directors' fees were revised in 2008 and are set out in the table below (fees prior to review are shown in italics). Increases in fee levels, particularly for involvement in committees, reflect, in part, the growing regulatory and governance responsibilities resulting in an increase in the time commitment required by non-executive directors.

	Ordinary membership	Chairmanship
PLC Board	$137,828 (£75,000) *$119,451 (£65,000)*	– –
Deputy chairman*	$275,655 (£150,000) *$275,655 (£150,000)*	– –
Audit and risk	$55,131 (£30,000) *$36,754 (£20,000)*	$119,451 (£65,000) *$91,885 (£50,000)*
Board nomination	$18,377 (£10,000) *$13,783 (£7,500)*	N/A**
Board remuneration	$36,754 (£20,000) *$27,566 (£15,000)*	$73,508(£40,000) *$55,131 (£30,000)*
Sustainability and responsibility	$13,783 (£7,500) *$9,189 (£5,000)*	N/A**

* As deputy chairman, Mr Peace received an all-inclusive fee.
** Lord Davies was chairman of the sustainability and responsibility committee and the board nomination committee. As Group chairman, he did not receive any fees in his capacity as a member of either committee.

Following Lord Davies' resignation, John Peace was appointed acting chairman and Rudy Markham was appointed the acting senior independent director. The committee has approved an initial base fee of $1,194,505 (£650,000), per annum for the role of acting chairman. This is an all-inclusive fee, while acting chairman John Peace will not receive a fee for being deputy chairman. The fee is due to be reviewed by the committee in May 2009. While acting as senior independent director, Rudy Markham will receive a fee of $55,131 (£30,000) in addition to his current fees.

With effect from 1 September 2008, UK-based non-executive directors are able to take up to 50 per cent of their monthly post-tax base fees to acquire shares in Standard Chartered PLC. Further detail on non-executive directors' fees is set out on page 89.

Details of non-executive directorships held by the executive directors

Certain directors serve as non-executive directors of other companies. Details of these directorships are contained on page 67. Details of non-executive fees of the executive directors are shown below:

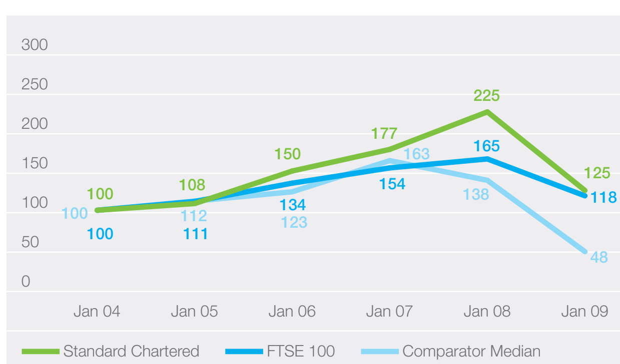
Name	Organisation	Current annual fees
G R Bullock	Fleming Family & Partners Limited	No fees payable
	MCashback Limited	No fees payable
	Spirax-Sarco Engineering plc	$66,157*
R H Meddings	3i Group plc	$35,321*

* Indicates fees are retained by the director.

Performance graph

The graph below shows the Group's TSR performance on a cumulative basis over the last five years alongside that of the FTSE 100 and the PSP comparator group. The FTSE 100 provides a broad comparator group against which the Group's shareholders may measure their relative returns. The Company is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for the Company's shares.

Total shareholder return



Index: Jan 2004 = 100
Data provided by Thomson Reuters

Miscellaneous long-term incentive-related matters and employee benefit trusts

The Group has two employee benefit trusts which are administered by an independent trustee and which hold ordinary shares to meet various obligations under the Group's incentive plans. One trust (the '2004 trust') is used in conjunction with the 2004 Deferred Bonus Plan. The other trust (the '1995 trust') holds shares to satisfy the exercise of awards under the Group's various share plans. The independent trustee does not have any rights to dividends and voting is at the discretion of the trustee.

The respective holdings of the trusts are as follows:

	31 December 2008*	31 December 2007
1995 trust	2,949,563	261,495
2004 trust	480,166	377,270

* Inclusive of the rights issue subscription.

As each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 1985, to have an interest in the trusts' shares.

Dilution limits

The Group's existing share plans contain various limits which govern the amount of awards that may be granted and also the amount of shares which may be issued to satisfy any subsequent exercise of awards. These limits, which are monitored, are in line with those stated in the Association of British Insurers' corporate guidelines. Under the terms of the Company's listing on the Stock Exchange of Hong Kong, there is an additional limit which provides that awards under any plan cannot be granted (whether to be satisfied through the issue of new shares or market purchased shares) which would cause the total number of shares under option (all schemes) to exceed ten per cent of issued share capital at that time.

Vesting provisions on a change of control

The rules of the PSP do not provide for automatic vesting in the event of a change in control. However, the rules do provide that the number of shares subject to the award be pro-rated, based on the length of the shortened performance period. The committee may 'at its discretion, and acting fairly and reasonably', determine the extent to which awards vest having regard for the performance of the Group in the period since the date of grant.

Rights issue

On 24 November 2008, the Group announced details of a rights issue in participating countries (see further details on page 69). As a result of the rights issue, the board agreed to make adjustments to all unexercised share options and share awards granted under the Group's Employee Share Schemes. The basis of the adjustments was the theoretical ex-rights price methodology, which was considered the most appropriate to take into account the impact of the rights issue. The adjustments under certain plans were approved by the relevant tax authorities, where necessary.

Under the Performance Share Plan, EPS at the end of a three-year performance period is measured against a base EPS figure. The board remuneration committee has also adjusted the base EPS figures to take account of the rights issue using a standard theoretical ex-rights price methodology. The EPS figures given below are the adjusted EPS figures.

Year of grant	Original base EPS figure	Revised base EPS figure
2006	153.7	134.5
2007	170.7	149.4
2008	197.6	173.0

International financial reporting standards

Details on how share awards have been expensed under IFRS 2 are set out in note 42 to the financial statements to the accounts.

General

The middle market price of an ordinary share at the close of business on 31 December 2008 was 875 pence. The share price range during 2008 was 664 pence to 1903 pence per share (based on closing middle market prices). Full details of the directors' shares and options can be found in the Company's register of directors' interests.

Unless indicated otherwise, the foreign exchange rates used in this directors' remuneration report are based on the average rates throughout the relevant financial year. The rates are £1:$1.8377 (2008) and £1:$2.0054 (2007).

Audited information

Remuneration of directors

Directors	2008 Fixed Salary/fees $000	2008 Fixed Benefits[a] $000	2008 Variable Cash bonus[b] $000	2008 Variable Deferred shares[c] $000	2008 Variable PSP[d] $000	2008 Total $000	2007 Salary/fees $000	2007 Benefits[a] $000	2007 Cash bonus[b] $000	2007 Deferred bonus[c] $000	2007 Total $000	2007 PSP[d] $000	2007 Total including PSP $000
Lord Davies[e]	**1,195**	**41**	**–**	**–**	**–**	**1,236**	1,304	21	–	–	1,325	–	1,325
Sub total	**1,195**	**41**	**–**	**–**	**–**	**1,236**	1,304	21	–	–	1,325	–	1,325
P A Sands[f]	**1,516**	**65**	**1,051**	**1,575**	**1,799**	**6,006**	1,504	63	2,005	1,003	4,575	2,422	6,997
S P Bertamini[g,h]	**701**	**462**	**563**	**2,012**	**1,270**	**5,008**	–	–	–	–	–	–	–
G R Bullock	**907**	**53**	**189**	**606**	**740**	**2,495**	900	50	543	521	2,014	1,424	3,438
R H Meddings	**1,096**	**43**	**913**	**913**	**1,112**	**4,077**	1,023	46	1,036	682	2,787	1,647	4,434
M B DeNoma[h,j]	**1,274**	**2,884**	**–**	**–**	**–**	**4,158**	1,218	1,233	1,103	551	4,105	1,243	5,348
Sub total	**5,494**	**3,507**	**2,716**	**5,106**	**4,921**	**21,744**	4,645	1,392	4,687	2,757	13,481	6,736	20,217
J W Peace[p]	**276**	**–**	**–**	**–**	**–**	**276**	125	–	–	–	125	–	125
J F T Dundas[f,i,k]	**214**	**–**	**–**	**–**	**–**	**214**	180	–	–	–	180	–	180
V F Gooding[f,l]	**180**	**–**	**–**	**–**	**–**	**180**	159	–	–	–	159	–	159
R H P Markham[i,k]	**263**	**–**	**–**	**–**	**–**	**263**	250	–	–	–	250	–	250
R Markland[i,k,l]	**270**	**–**	**–**	**–**	**–**	**270**	224	–	–	–	224	–	224
S B Mittal	**133**	**–**	**–**	**–**	**–**	**133**	54	–	–	–	54	–	54
J G H Paynter[k,m]	**44**	**–**	**–**	**–**	**–**	**44**	–	–	–	–	–	–	–
P D Skinner[l]	**168**	**–**	**–**	**–**	**–**	**168**	153	–	–	–	153	–	153
O H J Stocken[f,l]	**180**	**–**	**–**	**–**	**–**	**180**	156	–	–	–	156	–	156
Sir CK Chow[n]	**44**	**–**	**–**	**–**	**–**	**44**	282	–	–	–	282	–	282
Lord Turner[o]	**154**	**–**	**–**	**–**	**–**	**154**	188	–	–	–	188	–	188
Sub total	**1,926**	**–**	**–**	**–**	**–**	**1,926**	1,771	–	–	–	1,771	–	1,771
Total	**8,615**	**3,548**	**2,716**	**5,106**	**4,921**	**24,906**	7,720	1,413	4,687	2,757	16,577	6,736	23,313

Notes

(a) The benefits column includes amounts relating to car allowances and medical and life insurance benefits. Mr Bertamini and Mr DeNoma carried out their duties overseas and had their remuneration adjusted to take local living costs into account. This adjustment was to put them in a position, after taxation differentials, where they would be no worse off as a result of carrying out their duties overseas. The benefits column for these directors also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. For Mr Bertamini and Mr DeNoma, these allowances and benefits amounted to $461,878 (2007: n/a) and $2,883,919 (2007: $1,233,100) respectively. In line with the Group's international mobility policy Mr DeNoma was tax equalised for those cash benefits which have been paid through payroll and for employee share scheme exercises made in 2008, which amounted to a total of $381,481.

(b) The cash bonus amounts shown are net of any amounts waived to provide additional pension benefits. See page 90 for further details.

(c) The amounts shown in the 2008 deferred shares column includes, firstly, the standard proportion of the annual performance award deferred into restricted shares, under the 2006 Restricted Share Scheme and, secondly, an additional portion that the directors indicated to the committee they wished to defer voluntarily into the Deferred Bonus Plan. The amounts of the additional deferral into the Deferred Bonus Plan for each director are as follows: Mr Sands $697,000, Mr Bertamini $266,000, Mr Bullock $279,500 and Mr Meddings $355,000.

(d) The expected value of any performance share awards granted or to be granted (i.e. March 2009) in respect of the 2007 and 2008 financial years. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends. For Mr Bertamini an initial joining grant made in September 2008 of $1,086,975 (£750,000) is also included.

(e) Lord Davies resigned as an employee and stepped down from the board, board nomination committee and sustainability and responsibility committee on 14 January 2009.

(f) Member of the sustainability and responsibility committee.

(g) Mr Bertamini received a total 2008 discretionary annual performance award of $1,125,000 of which $296,250 and $266,000 is deferred into restricted shares under the 2006 Restricted Share Scheme and the Deferred Bonus Plan respectively. In addition, in recognition of the substantial elements of deferred compensation and share awards which Mr Bertamini forfeited when he left his previous employer, he was also awarded, as part of his joining arrangements, a one-off award of deferred shares to be granted in March 2009 of $1,449,300 (£1,000,000). This will vest in February 2010.

(h) Mr Bertamini and Mr DeNoma received cash allowances of $140,905 (2007: n/a) and $273,053 (2007: $258,648) respectively in lieu of their participation in any pension plan and this is reflected in the table above, as part of salary/fees. Details of the retirement benefits for other directors are detailed on page 90.

(i) Member of the board nomination committee.

(j) Mr DeNoma resigned from the board on 1 June 2008. However, he will continue to be an employee of the Group until 30 June 2009. His base salary and other contractual benefits will continue to be paid until 30 June 2009 in line with his contract of employment.

(k) Member of the audit and risk committee.

(l) Member of the board remuneration committee.

(m) Mr Paynter was appointed as an independent non-executive director with effect from 1 October 2008 and as a member of the audit and risk committee from 1 November 2008.

(n) Sir CK Chow retired from the board on 7 May 2008, but remains chairman of Standard Chartered Bank (Hong Kong) Limited for which he receives a fee of HK$1.75 million per annum.

(o) Lord Turner stepped down from the board on 19 September 2008.

(p) Mr Peace received an all-inclusive fee of $275,655 (£150,000) as deputy chairman.

General notes

Any base salary/fee or benefit item in the table above has been converted using the 2008 average rate on page 88. Any performance award (comprising cash bonus and deferred shares) for 2008 is determined in US dollars and shown as such in the table. The proposed PSP awards in respect of the 2008 performance year are determined in sterling but for the purposes of the table converted into US dollars using the exchange rate at the end of the year (£1:$1.4493). All emoluments in 2007 have, where necessary, been converted using the average exchange rate for 2007, consistent with the basis shown in last year's report and accounts. Further details on the fees for non-executive directors are shown on page 87.

Retirement benefits of executive directors and the former Group chairman

	Accrued pension $000*			Transfer value of accrued pension $000** ***				Increase in accrued pension (net of inflation and waiver) during 2008 $000††	
Directors	At 1 January 2008	Increase during the year	At 31 December 2008	At 1 January 2008	Increase during the year net of waiver	At 31 December 2008	2008 waiver $000†	Annual pension	Transfer value
P A Sands	251	74	241	4,558	395	3,635	–	67	1,029
G R Bullock	278	85	270	5,284	389	4,575	415	47	793
R H Meddings	264	72	249	4,658	653	3,911	–	65	1,039

Notes

* Mr Bertamini and Mr DeNoma received cash supplements and do not participate, like the other executive directors, in the defined benefit plans set out above. Their cash supplement amounts are shown in the directors' remuneration table on page 89.

** The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.

*** The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using the Group's pension accounting methodology and assumptions.

† Executive directors are given the opportunity to waive a proportion of any potential bonus and/or salary to enhance their unfunded unapproved retirement benefits. The amounts waived in respect of 2008 are shown in the table.

†† The increase in the accrued pension (net of inflation and bonus waiver) during the year is the difference between the accrued pension at the end of 2007 increased by an allowance for inflation of 3.0 per cent (2007: 4.3 per cent) and the accrued pension at the end of 2008 excluding any bonus waiver in 2008.

General notes

(a) The ages of the executive directors are shown on page 67.

(b) Lord Davies ceased to accrue additional pension benefits on 1 January 2007. His pension payments commenced in November 2007. As at 31 December 2008 he was in receipt of a pension from the Group of $171,602 per annum.

(c) In addition to the amounts identified in the table above the Group paid $ 605,996 (2007: $367,688) in retirement benefits to former directors and their dependents.

(d The amounts included in the table above as at 1 January and 31 December 2008 are calculated using the exchange rates at the end of 2007 (£1:$1.9877) and 2008 (£1:$1.4493) respectively. The other entries are calculated using the exchange rates shown on page 88.

Deferred compensation

In recognition of the substantial elements of deferred compensation and share awards forfeited when he left his previous employer, Steve Bertamini participates in a deferred compensation arrangement under which a total of $6,500,000 has been allocated into an interest bearing account, and all or part of the account may be invested in an alternative investment vehicle at his discretion. It will vest in three tranches unless he resigns or is terminated for cause: $3,000,000 after the second, $2,000,000 after the fourth and $1,500,000 after the sixth anniversary of joining. No further awards are planned.

	Grant date	Allocation	Vested	**Value as at 31 December 2008**	Vesting period
S P Bertamini	19 May 2008	$6,500,000	–	**$6,606,978**	2010-2014

Directors' interests in ordinary shares

Directors	At 1 January 2008 Total interests*	**Personal interests**	**Family interests**	**Rights issue subscription****	**At 31 December 2008 Total interests*****
J W Peace	5,000	**5,000**	**–**	**1,648**	**6,648**
P A Sands	50,670	**81,402**	**–**	**26,835**	**108,237**
S P Bertamini	2,000	**40,000**	**–**	**659**	**40,659**
G R Bullock	88,837	**136,427**	**–**	**44,044**	**180,471**
J F T Dundas	2,100	**2,100**	**–**	**692**	**2,792**
V F Gooding	2,045	**2,071**	**–**	**682**	**2,753**
R H P Markham	2,425	**2,491**	**–**	**821**	**3,312**
R Markland	2,194	**2,254**	**–**	**743**	**2,997**
R H Meddings	152,312	**156,453**	**–**	**51,577**	**208,030**
S B Mittal	2,000	**2,000**	**–**	**–**	**2,000**
J G H Paynter	2,000	**2,000**	**–**	**659**	**2,659**
P D Skinner	3,289	**4,078**	**–**	**1,250**	**5,328**
O H J Stocken	10,000	**10,773**	**–**	**3,448**	**14,221**
Lord Davies	24,957	**2,000**	**22,957**	**8,227**	**33,184**
Lord Turner	5,092	**5,092**	**–**	**–**	**–**
M B DeNoma	139,715	**108,888**	**–**	**–**	**108,888**
Sir CK Chow	15,664	**15,664**	**–**	**–**	**15,664**

* Or at date of appointment to the board, if later.

** The number of additional shares subscribed by the individual under the rights issue offer.

*** Or date of resignation from the board, if earlier.

General notes

(a) The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.

(b) No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.

(c) No director had any corporate interests in the Company's ordinary shares.

2004 Deferred Bonus Plan

Directors	Shares held in trust at 1 January 2008*	Shares awarded during the period[a]	Shares awarded in respect of notional dividend[b]	Shares vested during the period[a]	Rights issue adjustment**	Shares held in trust at 31 December 2008***
P A Sands	24,845	29,998	190	25,035	4,272	34,270
S P Bertamini	–	–	–	–	–	–
G R Bullock	14,789	15,599	113	14,902	2,221	17,820
R H Meddings	18,693	20,398	143	18,836	2,905	23,303
Lord Davies	37,859	–	290	38,149	–	–
M B DeNoma	17,746	16,499	135	17,881	–	16,449

* Or at date of appointment to the board, if later.

** Adjustments made to all unexercised share awards granted under the Group's employee share scheme as part of the rights issue.

*** Or date of resignation from the board, if earlier.

Notes

(a) Market value on date of awards/vesting (6 March 2008) was 1643 pence.

(b) 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. A notional scrip dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.

Subsequent pages contain information on share options and share awards.

Long-term incentives
Share options

Directors	Scheme	Grant date	As at 1 January 2008*	Adjusted exercise price (pence)**	Exercised	Lapsed	Rights issue subscription***	**At 31 December 2008******	Period of exercise
P A Sands	ESOS	20 May 2002	205,384	754.35 (861.80)	–	–	29,254	**234,638**	2009-2012
	ESOS	5 March 2003	195,510	604.41 (690.50)	–	–	27,847	**223,357**	2009-2013
	ESOS	4 March 2004	96,205	818.86 (935.50)	–	–	13,703	**109,908**	2009-2014
	ESOS	9 March 2005	97,837	849.94 (971.00)	–	–	13,935	**111,772**	2009-2015
	Sharesave	26 September 2007	1,351	1,088.03 (1,243.00)	–	–	192	**1,543**	2010-2011
G R Bullock	ESOS	4 March 2004	64,136	818.86 (935.50)	64,136[b]	–	–	**–**	–
	ESOS	9 March 2005	50,205	849.94 (971.00)	50,205[b]	–	–	**–**	–
	Sharesave	8 September 2003	2,472	561.08 (641.00)	2,824[c]	–	352	**–**	–
	Sharesave	29 September 2008	826	1,017.12 (1,162.00)	–	–	117	**943**	2011-2012
R H Meddings	ESOS	4 March 2004	65,473	818.86 (935.50)	–	–	9,325	**74,798**	2009-2014
	ESOS	9 March 2005	74,794	849.94 (971.00)	74,794[b]	–	–	**–**	–
	Sharesave	8 September 2006	878	931.34 (1,064.00)	–	–	125	**1,003**	2009-2010
Lord Davies	ESOS	4 March 2004	3,206	818.86 (935.50)	–	–	456	**3,662**	2009-2010[e][f]
	ESOS	9 March 2005	154,479	849.94 (971.00)	154,479[b]	–	–	**–**	–
M B DeNoma	ESOS	9 March 2005	64,109	849.94 (971.00)	64,109[d]	–	–	**–**	–

* Or at date of appointment to the board or date of grant if later.

** The original exercise price in pence prior to the rights issue is shown in brackets.

*** Adjustments made to all unexercised share options/share awards granted under the Group's employee share schemes as part of the rights issue.

****Or date of resignation from the board, if earlier.

For notes refer to page 92.

Share awards

Directors	Scheme	Grant date	As at 1 January 2008*	Exercised	Lapsed	Rights issue subscription**	**As at 31 December 2008*****	Period of exercise
P A Sands	RSS	20 May 2002	52,216	52,216(b)	–	–	**–**	–
	PSP	4 March 2004	48,102	48,102(b)	–	–	**–**	–
	PSP	9 June 2004	36,644	–	–	5,219	**41,863**	2009-2014(i)
	PSP	9 March 2005	97,837	–	–	13,935	**111,772**	2009-2015(i)
	PSP	14 March 2006	73,170	–	–	10,422	**83,592**	2009-2016(j)
	PSP	11 May 2006	35,958	–	–	5,121	**41,079**	2009-2016(j)
	PSP	12 March 2007	142,143	–	–	20,246	**162,389**	2010-2017
	PSP	11 March 2008(g)	161,737	–	–	23,037	**184,774**	2011-2018
S P Bertamini	PSP	16 September 2008(h)	51,939	–	–	7,398	**59,337**	2011-2018
G R Bullock	PSP	9 March 2005	58,573	58,573(d)	–	–	**–**	–
	PSP	14 March 2006	48,780	–	–	6,948	**55,728**	2009-2016(j)
	PSP	11 May 2006	17,979	–	–	2,560	**20,539**	2009-2016(j)
	PSP	12 March 2007	81,495	–	–	11,607	**93,102**	2010-2017
	PSP	11 March 2008(g)	95,117	–	–	13,548	**108,665**	2011-2018
R H Meddings	PSP	9 March 2005	74,794	74,794(b)	–	–	**–**	–
	PSP	14 March 2006	59,930	–	–	8,536	**68,466**	2009-2016(j)
	PSP	11 May 2006	22,089	–	–	3,146	**25,235**	2009-2016(j)
	PSP	12 March 2007	87,870	–	–	12,515	**100,385**	2010-2017
	PSP	11 March 2008(g)	109,981	–	–	15,665	**125,646**	2011-2018
Lord Davies	PSP	9 March 2005	154,479	154,479(d)	–	–	**–**	–
	PSP	14 March 2006	111,498	–	–	15,881	**127,379**	2009-2010(e)(k)
	PSP	11 May 2006	82,191	–	–	11,707	**93,898**	2009-2010(e)(k)
	PSP	12 March 2007	179,186	–	–	25,522	**204,708**	2010(e)(l)
M B DeNoma	PSP	9 March 2005	74,794	74,794(d)	–	–	**–**	–
	PSP	14 March 2006	59,930	–	–	–	**59,930**	2009-2016(j)
	PSP	11 May 2006	22,089	–	–	–	**22,089**	2009-2016(j)
	PSP	12 March 2007	84,424	–	–	–	**84,424**	2010-2017
	PSP	11 March 2008(g)	83,025	–	–	–	**83,025**	2011-2018

* Or at date of appointment to the board or date of grant if later.

** Adjustments made to all unexercised share options/share awards granted under the Group's employee share schemes as part of the rights issue.

*** Or date of resignation from the board, if earlier.

Notes

(a) Details of performance conditions are described on page 84 and 85.

(b) Market value on date of exercise (8 May 2008) was 1839 pence.

(c) Market value on date of exercise (19 December 2008) was 740 pence.

(d) Market value on date of exercise (10 March 2008) was 1578 pence.

(e) Lord Davies has entered into a personal arrangement with an independent trustee under which he has agreed that such awards can not be exercised without the written authority of such trustee for the duration of any appointment that he might have in the UK Government.

(f) This award was exercisable at the time Lord Davies stepped down from the board of directors. It will remain exercisable until 14 January 2010 at which point any unexercised award will lapse.

(g) Market value on date of award (11 March 2008) was 1626 pence.

(h) Market value on date of award (16 September 2008) was 1386 pence.

(i) These awards are exercisable as any associated performance and service conditions have already been met.

(j) The performance conditions attached to these awards have been partially met (85 per cent for March awards and 79 per cent for May and September awards) and the awards will be exercisable after meeting the service conditions on 14 March and 11 May 2009 respectively.

(k) The performance conditions attached to these awards have been partially met (85 per cent for March awards and 79 per cent for May and September awards) and the awards will be exercisable from 14 March and 11 May 2009 respectively. The March 2006 and May 2006 awards will remain exercisable until 14 January 2010 at which point any unexercised awards will lapse.

(l) The number of shares under award will be reduced to reflect the period of employment as a proportion of the performance period and will be subject to the performance conditions being satisfied, from March 2010 until December 2010, at which point any unexercised award will lapse.

(m) Market value of awards in previous years: 20 May 2002 – 861.8 pence; 5 March 2003 – 690.5 pence; 13 May 2003 – 742.5 pence; 4 March 2004 – 935.5 pence; 9 June 2004 – 921 pence; 9 March 2005 – 971 pence; 14 March 2006 – 1450 pence; 11 May 2006 – 1460 pence; 12 March 2007 – 1430 pence.

(n) Market value at year end was 875 pence and the highest and lowest values during the year were 664 pence and 1903 pence respectively.

Remuneration of five highest paid individuals

As a result of the Company's listing on The Stock Exchange of Hong Kong Limited, it is necessary to disclose certain information relating to the five highest paid employees in the Group. Set out below are details for five individuals, (none of whom were executive directors) whose emoluments* were the highest in the year ending 31 December 2008:

Components of remuneration	$
Basic salaries, allowances and benefits in kind	2,659,535
Pension contributions	521,949
Bonuses paid or receivable*	43,040,294
Payments made on appointment	–
Compensation for loss of office	
– contractual	–
– other	–
Total**	46,221,778

* Excluding bonuses or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

** Equal to HK$359,942,851.

The emoluments were in the following bands:

HK (approx. $ equivalent)	Number of employees
HK $41,500,001 – HK $42,000,000 ($5,329,190 – $5,393,397)	1
HK $42,000,001 – HK $42,500,000 ($5,393,397 – $5,457,604)	1
HK $45,500,001 – HK $46,000,000 ($5,842,847 – $5,907,054)	1
HK $47,000,001 – HK $47,500,000 ($6,035,468 – $6,099,675)	1
HK $182,000,001 – HK $182,500,000 ($23,371,387 – $23,435,594)	1

By order of the board

Annemarie Durbin
Group company secretary
3 March 2009

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and Company and the performance of the Group for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Report of the directors, Directors' remuneration report and the Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

The directors confirm to the best of their knowledge:

1. the financial statements prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
2. the management reports, which are incorporated into the Report of the directors, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with the principal risks and uncertainties they face.

By order of the board
R H Meddings
Group finance director
3 March 2009

Independent Auditor's report to the members of Standard Chartered PLC

We have audited the Group (Standard Chartered PLC and its subsidiaries) and Company (Standard Chartered PLC) financial statements (together referred to as the 'financial statements') for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 94.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of Directors includes information presented in the Chairman's statement, the Group Chief Executive's Review and the Financial and Business Reviews that are cross referenced from the Report of the Directors. In addition we report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc
London
Chartered Accountants
Registered Auditor
3 March 2009

Consolidated income statement
For the year ended 31 December 2008

	Notes	2008 $million	2007 $million
Interest income	3	**16,378**	16,176
Interest expense	4	**(8,991)**	(9,911)
Net interest income		**7,387**	6,265
Fees and commission income	5	**3,420**	3,189
Fees and commission expense	5	**(479)**	(528)
Net trading income	6	**2,405**	1,261
Other operating income	7	**1,235**	880
Total non-interest income		**6,581**	4,802
Operating income		**13,968**	11,067
Staff costs	8	**(4,737)**	(3,949)
Premises costs	8	**(738)**	(592)
General administrative expenses	8	**(1,711)**	(1,329)
Depreciation and amortisation	9	**(425)**	(345)
Operating expenses		**(7,611)**	(6,215)
Operating profit before impairment losses and taxation		**6,357**	4,852
Impairment losses on loans and advances and other credit risk provisions	21	**(1,321)**	(761)
Other impairment	10	**(469)**	(57)
Profit from associates	24	**1**	1
Operating profit		**4,568**	4,035
Rights issue option	11	**233**	–
Profit before taxation		**4,801**	4,035
Taxation	12	**(1,290)**	(1,046)
Profit for the year		**3,511**	2,989
Profit attributable to:			
Minority interests	41	**103**	148
Parent company shareholders		**3,408**	2,841
Profit for the year		**3,511**	2,989
Earnings per share:			
Basic earnings per ordinary share (cents)†	14	**202.4**	176.0
Diluted earnings per ordinary share (cents)†	14	**201.3**	174.2

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

Consolidated balance sheet
As at 31 December 2008

	Notes	2008 $million	2007* $million
Assets			
Cash and balances at central banks	44	**24,161**	10,175
Financial assets held at fair value through profit or loss	16	**15,425**	22,958
Derivative financial instruments	17	**69,657**	26,204
Loans and advances to banks	18, 21	**46,583**	35,365
Loans and advances to customers	19, 21	**174,178**	154,266
Investment securities	23	**69,342**	55,274
Interests in associates	24	**511**	269
Goodwill and intangible assets	26	**6,361**	6,374
Property, plant and equipment	27	**3,586**	2,892
Current tax assets		**764**	633
Deferred tax assets	28	**660**	593
Other assets	29	**20,374**	11,011
Prepayments and accrued income		**3,466**	3,857
Total assets		**435,068**	329,871
Liabilities			
Deposits by banks	30	**31,909**	25,880
Customer accounts	31	**234,008**	179,760
Financial liabilities held at fair value through profit or loss	32	**15,478**	14,250
Derivative financial instruments	17	**67,775**	26,270
Debt securities in issue	33	**23,447**	27,137
Current tax liabilities		**512**	818
Deferred tax liabilities	28	**176**	33
Other liabilities	35	**17,363**	14,742
Accruals and deferred income		**4,132**	3,429
Provisions for liabilities and charges	36	**140**	38
Retirement benefit obligations	37	**447**	322
Subordinated liabilities and other borrowed funds	38	**16,986**	15,740
Total liabilities		**412,373**	308,419
Equity			
Share capital	39	**948**	705
Reserves	40	**21,192**	20,146
Total parent company shareholders' equity		**22,140**	20,851
Minority interests	41	**555**	601
Total equity		**22,695**	21,452
Total equity and liabilities		**435,068**	329,871

* Amounts have been restated as explained in note 53.

These financial statements were approved by the board of directors and authorised for issue on 3 March 2009 and signed on its behalf by:

J W Peace	**P A Sands**	**R H Meddings**
Acting chairman	Group chief executive	Group finance director

Business review
Corporate governance
Financial statements and notes

Statement of recognised income and expense

For the year ended 31 December 2008

	Notes	Group 2008 $million	Group 2007 $million	Company 2008 $million	Company 2007 $million
Exchange differences on translation of foreign operations:					
Net (losses)/gains taken to equity		**(2,794)**	415	**–**	–
Transferred to income on repatriation of branch capital		**–**	(109)	**–**	–
Actuarial (losses)/gains on retirement benefit obligations	37	**(229)**	237	**–**	–
Available-for-sale investments:					
Net valuation (losses)/gains taken to equity		**(738)**	675	**–**	–
Transferred to income		**(198)**	(252)	**–**	–
Cash flow hedges:					
Net (losses)/gains taken to equity		**(176)**	57	**–**	–
Net gains transferred to income		**(18)**	(58)	**–**	–
Taxation on items recognised directly in equity		**218**	(99)	**–**	–
Net (expense)/income recognised in equity		**(3,935)**	866	**–**	–
Profit for the year		**3,511**	2,989	**2,282**	349
Total recognised income and expense for the year		**(424)**	3,855	**2,282**	349
Attributable to:					
Minority interests	41	**(3)**	196	**–**	–
Parent company shareholders	40	**(421)**	3,659	**2,282**	349
		(424)	3,855	**2,282**	349

Cash flow statement
For the year ended 31 December 2008

	Notes	Group 2008 $million	Group 2007 $million	Company 2008 $million	Company 2007* $million
Cash flows from operating activities					
Profit before taxation		**4,801**	4,035	**2,476**	310
Adjustments for:					
Non-cash items included within income statement	43	**1,762**	1,259	**(2,313)**	(259)
Change in operating assets	43	**(87,251)**	(38,199)	**62**	–
Change in operating liabilities	43	**105,810**	53,102	**1,295**	(964)
Net return from defined benefit schemes		**8**	16	**–**	–
UK and overseas taxes (paid)/refunded		**(1,400)**	(1,097)	**2**	14
Net cash from/(used in) operating activities		**23,730**	19,116	**1,522**	(899)
Net cash flows from investing activities					
Purchase of property, plant and equipment		**(1,431)**	(471)	**–**	–
Disposal of property, plant and equipment		**73**	22	**–**	–
Acquisition of investment in subsidiaries, net of cash acquired		**6,209**	(85)	**–**	(750)
Disposal of investment in subsidiaries		**159**	–	**–**	–
Purchase of investment securities		**(109,938)**	(78,292)	**(925)**	–
Disposal and maturity of investment securities		**97,756**	74,457	**–**	–
Dividends received from investment in subsidiaries		**–**	–	**1,880**	385
Net cash (used in)/from investing activities		**(7,172)**	(4,369)	**955**	(365)
Net cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		**2,753**	861	**2,753**	861
Purchase of own shares		**(76)**	(15)	**(76)**	(15)
Exercise of share options through ESOP		**9**	39	**9**	39
Interest paid on subordinated liabilities		**(718)**	(737)	**(185)**	(118)
Gross proceeds from issue of subordinated liabilities		**3,667**	3,051	**960**	–
Repayment of subordinated liabilities		**(1,436)**	(505)	**(640)**	–
Dividends paid to minority interests and preference shareholders		**(257)**	(148)	**(110)**	(28)
Dividends paid to ordinary shareholders		**(815)**	(573)	**(815)**	(573)
Net cash from financing activities		**3,127**	1,973	**1,896**	166
Net increase/(decrease) in cash and cash equivalents		**19,685**	16,720	**4,373**	(1,098)
Cash and cash equivalents at beginning of year		**55,338**	38,161	**930**	2,028
Effect of exchange rate movements on cash and cash equivalents		**(1,324)**	457	**–**	–
Cash and cash equivalents at end of year	44	**73,699**	55,338	**5,303**	930

* Amounts have been re-presented as explained in note 53.

Company balance sheet

As at 31 December 2008

	Notes	2008 $million	2007 $million
Non-current assets			
Investments in subsidiary undertakings	24	**10,406**	10,406
Current assets			
Debt securities	23	**925**	–
Amounts owed by subsidiary undertakings		**5,303**	2,019
Taxation		**54**	183
Other		**64**	127
		6,346	2,329
Current liabilities			
Derivative financial instruments	17	**26**	–
Debt securities in issue	33	**1,372**	–
Amounts owed to subsidiary undertakings		**–**	1,089
Other creditors, including taxation		**79**	102
Deferred income		**40**	40
		1,517	1,231
Net current assets		**4,829**	1,098
Total assets less current liabilities		**15,235**	11,504
Non-current liabilities			
Subordinated liabilities and other borrowed funds	38	**1,736**	1,987
Deferred income		**231**	271
		13,268	9,246
Equity			
Share capital	39	**948**	705
Reserves	40	**12,320**	8,541
Total equity		**13,268**	9,246

These financial statements were approved by the board of directors and authorised for issue on 3 March 2009 and signed on its behalf by:

J W Peace
Acting chairman

P A Sands
Group chief executive

R H Meddings
Group finance director

1. Accounting policies

Statement of compliance

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations as adopted by the EU (together 'adopted IFRS'). In publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

The Group has adopted the amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' in respect of the reclassification of financial assets, which was effective from 1 July 2008 for those assets identified and approved by management for reclassification on or before 31 October 2008. The details of the assets reclassified and the amounts involved are set out in note 15.

The disclosures required by IFRS 7 'Financial Instruments Disclosures' and the capital disclosures within IAS 1 'Presentation of Financial Statements' are presented within the 'Risk Review' on pages 43 to 63 and 'Capital' on pages 64 to 65, except where indicated as not audited, and in the notes to the financial statements.

The consolidated balance sheet at 31 December 2007 has been restated as explained in note 53 to (a) reflect the revised fair values of the assets and liabilities acquired on the acquisitions of Pembroke and Harrison Lovegrove; and (b) to reflect the re-presentation of current and deferred tax balances. The Company cash flow statement has been re-presented as explained in note 53.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of cash-settled share based payments, available-for-sale assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss. The Company financial statements have been prepared on an historical cost basis, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting policies set out below have been applied consistently across the Group and to all periods presented in these financial statements.

Consolidation

Subsidiaries

Subsidiaries are all entities, including special purpose entities (SPEs), over which the Group has the power to directly or indirectly govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

SPEs are consolidated when the substance of the relationship between the Group and its entity indicates control by the Group. Potential indicators of control include amongst others, an assessment of risks and benefits in respect of the SPE's activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with costs directly attributable to the acquisition. Identifiable net assets and contingent liabilities acquired are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement. Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, any adjustments arising from their subsequent finalisation are made as of the date of acquisition and amounts restated as appropriate.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in the Group accounts. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Associates

Associates are all entities over which the Group has the ability to significantly influence, but not control, the financial and operating policies and procedures generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1. Accounting policies continued

Consolidation continued

Joint ventures

Interests in jointly controlled entities are recognised using proportionate consolidation whereby the Group's share of the joint venture's assets, liabilities, income and expenses are combined line by line with similar items in the Group's financial statements.

Investment in subsidiaries, associates and joint ventures

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received, if any.

Foreign currency translation

Both the parent company financial statements and the Group financial statements are presented in US dollars, which is the presentation currency of the Group and the functional and presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Group companies

The results and financial position of all the entities included in the Group financial statements that have a functional currency different from the Group's presentation currency are accounted for as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly; and
- all resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or capital repatriated they are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (four to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised on the basis of expected useful life (three to five years). Costs associated with maintaining software are recognised as an expense as incurred. At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	up to 50 years
Leasehold improvements	life of lease, up to 50 years
Equipment and motor vehicles	three to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

Gains and losses on disposals are included in the income statement.

Leases

Where a Group company is the lessee

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1. Accounting policies continued

Leases continued

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' with a corresponding liability to the lessor recognised in 'Other liabilities'. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

Where a Group company is the lessor

When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return ignoring tax cash flows.

Assets leased to customers under operating leases are included within 'Property, plant and equipment' and depreciated over their useful lives. Rental income on these leased assets is recognised in the income statement on a straight-line basis unless another systematic basis is more representative.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances at central banks (unless restricted), treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Employee benefits

Pension obligations

The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of recognised income and expense in the period they arise. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight-line basis. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities, offset by the expected return on plan assets, are charged to operating expenses.

Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. For forfeitures prior to vesting attributable to factors other than failure to satisfy market-based performance conditions, the cumulative charge incurred is credited to the income statement.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement.

Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as at the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

1. Accounting policies continued

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Share capital

Incremental costs directly attributable to the issue of new shares or options, or to the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the period in which they are declared.

Where the Company or other members of the consolidated Group purchases the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Financial assets and liabilities (excluding derivatives)

The Group classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

(a) Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, financial assets held-to-maturity and available-for-sale are initially recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrowers. Financial assets and financial liabilities are initially recognised at fair value plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the income statement.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to a separate component of equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost using the effective interest method.

The fair values of quoted financial assets or financial liabilities in active markets are based on current prices. If the market for a financial asset or financial liability is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Financial assets and liabilities (excluding derivatives) continued

Reclassifications

Reclassifications of financial assets, other than as disclosed below, or of financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: (i) to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or (ii) to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable on initial recognition and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category, where they would have met the definition of a loan and receivable on initial recognition and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets reclassified are done so at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the income statement over the remaining life of the financial asset, using the effective interest method.

Renegotiated loans

Loans whose original terms have been modified are considered renegotiated loans. If the renegotiation occurs before a customer is either past due or impaired and the revised terms are consistent with those readily available in the market, the account will not be considered past due. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly. If the account was past due or impaired prior to the renegotiation, the loan will remain past due until the customer complies with the revised terms for 12 months.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Income recognition

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognised in the income statement using the effective interest method.

Gains and losses arising from changes in the fair value of financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Contractual interest income and expense on financial instruments designated at fair value through profit or loss is recognised within net interest income. For trading financial instruments, interest income and expense is recognised within net interest income using the effective interest method.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Dividends on equity instruments are recognised in the income statement within 'Other income' when the Group's right to receive payment is established.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the customer is more than 90 days past due;
- a customer files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;
- the Group files to have the customer declared bankrupt or files a similar order in respect of a credit obligation;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments;
- the Group sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective

1. Accounting policies continued

Impairment of financial assets continued

Assets carried at amortised cost continued

interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Available-for-sale assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other indicators of impairment, in determining whether an asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Derivative financial instruments and hedge accounting

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1. Accounting policies continued

Derivative financial instruments and hedge accounting continued

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the balance sheet; the counterparty liability is included in deposits by banks, or customer accounts, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Interest income and expense

Interest income and expense is recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows. The adjustment is recognised as interest income or expense in the period in which the revision is made.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

Hyperinflation

Where the Group has operations in countries that experience hyperinflation, the financial statements are restated for changes in general purchasing power of the local currency.

2. Segmental information

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

By business segment

	2008				2007			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million
Internal income	(78)	78	–	–	(77)	77	–	–
Net interest income	4,224	3,163	–	7,387	4,194	2,071	–	6,265
Other income	1,806	4,248	527	6,581	1,689	3,095	18	4,802
Operating income	5,952	7,489	527	13,968	5,806	5,243	18	11,067
Operating expenses	(3,843)	(3,768)	–	(7,611)	(3,393)	(2,814)	(8)	(6,215)
Operating profit before impairment losses and taxation	2,109	3,721	527	6,357	2,413	2,429	10	4,852
Impairment losses on loans and advances and other credit risk provisions	(937)	(384)	–	(1,321)	(736)	(25)	–	(761)
Other impairment	(56)	(336)	(77)	(469)	–	(57)	–	(57)
Profit from associates	–	–	1	1	–	–	1	1
Operating profit	1,116	3,001	451	4,568	1,677	2,347	11	4,035
Rights issue option	–	–	233	233	–	–	–	–
Profit before taxation	1,116	3,001	684	4,801	1,677	2,347	11	4,035
Total assets employed**	86,504	347,140	1,424*	435,068	90,237	238,408	1,226*	329,871
Total liabilities employed**	129,029	282,656	688*	412,373	110,904#	196,664#	851*	308,419
Other segment items:								
Capital expenditure†	375	1,207	–	1,582	418	208	–	626
Depreciation	157	93	–	250	136	46	–	182
Amortisation of intangible assets	93	82	–	175	68	95	–	163

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

** Amounts have been restated as explained in note 53.

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

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

2. Segmental information continued

By geographic segment

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

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

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

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

2. Segmental information continued

	2007									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Internal income	(81)	119	11	(58)	16	23	(15)	20	(35)	–
Net interest income	1,288	182	225	1,289	1,118	608	873	444	238	6,265
Fees and commissions income, net	539	233	83	227	466	353	436	194	130	2,661
Net trading income	180	80	63	(72)	330	145	100	121	314	1,261
Other operating income	142	278	77	178	171	179	34	16	(195)	880
Operating income	2,068	892	459	1,564	2,101	1,308	1,428	795	452	11,067
Operating expenses	(825)	(430)	(185)	(1,146)	(1,213)	(528)	(694)	(468)	(726)	(6,215)
Operating profit before impairment losses and taxation	1,243	462	274	418	888	780	734	327	(274)	4,852
Impairment (losses)/releases on loans and advances and other credit risk provisions	(50)	(16)	(38)	(94)	(318)	(90)	(143)	(27)	15	(761)
Other impairment	–	–	–	–	–	–	–	(2)	(55)	(57)
Profit/(loss) from associates	–	–	–	–	2	–	–	–	(1)	1
Profit/(loss) before taxation	1,193	446	236	324	572	690	591	298	(315)	4,035
Loans and advances to customers – average	23,712	14,897	9,518	41,962	23,545	7,611	10,679	2,437	17,059	151,420
Net interest margin (%)	2.3	1.0	1.8	2.1	2.8	4.3	4.1	5.6	0.2	2.5
Loans and advances to customers – period end	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Loans and advances to banks – period end	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679
Total assets employed*,**	61,348	39,362	14,614	67,244	55,890	23,210	28,616	11,132	85,891	387,307
Capital expenditure	39	131	9	53	116	138	88	45	7	626

* Amounts have been restated as explained in note 53.

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

2. **Segmental information** continued

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

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

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

Capital expenditure comprises additions to property and equipment (note 27) and software related intangibles (note 26) including any post-acquisition additions made by the acquired entities.

3. Interest income

	2008 $million	2007 $million
Balances at central banks	**32**	39
Treasury bills	**835**	884
Loans and advances to banks	**1,382**	1,975
Loans and advances to customers	**11,397**	10,746
Listed debt securities	**1,147**	1,081
Unlisted debt securities	**1,545**	1,385
Accrued on impaired assets (discount unwind)	**40**	66
	16,378	16,176

Total interest income from financial instruments held at amortised cost in 2008 is $10,124 million (2007: $11,070 million) and from financial instruments held as available-for-sale is $2,820 million (2007: $2,390 million).

4. Interest expense

	2008 $million	2007 $million
Deposits by banks	**1,268**	1,497
Customer accounts:		
Interest bearing current accounts and savings deposits	**1,009**	1,508
Time deposits	**4,328**	4,552
Debt securities in issue	**1,338**	1,543
Subordinated liabilities and other borrowed funds:		
Wholly repayable within five years	**389**	245
Other	**659**	566
	8,991	9,911

Total interest expense on financial instruments held at amortised cost in 2008 is $7,405 million (2007: $8,347 million).

5. Fees and commissions

	2008 $million	2007 $million
Fee income:		
Arising from financial instruments that are not fair valued through profit or loss	**1,475**	1,160
Arising from trust and other fiduciary activities	**113**	302
Other	**1,832**	1,727
	3,420	3,189
Fee expense:		
Arising from financial instruments that are not fair valued through profit or loss	**261**	285
Arising from trust and other fiduciary activities	**21**	26
Other	**197**	217
	479	528

6. Net trading income

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

7. Other operating income

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

Profit on sale of businesses in 2008 represents the gain on sale of the Group's Indian asset management business.

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

8. Operating expenses

	2008 $million	2007 $million
Staff costs:		
Wages and salaries	**3,793**	2,970
Social security costs	**93**	67
Other pension costs (note 37)	**172**	213
Other staff costs	**679**	699
	4,737	3,949
Premises and equipment expenses:		
Rental of premises	**337**	259
Other premises and equipment costs	**376**	307
Rental of computers and equipment	**25**	26
	738	592
General administrative expenses	**1,711**	1,329

Wages and salaries include share based payments – see note 42.

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

The Company employed nil staff at 31 December 2008 (2007: nil) and it incurred costs of $3 million (2007: $7 million).

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the directors' remuneration report on pages 89 to 92.

Transactions with directors, officers and other related parties are disclosed in note 56.

8. Operating expenses continued

Auditor's remuneration

Auditor's remuneration in relation to the Group statutory audit amounts to $5.0 million (2007: $6.0 million). The following fees were payable by the Group to their principal auditor, KPMG Audit Plc and its associates (together 'KPMG'):

	2008 $million	2007* $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	**5.0**	5.4
Fees relating to prior year	**–**	0.6
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries, pursuant to legislation		
Fees relating to the current year	**9.9**	8.1
Fees relating to prior year	**0.8**	–
Other services pursuant to legislation	**2.8**	3.0
Tax services	**1.3**	0.4
Services relating to information technology	**0.1**	0.1
Services relating to corporate finance transactions	**1.4**	0.8
All other services	**3.3**	0.3
Total fees payable	**24.6**	18.7

* In 2007, $1.6 million in respect of audit fees for the Group statutory audit was included in fees payable for the audit of Standard Chartered PLC subsidiaries which has now been appropriately allocated.

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG Audit Plc for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC. It excludes amounts payable for the audit of Standard Chartered PLC's subsidiaries and amounts payable to KPMG Audit Plc's associates. These amounts have been included in 'Fees payable to KPMG for other services provided to the Group'.
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings, including comfort letters and interim reviews.
- Tax services include tax compliance services and tax advisory services.
- Services relating to information technology include advice on IT security and business continuity, and performing agreed upon IT testing procedures.
- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as acquisition due diligence and long-form reports.
- All other services include other assurance and advisory services such as translation services, ad-hoc accounting advice, reporting accountants work on capital raising and review of financial models.

Expenses incurred during the provision of services and which have been reimbursed by the Group are included within auditor's remuneration.

In addition to the above, KPMG estimate they have been paid fees of $0.3 million (2007: $0.3 million) by parties other than the Group but where the Group is connected with the contracting party and therefore may be involved in appointing KPMG. These fees arise from services such as the audit of the Group's pension schemes.

Fees payable to KPMG for non-audit services for Standard Chartered PLC are not separately disclosed because such fees are disclosed on a consolidated basis for the Group.

9. Depreciation and amortisation

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

10. Other impairment

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

Impairment losses on available-for-sale financial assets includes $315 million (2007: $nil million) in relation to impairment of equity investments, $41 million (2007: $35 million) impairment on asset backed securities, and $61 million (2007: $5 million) on other debt securities. In 2007, impairment of intangible assets related to the write-off of a customer relationship asset relating to Whistlejacket, a structured investment vehicle previously sponsored by the Group.

11. Rights issue option

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

As the option was out-of-the-money at inception, an initial liability was established based on the difference between the share price when the documents were posted (as this created the legal obligation on the Company) and the rights price, with a corresponding charge to equity.

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

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

12. Taxation

Analysis of taxation charge in the year:

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

Overseas taxation includes taxation on Hong Kong profits of $156 million (2007: $195 million) provided at a rate of 16.5 per cent (2007: 17.5 per cent) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom corporation tax rate was reduced from 30 per cent to 28 per cent. This gives a blended 28.5 per cent tax rate for the full year.

12. Taxation continued

The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom, 28.5 per cent.

The differences are explained below:

	2008 $million	2007 $million
Profit on ordinary activities before taxation	**4,801**	4,035
Tax at 28.5% (2007: 30%)	**1,368**	1,211
Effects of:		
Tax free income	**(117)**	(203)
Lower tax rates on overseas earnings	**(130)**	(176)
Higher tax rates on overseas earnings	**207**	222
Adjustments to tax charge in respect of previous periods	**(192)**	(45)
Other items	**154**	37
Tax on profits on ordinary activities	**1,290**	1,046

Tax recognised directly in equity:

	2008 $million	2007 $million
Current tax:		
Share based payments	**16**	38
Available-for-sale assets	**97**	–
Rights issue option	**66**	–
	179	38
Deferred tax:		
Available-for-sale assets	**7**	(38)
Cash flow hedges	**54**	7
Retirement benefit obligations	**60**	(71)
Share based payments	**(46)**	(61)
Other items	**–**	(1)
	75	(164)
Total tax credit/(charge) recognised in equity	**254**	(126)

13. Dividends

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

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

Preference shares		2008 $million	2007 $million
Non-cumulative irredeemable preference shares:	$7^3/_8$ per cent preference shares of £1 each†	**15**	15
	$8^1/_4$ per cent preference shares of £1 each†	**16**	16
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each†	**32**	–
	7.014 per cent preference shares of $5 each	**62**	–
	6.409 per cent preference shares of $5 each	**48**	28

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

Dividends on ordinary equity and those preference shares classified as equity are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2008 final ordinary equity share dividend of 42.32 cents per share ($801 million) will be paid in either sterling, Hong Kong dollars or US dollars on 15 May 2009 to shareholders on the UK register of members at the close of business in the UK (10.00 pm UK time) on 13 March 2009, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 13 March 2009. It is intended that shareholders will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend.

14. Earnings per ordinary share

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

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

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 13).

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

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

Normalised earnings per ordinary share

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

	2008 $million	2007 $million
Profit attributable to ordinary shareholders*	3,298	2,813
Amortisation of intangible assets arising on business combinations	81	77
Impairment of customer relationship intangible	–	17
Profit on sale of property, plant and equipment	(10)	(1)
Pre-incorporation costs in China	–	8
Gains arising on repurchase of subordinated liabilities	(384)	–
Foreign exchange gain on repatriation of branch capital	–	(109)
Profit on sale of businesses	(146)	(18)
Day one loss on strategic investment	3	–
Impairment of associates and other strategic investments	77	–
Rights issue option (note 11)	(233)	–
Tax on normalised items	164	(23)
Normalised earnings	2,850	2,764
Normalised basic earnings per ordinary share (cents)†	174.9	173.0
Normalised diluted earnings per ordinary share (cents)†	174.0	171.1

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 13).

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

15. Financial instruments classification summary

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

The Group's classification of its principal financial assets and liabilities (excluding derivatives which are classified as trading and are disclosed in note 17) is summarised in the table below. Cash and balances at central banks of $24,161 million (2007: $10,175 million) is deemed to be held at amortised cost.

Assets	Trading $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Total $million
Loans and advances to banks	**1,351**	**12**	**–**	**46,583**	**–**	**47,946**
Loans and advances to customers	**4,103**	**231**	**–**	**174,178**	**–**	**178,512**
Treasury bills and other eligible bills	**2,502**	**205**	**16,713**	**–**	**–**	**19,420**
Debt securities	**6,193**	**203**	**43,543**	**7,456**	**37**	**57,432**
Equity shares	**165**	**460**	**1,593**	**–**	**–**	**2,218**
Total at 31 December 2008	**14,314**	**1,111**	**61,849**	**228,217**	**37**	**305,528**
Loans and advances to banks	2,314	–	–	35,365	–	37,679
Loans and advances to customers	1,978	738	–	154,266	–	156,982
Treasury bills and other eligible bills	2,942	453	11,667	–	–	15,062
Debt securities	13,829	334	38,098	2,719	100	55,080
Equity shares	108	262	2,690	–	–	3,060
Total at 31 December 2007	21,171	1,787	52,455	192,350	100	267,863

Liabilities	Trading $million	Designated at fair value through profit or loss $million	Amortised cost $million	Total $million
Deposits by banks	**4,028**	**49**	**31,909**	**35,986**
Customer accounts	**1,207**	**3,376**	**234,008**	**238,591**
Debt securities in issue	**2,128**	**1,494**	**23,447**	**27,069**
Short positions	**3,196**	**–**	**–**	**3,196**
Total at 31 December 2008	**10,559**	**4,919**	**289,364**	**304,842**
Deposits by banks	2,532	173	25,880	28,585
Customer accounts	772	2,064	179,760	182,596
Debt securities in issue	2,665	2,351	27,137	32,153
Short positions	3,693	–	–	3,693
Total at 31 December 2007	9,662	4,588	232,777	247,027

15. Financial instruments classification summary continued

Reclassification of financial assets

The Group has reclassified certain financial assets classified as held for trading into the available-for-sale (AFS) category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the ongoing credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and available-for-sale categories to loans and receivables as set out below. In total, assets with a notional value of $8.3 billion were reclassified.

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

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

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

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

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

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

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

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

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

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

The maximum exposure to credit risk for loans designated at fair value through profit or loss was $243 million (2007: $738 million).

The net fair value loss on loans and advances to customers designated at fair value through profit or loss was $0.1 million (2007: $1.0 million). Of this, $3 million (2007: $nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $3.4 million (2007: $0.4 million).

The changes in fair value attributable to credit risk has been determined by comparing fair value movements in risk-free bonds with similar maturities to the changes in fair value of loans designated at fair value through profit or loss.

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

Debt securities

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

Equity shares

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

16. Financial assets held at fair value through profit or loss continued

For certain loans and advances designated at fair value through profit or loss, the difference arising between the fair value at initial recognition and the amount that would have arisen had the valuation techniques used for subsequent measurement been used at initial recognition, is amortised to the income statement until the inputs become observable or the transaction matures or is terminated. The table below sets out a reconciliation of amounts deferred:

	2008 $million	2007 $million
At 1 January	9	2
Additional amount deferred	2	10
Recognised in income	(3)	(3)
At 31 December	8	9

Changing one or more of the assumptions to reasonably possible alternatives would not significantly change the fair value.

17. Derivative financial instruments

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

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

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

The Group and Company limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in note 51, under maximum exposure to credit risk.

The Derivatives and Hedging sections of the Risk review on page 61 explain the Group's and the Company's risk management of derivative contracts.

Group

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

17. Derivative financial instruments continued

Company

Total derivatives	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million	2007 Notional principal amounts $million	2007 Assets $million	2007 Liabilities $million
Foreign exchange derivative contracts:						
Currency swaps	**1,044**	**–**	**26**	–	–	–
Total derivatives	**1,044**	**–**	**26**	–	–	–

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

Group

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

Company

Derivatives held for hedging	2008 Notional principal amounts $million	2008 Assets $million	2008 Liabilities $million	2007 Notional principal amounts $million	2007 Assets $million	2007 Liabilities $million
Derivatives designated as fair value hedges:						
Currency swaps	**1,044**	**–**	**26**	–	–	–
Total derivatives held for hedging	**1,044**	**–**	**26**	–	–	–

Fair value hedges

The Group uses interest rate swaps to manage fixed rates of interest. The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding. The Company uses currency swaps to manage foreign exchange exposures. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss.

In respect of fair value hedges, gains arising on the hedging instruments during the year were $1,142 million (2007: gains of $49 million) compared to losses arising on the hedged items of $1,138 million (2007: losses of $52 million).

For the Company losses arising on fair value hedging instruments were $26 million compared to gains arising on the hedged items of $26 million. There was no fair value hedging in the Company in 2007.

Cash flow hedges

The Group uses interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit and loss.

17. Derivative financial instruments continued

The Group has hedged the following cash flows which are expected to impact the income statement in the following periods:

	2008						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	**716**	**335**	**268**	**203**	**154**	**144**	**1,820**
Forecast payable cash flows	**(1,439)**	**(586)**	**(208)**	**(158)**	**(121)**	**(118)**	**(2,630)**
	(723)	**(251)**	**60**	**45**	**33**	**26**	**(810)**

	2007						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	315	249	165	142	80	59	1,010
Forecast payable cash flows	(941)	(873)	(148)	(111)	(81)	(58)	(2,212)
	(626)	(624)	17	31	(1)	1	(1,202)

During the year, $4 million (2007: $nil million) was recognised in the income statement in respect of ineffectiveness arising on cash flow hedges.

During the year $18 million (2007: $58 million) was removed from the cash flow hedging reserve and included in profit and loss, of which, $2 million (2007: $58 million) was recognised within operating costs and the remaining $16 million (2007: $nil million) within income.

Net investment hedges

The Group uses foreign exchange contracts to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed of. During the year, $nil million (2007: $nil million) was recognised in the Income statement in respect of ineffectiveness arising on net investment hedges.

18. Loans and advances to banks

	2008 $million	2007 $million
Loans and advances to banks	**47,969**	37,682
Individual impairment provision (note 21)	**(17)**	(2)
Portfolio impairment provision (note 21)	**(6)**	(1)
	47,946	37,679
Of which: loans and advances held at fair value through profit or loss (note 16)	**(1,363)**	(2,314)
	46,583	35,365

19. Loans and advances to customers

	2008 $million	2007 $million
Loans and advances to customers	**180,470**	158,788
Individual impairment provision (note 21)	**(1,307)**	(1,271)
Portfolio impairment provision (note 21)	**(651)**	(535)
	178,512	156,982
Of which: loans and advances held at fair value through profit or loss (note 16)	**(4,334)**	(2,716)
	174,178	154,266

The Group has transferred to third parties by way of securitisation the rights to any collections of principal and interest on customer loan assets with a face value of $4,192 million (2007: $5,742 million). The Group continues to be exposed to related credit and foreign exchange risk on these assets. The Group continues to recognise these assets in addition to the proceeds and related liability of $4,583 million (2007: $5,155 million) arising from the securitisations.

The Group has entered into synthetic credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $15.7 billion (2007: $24.4 billion). The Group continues to hold the underlying assets referenced in the synthetic credit default swaps.

The Group's exposure to credit risk is concentrated in Hong Kong, Korea, Singapore, Other Asia Pacific region and Americas, UK & Europe. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers. The Group has outstanding residential mortgage loans to Korea residents of $17.1 billion (2007: $22.6 billion) and Hong Kong residents of $13.0 billion (2007: $11.8 billion).

20. Assets leased to customers

Finance leases and instalment credit

	2008 $million	2007 $million
Finance leases	**468**	506
Instalment credit agreements	**784**	1,127
	1,252	1,633

The above assets are included within loans and advances to customers.

The cost of assets acquired during the year for leasing to customers under finance leases and instalment credit agreements amounted to $154 million (2007: $140 million).

	2008 $million	2007 $million
Minimum lease receivables under finance leases falling due:		
Within one year	**47**	61
Later than one year and less than five years	**354**	390
After five years	**125**	133
	526	584
Interest income relating to future periods	**(58)**	(78)
Present value of finance lease receivables	**468**	506
Of which:		
Falls due within one year	**46**	50
Falls due later than one year and less than five years	**321**	354
Falls due after five years	**101**	102

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft which are included within property, plant and equipment in note 27. At 31 December 2008 these assets had a net book value of $1,029 million (2007: $200 million).

	2008 $million	2007 $million
Minimum lease receivables under operating leases falling due:		
Within one year	**111**	10
Later than one year and less than five years	**451**	21
After five years	**297**	5
	859	36

21. Impairment provisions on loans and advances

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

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

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

The following table shows impairment provisions on loans and advances by each principal category of borrowers' business or industry:

	2008 $million	2007 $million
Loans to individuals		
Mortgages	**88**	99
Other	**191**	200
Small and medium enterprises	**263**	356
Consumer Banking	**542**	655
Agriculture, forestry and fishing	**39**	33
Construction	**18**	10
Commerce	**134**	152
Electricity, gas and water	**28**	25
Financing, insurance and business services	**31**	27
Mining and quarrying	**–**	12
Manufacturing	**458**	290
Commercial real estate	**21**	23
Transport, storage and communication	**24**	22
Other	**12**	22
Wholesale Banking	**765**	616
Individual impairment provision against loans and advances to customers (note 19)	**1,307**	1,271
Individual impairment provision against loans and advances to banks (note 18)	**17**	2
Portfolio impairment provision (note 18, 19)	**657**	536
Total impairment provisions on loans and advances	**1,981**	1,809
Of which:		
Individual impairment provisions	**1,324**	1,273
Portfolio impairment provisions	**657**	536
Provisions held at the end of the year	**1,981**	1,809

22. Individually impaired loans and advances

	2008			2007		
	Consumer Banking $million	Wholesale Banking $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total $million
Individual impaired loans	**1,062**	**1,611**	**2,673**	1,172	990	2,162
Individual impairment provisions	**(543)**	**(781)**	**(1,324)**	(655)	(618)	(1,273)
Net impaired loans	**519**	**830**	**1,349**	517	372	889
Estimated fair value of collateral held:	**631**	**205**	**836**	918	203	1,121

Net impaired loans within Wholesale Banking includes individually impaired loans to banks of $35 million (2007: $10 million) and individual impairment provisions on these loans of $17 million (2007: $2 million). Collateral held as security against impaired loans primarily relates to property and equipment. Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans.

23. Investment securities

	Group				Company
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Total $million	Loans and receivables $million
Treasury and other eligible bills	**–**	**16,713**	**–**	**16,713**	**–**
Debt securities	**37**	**43,543**	**7,456**	**51,036**	**925**
Equity shares	**–**	**1,593**	**–**	**1,593**	**–**
At 31 December 2008	**37**	**61,849**	**7,456**	**69,342**	**925**
Treasury and other eligible bills	–	11,667	–	11,667	–
Debt securities	100	38,098	2,719	40,917	–
Equity shares	–	2,690	–	2,690	–
At 31 December 2007	100	52,455	2,719	55,274	–

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

23. Investment securities continued

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

Equity shares largely comprise investments in corporates. Loans and receivables debt securities held by the Company of $925 million (2007: $nil million) comprises corporate securities issued by Standard Chartered Bank with a market value of $925 million (2007: $nil million).

The change in the carrying amount of investment securities comprised:

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

* Reclassifications for equity shares relates to a security held by the Group's private equity business which became eligible to be designated at fair value through profit or loss as permitted by IAS 28. The remainder of the reclassifications are in respect of securities reclassified as disclosed in note 15.

Treasury bills and other eligible bills include $1,455 million (2007: $492 million) of bills sold subject to sale and repurchase transactions. Debt securities include $1,855 million (2007: $1,958 million) of securities sold subject to sale and repurchase transactions.

The Group has taken advantage of the Term Auction Facility (TAF) introduced by the Federal Reserve Bank of New York, by borrowing $2,850 million. Under the TAF, no single security is earmarked as collateral for the borrowing. The value of securities that is considered to be encumbered in relation to this borrowing is $3,197 million and the borrowing is included as a sale and repurchase transaction within customer accounts.

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

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

23. Investment securities continued

The change in impairment provisions is as follows:

	2008				2007			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	54	22	2	78	9	23	10	42
Exchange translation differences	(4)	–	(2)	(6)	–	1	(10)	(9)
Amounts written off	(1)	(26)	–	(27)	–	(5)	–	(5)
New provisions*	109	315	1	425	45	3	2	50
At 31 December	158	311	1	470	54	22	2	78

* Of the new provisions raised of $425 million (2007: $50 million), $8 million (2007: $10 million) relates to debt securities classified as loans and receivables and is included with impairment losses on loans and advances and other credit provisions, with the balance reported within 'Other Impairment'.

24. Investments in subsidiary undertakings, joint ventures and associates

Investment in subsidiary undertakings	2008 $million	2007 $million
At 1 January	10,406	9,656
Additions	–	750
At 31 December	10,406	10,406

At 31 December 2008, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered First Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (China) Limited, China	China	100
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.97
Standard Chartered Receivables (UK) Limited, England and Wales	United Kingdom	100
Standard Chartered Financial Investments Limited, England and Wales	United Kingdom	100
Standard Chartered Debt Trading Limited, England and Wales	Hong Kong	100
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

Details of all Group companies will be filed with the next annual return of the Company.

Joint ventures

The Group has a 44.51 per cent interest through a joint venture company which holds a majority investment in PT Bank Permata Tbk (Permata), in Indonesia.

On 11 January 2008 the Group acquired a 49 per cent interest in UTI Securities Limited, subsequently renamed Standard Chartered STCI Capital Markets (STCI), for $38 million generating goodwill of $35 million. On 12 December 2008 the Group acquired a further 25.9 per cent for $20 million generating additional goodwill of $17 million.

STCI is a retail brokerage and its main areas of operation are in India. Although the Group's investment in STCI is greater than 50 per cent of the share capital, the Group contractually shares control of the strategic financial and operating policies of STCI and accordingly it is accounted for as a joint venture.

The Group proportionately consolidates its share of the assets, liabilities, income and expense of these joint ventures on a line by line basis.

Contingent liabilities set out in note 47, include $59 million (2007: $72 million) relating to these joint venture arrangements. These mainly comprise banking guarantees and irrevocable letters of credit.

There are no capital commitments related to the Group's investments in these joint ventures.

Related party transactions are disclosed in note 56.

24. Investments in subsidiary undertakings, joint ventures and associates continued

The following amounts have been included in the consolidated accounts of the Group:

	2008 $million	2007 $million
Current assets	863	663
Long-term assets	1,467	1,332
Total assets	2,330	1,995
Current liabilities	(1,722)	(1,484)
Long-term liabilities	(233)	(140)
Total liabilities	(1,955)	(1,624)
Net assets	375	371
Income	159	161
Expenses	(111)	(111)
Impairment	(6)	(17)
Operating profit	42	33
Tax	(16)	2
Share of post tax result from joint venture	26	35

Long-term assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Interests in associates

	2008 $million	2007 $million
At 1 January	269	218
Additions	293	51
Transfer to subsidiary*	(5)	–
Impairment	(46)	–
At 31 December	511	269
Profit for the year	1	1
Total assets	2,614	944
Total liabilities	(2,372)	(774)
Net assets	242	170

* As at 31 December 2008 the Group has currently exercisable options over a further 40.0 per cent of the share capital of First Africa Holdings Limited, a leveraged finance advisory boutique company in which it currently holds 25 per cent. This gives the Group control over the management and financial and operating policies of the company, and accordingly the company is now a subsidiary undertaking not an associate.

The Group's principal associates are:

Associate	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	China	19.9
Fleming Family & Partners	Asia	20.0
MCashback Limited	UK	30.0
Merchant Solutions Limited	Hong Kong	44.0
Asia Commercial Bank	Vietnam	15.0
mReferral Corporation Limited	Hong Kong	33.0

On 2 July 2008 the Group acquired a further 6.16 per cent equity stake in Asia Commercial Bank (ACB) (including convertible bonds) for $211 million to bring the total shareholding to 15 per cent and the total cost of investment to $298 million. ACB's main area of operation is in Vietnam. The fair value of the investment in ACB at 31 December 2008 is $211 million.

The Group's investments in ACB and China Bohai Bank are less than 20 per cent but both ACB and China Bohai Bank are considered to be associates because of the significant influence the Group is able to exercise over the management of these companies and their financial and operating policies. Significant influence is evidenced largely through the inter-change of management personnel and the provision of expertise.

The Group acquired a 33 per cent interest in mReferral Corporation Limited for $4 million as part of its acquisition of American Express Bank Limited in 2008. mReferral's main area of operation is Hong Kong.

The reporting dates of these associates is within three months of the Group's reporting date.

25. Business combinations

2008 acquisitions

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

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

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

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

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

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

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

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

The fair value amounts for other acquisitions contain some provisional balances which will be finalised within 12 months of the acquisition date. Goodwill arising on the acquisition of AEB is attributable to the significant synergies expected to arise from their development within the Group and to those intangibles which are not recognised separately, such as the distribution network and acquired workforce. Goodwill arising on other acquisitions is attributable to those intangibles which are not recognised separately, such as the distribution network.

25. **Business combinations** continued

2007 acquisitions

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

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

If the acquisition had occurred on 1 January 2007, the operating income of the Group would have been approximately $11,132 million and profit before taxation would have been approximately $4,043 million.

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

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

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

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

* Restated as explained in note 53.

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

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

26. Goodwill and intangible assets

	2008				2007			
	Goodwill $million	Acquired intangibles $million	Software $million	Total $million	Goodwill*,** $million	Acquired intangibles $million	Software $million	Total $million
Cost								
At 1 January**	5,785	477	533	6,795	5,678	439	458	6,575
Exchange translation differences	(752)	(75)	(24)	(851)	42	(4)	18	56
Acquisitions	712	88	–	800	65	63	–	128
Additions	–	–	163	163	–	–	155	155
Disposals	–	–	(4)	(4)	–	–	(4)	(4)
Amounts written off	–	–	(73)	(73)	–	(21)	(83)	(104)
Other movements	–	–	–	–	–	–	(11)	(11)
At 31 December	5,745	490	595	6,830	5,785	477	533	6,795
Provision for amortisation								
At 1 January	–	160	261	421	–	88	240	328
Exchange translation differences	–	(37)	(17)	(54)	–	(1)	7	6
Amortisation for the period	–	81	94	175	–	77	86	163
Amounts written off	–	–	(73)	(73)	–	(4)	(72)	(76)
At 31 December	–	204	265	469	–	160	261	421
Net book value	5,745	286	330	6,361	5,785	317	272	6,374

* Amounts have been restated as explained in note 53.

** Goodwill as at 1 January 2007 has been presented net of amortisation $514 million accumulated prior to the adoption of IFRS.

At 1 January 2007, the net book value was: goodwill, $5,678 million; acquired intangibles, $351 million; and software, $218 million.

At 31 December 2008, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $69 million (2007: $69 million).

	2008 $million	2007 $million
Acquired intangibles comprise:		
Core deposits	68	108
Customer relationships	144	103
Brand names	67	102
Licences	7	4
Net book value	286	317

Acquired intangibles primarily comprise those recognised as part of the acquisitions of SC First Bank (SCFB), Permata, Union Bank, Hsinchu, Pembroke, Harrison Lovegrove and AEB. The acquired intangibles are amortised over periods from four years to a maximum of 16 years in the case of the customer relationships intangible acquired in SCFB.

Significant items of goodwill arising on acquisitions have been allocated to the following cash generating units for the purposes of impairment testing:

		Goodwill	
Acquisition	Cash Generating Unit	2008 $million	2007* $million
SCFB, A Brain and Yeahreum	Korean business	1,534	1,904
Union Bank	Pakistan business	332	431
Hsinchu and Asia Trust	Taiwan business	1,192	1,100
Manhattan Card Business	Credit card and personal loan – Asia, India & MESA	896	896
Grindlays (India) and STCI	India business	387	423
Grindlays (MESA)	MESA business	368	368
Standard Chartered Bank (Thai)	Thailand business	298	307
Permata	Group's share of Permata (Indonesia business)	138	163
American Express Bank	Financial Institutions and Private Banking business	396	–
Other		204	193
		5,745	5,785

* Amounts have been restated as explained in note 53.

26. Goodwill and intangible assets continued

All recoverable amounts were measured based on value in use. The key assumptions and approach to determining value in use calculations, as set out below, are solely estimates for the purposes of assessing impairment on acquired goodwill. The calculation for each unit uses cash flow projections based on budgets and forecasts approved by management covering one year, except for Taiwan business (five years), Korea business (four years) and Thailand business and Permata (five years). Management forecasts projected revenue growth rates greater than long-term GDP rates but which are in line with past performance as adjusted to reflect the current economic climate, especially for 2009 and 2010. Cash flow projections are extrapolated forward for periods of up to a further 19 years using steady long-term forecast GDP growth rates and a terminal value determined based on long-term earning multiples. Where these rates are different from available market data on long-term rates, that fact is stated below. The cash flows are discounted using a pre-tax discount rate which reflects current market rates appropriate to the cash generating unit. Management believes that any reasonable possible change in the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

Korea businesses
SCFB, A Brain and Yeahreum were acquired in 2005, 2007 and 2008 respectively with initial goodwill recognised of $1,891 million and a further $5 million goodwill recognised in 2008 in respect of A Brain. The businesses comprise Consumer and Wholesale Banking operations in Korea.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2012 will increase at a steady rate of 3.7 per cent (2007: 4.2 per cent) in line with the long-term forecast GDP growth of Korea. A pre-tax discount rate of 17.2 per cent (2007: 16.4 per cent) was used.

Pakistan business
Union Bank was acquired in September 2006 with initial goodwill recognised of $414 million. Additional goodwill of $17 million arose as a result of a share swap. Together with the Group's existing operations, the combined business comprises Consumer and Wholesale Banking operations in Pakistan.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 5.6 per cent (2007: 7.4 per cent) in line with the long-term forecast GDP growth of Pakistan. A pre-tax discount rate of 25.9 per cent (2007: 26.1 per cent) was used.

Taiwan businesses
Hsinchu and Asia Trust were acquired in 2006 and 2008 respectively with initial goodwill recognised of $1,142 million and a further $34 million of goodwill recognised in 2007 in respect of Hsinchu. Together with the Group's existing operation, the combined business comprises Consumer and Wholesale Banking operations in Taiwan.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2013 will increase at a steady rate of 4.1 per cent (2007: 4.5 per cent) in line with the long-term forecast GDP growth of Taiwan. A pre-tax discount rate of 22.3 per cent (2007: 14.9 per cent) was used.

Credit card business
Manhattan Card Business was acquired in 2000 with initial goodwill recognised of $1,061 million. This was amortised to $892 million under UK GAAP until 31 December 2003. The business comprises a credit card business and a personal loans business across Asia, India and MESA.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 3.0 per cent (2007: 3.8 per cent) in line with the long-term forecast global GDP growth. A pre-tax discount rate of 13.7 per cent (2007: 13.0 per cent) was used.

India businesses
Grindlays (India) was acquired in 2000 with initial goodwill recognised of $446 million. This was amortised to $366 million under UK GAAP until 31 December 2003. It comprises Consumer and Wholesale Banking operations in India. In 2008, the Group acquired a 74.9 per cent interest in STCI, with initial goodwill recognised of $52 million.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 6.8 per cent (2007: 7.1 per cent) in line with the long-term forecast GDP growth of India. A pre-tax discount rate of 18.6 per cent (2007: 26.5 per cent) was used.

MESA business
Grindlays (MESA) was acquired in 2000 with initial goodwill recognised of $446 million. This was amortised to $366 million under UK GAAP until 31 December 2003. It comprises Consumer and Wholesale Banking operations in MESA.

In assessing impairment of goodwill, the Group has assumed that growth will increase at a steady rate of 3.0 per cent in line with the long term forecast GDP growth of MESA. A pre-tax discount rate of 19.6 per cent (2007: 15.8 per cent) was used.

Thailand business
75 per cent of Standard Chartered Bank (Thai) was acquired in 1999 with initial goodwill recognised of $222 million. This was amortised to $204 million under UK GAAP until 31 December 2003. In 2005 the Group acquired the remaining 25 per cent, increasing goodwill to $272 million. The business comprises Consumer and Wholesale Banking operations in Thailand.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2013 will increase at a steady rate of 4.6 per cent (2007: 5.6 per cent) in line with the long term forecast GDP growth of Thailand. A pre-tax discount rate of 21.5 per cent (2007: 19.5 per cent) was used.

Group's share of Permata
31.55 per cent of Permata was acquired in 2004 with initial goodwill recognised of $115 million. A further 12.96 per cent was acquired in September 2006, generating further goodwill of $57 million. This business comprises Consumer and Wholesale Banking operations in Indonesia.

In assessing impairment of goodwill, the Group has assumed that growth beyond 2013 will increase at a steady rate of 5.9 per cent (2007: 5.4 per cent) in line with the long-term forecast GDP growth of Indonesia. A pre-tax discount rate of 24.3 per cent (2007: 25.9 per cent) was used.

Financial institution and Private Banking business
100 per cent of AEB was acquired in February 2008 with initial goodwill recognised of $396 million. The business comprises Consumer and Wholesale Banking operations in the Americas, Europe and Asia.

In assessing impairment of goodwill, the Group has assumed that growth will remain at a steady 3.0 per cent, in line with long-term forecast global GDP growth. A pre-tax discount rate of 13.7 per cent was used.

27. Property, plant and equipment

	2008 Premises $million	2008 Equipment $million	2008 Total $million	2007 Premises $million	2007 Equipment* $million	2007 Total $million
Cost or valuation						
At 1 January	**2,711**	**822**	**3,533**	2,184	509	2,693
Exchange translation differences	**(407)**	**(95)**	**(502)**	71	20	91
Additions	**363**	**1,068**	**1,431**	309	162	471
Acquisitions	**38**	**19**	**57**	–	194	194
Disposals and fully depreciated assets written off	**(11)**	**(74)**	**(85)**	(55)	(55)	(110)
Reclassification**	**(44)**	**44**	**–**	202	(8)	194
Transfers to assets held for re-sale	**(74)**	**–**	**(74)**	–	–	–
At 31 December	**2,576**	**1,784**	**4,360**	2,711	822	3,533
Depreciation						
Accumulated at 1 January	**261**	**380**	**641**	215	310	525
Exchange translation differences	**(32)**	**(64)**	**(96)**	5	17	22
Charge for the year	**98**	**152**	**250**	78	104	182
Attributable to assets sold or written off	**–**	**(21)**	**(21)**	(37)	(51)	(88)
Accumulated at 31 December	**327**	**447**	**774**	261	380	641
Net book amount at 31 December	**2,249**	**1,337**	**3,586**	2,450	442	2,892

* Amounts have been restated as explained in note 53.

** These amounts were reclassified from other assets.

At 1 January 2007, the net book value was: premises, $1,969 million; and equipment, $199 million.

Equipment includes operating lease assets of $1,029 million (2007: $200 million) (see note 20).

Assets held under finance leases have the following net book amount:

	2008 Premises $million	2008 Equipment $million	2007 Premises $million	2007 Equipment $million
Cost	**45**	**15**	53	13
Aggregate depreciation	**(6)**	**(7)**	(6)	(5)
Net book amount	**39**	**8**	47	8

The Group's premises leases include rent review periods, renewal terms and in some cases purchase options.

	2008 $million	2007 $million
Minimum lease payments under finance leases falling due:		
Within one year	**5**	4
Later than one year and less than five years	**7**	8
	12	12
Future finance charges on finance leases	**(2)**	(2)
Present value of finance lease liabilities	**10**	10

28. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period:

	At 1 January 2008 $million	Exchange & other adjustments $million	Acquisitions/ disposals $million	Charge/ (credit) to profit $million	Charge/ (credit) to equity $million	At 31 December 2008 $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(56)**	**(3)**	**3**	**27**	**–**	**(29)**
Impairment provisions on loans and advances	**(275)**	**12**	**(3)**	**92**	**–**	**(174)**
Tax losses carried forward	**(52)**	**9**	**–**	**(102)**	**–**	**(145)**
Available-for-sale assets	**79**	**–**	**(4)**	**(5)**	**(7)**	**63**
Premises revaluation	**17**	**–**	**–**	**–**	**–**	**17**
Cash flow hedges	**20**	**(1)**	**–**	**–**	**(54)**	**(35)**
Unrelieved foreign tax	**(57)**	**–**	**–**	**23**	**–**	**(34)**
Retirement benefit obligations	**(41)**	**(1)**	**–**	**13**	**(60)**	**(89)**
Share based payments	**(88)**	**–**	**–**	**21**	**46**	**(21)**
Other temporary differences	**(107)**	**–**	**(10)**	**80**	**–**	**(37)**
	(560)	**16**	**(14)**	**149**	**(75)**	**(484)**

	At 1 January 2007 $million	Exchange & other adjustments $million	Acquisitions/ disposals* $million	Charge/ (credit) to profit $million	Charge/ (credit) to equity $million	At* 31 December 2007 $million
Deferred taxation comprises:						
Accelerated tax depreciation	(10)	(9)	(3)	(34)	–	(56)
Impairment provisions on loans and advances	(175)	(67)	–	(35)	2	(275)
Tax losses carried forward	(53)	1	(1)	1	–	(52)
Available-for-sale assets	36	5	–	–	38	79
Premises revaluation	17	–	–	1	(1)	17
Cash flow hedges	24	3	–	–	(7)	20
Unrelieved foreign tax	(76)	–	–	19	–	(57)
Retirement benefit obligations	(174)	60	–	2	71	(41)
Share based payments	(131)	–	–	(18)	61	(88)
Other temporary differences	30	7	(1)*	(143)	–	(107)*
	(512)	–	(5)	(207)	164	(560)

* Amounts have been restated as explained in note 53.

Deferred taxation comprises assets and liabilities as follows:

	2008			2007		
	Total $million	**Asset $million**	**Liability $million**	Total* $million	Asset* $million	Liability* $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(29)**	**(57)**	**28**	(56)	(79)	23
Impairment provisions on loans and advances	**(174)**	**(249)**	**75**	(275)	(273)	(2)
Tax losses carried forward	**(145)**	**(143)**	**(2)**	(52)	(52)	–
Available-for-sale assets	**63**	**32**	**31**	79	77	2
Premises revaluation	**17**	**15**	**2**	17	15	2
Cash flow hedges	**(35)**	**(42)**	**7**	20	19	1
Unrelieved foreign tax	**(34)**	**(34)**	**–**	(57)	(57)	–
Retirement benefit obligations	**(89)**	**(93)**	**4**	(41)	(41)	–
Share based payments	**(21)**	**(21)**	**–**	(88)	(88)	–
Other temporary differences	**(37)**	**(68)**	**31**	(107)*	(114)*	7*
	(484)	**(660)**	**176**	(560)	(593)	33

* Amounts have been restated as explained in note 53.

28. Deferred tax continued

	2008 $million	2007 $million
No account has been taken of the following potential deferred taxation assets/(liabilities):		
Unrelieved foreign tax	**738**	408
Unremitted earnings from overseas subsidiaries	**(484)**	(369)
Foreign exchange movements on investments in branches	**(6)**	(136)
Tax losses	**38**	56

29. Other assets

	2008 $million	2007 $million
Hong Kong SAR Government certificates of indebtedness (note 35)	**3,097**	2,862
Cash collateral	**9,102**	2,015
Other	**8,175**	6,134
	20,374	11,011

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

30. Deposits by banks

	2008 $million	2007 $million
Deposits by banks	**31,909**	25,880
Deposits by banks included within:		
Financial liabilities held at fair value through profit or loss (note 32)	**4,077**	2,705
	35,986	28,585

31. Customer accounts

	2008 $million	2007 $million
Customer accounts	**234,008**	179,760
Customer accounts included within:		
Financial liabilities held at fair value through profit or loss (note 32)	**4,583**	2,836
	238,591	182,596

Included in customer accounts were deposits of $1,299 million (2007: $2,805 million) held as collateral for irrevocable commitments under import letters of credit.

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

	2008		
	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	**4,028**	**49**	**4,077**
Customer accounts	**1,207**	**3,376**	**4,583**
Debt securities in issue	**2,128**	**1,494**	**3,622**
Short positions	**3,196**	**–**	**3,196**
	10,559	**4,919**	**15,478**

	2007		
	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	2,532	173	2,705
Customer accounts	772	2,064	2,836
Debt securities in issue	2,665	2,351	5,016
Short positions	3,693	–	3,693
	9,662	4,588	14,250

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

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

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

The changes in fair value of both the underlying liabilities and derivatives are monitored in a similar manner to trading book portfolios.

The net fair value loss on liabilities designated at fair value through profit or loss was $118 million for the year (2007: $37.3 million). Of this, a loss of $11.2 million (2007: gain of $0.2 million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was a loss of $16.4 million (2007: a loss of $5.2 million).

As at 31 December 2008, the amount the Group is contractually obliged to pay at maturity to the holders of these obligations was $407 million higher (2007: $52 million lower) than the carrying amount at fair value.

The change in fair value attributable to credit risk was determined by comparing fair value movements in risk-free debt instruments with similar maturities, to the changes in fair value of liabilities designated at fair value through profit or loss.

33. Debt securities in issue

	2008			2007		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	**13,284**	**10,163**	**23,447**	8,502	18,635	27,137
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 32)	**460**	**3,162**	**3,622**	951	4,065	5,016
	13,744	**13,325**	**27,069**	9,453	22,700	32,153

The Company has other debt securities in issue at 31 December 2008 of $1,372 million (2007: $nil million).

34. Structure of deposits

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

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

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

The debt securities in issue held by the Company of $1,372 million (2007: $nil million) are within Americas, UK and Europe.

35. Other liabilities

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

Hong Kong currency notes in circulation of $3,097 million (2007: $2,862 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 29).

36. Provisions for liabilities and charges

	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January 2008	18	20	38
Exchange translation differences	(3)	(2)	(5)
Acquisitions	1	55	56
Charge against profit	27	76	103
Provisions utilised	(17)	(35)	(52)
At 31 December 2008	26	114	140

Provision for credit commitments comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations. Other provisions include contingent business related provisions, the amount and timing of which is uncertain.

37. Retirement benefit obligations

Retirement benefit obligations comprise:

	2008 $million	2007 $million
Defined benefit schemes obligation	433	313
Defined contribution schemes obligation	14	9
Net book amount	447	322

	2008 $million	2007 $million
At 1 January	322	553
Exchange translation differences	(55)	7
Acquisitions	47	1
Charge against profit (net of finance income)	172	213
Change in net liability	(39)	(452)
At 31 December	447	322

Retirement benefit charge comprises:

	2008 $million	2007 $million
Defined benefit schemes	45	110
Defined contribution schemes	127	103
Charge against profit (note 8)	172	213

The 2008 charge is presented net and includes a finance charge of $6 million (2007: $11 million).

37. Retirement benefit obligations continued

UK Fund

The financial position of the Group's principal retirement benefit scheme, the Standard Chartered Pension Fund (the 'Fund') (a defined benefit scheme), is assessed in the light of the advice of an independent qualified actuary. The most recent actuarial assessment of the Fund for the purpose of funding was performed as at 31 December 2005 by M. Slack, Fellow of the Institute of Actuaries, of Lane, Clark and Peacock Actuaries, using the projected unit method. The assumptions having the most significant effect on the outcome of this valuation were:

Return from gilts	3.95 per cent per annum
Return from return seeking assets	5.70 per cent per annum
General increase in salaries	4.40 per cent per annum
Rate of price inflation	2.90 per cent per annum
Increase in pensions:	
In deferment (where applicable)	2.90 per cent per annum
In payment* (pre April 1997 service)	2.70 per cent per annum
In payment (post April 1997 service)	2.20 – 2.90 per cent per annum

* Applies to discretionary increases and some guaranteed increases.

Applying these assumptions, at the valuation date the market value of the assets of the Fund ($1,772 million) was sufficient to cover 99.5 per cent of the benefits that had accrued to members. Additional contributions of $8.4 million were paid during 2007 and $5.6 million in 2008. Additional contributions of $1.8 million are payable in each of 2009 and 2010.

Contributions paid to the Fund during 2008 were $18 million (2007: $24 million) and regular contributions were set at 32.5 per cent of pensionable salary for all members. With effect from 1 July 1998 the Fund was closed to new entrants and new employees have subsequently been offered membership of a defined contribution scheme. Due to the closure of the Fund to new entrants, the current service cost will increase as a percentage of pensionable pay as the members approach retirement.

Pension costs for the purpose of these accounts were assessed using the projected unit method, and the assumptions set out below were based on market data at the date of calculation.

Overseas Schemes

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Switzerland, Taiwan and the United States.

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2008.

Separate figures are disclosed for the UK Fund, Overseas Funded Defined Benefit, Post-retirement Medical and Other Unfunded Schemes.

The financial assumptions used at 31 December 2008 were:

	Funded defined benefit schemes			
	UK Fund*		Overseas Schemes**	
	2008 %	2007 %	2008 %	2007 %
Price inflation	**2.90**	3.20	**1.50 – 4.50**	1.50 – 4.50
Salary increases	**4.40**	4.70	**3.50 – 6.00**	3.50 – 6.00
Pension increases	**2.90**	3.10	**0.00 – 2.90**	0.00 – 3.10
Discount rate	**6.40**	5.90	**1.20 – 7.50**	2.50 – 8.00
Post-retirement medical trend rate	**N/A**	N/A	**N/A**	N/A

* The assumptions for life expectancy for the UK Fund assumes that a male member currently aged 60 will live for 27 years (2007: 27 years) and a female member 30 years (2007: 30 years) and a male member currently aged 40 will live for 28 years (2007: 28 years) and a female member 31 years (2007: 31 years) after their 60th birthday.

** The range of assumptions shown is for the main funded defined benefit overseas schemes in Germany, Hong Kong, India, Jersey, Korea, Switzerland, Taiwan and the United States. These comprise over 92 per cent of the total liabilities of funded overseas schemes.

37. Retirement benefit obligations continued

	Unfunded schemes			
	Post-retirement medical*		Other	
	2008 %	2007 %	2008 %	2007 %
Price inflation	**2.70**	2.70	**1.50 – 9.50**	1.50 – 7.00
Salary increases	**4.00**	4.00	**3.50 – 11.00**	3.50 – 9.00
Pension increases	**N/A**	N/A	**0.00 – 2.90**	0.00 – 3.10
Discount rate	**5.50**	6.00	**2.00 – 13.00**	2.75 – 10.00
Post-retirement medical rate*	**8% in 2008 reducing by 1% per annum to 5% in 2011**	8% in 2007 reducing by 1% per annum to 5% in 2010	**N/A**	N/A

* The Post-retirement Medical plan is in the United States.

The assets and liabilities of the schemes, attributable to defined benefit members, at 31 December 2008 were:

	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
At 31 December 2008	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million
Equities	**8.00**	**269**	**8.00 – 8.75**	**158**	**N/A**	**N/A**	**N/A**	**N/A**
Bonds	**3.75**	**787**	**5.25 – 5.75**	**166**	**N/A**	**N/A**	**N/A**	**N/A**
Property	**N/A**	**–**	**N/A**	**1**	**N/A**	**N/A**	**N/A**	**N/A**
Others	**8.00**	**176**	**1.20 – 5.30**	**164**	**N/A**	**N/A**	**N/A**	**N/A**
Total market value of assets		**1,232**		**489**		**N/A**		**N/A**
Present value of the schemes' liabilities		**(1,296)**		**(693)**		**(12)**		**(153)**
Net pension liability		**(64)**		**(204)**		**(12)**		**(153)**

	Funded defined benefit schemes				Unfunded schemes			
	UK Fund		Overseas schemes		Post-retirement medical		Other	
At 31 December 2007	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million	Expected return on assets %	Value $million
Equities	8.50	628	8.30 – 13.00	224	N/A	N/A	N/A	N/A
Bonds	4.80	1,188	4.25 – 10.00	186	N/A	N/A	N/A	N/A
Property	N/A	–	5.90 – 11.00	3	N/A	N/A	N/A	N/A
Others	4.80	97	2.50 – 8.00	162	N/A	N/A	N/A	N/A
Total market value of assets		1,913		575		N/A		N/A
Present value of the schemes' liabilities		(1,931)		(602)		(11)		(257)
Net pension liability		(18)		(27)		(11)		(257)

	Funded defined benefit schemes		Unfunded schemes	
	UK Fund	Overseas schemes	Post-retirement medical	Other
At 31 December 2006	Value $million	Value $million	Value $million	Value $million
Total market value of assets	1,822	517	N/A	N/A
Present value of the schemes' liabilities	(1,982)	(542)	(9)	(347)
Net pension liability	(160)	(25)	(9)	(347)
At 31 December 2005				
Total market value of assets	1,550	380	N/A	N/A
Present value of the schemes' liabilities	(1,785)	(403)	(11)	(196)
Net pension liability	(235)	(23)	(11)	(196)
At 31 December 2004				
Total market value of assets	1,596	317	N/A	N/A
Present value of the schemes' liabilities	(1,679)	(338)	(11)	(45)
Net pension liability	(83)	(21)	(11)	(45)

The range of assumptions shown is for the main Overseas Schemes in Germany, Hong Kong, India, Jersey, Korea, Switzerland, Taiwan and the United States. The expected return on plan assets is set by reference to historical returns in each of the main asset classes, current market indicators such as long term bond yields and the expected long term strategic asset allocation of each plan.

37. Retirement benefit obligations continued

The pension cost for defined benefit schemes was:

Year ending 31 December 2008	Funded defined benefit schemes UK Fund $million	Funded defined benefit schemes Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Unfunded schemes Other $million	Total $million
Current service cost	12	58	–	18	88
Past service cost	3	1	–	1	5
Loss/(gain) on settlements and curtailments	1	–	–	(55)	(54)
Expected return on pension scheme assets	(104)	(36)	–	–	(140)
Interest on pension scheme liabilities	103	30	1	12	146
Total charge/(credit) to profit before deduction of tax	15	53	1	(24)	45
Loss on assets below expected return*	203	130	–	–	333
Experience (gain)/loss on liabilities	(143)	35	–	4	(104)
Total loss recognised directly in Statement of Recognised Income and Expense before tax	60	165	–	4	229
Deferred taxation	(16)	(44)	–	–	(60)
Total loss after tax	44	121	–	4	169

* The actual return on the UK fund assets was $99 million and on overseas scheme assets was $94 million.

The total cumulative amount recognised directly in the Statement of Recognised Income and Expense before tax to date is a loss of $43 million (2007: gain of $186 million).

Year ending 31 December 2007	Funded defined benefit schemes UK Fund $million	Funded defined benefit schemes Overseas schemes $million	Unfunded schemes Post-retirement medical $million	Unfunded schemes Other $million	Total $million
Current service cost	18	52	–	25	95
Past service cost	1	4	–	2	7
Gain on settlements and curtailments	–	–	–	(3)	(3)
Expected return on pension scheme assets	(100)	(32)	–	–	(132)
Interest on pension scheme liabilities	100	24	1	18	143
Total charge to profit before deduction of tax	19	48	1	42	110
Gain on assets in excess of expected return*	(28)	(2)	–	–	(30)
Experience (gain)/loss on liabilities	(113)	12	2	(108)	(207)
Total (gain)/loss recognised directly in Statement of Recognised Income and Expense before tax	(141)	10	2	(108)	(237)
Deferred taxation	44	–	–	27	71
Total (gain)/loss after tax	(97)	10	2	(81)	(166)

* The actual return on the UK fund assets was $128 million and on overseas scheme assets was $34 million.

37. Retirement benefit obligations continued

Year ending 31 December 2006	Funded defined benefit schemes: UK Fund $million	Funded defined benefit schemes: Overseas schemes $million	Unfunded schemes: Post-retirement medical $million	Unfunded schemes: Other $million	Total $million
Gain on assets in excess of expected return*	(23)	(27)	–	–	(50)
Experience (gain)/loss on liabilities	(90)	20	(2)	18	(54)
Total loss/(gain) recognised directly in Statement of Recognised Income and Expense before tax	(113)	(7)	(2)	18	(104)
Deferred taxation	34	3	–	1	38
Total loss/(gain) after tax	(79)	(4)	(2)	19	(66)
Year ending 31 December 2005					
Gain on assets in excess of expected return**	(91)	(20)	–	–	(111)
Experience loss on liabilities	256	5	–	–	261
Total loss/(gain) recognised directly in Statement of Recognised Income and Expense before tax	165	(15)	–	–	150
Deferred taxation	(50)	5	–	–	(45)
Total loss/(gain) after tax	115	(10)	–	–	105
Year ending 31 December 2004					
Gain on assets in excess of expected return***	(20)	(2)	–	–	(22)
Experience gain on liabilities	–	(1)	(1)	–	(2)
Loss/(gain) on change of assumptions	23	7	–	(1)	29
Total loss/(gain) recognised directly in Statement of Recognised Income and Expense before tax	3	4	(1)	(1)	5
Deferred taxation	(1)	–	–	–	(1)
Total loss/(gain) after tax	2	4	(1)	(1)	4

* The actual return on the UK fund assets was $116 million and on overseas scheme assets was $50 million.

** The actual return on the UK fund assets was $184 million and on overseas scheme assets was $48 million.

*** The actual return on the UK fund assets was $111 million and on overseas scheme assets was $31 million.

Movement in the pension schemes and post–retirement medical deficit during the year comprise:

Year ending 31 December 2008	Funded defined benefit schemes: UK Fund $million	Funded defined benefit schemes: Overseas schemes $million	Unfunded schemes: Post-retirement medical $million	Unfunded schemes: Other $million	Total $million
Deficit at 1 January 2008	(18)	(27)	(11)	(257)	(313)
Contributions	23	72	–	54	149
Current service cost	(12)	(58)	–	(18)	(88)
Past service cost	(3)	(1)	–	(1)	(5)
Settlement/curtailment costs	(1)	–	–	55	54
Other finance income/(charge)	1	6	(1)	(12)	(6)
Actuarial loss	(60)	(165)	–	(4)	(229)
Acquisitions	–	(43)	–	(4)	(47)
Exchange rate adjustment	6	12	–	34	52
Deficit at 31 December 2008	(64)	(204)	(12)	(153)	(433)

37. **Retirement benefit obligations** continued

Year ending 31 December 2007	Funded defined benefit schemes: UK Fund $million	Funded defined benefit schemes: Overseas schemes $million	Unfunded schemes: Post-retirement medical $million	Unfunded schemes: Other $million	Total $million
Deficit at 1 January 2007	(160)	(25)	(9)	(347)	(541)
Contributions	24	58	1	26	109
Current service cost	(18)	(52)	–	(25)	(95)
Past service cost	(1)	(4)	–	(2)	(7)
Settlement/curtailment costs	–	–	–	3	3
Other finance income/(charge)	–	8	(1)	(18)	(11)
Actuarial gain/(loss)	141	(10)	(2)	108	237
Acquisitions	–	–	–	(1)	(1)
Exchange rate adjustment	(4)	(2)	–	(1)	(7)
Deficit at 31 December 2007	(18)	(27)	(11)	(257)	(313)

Movement in the pension schemes and post–retirement medical gross assets and obligations during the year comprise:

Year ending 31 December 2008	**Assets $million**	**Obligations $million**	**Total $million**
Deficit at 1 January 2008	**2,488**	**(2,801)**	**(313)**
Contributions	**149**	**–**	**149**
Current service cost	**–**	**(88)**	**(88)**
Past service cost	**–**	**(5)**	**(5)**
Settlement/curtailment costs	**–**	**54**	**54**
Interest cost	**–**	**(146)**	**(146)**
Expected return on scheme assets	**140**	**–**	**140**
Benefits paid out	**(185)**	**185**	**–**
Actuarial (loss)/gain	**(333)**	**104**	**(229)**
Acquisitions	**22**	**(69)**	**(47)**
Exchange rate adjustment	**(560)**	**612**	**52**
Deficit at 31 December 2008	**1,721**	**(2,154)**	**(433)**

Year ending 31 December 2007	Assets $million	Obligations $million	Total $million
Deficit at 1 January 2007	2,339	(2,880)	(541)
Contributions	109	–	109
Current service cost	–	(95)	(95)
Past service cost	–	(7)	(7)
Settlement/curtailment costs	–	3	3
Interest cost	–	(143)	(143)
Expected return on scheme assets	132	–	132
Benefits paid out	(146)	146	–
Actuarial gain	30	207	237
Acquisitions	–	(1)	(1)
Exchange rate adjustment	24	(31)	(7)
Deficit at 31 December 2007	2,488	(2,801)	(313)

38. Subordinated liabilities and other borrowed funds

	2008 $million	2007 $million
Subordinated loan capital – issued by subsidiary undertakings		
£675 million 5.375 per cent undated step up Subordinated Notes (callable and floating rate from 2020)	**1,064**	1,276
£600 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities (callable 2016)	**1,085**	1,356
£700 million 7.75 per cent Subordinated debt 2018	**1,090**	–
£300 million 6.0 per cent Subordinated debt 2018	**486**	610
£300 million 6.75 per cent Notes 2009	**390**	535
£200 million 7.75 per cent Notes (callable 2022)	**360**	454
£30 million Floating Rate Notes 2009	**44**	59
€1,100 million 5.875 per cent Subordinated debt 2017	**1,609**	1,013
€750 million 3.625 per cent Subordinated Notes 2017 (Floating rate from 2012)	**1,066**	1,043
€675 million Floating Rate Notes 2018	**951**	983
€600 million 5.375 per cent Notes 2009	**755**	783
€500 million 8.16 per cent non-cumulative Trust Preferred Securities (callable 2010)	**711**	734
$1 billion 6.4 per cent Subordinated debt 2017	**1,203**	1,042
$700 million 8.0 per cent Subordinated Notes 2031	**1,022**	753
$500 million Floating Rate Notes 2016	**499**	499
$500 million Floating Rate Notes 2015	**499**	499
$350 million 4.375 per cent Notes 2014 (Floating rate from 2009)	**358**	351
$300 million Floating Rate Note 2017	**297**	300
$154 million Subordinated debt 2013	**–**	147
$100 million Floating Rate Notes 2018	**100**	100
$92 million Subordinated debt 2013	**–**	92
BWP 75 million Subordinated debt 2017	**10**	13
BWP 75 million Floating Rate Notes 2012	**–**	12
BWP 50 million Fixed and Floating Rate Subordinated Notes 2015	**7**	8
HKD 670 million Floating Rate Notes 2014	**77**	86
HKD 500 million 3.5 per cent Notes 2014 (Floating rate from 2009)	**66**	64
IDR 500 billion Floating Rate Notes 2016	**20**	23
JPY 10 billion 3.35 per cent Subordinated debt 2023	**116**	–
KRW 260 billion Subordinated debt 2018	**219**	–
KRW 205 billion Subordinated debt 2009	**158**	214
KRW 160 billion Subordinated debt 2008	**–**	161
KRW 90 billion Subordinated debt 2018	**81**	–
KRW 30 billion Subordinated debt 2011	**24**	32
KRW 27 billion Subordinated debt 2008	**–**	28
KRW 3 billion Subordinated debt 2011	**2**	3
MYR 500 million 4.28 per cent Subordinated Bonds 2017	**150**	151
PKR 1 billion Floating Rate Notes 2015	**13**	16
PKR 750 million Floating Rate Notes 2011	**9**	12
PKR 750 million Floating Rate Notes 2008	**–**	3
SGD 450 million 5.25 per cent Subordinated debt 2023	**334**	–
TWD 10 billion undated Floating Rate Notes	**305**	308
TZS 8 billion Subordinated Notes 2015	**6**	7
	15,186	13,770
Subordinated loan capital – issued by company:		
Primary capital floating rate notes		
$400 million	**58**	400
$300 million (Series 2)	**82**	300
$400 million (Series 3)	**84**	400
$200 million (Series 4)	**52**	200
£150 million	**217**	298
Other borrowings – issued by company**	**1,307***	372*
	1,800	1,970
Total for Group	**16,986**	15,740
Total for Company	**1,736**	1,987

* In the balance sheet of the Company the amount recognised is $1,243 million (2007: $389 million) with the difference being the effect of hedge accounting achieved on a Group basis.

** Other borrowings comprise irredeemable sterling preference shares and US dollar non-cumulative redeemable preference shares.

38. Subordinated liabilities and other borrowed funds continued

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

Of the total subordinated liabilities and other borrowings, $11,865 million is at fixed interest rates (2007: $10,166 million).

On 19 March 2008, Standard Chartered First Bank Korea Limited (SCFB) issued KRW90 billion Lower Tier 2 Notes with a coupon of 6.05 per cent maturing March 2018.

On 2 April 2008 and 18 April 2008 Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for £500 million and £200 million respectively, with a maturity date of April 2018, and a coupon of 7.75 percent. The Notes were consolidated and formed a single series with effect from 29 May 2008.

On 10 April 2008 and 18 April 2008, Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for SGD200 million and SGD250 million respectively, with a coupon of 5.25 per cent. The Notes have a maturity date of April 2023, and an issuer's call option in April 2018. The Notes were consolidated and form a single series with effect from 18 April 2008.

On 18 April 2008, Standard Chartered Bank issued €400 million Lower Tier 2 Notes, due 2017, with a coupon of 5.875 per cent, as a tap on the €700 million Lower Tier 2 Notes issued in September 2007. The two issues were consolidated and formed a single series with effect from 29 May 2008.

On 18 April 2008, Standard Chartered Bank issued JPY10 billion Lower Tier 2 Fixed Rate Notes, due 2023 with an issuer's call option after ten years, with a coupon of 3.35 per cent.

On 25 May 2008, SCFB issued KRW260 billion Lower Tier 2 Fixed Rate Notes, due 2018 with an issuer's call option after five years, with a coupon of 6.08 per cent.

On 27 May 2008, the Company issued $675 million non-cumulative redeemable preference shares of $5 each, with a coupon of 8.125 per cent and with an issuer's call option in November 2013, at a premium of $1,995 per share.

On 19 September 2008, the Company issued $250 million 8.125 per cent non-cumulative redeemable preference shares of $5 each with an issuer's call option in November 2013, at a premium of $1,995 per share. From 27 November 2008, the shares were consolidated to form a single series with the $675 million 8.125 per cent non-cumulative redeemable preference shares issued on 27 May 2008.

On 19 November 2008 the Company launched a tender offer for all Primary Capital Floating Rate Notes denominated in US dollars for repurchase at 62.5 per cent of their par value. $1,024 million Notes were redeemed, generating a profit of $384 million.

39. Share capital

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

The available profits of the company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

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

Group and Company

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

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

On 24 November 2008 the Company announced the issue of 470,014,830 new ordinary shares by way of rights to qualifying shareholders at 390 pence per new ordinary share. The issue was on the basis of 30 ordinary shares for every 91 ordinary shares held on 24 November 2008. The rights issue raised $2.7 billion in additional capital for the Company. The rights issue used a cash box structure involving a Jersey subsidiary (JerseyCo) which was 89 per cent owned by the Company prior to the transaction. In return for an issue of shares by the Company to the placees, the net proceeds of the placing were

39. Share capital continued

paid to JerseyCo. Pursuant to the issue of those shares, the Company acquired the remaining share capital of JerseyCo, being all of its redeemable preference shares and the 11 per cent of the ordinary shares it did not own. Under this structure merger relief applies under Section 131 of the Companies Act 1985 which provides relief from the requirements under Section 130 of the Companies Act 1985 to create a share premium account. JerseyCo then redeemed its redeemable shares in exchange for the placing proceeds.

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

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

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

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

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

The holding of Standard Chartered PLC shares for the beneficiaries of the Group's share based award schemes is set out in note 40.

40. Reserves

Group

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

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

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

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2007: $27 million).

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001.

The capital redemption reserve represents the nominal value of preference shares redeemed.

The merger reserve represents the premium arising on shares issued using a cash box financing structure as detailed in note 39, which required the Company to create a merger reserve under section 131 of the Companies Act 1985. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions and in 2008 for the shares issued by way of a rights issue. The funding raised by the 2008 rights issue was retained within the Company.

Available-for-sale reserve is the fair value movement of financial assets classified as available-for-sale. Gains and losses are deferred to this reserve until such time as the underlying asset is sold or matures.

Cash flow hedge reserve is the fair value movement of derivatives that meet the criteria of a cash flow hedge. Gains and losses are deferred to this reserve until such time as the underlying hedged item affects profit and loss.

Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve until such time as the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.

Retained earnings are the carried forward recognised income and expenses of the Group plus current period recognised income and expenses less dividend distribution, treasury shares and share option expenses.

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

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

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

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

	1995 Trust		2004 Trust		Total	
Number of shares	**2008**	2007	**2008**	2007	**2008**	2007
Shares purchased:		190,600		351,340		541,940
– 6 March 2008	**–**	–	**307,849**	–	**307,849**	–
– 9 March 2008	**1,650,000**	–	**–**	–	**1,650,000**	–
– 9 October 2008	**375,000**	–	**–**	–	**375,000**	–
– 18 December 2008 (rights issue)	**731,296**	–	**119,049**	–	**850,345**	–
Total	**2,756,296**	190,600	**426,898**	351,340	**3,183,194**	541,940
Market price of shares purchased ($million)	**66**	5	**10**	10	**76**	15
Shares held at the end of the year	**2,949,563**	261,495	**480,166**	377,270	**3,429,729**	638,765
Maximum number of shares held during year					**3,429,729**	2,526,144

Company

	Share premium account* $million	Capital reserve $million	Capital redemption reserve $million	Merger reserve $million	Retained earnings $million	Total $million
At 1 January 2007	3,865	5	13	3,149	811	7,843
Recognised income and expenses	–	–	–	–	349	349
Capitalised on scrip dividend	(8)	–	–	–	–	(8)
Shares issued, net of expenses	856	–	–	–	–	856
Net own shares adjustment	–	–	–	–	24	24
Share option expense and related taxation	–	–	–	–	78	78
Dividends, net of scrip	–	–	–	–	(601)	(601)
At 31 December 2007	**4,713**	**5**	**13**	**3,149**	**661**	**8,541**
Recognised income and expenses	**–**	**–**	**–**	**–**	**2,282**	**2,282**
Capitalised on scrip dividend	**(6)**	**–**	**–**	**–**	**–**	**(6)**
Shares issued, net of expenses	**36**	**–**	**–**	**2,468**	**–**	**2,504**
Rights issue option, net of tax	**–**	**–**	**–**	**(167)**	**–**	**(167)**
Net own shares adjustment	**–**	**–**	**–**	**–**	**(67)**	**(67)**
Share option expense and related taxation	**–**	**–**	**–**	**–**	**158**	**158**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**(925)**	**(925)**
At 31 December 2008	**4,743**	**5**	**13**	**5,450**	**2,109**	**12,320**

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

41. Minority interests

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

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

42. Share based payments

The Group operates a number of share based payment schemes for its directors and employees.

The total charge for the year relating to employee share based payment plans was $121 million (2007: $117 million) of which $152 million (2007: $78 million) relates to equity-settled awards, and a credit of $31 million (2007: $39 million charge) relates to cash-settled awards. After deferred tax, the total charge to the income statement was $89 million (2007: $99 million).

1994 Executive Share Option Scheme (closed)
No awards have been made under this scheme since August 1999 as the scheme was replaced by the 2000 Executive Share Option Scheme. Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth anniversary of the date of grant. The exercise price is the share price at the date of grant and options can only be exercised if EPS increases by at least 15 per cent over three consecutive years.

2000 Executive Share Option Scheme
The 2000 scheme is designed to be internationally competitive and focus executive directors and their senior management teams on delivering long-term performance. An EPS performance criterion must be met before options can be exercised.

Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can only be exercised if a performance condition is satisfied. The remaining life of the scheme is two years.

2001 Performance Share Plan
The Performance Share Plan is designed to be an intrinsic part of total remuneration for the Group's executive directors and for a small number of the Group's most senior executives. It is an internationally competitive long-term incentive plan that focuses executives on meeting and exceeding the long-term performance targets of the Group. The performance criteria which need to be met are set out in the Directors' remuneration report on pages 84 to 85. Awards of nil price options to acquire shares are granted to the executives and will normally be exercisable between three and ten years after the date of grant if the individual is still employed by the Group. There is provision for earlier exercise in certain limited circumstances. The remaining life of the scheme is three years.

1997/2006 Restricted Share Scheme
The Restricted Share Scheme (RSS) is used as an incentive plan to motivate and retain high performing staff at any level of the organisation. It is also used as a vehicle for deferring part of bonuses of certain employees. Except where used for bonus deferral purposes, executive directors are not generally eligible to participate in the RSS. However upon recruitment to the Group, awards may be made on an exceptional basis, for example to newly appointed directors to compensate for share awards forfeited on leaving their previous employer. 50 per cent of the award vests two years after the date of grant and the balance after three years. The awards can be exercised within seven years of the grant date. The value of shares awarded in any year to any individual may not exceed two times their base salary. The remaining life of the scheme is eight years.

2006 Supplementary Restricted Share Scheme
In addition, the Group operates a Supplementary Restricted Share Scheme which can be used to defer part of an employee's annual bonus in shares. The plan is principally used for employees in the global markets area and is similar to the RSS outlined above except for three important factors: executive directors are specifically prohibited from the plan; no new shares can be issued to satisfy awards; and there is no individual annual limit. The remaining life of the scheme is eight years.

2004 Deferred Bonus Plan
Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of all or part of the executive directors' and certain senior executives' annual cash bonus. Further details are contained in the Directors' remuneration report on pages 84 and 91. The remaining life of the plan is six years.

42. Share based payments continued

All Employee Sharesave Schemes

No awards have been made under the 1994 UK Sharesave and 1996 International Sharesave schemes since 2003, as these were replaced by the 2004 UK and International Sharesave schemes. During the year a new Irish sharesave scheme was introduced for all employees of the Group in the Republic of Ireland. Under these Sharesave schemes, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company. The price at which they may purchase shares is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under all the employee sharesave schemes.

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

1994 Executive Share Option Scheme (1994 ESOS)

Awards made under this scheme are not subject to the valuation criteria of IFRS 2, as all awards are granted prior to 7 November 2002, and are all vested as at that date.

A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	10,806	£6.20	359,207	£8.18
Lapsed	–	–	(18,250)	£8.09
Exercised	(10,806)	£6.20	(330,151)	£8.26
Outstanding at 31 December	–	–	10,806	£6.20
Exercisable at 31 December	–	–	10,806	£6.20

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
£6.20	–	–	£6.20	0.7 years

The intrinsic value of vested 1994 ESOS cash-settled awards as at 31 December 2008 was $nil million (2007: $nil million).

The weighted average share price at the time the options were exercised during 2008 was £17.23 (2007: £15.34).

2000 Executive Share Option Scheme (2000 ESOS)

No share awards were granted during 2008 or 2007.

A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	Weighted average exercise price*	No. of shares	Weighted average exercise price
Outstanding at 1 January	8,575,209	£8.28	14,974,196	£8.37
Additional shares for rights issue*	937,283	–	–	–
Lapsed	(3,348)	£6.05	(282,650)	£9.04
Exercised	(2,023,219)	£7.47	(6,116,337)	£8.47
Outstanding at 31 December	7,485,925	£7.18	8,575,209	£8.28
Exercisable at 31 December	7,485,925	£7.18	7,931,565	£8.16

* The exercise prices for grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, have been decreased by 14.2 per cent and the number of shares granted have been increased to ensure option holders were compensated for the dilutive impact of the rights issue.

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
£6.05/£9.10 (2007: £6.905/£10.395)	£7.18	4.0 years	£8.28	5.2 years

The intrinsic value of vested 2000 ESOS cash-settled awards as at 31 December 2008 was $0.8 million (2007: $9 million).

The weighted average share price at the time the options were exercised during 2008 was £17.23 (2007: £14.36).

42. Share based payments continued

2001 Performance Share Plan (2001 PSP)

Valuation

For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group.

	2008			2007	
Grant date	16 September	24 April	11 March	17 September	12 March
Share price at grant date	£13.86	£17.82	£16.26	£14.69	£14.51
Vesting period (years)	3	3	3	3	3
Expected dividend yield (%)	2.6	2.6	2.6	2.9	2.8
Fair value (EPS) (£)	12.83	16.50	15.06	6.74	6.68
Fair value (TSR) (£)	5.04	6.49	5.89	2.92	2.89

The expected dividend yield is based on the historical dividend yield over the three years prior to grant. The EPS and TSR fair value relates to the performance criteria to be satisfied as explained in the Directors' remuneration report. The TSR fair value is derived by discounting 50 per cent of the award which is subject to the TSR condition by the loss of expected dividends yield over the performance period, and the likelihood of meeting the TSR condition which is calculated by the area under the TSR vesting schedule curve. The EPS fair value is derived by discounting 50 per cent of the award by the loss of expected dividends over the performance period and is adjusted for actual performance when calculating the charge for the year.

A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	5,885,597	–	4,976,599	–
Granted	2,625,696	–	2,487,273	–
Additional shares for rights issue*	1,067,755	–	–	–
Lapsed	(105,828)	–	(490,718)	–
Exercised	(1,014,325)	–	(1,087,557)	–
Outstanding at 31 December	8,458,895	–	5,885,597	–
Exercisable at 31 December	683,870	–	279,028	–

* For grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, the number of shares granted have been increased by 14.2 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

Of the 2,196,271 PSP grants made in 2006 and outstanding as at 31 December 2008, the TSR performance conditions are not expected to be met on 356,240 options. As a result, it is considered that these options will not vest.

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	8.1 years	–	8.3 years

The intrinsic value of vested 2001 cash-settled awards as at 31 December 2008 was $0.3 million (2007: $1 million).

The weighted average share price at the time the options were exercised during 2008 was £15.74 (2007: £14.98).

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

Valuation

For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group.

	2008			2007	
Grant date	24 April	16 September	11 March	17 September	12 March
Share price at grant date	£17.82	£13.86	£16.26	£14.69	£14.51
Vesting period (years)	3	3	3	2/3	2/3
Expected dividend yield (%)	2.4	2.4	2.4	2.9	2.8
Fair value (£)	8.25	8.25	8.25	13.49	13.36

The expected dividend yield is based on the historical dividend for three years prior to grant.

42. Share based payments continued

A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	6,275,898	–	6,298,386	–
Granted	2,137,992	–	2,546,148	–
Additional shares for rights issue*	925,127	–	–	–
Lapsed	(294,595)	–	(689,603)	–
Exercised	(1,758,495)	–	(1,879,033)	–
Outstanding at 31 December	7,285,927	–	6,275,898	–
Exercisable at 31 December	1,900,102	–	1,597,255	–

* For grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, the number of shares granted have been increased by 14.2 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

The weighted average share price at the time the options were exercised during 2008 was £15.69 (2007: £15.42).

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	5.0 years	–	4.3 years

The intrinsic value of vested 1997/2006 RSS cash-settled awards as at 31 December 2008 was $3 million (2007: $9 million).

2006 Supplementary Restricted Share Scheme (2006 SRSS)

Valuation

The first awards under this scheme were made on 12 March 2007. For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period. The same fair value is applied for awards made to both the directors and employees of the Group.

	2008		2007	
Grant date	16 September	11 March	17 September	12 March
Share price at grant date	£13.86	£16.26	£14.69	£14.51
Vesting period (years)	2/3	2/3	2/3	2/3
Expected dividend yield (%)	2.4	2.4	2.9	2.9
Fair value (£)	13.06	12.41	13.49	13.06

The expected dividend yield is based on the historical dividend for three years prior to grant. A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	187,602	–	–	–
Granted	2,020,181	–	187,602	–
Additional shares for rights issue*	307,805	–	–	–
Lapsed	(45,549)	–	–	–
Exercised	(27,943)	–	–	–
Outstanding at 31 December	2,442,096	–	187,602	–
Exercisable at 31 December	–	–	–	–

* For grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, the number of shares granted have been increased by 14.2 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	6.2 years	–	6.5 years

There are no vested 2006 SRSS cash-settled awards as at 31 December 2008 and 2007.

42. Share based payments continued

1994/1996 UK and International Sharesave Scheme

Grants made under these schemes which had not vested as at 7 November 2002 are fair valued under IFRS 2. A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	Weighted* average exercise price	No. of shares	Weighted average exercise price
Outstanding at 1 January	**561,107**	**£5.82**	1,543,784	£6.12
Additional shares for rights issue*	**36,060**	**–**	–	–
Lapsed	**(227,613)**	**£4.92**	(412,878)	£6.75
Exercised	**(206,572)**	**£5.35**	(569,799)	£5.81
Outstanding at 31 December	**162,982**	**£5.61**	561,107	£5.82
Exercisable at 31 December	**162,982**	**£5.61**	297,272	£5.60

* The exercise prices for grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, have been decreased by 14.2 per cent and the number of shares granted have been increased to ensure option holders were compensated for the dilutive impact of the rights issue.

	2008		2007	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life
£4.90/£5.90	**£5.61**	**0.3 years**	£5.82	0.8 years

The weighted average share price at the time the options were exercised was £13.89 (2007: £18.35) for 1994 UK Sharesave schemes and £13.89 (2007: £17.56) for 1996 International Sharesave schemes.

The intrinsic value of vested 1994/1996 UK and International Sharesave cash-settled awards as at 31 December 2008 was $0.1 million (2007: $2 million).

2008 Irish Sharesave Scheme

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

Valuation

Options are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of the Group. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	2008 29 September
Share price at grant date	**£14.52**
Exercise price	**£11.62**
Vesting period (years)	**3/5**
Expected volatility (%)	**39.6/48.7**
Expected option life (years)	**3.33/5.33**
Risk free rate (%)	**2.32/2.53**
Expected dividend yield (%)	**2.5/2.73**
Fair value (£)	**2.99/3.04**

The expected dividend yield is based on the historical dividend for three years prior to grant. A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	**–**	**–**
Granted	**12,510**	**£10.18**
Additional shares for rights issue*	**1,780**	**–**
Lapsed	**–**	**–**
Exercised	**–**	**–**
Outstanding at 31 December	**14,290**	**£10.18**
Exercisable at 31 December	**–**	**–**

* The exercise prices for grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, have been decreased by 14.2 per cent and the number of shares granted have been increased to ensure option holders were compensated for the dilutive impact of the rights issue.

	2008	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
£10.18	**£10.18**	**5.3 years**

There are no vested 2008 Irish Sharesave awards as at 31 December 2008.

42. Share based payments continued

2004 UK and International Sharesave Schemes

Valuation

Options are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of the Group. The fair value per option granted and the assumptions used in the calculation are as follows:

	2008		2007	
Grant date	**3 October**	**16 September**	1 October	26 September
Share price at grant date	**£14.52**	**£14.52**	£15.88	£16.18
Exercise price	**£11.62**	**£11.62**	£12.43	£12.43
Vesting period (years)	**3/5**	**3/5**	3/5	3/5
Expected volatility (%)	**39.6/48.7**	**39.6/48.7**	20.7/24.2	20.7/24.2
Expected option life (years)	**3.33/5.33**	**3.33/5.33**	3.33/5.33	3.33/5.33
Risk free rate (%)	**2.32/2.53**	**2.32/2.53**	4.9/5.00	5.10/5.00
Expected dividend yield (%)	**2.5/2.73**	**2.5/2.73**	2.9/3.3	2.9/3.3
Fair value (£)	**2.99/3.04**	**2.99/3.04**	4.4/4.9	4.7/5.1

The expected volatility is based on historical volatility over the last three to five years, or three to five years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividend yield and fair values, the first relates to a three year vesting period and the second to a five year vesting period.

A reconciliation of option movements over the year to 31 December 2008 and 2007 is shown below:

	2008		2007	
	No. of shares	**Weighted average exercise price***	No. of shares	Weighted average exercise price
Outstanding at 1 January	**14,266,731**	**£10.91**	11,155,911	£9.76
Granted	**6,241,929**	**£10.18**	5,207,207	£12.43
Additional shares rights issue*	**2,579,391**	**–**	–	–
Lapsed	**(2,574,039)**	**£10.14**	(884,620)	£10.04
Exercised	**(284,154)**	**£7.04**	(1,211,767)	£7.43
Outstanding at 31 December	**20,229,858**	**£9.69**	14,266,731	£10.91
Exercisable at 31 December	**3,588,924**	**£9.69**	235,616	£7.43

* The exercise prices for grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, have been decreased by 14.2 per cent and the number of shares granted have been increased to ensure option holders were compensated for the dilutive impact of the rights issue.

	2008		2007	
Range of exercise price for options outstanding	**Weighted average exercise price**	**Weighted average remaining contractual life**	Weighted average exercise price	Weighted average remaining contractual life
£6.51/£10.90	**£9.69**	**1.9 years**	£10.91	2.7 years

The weighted average share price at the time the options were exercised during 2008 was £13.92 (2007: £18.59) for the UK Sharesave scheme and £13.92 (2007: £18.72) for the International Sharesave scheme.

The intrinsic value of vested 2004 UK and International Sharesave cash-settled awards as at 31 December 2008 was $0.4 million (2007: $2 million).

2004 Deferred Bonus Plan

Under this plan shares are issued directly to participants upon vesting.

A reconciliation of share movements over the year to 31 December 2008 and 2007 is shown below:

	2008 No. of shares	2007 No. of shares
Outstanding at 1 January	**351,340**	301,952
Shares vested	**(324,002)**	(285,227)
Shares awarded	**307,760**	351,340
Additional shares for rights issue*	**43,756**	–
Shares lapsed	**(25,997)**	(16,725)
Outstanding at 31 December	**352,857**	351,340

* For grants awarded prior to the announcement of the rights issue on 24 November 2008 which have not been exercised or lapsed, the number of shares granted have been increased by 14.2 per cent to ensure option holders were compensated for the dilutive impact of the rights issue.

Notes:
a) Market value of shares on date of awards (6 March) was £16.43 (2007: £13.95).
b) The shares vest one year after the date of award.

43. Cash flow statement

Adjustment for non-cash items and other accounts

	Group		Company	
	2008 $million	2007 $million	2008 $million	2007 $million
Depreciation and amortisation	**425**	345	**–**	–
Gain on disposal of property, plant and equipment	**(10)**	(1)	**–**	–
Gain on disposal of investment securities and loan and receivable financial assets	**(322)**	(342)	**–**	–
Rights issue option	**(233)**	–	**(233)**	–
Gain arising on repurchase of subordinated-liabilities	**(384)**	–	**(384)**	–
Gain arising on initial recognition and partial sale of Visa Inc. shares	**(17)**	(107)	**–**	–
Writedowns relating to asset backed securities	**49**	87	**–**	–
Movement in fair value hedges on available-for-sale assets	**26**	(21)	**–**	–
Amortisation of discounts and premiums of investment securities	**(390)**	(259)	**–**	–
Pension costs for defined benefit schemes	**45**	110	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**1,321**	761	**–**	–
Dividend income from subsidiaries	**–**	–	**(1,880)**	(385)
Other impairment	**469**	57	**–**	–
Profit on sale of businesses	**(146)**	(18)	**–**	–
Gains arising on acquisition fair values and discount unwind	**(120)**	(164)	**–**	–
Interest expense on subordinated liabilities	**1,049**	811	**184**	126
Total	**1,762**	1,259	**(2,313)**	(259)

Change in operating assets

	Group		Company	
	2008 $million	2007 $million	2008 $million	2007 $million
Increase in derivative financial instruments	**(47,138)**	(12,610)	**–**	–
Net (increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	**7,590**	(3,691)	**–**	–
Net increase in loans and advances to banks and customers	**(39,160)**	(14,983)	**–**	–
(Increase)/decrease in pre-payments and accrued income	**213**	(519)	**–**	–
(Increase)/decrease in other assets	**(8,756)**	(6,396)	**62**	–
Total	**(87,251)**	(38,199)	**62**	–

Change in operating liabilities

	Group		Company	
	2008 $million	2007 $million	2008 $million	2007 $million
Increase in derivative financial instruments	**44,943**	12,144	**26**	–
Net increase in deposits from banks, customer accounts and debt securities in issue	**60,295**	36,135	**1,372**	–
Increase/(decrease) in accruals and deferred income	**1,025**	289	**(63)**	(1,051)
Increase/(decrease) in other liabilities	**(453)**	4,534	**(40)**	87
Total	**105,810**	53,102	**1,295**	(964)

44. Cash and cash equivalents

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

	Group		Company	
	2008 $million	2007 $million	2008 $million	2007 $million
Cash and balances at central banks	**24,161**	10,175	**–**	–
Less restricted balances	**(4,615)**	(4,846)	**–**	–
Treasury bills and other eligible bills	**9,303**	6,203	**–**	–
Loans and advances to banks	**33,913**	32,464	**–**	–
Trading securities	**10,937**	11,342	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**5,303**	930
Total	**73,699**	55,338	**5,303**	930

45. Capital commitments

Capital expenditure approved by the directors but not provided for in these accounts amounted to:

	2008 $million	2007 $million
Contracted	46	29

46. Operating lease commitments

	2008		2007	
	Premises $million	Equipment $million	Premises $million	Equipment $million
Commitments under non-cancellable operating leases expiring:				
Within one year	258	2	179	3
Later than one year and less than five years	470	2	434	2
After five years	509	–	491	1
	1,237	4	1,104	6

During the year $240 million (2007: $159 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2008 is $5 million (2007: $17 million).

47. Contingent liabilities and commitments

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

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

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

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

† On a Basel I basis.

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48. 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

	2008 Reverse repurchase agreements $million	2007 Reverse repurchase agreements $million
Banks	1,578	1,349
Customers	4,833	1,068
	6,411	2,417

Balance sheet liabilities

	2008 Repurchase agreements $million	2007 Repurchase agreements $million
Banks	5,053	2,150
Customers	5,177	364
	10,230	2,514

Collateral pledged against these liabilities is disclosed in note 23. The terms and conditions relating to the collateral pledged typically permits the collateral to be sold or repledged, subject to the obligation to return the collateral at the end of the agreement.

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

	2008 $million	2007 $million
Securities and collateral which can be repledged or sold (at fair value)	5,707	2,410
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)	4,030	1,714

49. Liquidity risk

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

The Risk Review on pages 43 to 63 explains the Group's and Company's risk management with respect to asset and liability management.

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

* Amounts include financial investments held at fair value through profit or loss (see note 16 and note 32).

49. Liquidity risk continued

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

* Amounts have been restated as explained in note 53.

** Amounts include financial instruments held at fair value through profit or loss (see note 16 and note 32).

The Company has financial liabilities of $2,835 million (2007: $1,987 million) maturing in five years or more.

The following table analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'More than five years' maturity band are undated financial liabilities of $4,309 million (2007: $5,640 million), all of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful. Interest payments on these instruments are included within the maturities up to five years.

Group

	2008				2007			
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Deposits by banks	**28,449**	**3,612**	**1,160**	**205**	22,752	1,880	526	133
Customer accounts	**208,355**	**22,792**	**4,698**	**1,628**	158,937	15,896	3,183	1,888
Financial liabilities at fair value	**9,396**	**2,212**	**3,438**	**1,885**	3,662	3,407	2,463	1,767
Derivative financial instruments	**529,175**	**251,250**	**138,445**	**17,593**	420,884	260,597	91,272	22,962
Debt securities in issue	**12,572**	**5,870**	**4,921**	**6,405**	10,535	10,594	6,242	2,436
Subordinated liabilities and other borrowed funds	**156**	**2,353**	**6,046**	**20,876**	305	1,190	5,476	20,247
Other liabilities	**13,258**	**1,903**	**170**	**7,065**	10,645	663	437	9,120
Total liabilities	**801,361**	**289,992**	**158,878**	**55,657**	627,720	294,227	109,599	58,533
Gross loan commitments	**40,005**	**9,871**	**13,265**	**1,053**	20,207	14,215	3,446	293

The cash flows presented in the above table reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, the liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity.

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receive leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

49. Liquidity risk continued

Company

	2008				2007			
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million
Derivative financial instruments	**26**	**–**	**–**	**–**	–	–	–	–
Debt securities in issue	**–**	**54**	**90**	**1,317**	–	–	–	–
Subordinated liabilities and other borrowed funds	**–**	**118**	**723**	**1,940**	15	101	466	2,553
Other liabilities	**863**	**–**	**–**	**–**	1,089	–	–	77
Total liabilities	**889**	**172**	**813**	**3,257**	1,104	101	466	2,630

50. Currency risk

Foreign exchange risk is managed and measured as set out in the Market risk section of the Risk review on pages 59 to 61.

Foreign exchange risk arising within the non-trading portfolio, excluding structural positions, is minimised by match funding assets and liabilities in the same foreign currency.

Structural foreign exchange risks arise from net investments in currencies other than US dollars. The Group has made net investments in Group undertakings in a number of currencies.

The resulting foreign exchange exposures are managed on an individual basis, and are assessed regularly taking account of foreign exchange rate expectations. The positions are treated as long-term embedded exposures, and are not treated as trading positions. Hedges of the foreign exchange exposures may be considered in certain limited cases. At 31 December 2008, the Group had taken a net investment hedge of $600 million (2007: $nil 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 at 31 December 2008 and 2007:

	2008 $million	2007 $million
Korean won	**4,469**	5,607
Hong Kong dollar	**4,985**	5,090
Indian rupee	**2,369**	2,258
Taiwanese dollar	**2,112**	1,833
Thai baht	**991**	958
UAE dirham	**1,075**	808
Singapore dollar	**532**	734
Chinese yuan	**883**	727
Pakistani rupee	**563**	705
Malaysian ringgit	**731**	674
Indonesian rupiah	**428**	475
Other	**1,985**	1,965
	21,123	21,834

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 between different currencies. The impact on the positions above would be an increase of $143 million (2007: $91 million). Changes in the valuations of these positions are taken to reserves.

The Company's assets and liabilities are predominantly in US dollars. It has assets of $1,633 million (2007: $687 million) and liabilities of $782 million (2007: $724 million) denominated in currencies other than US dollars.

51. Credit risk

Maximum exposure to credit risk

The table below presents the Group's maximum exposure to credit risk of the Group's balance sheet and off-balance sheet financial instruments at 31 December 2008, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

The Group's maximum exposure to credit risk has increased by $85 billion compared to 2007, primarily due to increased lending to customers, up $31 billion, reflecting strong growth in the Wholesale Banking portfolio, particularly in the financing segment and an increase in derivative instruments of $43 billion as a result of increased volumes in the foreign exchange and rates business.

Collateral is held to mitigate the credit risk exposures primarily in respect of loans and advances, and consisting of residential, commercial and industrial properties, securities and other assets such as plant and machinery. Further details of the credit risk mitigation undertaken by the Group is contained within the Risk review on page 49.

	2008 $million	2007 $million
Financial assets held at fair value through profit or loss*	**14,800**	22,588
Derivative financial instruments	**69,657**	26,204
Loans and advances to banks and customers	**220,761**	189,631
Investment securities*	**67,749**	52,584
Contingent liabilities	**39,545**	33,719
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	**29,353**	32,148
	441,865	356,874

* Excludes equity shares.

As set out in note 19, the Group has entered into synthetic loan securitisations and synthetic trade receivable securitisations on which it has mitigated certain of the credit risks. In respect of derivative financial instruments, $45,896 million (2007: $17,282 million) is available for offset as a result of master netting agreements which do not, however, meet the criteria under IAS 32 to enable these balances to be presented on a net basis in the financial statements as in the ordinary course of business they are not intended to be settled net.

The maximum exposure to credit risk of the Company is $5,303 million (2007: $2,019 million), which relates to amounts owed by subsidiary undertakings.

Summary analysis of the loan portfolio

	2008				2007			
	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Individually impaired loans, net of provisions	**18**	**519**	**812**	**1,331**	8	517	364	881
Past due but not impaired loans	**53**	**4,391**	**791**	**5,182**	10	4,589	422	5,011
Neither past due nor impaired loans	**47,881**	**75,754**	**96,896**	**172,650**	37,662	77,156	74,469	151,625
Total loans and advances	**47,952**	**80,664**	**98,499**	**179,163**	37,680	82,262	75,255	157,517
Portfolio impairment provision	**(6)**	**(449)**	**(202)**	**(651)**	(1)	(412)	(123)	(535)
	47,946	**80,215**	**98,297**	**178,512**	37,679	81,850	75,132	156,982
Of which: Loans and advances held at fair value	**1,363**	**–**	**4,334**	**4,334**	2,314	–	2,716	2,716

The Company has loans neither past due nor impaired of $2,706 million (2007: $2,019 million) and has no individually impaired or past due but not impaired loans. Details of loan loss provisions and individually impaired loans are disclosed in notes 21 and 22.

51. Credit risk continued

Loans and advances past due but not individually impaired
The following table sets out the ageing of loans and advances which are past due and for which no individual impairment provision has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired.

For Consumer Banking loans, individual impairment provisions are generally raised at 150 days past due.

For Wholesale Banking, individual impairment provisions are generally raised only when interest and/or principal payments are deemed uncollectible.

	2008				2007			
	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Up to 30 days past due	44	3,268	566	3,834	–	3,559	239	3,798
Between 31 – 60 days past due	–	515	75	590	–	536	38	574
Between 61 – 90 days past due	–	283	150	433	10	342	143	485
Between 91 – 150 days past due	9	325	–	325	–	152	2	154
	53	4,391	791	5,182	10	4,589	422	5,011
Estimated fair value of collateral held	–	1,961	185	2,146	–	4,419	157	4,576

Collateral held against Consumer Banking loans and Wholesale Banking loans largely comprises residential and commercial property and property and securities respectively.

Where the fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans.

Loans and advances neither past due nor impaired
The following table sets out an analysis of loans and advances by internal credit grading which are not past due and for which no individual impairment provision has been raised. The credit gradings set out in the table below are based on a probability of default measure as set out on page 48 of the Risk review. The banding reflects management's segmentation of the credit risk grades.

The increase in loans to banks compared to 2007 is as a result of the placement of excess liquidity with high quality bank counterparties, resulting in an improvement in the proportion lent to counterparties within credit grades one to five. Within loans to customers, the proportion of the loan book falling within credit grades one to five has decreased from 46 to 45 per cent. The proportion of grade 12 loans was maintained at one per cent of the loans to customer portfolio.

	2008				2007			
Total loans and advances neither past due nor impaired	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million	Loans to banks $million	Loans to customers – Consumer Banking $million	Loans to customers – Wholesale Banking $million	Total loans to customers $million
Grades 1 – 5								
– at amortised cost	41,864	33,212	41,134	74,346	32,388	32,824	35,210	68,034
– at fair value	710	–	3,888	3,888	1,686	–	1,789	1,789
Grades 6 – 8								
– at amortised cost	4,066	19,969	35,604	55,573	2,602	19,339	26,236	45,575
– at fair value	649	–	239	239	629	–	784	784
Grades 9 – 11								
– at amortised cost	575	21,294	15,400	36,694	349	23,810	10,080	33,890
– at fair value	4	–	207	207	–	–	153	153
Grade 12								
– at amortised cost	13	1,279	424	1,703	8	1,183	217	1,400
– at fair value	–	–	–	–	–	–	–	–
Total – at amortised cost	46,518	75,754	92,562	168,316	35,347	77,156	71,743	148,899
Total – at fair value	1,363	–	4,334	4,334	2,315	–	2,726	2,726
Grand Total	47,881	75,754	96,896	172,650	37,662	77,156	74,469	151,625
Of which: renegotiated loans	–	682	365	1,047	–	425	341	766

Renegotiated loans which would otherwise be past due or impaired, continue to be accounted for as non-performing (but still considered whether past due for impaired) until a minimum number of payments have been received under the new terms, after which they are considered to be performing loans.

Loans which are renegotiated to include concessions that the Group would not ordinarily make will usually be impaired and therefore excluded from this disclosure.

51. **Credit risk** continued

Collateral and other credit enhancements possessed or called upon

During the year, the Group obtained assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees) as detailed in the table below. Repossessed properties are sold in an orderly fashion. Where the proceeds are excess of the outstanding loan balance they are returned to the borrower. Certain of the equity securities acquired continue to be held by the Group for investment purposes and are classified as available-for-sale, and the related loan derecognised.

	2008			2007		
	Consumer Banking $million	**Wholesale Banking $million**	**Total $million**	Consumer Banking $million	Wholesale Banking $million	Total $million
Property	**150**	**1**	**151**	135	69	204
Debt securities and equity shares	**2**	**4**	**6**	–	–	–
Guarantees	**28**	**–**	**28**	35	5	40
Other	**54**	**1**	**55**	9	58	67
	234	**6**	**240**	179	132	311

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	2008			2007		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
Impaired securities	**185**	**106**	**291**	71	17	88
Impairment provisions	**(158)**	**(1)**	**(159)**	(54)	(2)	(56)
Net impaired securities	**27**	**105**	**132**	17	15	32
Securities neither past due nor impaired	**57,405**	**19,315**	**76,720**	55,063	15,047	70,110
	57,432	**19,420**	**76,852**	55,080	15,062	70,142
Of which:						
Held at fair value	**6,396**	**2,707**	**9,103**	14,163	3,395	17,558

Movements in provisions on impaired securities are disclosed in note 23. The impaired debt securities largely include the Group's holdings of ABS CDOs, on which a $41 million (2007: $35 million) impairment charge and other writedowns of $49 million (2007: $87 million) were taken in 2008. Further details of these writedowns are set out on page 57 of the Risk review.

Collateral is held against impaired securities and primarily consist of properties. The undiscounted fair value of collateral held relating to impaired securities is estimated at $22 million (2007: $24 million).

Where the fair value of collateral held exceeds the outstanding securities obligations, any excess is paid back to the customers and is not available for offset against other securities obligations.

The Company has $925 million of debt securities, issued by a subsidiary undertaking.

Securities neither past due nor impaired

The following table analyses debt securities and treasury bills which are neither past due or impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poors or their equivalent. Debt securities held which have a short-term rating are reported against the long-term rating of the issuer. For securities which are unrated, the Group applies an internal credit rating as described under Loans and Advances.

	2008			2007		
	Debt securities $million	**Treasury bills $million**	**Total $million**	Debt securities $million	Treasury bills $million	Total $million
AAA	**9,551**	**18**	**9,569**	12,364	570	12,934
AA- to AA+	**22,522**	**5,269**	**27,791**	16,426	3,216	19,642
A- to A+	**14,361**	**10,862**	**25,223**	14,358	7,788	22,146
BBB- to BBB+	**4,939**	**2,246**	**7,185**	6,341	1,822	8,163
Lower than BBB-	**2,367**	**615**	**2,982**	2,586	1,357	3,943
Unrated	**3,665**	**305**	**3,970**	2,988	294	3,282
	57,405	**19,315**	**76,720**	55,063	15,047	70,110

Unrated securities primarily relate to corporate issues. Using internal credit ratings, $3,525 million (2007: $2,606 million) of these securities are considered to be investment grade and $445 million (2007: $676 million) sub-investment grade.

52. Fair value of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value.

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

The following sets out the Group's basis of establishing fair values of the financial instruments shown above and those financial assets classified as available-for-sale and financial assets and liabilities held at fair value through profit and loss as disclosed within notes 15, 16, 18, 19, 23, 30, 31, 32 and 33. The Group's basis for establishing the fair value of financial assets and liabilities held at fair value through profit or loss and of derivatives is set out in note 1.

Cash and balances at central banks
The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks
The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money-market rates for debts with a similar credit risk and remaining maturity.

Loans and advances to customers
Loans and advances are presented net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group's loan portfolio is well diversified by geography and industry and is in markets that have had little contagion so far from the turmoil brought about by the dislocation and disruption in financial markets. Approximately one-third of the portfolio reprices within one month, and over 50 per cent reprices within 12 months.

Investment securities
Investment securities with observable market prices, including debt and equity securities, are fair valued using that information. Debt securities that do not have observable market data are fair valued by either discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity, or using quoted market prices for securities with similar credit, maturity and yield characteristics.

Deposits and borrowings
The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity.

Debt securities in issue, subordinated liabilities and other borrowed funds
The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

53. Restatement of prior periods

Acquisitions

In the consolidated balance sheet as at 31 December 2007, the fair value amounts in relation to the acquisitions of Pembroke, Harrison Lovegrove and A Brain contained some provisional balances. During the year to 31 December 2008, certain of these balances have been revised. In accordance with IFRS 3 'Business Combinations', the adjustments to the provisional balances have been made as at the date of acquisition and the 2007 balance sheet amounts restated, with a corresponding adjustment to goodwill, reducing goodwill on acquisitions by $6 million. The adjustments primarily relate to a reassessment of the value property, plant and equipment, together with associated deferred tax. The income statement for 2007 has not been restated, because any effect is immaterial.

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

Other balance sheet adjustments

A re-presentation was made within the Group's balance sheet at 31 December 2007 in respect of the current tax creditor and deferred tax asset to show the current tax and deferred tax asset and liability separately. Details of the re-presentation are set out below:

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

Company cash flow statement

The Company cash flow statement has been represented to appropriately identify the purchase of own shares and the exercise of share options through ESOP. The net impact of the representation is set out below:

	As reported at 2007 $million	Re-presentation $million	Restated at 2007 $million
Change in operating assets	111	(24)	87
Net cash from operating activities	(875)	(24)	(899)
Purchase of own shares	–	(15)	(15)
Exercise of share options through ESOP	–	39	39
Net cash from financing activities	142	24	166

54. Special purpose entities

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

SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see note 19).

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

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

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

54. Special purpose entities continued

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

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated Government securities, which are used to 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 remainder of the Group's exposure represents committed or invested capital in unleveraged investment funds. Standard Chartered Bank was the Investment Manager and Distributor of the US Dollar Liquidity Fund, the single sub fund of Standard Chartered Global Liquidity Funds p.l.c., which closed on 7 July 2008.

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

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

55. Post balance sheet events

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

56. Related party transactions

Directors and officers

Directors' emoluments

Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 89 to 92.

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

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

Transactions with directors, officers and others

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

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

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

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

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

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

Joint ventures

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

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

Associates

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

Open ended investment company

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

Company

The Company has received $105 million (2007: $95 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends the proceeds to Group companies. At 31 December 2008, it had loans to and debt instruments issued by Standard Chartered Bank of $3,036 million (2007: $343 million), loans of $1,724 million (2007: $77 million) to Standard Chartered Holdings Limited, and loans of $1 million (2007: $1 million) to other subsidiaries.

In 2006, the Company licensed intellectual property rights related to the Company's main brands to an indirect wholly owned subsidiary, Standard Chartered Strategic Brand Management Limited (SCSBM), the income from which is held on the Company's balance sheet and released over the term of licence, which expires in 2015. At 31 December 2008, $271 million (2007: $311 million) has been included as deferred income in the Company balance sheet in relation to this licence.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

57. Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgements in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes.

Loan loss provisioning

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables.

Impairment losses for specific loan assets are assessed either on an individual or on a portfolio basis. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are assessed based on the probability of default inherent within the portfolio of impaired loans or receivables.

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

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

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within the income statement or within equity until the instrument is sold or becomes impaired. Details of the type and classification of the Group's financial instruments are set out in notes 15 and 17 to the accounts and the accounting policy set out in note 1 to the accounts. In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. The most significant element of Group assets in which observable prices are not available relates to certain instruments held within the asset backed securities portfolio. At 31 December 2008, assets with a market value of $2.3 billion were held in respect of which there was no observable market data, of which $1.8 billion was held at amortised cost. For these instruments, changing one or more of the assumptions used to reasonably possible alternatives would not significantly change their fair value.

Equity investments that do not have an observable market price are fair valued by applying various valuation techniques, such as earnings multiples, net assets multiples, discounted cash flows, and industry valuation benchmarks. These techniques are generally applied prior to any initial public offering, after which an observable market price becomes available. Disposal of such investments are generally by market trades or private sales.

57. Significant accounting estimates and judgements continued

Goodwill impairment

An annual assessment is made, as set out in note 26, as to whether the current carrying value of goodwill is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement.

Acquired intangible assets

Acquired intangible assets are those that derive their value from contractual customer relationships or that can be separated and sold, and are amortised over their estimated useful lives. They comprise customer relationships, core deposits, brands and acquired licences. The valuation and estimated useful lives of customer relationships, core deposits and brands is dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, royalty rates and applicable costs, variations in which could produce different values and/or useful lives.

For example, if the attrition rates per annum were doubled (or halved) the value of the customer relationships acquired in the acquisitions in 2008 would decrease by approximately $12 million (or increase by approximately $12 million).

Acquired licences are valued at their purchase price and amortised over the period of the licence.

Pensions

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 37 and are updated periodically. The principal assumptions relate to the rate of inflation and the discount rate. The assumed rate of inflation affects the rate at which salaries grow and therefore the size of the pensions that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds which have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that these assumptions will continue in the future. For example, if the discount rate for the UK fund increased by 25 basis points, the liability would reduce by approximately $46 million, and vice versa. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Taxes

Determining income tax provisions involves judgement on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgements as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Share based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense. For example, if the volatility assumption was increased by five per cent (or decreased by five per cent), the fair values for options granted under the Sharesave schemes in 2008 would increase by approximately £0.28 for three year grants, and by £0.33 for five year grants (or decrease by approximately £0.28 for three year grants, and by £0.33 for five year grants).

58. Recently issued accounting pronouncements

The following pronouncements relevant and applicable to the Group and Company were issued as at 31 December 2008 but have effective dates for periods beginning after 31 December 2008. The use of IFRSs and certain IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted. Those IFRSs and IFRIC Interpretations listed below that have been endorsed by the EU, and whose use is therefore permitted, have not been applied in preparing these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Group; none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Description of impact	Latest effective date for the Group and Company
IFRS 8 Operating Segments	IFRS 8 supersedes IAS 14 'Segment Reporting' and requires the reporting of operating segments on the same basis as is used internally for evaluating performance.	1 January 2009
IFRIC 13 Customer Loyalty Programmes	IFRIC 13 clarifies that consideration received for the sale of services for which customer loyalty awards are awarded is allocated between the service delivered and the award credit, based on the fair value of the credit awarded.	1 January 2009
IAS 23 Revised Borrowing Costs	IAS 23 has been revised to remove the option to expense borrowing costs incurred in respect of the construction and development of qualifying assets. Such costs will now be capitalised as a part of the cost of the asset.	1 January 2009
IAS 1 Revised Presentation of Financial Statements	IAS 1 Revised provides the option to either disclose all non-owner changes in equity in one statement of Comprehensive Income or continue to disclose two statements. The standard also requires an additional balance sheet to be presented at the beginning of the earliest comparative period when a change in accounting policy is applied retrospectively or a retrospective restatement is made.	1 January 2009
Amendment to IAS 27 Consolidated and Separate Financial Statements*	This amendment changes the treatment for part disposals, both when control is retained (which is accounted for as an equity transaction, generating no profit or loss in the income statement) and when control is lost (where the residual holding is measured at fair value with any changes reflected in income).	1 January 2010**
IFRS 3 Revised Business Combinations*	IFRS 3 Revised requires acquisition costs to be expensed and not capitalised; an estimate of cash contingent consideration to be made at the date of acquisition, with any future changes recognised in income; provides the option to recognise 100 per cent of the goodwill of an acquired entity in a partial acquisition. The Standard can be applied early, on a prospective basis, for annual periods beginning on or after 30 June 2007.	1 January 2010**
Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions and the accounting treatment of cancellations by employees, whereby such cancellations will immediately result in the recognition of the amount of the expense that would otherwise have been recognised over the remainder of the vesting period.	1 January 2009
Amendment to IAS 32 Financial Instruments: Presentation	This amendment is in respect of the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. Some financial instruments that currently meet the definition of a financial liability may be classified as equity if they represent the last residual interest in the net assets of an entity.	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation*	The amendment clarifies that foreign exchange risk differences between a parent's functional currency and those of subsidiaries can be hedged and the hedging instruments can be held by any entity or entities within the Group.	1 January 2010**
IFRIC 17 Distributions of Non-cash Assets for Owners*	IFRIC 17 clarifies the timing of recognising a liability for dividends, the value to be used at initial measurement i.e. the fair value of net assets given. It states that a profit or loss impact would arise should the net assets distributed and dividend payable be different from each other.	1 January 2009
Improvements to IFRSs (2007)	Amendments to IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40.	1 January 2009
	Amendment to IFRS 5.	1 January 2010**

* This IFRS or IFRIC Interpretation has not yet been endorsed by the EU.

** Subject to endorsement of the European Union the Group has not yet made a final decision as to whether it will apply in the 2009 financial statements those pronouncements marked (**) in the table above.

59. 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. As set out in note 58, EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Average balance sheets and yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2008 and 31 December 2007. For the purpose of the following table, average balances have generally been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently.

The Group does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	2008			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Assets				
Cash and balances at central banks	**6,796**	**4,563**	**32**	**0.7**
Gross loans and advances to banks	**2,805**	**40,860**	**1,382**	**3.4**
Gross loans and advances to customers	**57**	**182,582**	**11,436**	**6.3**
Impairment provisions against loans and advances to banks and customers	**(379)**	**(1,289)**	**–**	**–**
Investment securities	**4,495**	**72,523**	**3,528**	**4.9**
Property, plant and equipment and intangible assets	**3,219**	**–**	**–**	**–**
Prepayments, accrued income and other assets	**90,866**	**–**	**–**	**–**
Total average assets	**107,859**	**299,239**	**16,378**	**5.5**

	2007			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Assets				
Cash and balances at central banks	5,910	3,087	39	1.3
Gross loans and advances to banks	2,602	31,446	1,975	6.3
Gross loans and advances to customers	1,324	152,555	10,812	7.1
Impairment provisions against loans and advances to banks and customers	(157)	(1,472)	–	–
Investment securities	2,666	66,131	3,350	5.1
Property, plant and equipment and intangible assets	3,263	–	–	–
Prepayments, accrued income and other assets	36,996	–	–	–
Total average assets	52,604	251,747	16,176	6.4

Average balance sheets and yield continued

	2008			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	**17,489**	**–**	**–**	**–**
Interest bearing current accounts and savings deposits	**102**	**84,490**	**1,231**	**1.5**
Time and other deposits	**6,711**	**146,680**	**5,373**	**3.7**
Debt securities in issue	**2,594**	**28,189**	**1,338**	**4.7**
Accruals, deferred income and other liabilities	**82,114**	**–**	**–**	**–**
Subordinated liabilities and other borrowed funds	**–**	**16,637**	**1,049**	**6.3**
Minority interests	**619**	**–**	**–**	**–**
Shareholders' funds	**21,473**	**–**	**–**	**–**
Total average liabilities and shareholders' funds	**131,102**	**275,996**	**8,991**	**3.3**
Net yield				**2.2**
Net interest margin				**2.5**

	2007			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	18,004	–	–	–
Interest bearing current accounts and savings deposits	–	65,718	1,508	2.3
Time and other deposits	547	112,616	6,049	5.4
Debt securities in issue	1,302	26,637	1,543	5.8
Accruals, deferred income and other liabilities	46,566	–	–	–
Subordinated liabilities and other borrowed funds	–	14,220	811	5.7
Minority interests	425	–	–	–
Shareholders' funds	18,316	–	–	–
Total average liabilities and shareholders' funds	85,160	219,191	9,911	4.5
Net yield				1.9
Net interest margin				2.5

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the periods presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to changes in volume.

	2008 versus 2007		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	**10**	**(17)**	**(7)**
Loans and advances to banks	**318**	**(911)**	**(593)**
Loans and advances to customers	**1,970**	**(1,346)**	**624**
Investment securities	**311**	**(133)**	**178**
Total interest earning assets	**2,609**	**(2,407)**	**202**
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	**381**	**(143)**	**238**
Interest bearing current accounts and savings deposits	**283**	**(560)**	**(277)**
Time and other deposits	**1,077**	**(1,753)**	**(676)**
Debt securities in issue	**(122)**	**(83)**	**(205)**
Total interest bearing liabilities	**1,619**	**(2,539)**	**(920)**

	2007 versus 2006		
	Increase/(decrease) in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	27	(17)	10
Loans and advances to banks	498	300	798
Loans and advances to customers	1,724	39	1,763
Investment securities	378	240	618
Total interest earning assets	2,627	562	3,189
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	86	82	168
Interest bearing current accounts and savings deposits	294	(353)	(59)
Time and other deposits	762	1,024	1,786
Debt securities in issue	118	239	357
Total interest bearing liabilities	1,260	992	2,252

Risk weighted assets

Segmental information by business

	2008				2007			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million
Total risk weighted assets and contingents (Basel I)	–	–	–	–	63,516	108,317	–	171,833
Total risk weighted assets (Basel II)	**52,124**	**136,697**	**–**	**188,821**	53,636	131,718	–	185,354

Segmental information by geography

	2008									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Total risk weighted assets (Basel II)*	**21,072**	**15,064**	**6,314**	**27,020**	**30,739**	**15,578**	**22,070**	**7,247**	**51,744**	**196,848**

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

	2007									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Total risk weighted assets (Basel I)[†,#]	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785

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

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

Continuing connected transactions

As noted in the Report of the directors on page 70 the Group is required to include in this Annual Report information regarding certain transactions with Temasek.

On 10 January 2008, the Company and HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaCommercial Trust (CCT) (a Temasek associate), entered into a Framework Agreement for three years ending 11 January 2011 in relation to continuing connected transactions for the leasing of premises. For the years ended 31 December 2006 and 2007, the rental and licence fees paid to CCT under relevant leases and licences amounted to $6.4 million and $7.6 million respectively. Pursuant to the Framework Agreement, the Group will continue to enter into leases and licence agreements with CCT provided that the maximum aggregate annual value to be paid under such leases and licences shall not exceed SG$70 million. The maximum aggregate annual value has been calculated based on a significant increase in the rental rate in line with market conditions and projections of new space that the Group could secure between 2008 and 2010.

During the year to 31 December 2008, members of the Group have entered into certain non-exempt continuing connected transactions (as defined by reference to the HK Listing Rules) with Temasek or its associates in the ordinary and usual course of its business and on normal commercial terms (and with reference to prevailing market rates as applicable) or in accordance with the practice commonly adopted in the market (where applicable). These transactions are detailed in the tables on page 174. Additional details are provided on page 70 of the Report of the directors.

Continuing connected transactions continued

Transaction Category	Notes	Year to 31 December 2008 Aggregate notional value/ principal amounts during the year $million	Notional value of outstanding transactions or principal amounts as at 31 December 2008 $million	Fair value of outstanding transactions as at 31 December 2008 $million	Total number of transactions during the year	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	323,940	15,386	(553)	29,147	89
Derivatives	ii	94,402	53,910	(141)	6,848	39
Capital markets dealing	iii	8,403	–	–	2,177	7
Physical commodity dealing	iv	–	–	–	–	–
Financial assistance by non-banking licensed subsidiaries	v	378	350	–	5	1

Transaction Category	Notes	Year to 31 December 2007 Aggregate notional value/ principal amounts during the year $million	Notional value of outstanding transactions or principal amounts as at 31 December 2007 $million	Fair value of outstanding transactions as at 31 December 2007 $million	Total number of transactions during the year	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	145,160	5,843	(9)	17,157	83
Derivatives	ii	66,734	21,467	(530)	5,294	29
Capital markets dealing	iii	1,665	–	–	832	12
Physical commodity dealing	iv	18	–	–	8	2
Financial assistance by non-banking licensed subsidiaries	v	16	–	–	1	1

		Year to 31 December 2008*		Year to 31 December 2007	
Transaction Category	Notes	Gross fee revenue to the Group $million	Total number of Temasek associates with whom transactions were entered	Gross fee revenue to the Group $million	Total number of Temasek associates with whom transactions were entered
Securities services	vi	3.4	16	4.0	18
Cash management services	vii	0.5	120	0.7	111
Trade services	viii	3.2	67	2.9	74
Advisory and arranging services	xi	37.9	12	1.5	10

* This data reflects transactions with Temasek or its associates (as defined by the HK Listing Rules) which the Group was able to identify within the extensive Temasek group of companies as at 17 December 2008.

i Foreign exchange includes spot, forward and foreign exchange swap transactions.

ii Derivatives includes over-the-counter derivatives (including swaps, forwards, options and combinations thereof) on currencies, interest rates, commodities, credit risk, bonds, equities and any other classes of underlying prices, rates, indices or instruments.

iii Capital markets dealing includes sales, purchases and participations of securities, loans and other financial instruments.

iv Physical commodity dealing relates to financing transactions, such as inventory finance in which a member of the Group takes title to the relevant commodities, and have the benefit of the financial assistance exemptions in the HK Listing Rules. However, transactions entered into for hedging purposes in connection with commodity derivatives and some other transactions in physical commodities are not connected with a financing and are not, therefore, exempt under the HK Listing Rules.

v Financial assistance by non-banking subsidiaries includes the granting of credit, lending money, providing security for or guaranteeing a loan and transactions of a similar nature or directly related to the same, by members of the Group which are not licensed as banking companies which would otherwise have allowed them to benefit from the exemption for such transactions as is available to licensed banking companies under the HK Listing Rules.

vi Securities services includes custody, escrow agency, receiving bank, trustee, transfer agency, paying agency and funds administration services, derivatives clearing services and facilities for custody clients to lend their securities.

vii Cash management services includes account services (payments and collections), liquidity management services and clearing services.

viii Trade services includes trade services not involving credit exposure, such as export bills collection, advising of letters of credit, document preparation, processing and checking services and safekeeping of documents.

xi Advisory and arranging services includes corporate finance advisory services, arranging and advising on loans from third party lenders and public and private placements of securities (where the Group does not participate as lender, underwriter or subscriber).

Five year summary

	2008 $million	2007* $million	2006 $million	2005 $million	2004** $million
Operating profit before impairment losses and taxation	**6,357**	4,852	3,824	3,050	2,533
Impairment losses on loans and advances and other credit risk provisions	**(1,321)**	(761)	(629)	(319)	(214)
Other impairment	**(469)**	(57)	(15)	(50)	(68)
Profit before taxation	**4,801**	4,035	3,178	2,681	2,251
Profit attributable to shareholders	**3,408**	2,841	2,278	1,946	1,578
Loans and advances to banks[1]	**46,583**	35,365	19,724	21,701	16,687
Loans and advances to customers[1]	**174,178**	154,266	139,300	111,791	72,019
Total assets	**435,068**	329,871	266,102	215,096	147,124
Deposits by banks[1]	**31,909**	25,880	26,233	18,834	15,162
Customer accounts[1]	**234,008**	179,760	147,382	119,931	85,093
Shareholders' equity	**22,140**	20,851	16,853	11,882	9,105
Total capital resources[2]	**39,681**	37,192	30,096	22,682	16,837
Information per ordinary share					
Basic earnings per share †	**202.4c**	176.0c	148.0c	130.0c	113.4c
Normalised earning per share[3] †	**174.9c**	173.0c	149.4c	134.5c	109.1c
Dividends per share ††	**61.62c**	59.65c	53.40c	48.1c	43.2c
Net asset value per share	**1,091.1c**	1,374.2c	1,208.5c	897.3c	719.0c
Ratios					
Post-tax return on ordinary shareholders' equity – normalised basis[3]	**15.2%**	15.6%	16.9%	18.0%	18.6%
Basic cost-income ratio	**54.5%**	56.2%	55.6%	55.5%	52.9%
Cost-income ratio – normalised basis[3]	**56.1%**	56.0%	55.2%	54.5%	54.0%
Capital ratios:					
Tier 1 capital# †††	**10.1%**	8.8%	8.3%	7.7%	8.6%
Total capital# †††	**15.6%**	15.2%	14.2%	13.6%	15.0%

1 Excludes amounts held at fair value through profit or loss.

2 Shareholders' funds, minority interests and subordinated loan capital.

3 Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, profits and losses of a capital nature, and profits and losses on repurchase of subordinated liabilities.

* Amounts have been restated as explained in note 53 on page 163.

** IFRS (excluding IAS 32 and 39).

Unaudited.

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

†† Dividends per share in respect of prior periods has been restated for the impact of the rights issue to provide a more meaningful comparison.

††† For 2008 and 2007, on a Basel II basis, 2004–2006, on a Basel I basis.

Dividend and interest payment dates

Ordinary shares	Final dividend	Interim dividend (provisional only)
Results and dividend announced	3 March 2009	4 August 2009
Ex dividend date	11 March 2009	12 August 2009
Record date for dividend	13 March 2009	14 August 2009
Last date to elect for share dividend or to change standing instructions	24 April 2009	18 September 2009
Dividend payment date	15 May 2009	8 October 2009

Preference shares	1st half yearly dividend	2nd half yearly dividend
$7^3/_8$ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2009	1 October 2009
$8^1/_4$ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2009	1 October 2009
6.409 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2009	30 July 2009
7.014 per cent Non-cumulative redeemable preference shares of $5 each	30 January 2009	30 July 2009
8.125 per cent Non-cumulative redeemable preference shares of $5 each	27 May 2009	27 November 2009

Annual general meeting

The annual general meeting (AGM) will be held at 12 noon (UK time) (7.00 pm Hong Kong time) on Thursday 7 May 2009 at The Honourable Artillery Company, Armoury House, City Road, London EC1Y 2BQ. Details of the business to be transacted at the AGM are included in the Notice of AGM.

Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website.

Interim results

The interim results will be announced to the London Stock Exchange, the Stock Exchange of Hong Kong and put on the Company's website.

ShareCare

ShareCare is available to shareholders on the Company's United Kingdom register who have a United Kingdom address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at http://investors.standardchartered.com/mypage.cfm or contact the shareholder helpline on 0870 702 0138.

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 1999	15 October 1999	6.75p	860.8p
Final 1999	26 May 2000	16.10p	797.9p
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/$12.32
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/$10.215
Final 2002	13 May 2003	32.9c/20.692p/HK$2.566	£6.884/$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK$1.205	£8.597/$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK$2.8448	£8.905/$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.2760/$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
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

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 or loss) when you donate shares to charity and UK taxpayers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at www.investorcentre.co.uk or contact our registar for a mandate form.

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 7ZY shareholder helpline number 0870 702 0138. If you hold your shares on the Hong Kong branch register please contact Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. You can check your shareholding at: www.investorcentre.co.uk

Chinese translation

If you would like a Chinese version of the 2008 Report and Accounts please contact:

Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

年報之中文譯本可向香港中央證券登記有限公司索取，地址:香港皇后大道東183號合和中心18樓1806-1807室。

Shareholders on the Hong Kong branch register who have asked to receive the Report and Accounts in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Report and Accounts, the English text shall prevail.

Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong or the United States will be sent to you with your dividend documents.

Electronic communications

If you hold your shares on the United Kingdom register and in future you would like to receive the Report and Accounts electronically rather than by post, please register online at: www.investorcentre.co.uk. Then click on Register and follow the instructions. You will need to have your Shareholder or ShareCare Reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically and change your bank mandate or address information.

Forward looking statements

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

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

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

www.standardchartered.com

Major awards 2008

Asian Investor Achievement Awards 2008

Best Fund Administrator, Islamic Products

Asia Risk Awards 2008

Commodity/Energy Derivatives House of the Year

CFO World Awards 2008

Best International Business

Best Supply Chain Finance Provider in Asia

Best Offshore Business

Euromoney Islamic Finance Awards 2008

Best Project Finance House

Euromoney Awards for Excellence 2008

Best Cash Management Bank in the Middle East

Best Debt House in United Arab Emirates, Kuwait and Thailand

Best Foreign Exchange Bank in Africa

Global Best Private Bank

Euromoney Project Finance Awards

Middle East Power, Telecoms, Islamic Finance and IWP Deal of the Year

Asia-Pacific Mining, Telecoms, Refinancing and Industrial Deal of the Year

FinanceAsia Country Achievement Awards 2008

Best Commercial Bank in Pakistan

Financial-i Awards for Leaders in Innovation 2008

Most Innovative Securities Service Provider Asia

Global Finance

Best Bank for Liquidity Management in Africa

Best Bank for Risk Management in Asia

Best Bank in Botswana and Zambia

Best Corporate/Institutional Internet Bank in Asia/Pacific

Best Corporate/Institutional Internet Bank – Global (not part of world's 50 largest financial institutions)

Best Corporate/Institutional Internet Bank in Asia in Indonesia, Malaysia, Nepal, Pakistan and South Korea

Best Corporate/Institutional Internet Bank in Middle East and Africa in Botswana, Ghana, Jordan, Kenya, Qatar, Sierra Leone, UAE and Zimbabwe

Best Corporate/Institutional Internet Bank in Middle East/Africa

Best Corporate/Institutional Internet Bank in Trade Finance Services in Asia, Middle East and Africa

Best Foreign Exchange Bank in Africa and Gambia

Best FX Derivatives Provider in Asia

Best Sub-Custodian Bank in Asia, India, Indonesia, Middle East and United Arab Emirates

Best Supply Chain Finance Provider in Asia

Best Trade Finance Provider in Asia and Singapore

Best Trade Finance Services – Global

Best SME Lending, Foreign Bank in China

World's Best Internet Bank for Africa and Middle East

Global Trade Review Leaders in Trade Awards 2008

Best Trade Finance Bank in Asia Pacific

ICFA Global Awards 2008

Custodian of the Year in Asia and Australia/Middle East and Africa

Profit Loss Digital FX Awards 2008

Best Emerging Markets Platform Award

The Asian Banker Excellence in Retail Financial Services Awards 2008

Best Regional Retail Business in Asia

Best Retail Bank in Bangladesh, Brunei and Pakistan

Best Foreign Retail Bank in China

The Asset Triple A Asian Awards 2008

Best Transaction Bank in Korea

Best Trade Finance Bank in Korea

Best Sub-Custodian in Korea

Best Domestic Custodian in Korea

Best Cash Management Bank in South Asia

Structured Finance Banker of the Year: Ong Tee Chong

Best Debt House in India, Pakistan and Singapore

Best Project Finance Advisory House

Best Structured Trade Solution: Zhong Jun, $35m, Pre-export Finance Facility

Most Commended CDOs: Start IV CLO

Best Structured Deal: Asia Pacific Sealane (Trade Finance) Limited, $3bn, Trade Finance Securitisation

The Banker Awards

Bank of the Year in Emerging Markets

Bank of the Year in Gambia

The Banker CSR Awards 2008

Best Overall Bank

Best in Corporate Finance

Banking the Unbanked

Trade Finance Awards for Excellence 2008

Best Trade Bank in Sub-Saharan Africa and Middle East

Best Commodity Finance Bank

Best Trade Bank in Singapore

Best International Trade Finance Bank in India

Trade Finance Deal of the Year

Deal of the Year Excelcomindo, Hyundai Steel, Henan Yuguang, Cocobod, Farmsecure and Mohsen Line General Trading

Seatrade Middle East and Indian Subcontinent Awards 2008

Ship Finance Award

Treasury Management International Awards for Innovation and Excellence 2008

Best Bank Financial Supply Chain in Asia

Best Bank Risk Management in Asia

The Banker Deal of the Year Awards 2008

Best Deal in Bahrain: Arcapita Bank, $1.1bn, Syndicated Murabaha Facility

Best Deal in Singapore: Sealane Trade Finance, $3bn, Synthetic Securitisation

Islamic Finance New Awards

Sukuk Deal of the Year – Tamweel Sukuk

Sovereign Deal of the Year and Pakistan Deal of the Year – Government of Pakistan Domestic Sukuk

Project Finance Deal of the Year – Al Ma’aden Phosphate Company

Brunei Deal of the Year – Brunei Gas Carriers

Kuwait Deal of the Year – The Investment Dar Company

ASiAMONEY AWARDS 2008

Philippines Deal of the Year – Banco de Oro P10 billion 8.5% subordinated bond due 2013

Private Banker International Awards 2008

Outstanding Private Bank in Asia Pacific

Structured Products Asia Awards 2008

Structured Product House of the Year Singapore, China, Taiwan

CNBC Financial Advisors Awards 2008

Best Financial Advisors Award amongst Banks in India

The Hong Kong Management Association

Citation Impact on the Community Award

The Next Magazine

The Charitable Organization Award

The Hong Kong Council of Social Service

Caring Company

President’s Social Services Award

Community Investment 2008

The British Business Awards

Best Local CSR Initiative – Japan

HR Awards Hong Kong

Employer of Choice Award - Hong Kong

Excellent Novel Radical Award

ExNoRa Green Bank Award

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